

# INNOCONCEPTS N.V.

(a public limited liability company incorporated in the Netherlands with its statutory seat in Rotterdam, the Netherlands)

## 2 for 1 rights offering of 52,263,352 new ordinary shares to existing holders of ordinary shares at an issue price of €0.52 per ordinary share and up to 7,692,307 additional shares

InnoConcepts N.V. (“**InnoConcepts**” or the “**Company**”) is offering 52,263,352 new ordinary shares with a nominal value of €0.01 each (the “**Offer Shares**”), initially by granting the existing holders of ordinary shares in the capital of InnoConcepts with a nominal value of €0.01 each (the “**Ordinary Shares**”) as at the Record Date (as defined below and in the section “Definitions”) the right to subscribe for the Offer Shares pro rata to their holdings in the Ordinary Shares, at an issue price of €0.52 per Offer Share (the “**Issue Price**”), subject to applicable securities laws and on the terms set out in this Prospectus (the “**Rights Offering**”). These transferable subscription rights (the “**Rights**”) will entitle the holders thereof to subscribe for the Offer Shares at the Issue Price, provided that the holder is an Eligible Person (as defined in section “Definitions”). As described below, subject to certain conditions, the Rights Offering may be followed by a private placement (the “**Private Placement**”) of Ordinary Shares with an aggregate value of up to €4.00 million by the Company to its CEO, Mr N. Mehra.

The gross proceeds of the Offering (as defined below and in the section “Definitions”) are expected to be approximately €27.2 million. The expenses of the Offering, including management and underwriting fees, are estimated to be approximately €2.0 million. The first €15.0 million net proceeds of the Offering will be used to implement the Company’s new strategy, to improve working capital, to strengthen the balance sheet and to finance ongoing developments and operations of group companies. The net proceeds in the amount of up to €10.0 million above the first €15.0 million will be allocated to repay part of an uncommitted overdraft facility in the amount of €10.0 million (the “**Bridge Loan**”). Any remaining proceeds of the Offering will be used to reduce the net debt level of the Company. In the event that the Private Placement will take place, the net proceeds thereof will be used for general corporate purposes, including for working capital.

Subject to applicable securities laws, the existing Shareholders (as defined below and in the section “Definitions”) are being granted Rights at the Record Date to subscribe for Offer Shares at the Issue Price. Each Shareholder (as defined in section “Definitions”) holding Ordinary Shares immediately following the close of trading in the Ordinary Shares on Euronext Amsterdam by NYSE Euronext (“**Euronext Amsterdam**”) at 17:40 hours, Central European Time (“**CET**”), on 10 December 2009 (the “**Record Date**”), will be entitled to one Right for each Ordinary Share held. Any person who is not an Ineligible Person, as defined below (“**Eligible Person**”) will be entitled to subscribe for 2 Offer Shares for every 1 Right held. Rights can only be exercised in multiples of 1. No fractional Ordinary Shares will be issued. Accordingly, Eligible Persons will have the right to subscribe for 2 Offer Shares for every 1 Ordinary Share held on the Record Date. Eligible Persons may, subject to applicable securities laws, subscribe for Offer Shares through the exercise of Rights from 9:00 hours CET on 8 December 2009 until 15:00 hours CET on 17 December (the “**Subscription Period**”). If you have not validly exercised your Rights before the end of the Subscription Period, you will no longer be able to exercise your Rights. Once you have validly exercised your Rights, you cannot revoke or modify that exercise unless InnoConcepts amends a material term of the Offering or amends this Prospectus in any material respect (see section “The Offering – Subscription Period”).

The Committed Subscribers (as defined in the section “Definitions”) and Mr N. Mehra have committed to participate in the Rights Offering through the exercise of all Rights which will be granted to them for up to an amount of approximately €6.24 million, which represents approximately 23% of the Offer Shares to be issued pursuant to the Rights Offering. Mr N. Mehra agreed to provide this commitment subject to certain conditions of the CEO Commitment Letter (as defined in the section “Definitions”) which have all been fulfilled at the date of this Prospectus. After the end of the Subscription Period, any Offer Shares that were issuable upon the exercise of Rights, but have not been subscribed for during the Subscription Period (the “**Rump Shares**”) will be offered for sale by ING Bank N.V. (“**ING**” or the “**Sole Global Coordinator**”) or the “**Sole Bookrunner**”) by way of a private placement to institutional investors in The Netherlands or certain other jurisdictions (the “**Rump Offering**”). The Rump Offering is expected to commence at 08:00 hours CET on 18 December 2009 and to end no later than 17:30 hours CET on 18 December 2009. The Sole Global Coordinator has agreed to use its best efforts to procure subscribers for any Rump Shares at a price per Rump Share which is at least equal to the Issue Price plus any expenses related to procuring such subscribers (including any value added tax). Any Rump Shares not sold in the Rump Offering, will be subscribed and paid for at the Issue Price by: first, pursuant to an irrevocable undertaking by the Company’s CEO, Mr N. Mehra, up to an amount of €4.00 million, subject to certain conditions of the CEO Commitment Letter, which have all been fulfilled at the date of this Prospectus; second, if Mr N. Mehra has subscribed for Rump Shares with an aggregate Issue Price of €4.00 million and any Rump Shares will still be unsold after such subscription, pursuant to irrevocable and unconditional undertakings by certain Committed Subscribers and the New Investor (as defined in the section “Definitions”) up to a total amount of €4.60 million; and third, if and to the extent that after the subscription for Rump Shares by Mr N. Mehra, the respective Committed Subscribers and the New Investor not all the Rump Shares have been subscribed and paid for, by the Sole Global Coordinator up to a total maximum subscription amount of approximately €12.34 million, subject to the terms and conditions of an underwriting agreement between the Company and the Sole Global Coordinator dated 4 December 2009 (the “**Underwriting Agreement**”). References herein to the “**Offer Shares**” include the Rump Shares (except where otherwise specified). The Rights Offering and the Rump Offering together are referred to as the “**Offering**”. In the event that the number of Rump Shares not sold in the Rump Offering will not be sufficient to absorb the entire amount of €4.00 million of Mr N. Mehra’s underwriting commitment, Mr N. Mehra will invest the remaining portion of the amount of €4.00 million committed by him in a private placement of newly to be issued Ordinary Shares (the “**Private Placement Shares**”) at the theoretical ex-rights price (“**TERP**”), being €0.95 per share. See section “Plan of Distribution”.

The management board of the Company (the “**Management Board**”) resolved with the approval of the Supervisory Board, to issue the Offer Shares, to conditionally issue the Private Placement Shares and to exclude pre-emptive rights (*wettelijke voorkeursrechten*) of Shareholders in relation to the Offering and the Private Placement following authorisation by the Annual General Meeting of Shareholders held on 4 December 2009.

InnoConcepts and the Sole Global Coordinator are not taking any action to permit a public offering of the Offer Shares in any jurisdiction outside The Netherlands. The Rights and Offer Shares are being offered by the Company only in those jurisdictions in which, and only to those persons to whom, granting of the Rights and offers of the Offer Shares (pursuant to the exercise of Rights or otherwise) may lawfully be made. The Rights and the Offer Shares have not been and will not be registered under the US Securities Act of 1933 as amended (the “**Securities Act**”) or under any securities law of any state or other jurisdiction of the United States, and may not be offered, granted, issued, sold, taken up, delivered, renounced, or transferred in or into the United States. Accordingly, the Rights are being granted and the Offer Shares are being offered by the Company only in transactions that are exempted from registration under the Securities Act pursuant to Regulation S thereunder (“**Regulation S**”) and in compliance with any applicable securities regulatory authority of any state or other jurisdiction of the United States. There will be no public offering of the Rights or the Offer Shares in the United States. Potential Investors in the Rights or the Offer Shares should carefully read section “Selling and Transfer Restrictions – For investors in the United States”.

Investing in the Offer Shares and trading in the Rights involves certain risks. See section “Risk Factors” for a discussion of certain factors that should be considered before investing in the Offer Shares or trading in the Rights.

Application will be made for the admission to trading of the Rights on Euronext Amsterdam. InnoConcepts expects trading of the Rights on Euronext Amsterdam to commence at 9:00 hours CET on 8 December 2009 and to end at 13:15 hours CET on 17 December 2009, barring unforeseen circumstances. InnoConcepts expects trading of the Offer Shares on Euronext Amsterdam to commence on 23 December 2009. In the event that the Private Placement will take place, InnoConcepts expects trading of the Private Placement Shares on Euronext Amsterdam to commence on 23 December 2009.

The Ordinary Shares are admitted to trading on Euronext Amsterdam under the symbol “**INNO**”. On 4 December 2009, the closing price of the Ordinary Shares on Euronext Amsterdam was €1.81 per Ordinary Share. The Rights, the Offer Shares and the Private Placement Shares, if any, will be delivered through the book-entry systems of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (“**Euroclear Nederland**”).

If the closing of the Offering does not take place on the day of payment for and delivery of the Offer Shares, which is expected to be 23 December 2009 (“**Closing Date**”), the Offering may be withdrawn. The closing of the Offering is subject to the satisfaction of a number of conditions as described in the Underwriting Agreement (see section “Plan of Distribution – Conditions to the Offering”). The Underwriting Agreement will provide that, upon the occurrence of certain events, such as a material adverse change in the Company’s financial condition or business or in the financial markets, and under certain other conditions, the Underwriting Agreement will be terminated (provided that the Sole Global Coordinator has the right to waive the satisfaction of any of such conditions or part thereof). If any of the conditions to the Offering are not met or not waived by the Sole Global Coordinator or if certain circumstances occur prior to the Closing Date, the Sole Global Coordinator may, at its discretion, terminate the Rump Offering and its obligation to subscribe for any Rump Shares. In such an event, both the exercised and unexercised Rights will be forfeited without compensation to their holders, and subscriptions for and allotments of Offer Shares that have been made will be disregarded. Any subscription payments received by the Company will be returned, without interest. Any such forfeiture of Rights will be without prejudice to the validity of any settled trades in the Rights. There will be no refund in respect of any Rights purchased in the market. All dealings in Rights prior to the closing of the Offering are at sole risk of the parties concerned. Euronext Amsterdam, the Company, Subscription Agent and the Sole Global Coordinator do not accept any responsibility or liability to any person as a result of the withdrawal of the Offering or (the related) annulment of any transactions in Rights on Euronext Amsterdam.

In the event that the Private Placement will take place, it will close on the Private Placement Closing Date. If the Rump Offering will be terminated or if the Offering will be withdrawn, the Private Placement will not take place at all.

This document constitutes a prospectus (the “**Prospectus**”) for the purposes of Article 3 of the directive 2003/71/EC (the “**Prospectus Directive**”) and has been prepared in accordance with Chapter 5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (the “**FSA**”) and the rules promulgated there under. This Prospectus has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the “**AFM**”).

Sole Global Coordinator and Sole Bookrunner

**ING**

The date of this Prospectus is 4 December 2009



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## SUMMARY

*This summary should be read as an introduction to this Prospectus and any decision to invest in the Offer Shares should be based on a consideration of the Prospectus as a whole, including the information in the chapter headed “Risk Factors”, any amendment and supplement to this Prospectus and the documents incorporated by reference herein. No civil liability attaches to the Company solely on the basis of the summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State of the European Economic Area where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.*

## SUMMARY OF THE BUSINESS

### **Rationale for the Offering**

The Offering is intended to implement the Company’s new strategy, to improve our working capital, to strengthen our balance sheet, to finance ongoing developments and operations of group companies and to reduce our net debt level.

### **Use of Proceeds**

The gross proceeds of the Offering are expected to be approximately €27.2 million. The expenses of the Offering, including management and underwriting fees, are estimated to be approximately €2.0 million. The Company estimates receiving approximately €25.0 million after deduction of the estimated expenses and commissions and applicable taxes (if any) payable by it in connection with the Offering. In the event that the Private Placement will take place, the Company will receive additional proceeds of up to €4.0 million.

The first €15.0 million net proceeds of the Offering will be used to implement the Company’s new strategy, to improve working capital, to strengthen the balance sheet and to finance ongoing developments and operations of group companies. The net proceeds in the amount of up to €10.0 million above the first €15.0 million will be allocated to repay the Bridge Loan. Any remaining proceeds of the Offering will be used to reduce the net debt level of the Company. In the event that the Private Placement will take place, the net proceeds thereof will be used for general corporate purposes, including for working capital.

### **Working capital statement**

Our current cash resources, together with our Facilities Agreement (as defined in section “Definitions”) do not provide us with sufficient working capital for the next 12 months following the date of this Prospectus. However, we do have sufficient working capital for our present requirements until 1 January 2010, the date on which we will be in breach of our Facilities Agreement.

If the Offering is successfully completed at the Issue Price, the net proceeds of the Rights Offering are expected to be approximately €25.0 million. In addition, subject to a successful Rights Offering we have agreed with ING, our main lender, to amend our Facilities Agreement (see also section “Operating and Financial Review – Liquidity and capital resources”). As stated above under section “Summary of the Business – Use of Proceeds”, €15.0 million of the net proceeds of the Offering will be used to implement the Company’s new strategy, to improve working capital, to strengthen the balance sheet and to finance ongoing developments and operations of group companies and an amount of up to €10.0 million will be used to repay the Bridge Loan. We believe that the aforementioned amount of €15.0 million out of the

net proceeds of the Offering, together with the agreed amendments to the Facilities Agreement following completion of the Offering, will provide us with sufficient working capital for our present requirements for the next 12 months following the date of this Prospectus.

As described in this Prospectus, the Committed Subscribers and Mr N. Mehra have agreed to exercise the Rights with an aggregate value of €6.24 million. In addition, the Company received underwriting commitments from Mr N. Mehra, certain Committed Subscribers, the New Investor and ING, for an amount of up to €20.94 million, adding up to a total of €27.18 million.

If the Offering would be withdrawn (see section “Plan of Distribution – Conditions to the Offering”), and we do not raise at least €15.0 million of additional net financing through the Offering or other sources on or before 31 December 2009, we will be in breach of our Facilities Agreement as of 1 January 2010 and our indebtedness thereunder (at that time approximately €55.0 million) will become immediately due and payable. If that were to occur, we would require additional funds of approximately €70.0 million to cover the deficit in our working capital (including repayments of debt) for the 12 months following the date of this Prospectus. This may adversely affect our cash flow, our ability to operate our business and the market price of the Ordinary Shares. We intend to raise funds to cover the deficit from other sources, which may include additional debt and equity offerings, refinancing our Facilities Agreement, renegotiating the terms and conditions of our Facilities Agreement or selling some or all of our assets. However, we may not be able to secure such additional financing at all or on acceptable terms.

In respect of the above, we also refer to the following risk factors in section “Risk Factors” – Risks relating to our business (i) the Company may not be able to meet its obligations under its loan agreements, (ii) the Company or its participations may be unable to secure additional financing in the future; and (iii) the Company’s debt could adversely affect its financial condition or results of operations.

### **Strategy and Objectives**

As of September 2009, we changed our strategic focus in two respects. First, at Company level, we decided to focus on the exploitation of our injection moulding technology (“**IM Technology**”), which is our most valuable asset. Second, to improve our expected cash flow we decided to focus our exploitation of the IM Technology on selling moulds to producers of plastic packaging products (“**Converters**”) with an implied license fee per individual mould.

Historically, we started building our Company through marketing innovations. In the recent past, we have focused on two specific business-to-business technologies: (i) plastic packaging technology via I-Pac Technologies N.V. (“**I-Pac**”) and (ii) cleaning and coating technology via InnoCleaning Concepts Holding B.V. (“**InnoCleaning Concepts**”). See section “Business – History”.

Our key technology in I-Pac relates to a specific IM Technology that enables plastic packaging producers to realise substantial cost reductions.

We have to date exploited our IM Technology in five markets: media packaging, returnable transport packaging, food packaging, automotive and consumer electronics packaging. The roll-out of our IM Technology started in 2001 as a joint operation based on a cooperation agreement for media packaging with Cheng Meng Plastic Production (Dongguan) Limited (also known as Founders) (“**Cheng Meng**”), a contract manufacturer in the People’s Republic of China (“**China**”). See also section “Business – History”. In 2005, we licensed our IM Technology for use in returnable transport packaging (e.g. pallets and crates) to Schoeller Arca Systems N.V., a 100% subsidiary of Schoeller Arca Systems Holding B.V. (“**SAS**”). Subsequently, we licensed our IM Technology to various parties in the food packaging markets, most importantly WNA Holdings, Inc. (“**WNA**”). In 2007, we granted an exploratory license for our IM Technology to the International Automotive Components Group (“**IAC**”) for the automotive industry.

Finally, in 2008 we granted a license to Hoogerman Holding B.V. and its subsidiaries (“**Hoogerman Group**”) to explore the potential for our IM Technology in the consumer electronics packaging area. In the near future we expect revenues related to our IM Technology from the media packaging and returnable transport packaging segment to be limited and we will therefore primarily focus on food packaging and automotive. In addition, we continue to explore possibilities in returnable transport packaging and consumer electronics packaging on a case-by-case basis. The current stage of commercialisation of our IM Technology in each of these five markets differs, but in none of these markets have we yet reached the stage of achieving multiple IM Technology mould sales to specific customers on an ongoing basis.

With respect to commercialising our technology, initially we aimed at (i) licensing of our IM Technology to Converters, often in consideration for an equity participation, and (ii) marketing, product development and production of packaging products for multinational producers of food and beverage products. Although this strategy held the promise of significant value creation in the long term, it did not allow the operational costs of our business to be covered by cash income in the short term (as illustrated by the complete lack of license income in the first half of 2009), thus creating a negative cash flow and resulting in the necessity to obtain additional debt or equity financing on a regular basis.

Following the appointment of our new CEO, Niraj Mehra, in June 2009 we decided to adopt a cash-focused strategy in order to improve our financial performance in a sustainable way and to be less dependent on the availability of additional financing. This strategy is aimed at becoming a focused, cash driven, high growth/high margin developer and marketeer of high technology moulds. This new strategy is primarily aimed at exploiting our IM Technology by selling IM Technology based moulds to Converters with an implied license fee per individual mould and in certain cases ongoing royalties. We also decided to focus our commercial efforts on two markets: food packaging and automotive. We expect that we can implement our new strategy with a more streamlined organisation and thereby reduce our costs, for which we have made the first steps. Nevertheless, I-Pac could still decide to license the IM Technology on an exclusive basis for a specific market segment if and when appropriate. By implementing this new strategy, we expect our business to generate more cash on a short term and create fewer hurdles for potential business partners to start using the technology. In addition, we expect that we can implement our new strategy with a more streamlined organisation and thereby reduce our costs. See sections “Business – Strategy and Objectives” and “Operating and Financial Review – Revenue Model”.

A. In our new strategy, revenues are expected to be generated as follows:

- the sale of moulds (both generic and those equipped with the IM Technology);
- royalty income over the Converters’ future revenues produced with a mould containing our IM Technology;
- upfront license fees and ongoing royalties resulting from licensing specific market segments or multiple products; and
- with certain Converters we may have revenues which are a mix of several of the above.

B. The Converter’s own working capital accessibility enables them to fund the purchase of the moulds and a portion of the license fee until the Converter receives income derived from the sale of plastic parts produced using the mould. Therefore, most Converters prefer to spread license fees over the useful life of the mould, contrary to our interests. The proportion of license fees paid “upfront” ultimately depends on the strength of our negotiating position.

C. Our approach of focusing on a small number of Converters enables us to provide them with moulds and technology on a per mould basis. This reduces the initial investment of our customers,

thus making it easier for them to adopt the IM Technology. Once the mould is installed and the IM Technology is proven inside the Converters' own production process, it may be expected that the amount of orders for IM Technology moulds will substantially increase.

Given the above, the success of our strategy will be contingent on developing a strong relationship with Converters and persuade them to use moulds with our IM Technology. In our opinion there are a number of critical success factors:

- focusing our commercial efforts on a small number of key Converters, principally in food packaging and automotive;
- being a leading innovator and renovator in mould making for Converters; and
- being of social relevance and to provide added value to the environment.

Based on our market position, our current resources and Company structure and the potential impact of our IM Technology on our markets we have defined the following four key objectives:

- to become a cash focused, high growth, high margin developer / marketer of high-technology moulds;
- to achieve double digit annual growth rates;
- the elimination of the overheads and operating costs of the food packaging activity; and
- the elimination of the overheads and substantial adviser and consultancy fees inherent of the old business model.

### **Our Markets and IM Technology**

I-Pac is engaged in the development and marketing of concepts, systems and technologies primarily for the plastic packaging industry. This encompasses the IM Technology, a production technology for the manufacturing of injection moulded plastic packaging and the development and sale of specific product applications. I-Pac still aims to operate a licensing model for specific market segments with leading players in those segments and currently has licensees in the media packaging, the returnable transport packaging, the food packaging segments and the automotive industry. However, we focus on generating cash revenues instead of entering into partnerships with our customers.

I-Pac's IM Technology differentiates itself from traditional injection moulding (as described under "Business – I-Pac Business – Injection Moulding, the I-Pac way") through using among other things:

- a lower injection temperature reducing the cycle times in the production process;
- a multi step process manipulator, including interchangeable and moving mould parts and an explosion moulding system within the mould; and
- an improved cooling process.

These differences result in advantages on material usage and mould efficiency.

Firstly, the IM Technology allows for a reduction of the material usage, as well as more material options and recycled materials. Secondly, with the IM Technology our licensee can either invest less in moulds

or can realise a higher output of products on the same mould. Furthermore, licensees can use moulds multi functionally. Finally, the IM Technology allows for a higher design freedom for the products.

In order to service its clients, I-Pac acquired in 2007 significant equity interests in two mould and system builders, HTP Tooling B.V. (“**HTP**”) and Formy Tachov S.r.o. (“**Formy**”).

### **I-Pac Revenue Model**

With the current revised strategy of InnoConcepts, focusing on I-Pac’s unique IM Technology as core activity, in combination with the mould making activities, the revenue model has been aligned with the strategy and is essentially focused on generating cash and improving our financial performance in a sustainable way.

In our new strategy, revenues are expected to be generated as follows:

- the sale of moulds (both generic and those equipped with the IM Technology);
- royalty income over our Converters’ future revenues produced with a mould containing our IM Technology;
- upfront license fees and ongoing royalties resulting from licensing specific market segments or multiple products; and
- with certain Converters we may have revenues which are a mix of several of the above.

### *Rationale*

Our IM Technology, being an integral part of the mould, enables our customers to reach cost savings on their own production costs. The cost savings relate to less capital expenditure (or higher output on existing capital expenditure), material savings and energy savings. Further to that, our technology allows for a bigger design and manufacturing freedom and allows for a reduction of the emission of CO<sub>2</sub> gasses through the reduction in the usage of plastic materials and energy.

The sale to the customer consists of the hardware (the mould itself) plus a license for the use of this hardware in one or more of the forms stated above.

The Converters own working capital accessibility enables them to fund the purchase of the moulds and a portion of the license fee until the Converter receives income derived from the sale of the plastic parts produced using the mould. Therefore, most Converters prefer to spread license fees over the useful life of the mould, contrary to our interests. The proportion of license fees paid “upfront” ultimately depends on the strength of our negotiating position.

For the purpose of cash generation, we have essentially abandoned the model of receiving a participation in the business of the customer in return for the granting of the license. In the past, such participations have generated significant value for the Company, but the conversion of this value into cash may take several years.

Our approach of focusing on a small number of key Converters enables us to provide them with moulds and technology on a per mould basis. This reduces the initial investment of our customers, thus making it easier for them to adopt the technology. Once the equipment is installed and the IM Technology is proven inside the Converters own production process, it may be expected that the amount of orders for new IM Technology moulds will substantially increase.

## **Trading update – financial developments in the 3<sup>rd</sup> quarter of 2009**

Further to the publication of our half year results and our trading update with regard to the third quarter of 2009, published on 5 November 2009, we continue to experience the consequences of the difficult economic circumstances.

Following our recently revised strategy, we have reviewed and reconsidered the value of our assets and liabilities. Due to the decision not to market and produce unbranded food packaging products ourselves, part of our contracted and own production capacity has become redundant. As a consequence, we have taken a considerable impairment on our tangible fixed assets. Furthermore, we have provided for future liabilities under the existing contract manufacturing agreement with Hoogerman. Finally, we have impaired the full value of our investment in Founders-SAS Production Limited (“**Founders SAS**”) and partially our loan note to the TEA Group. The total value of these impairments and provisions amounts to € 18.5 million.

The market circumstances in which we operate remain difficult and our customers are severely cutting back on investments. As a result, we experienced another tough quarter. Revenues and normalised EBITDA were, adjusted for the seasonal pattern, at the same level as in the first quarters of 2009. Since 30 June 2009 our trading position has not changed significantly in comparison with the first two quarters of 2009. We continue to explicitly focus on cost reductions in addition to the measures already taken in previous quarters.

As a result of operational losses and the additional impairments in this quarter, our solvency has strongly decreased compared to 30 June 2009 to below 40%.

### **Risk Factors**

#### *Risks relating to our business*

- The Company may not be able to protect its intellectual property.
- A substantial portion of InnoConcepts’ revenues are derived from the level of license fees and fees for technology in connection with the sale of moulds the Company charges for the use of its intellectual property. Declines in these license fees and fees for technology in connection with the sale of moulds due to price reductions or other factors would adversely impact the Company’s revenues. Further, failure to implement the Company’s licensed technologies by customers would also have an adverse impact on its revenues.
- The Company may be required to defend itself against claims of infringement of intellectual property rights or other proprietary rights of third parties.
- Patent protection has a limited lifetime.
- The Company may require licenses to use the intellectual property of third parties to fully develop and/or sell its own technologies, products and services.
- Due to the confidential nature of working with intellectual property rights the Company cannot always be fully transparent in its communications to shareholders. This may negatively impact our share price.
- As a result of important changes to InnoConcepts’ structure and strategy, such as the sale and acquisition of entities and changes in the Management Board, the historical financials included in this Prospectus may not be representative for InnoConcepts’ future performance.

- Our shift in strategy may not be successful.
- The business of the Company is that of an early growth stage company with all risks associated with such entities.
- I-Pac operates in a competitive industry and their success in marketing their technologies to the plastics market may be hindered by major players within this industry.
- The Company is a network organisation and relies on third party service providers.
- The Company's business is subject to general economic conditions.
- The Company may fail to effectively identify or execute strategic acquisitions, co-operations, investments or divestment opportunities and if the Company does pursue such transactions the Company may fail to successfully implement them or realise anticipated benefits to its business in a timely manner.
- The Company may acquire and/or develop technologies, products, production facilities and services, which may not prove to be successful.
- Defects in the Company's technologies, products, production facilities or services may harm its reputation and business.
- The Company is involved in partnerships, joint ventures and other long-term contractual arrangements. The Company does not at all times have decisive control, which may lead to decisions contrary to the interest of the Company.
- If the Company fails to successfully introduce new applications of its technologies and/or new products and services or to respond to technological developments, its business, prospects, financial condition or results of operations may suffer.
- The Company's revenues and/or profitability would be adversely affected if demand for its IM Technology and products declines or does not continue to grow.
- Others may independently develop substitutable technologies, products, services or processes superior to those of the Company.
- The Company derives a significant amount of its revenues from a limited number of customers and limited number of products segments.
- On transactions that may be entered into by the Company on the basis of joint venture partnerships, the Company may be jointly and severally liable for the performance of obligations by its joint venture partners.
- The Company is and may be subject to litigation that may impact its business.
- Moulds are capital goods bought after investment decisions from our customers. Customers may postpone or cancel investment decisions, negatively influencing our revenues.
- The Company's success depends to a significant extent upon its ability to attract, integrate, motivate and retain key personnel.

- The Company's tax liability may increase if the tax laws in the countries in which the Company has income streams change or income streams are interpreted by tax authorities in a different way to which the Company has reported them.
- The Company may not be able to manage risks associated with its international sales and operations and with its potential expansion into new international markets.
- The Company operates in multiple jurisdictions and is therefore exposed to the risk of double taxation.
- The Company's business could suffer from increased governmental regulation or other changes in government policies.
- The Company currently is a small organisation with a limited number of employees and informal internal controls.
- Mould making requires skilled labour. The Company might not be able to retain or acquire the workforce it needs to reach sales targets.
- Mould making requires specific production equipment and locations that might not be available in the future due to fire or other accidents.
- The Company is exposed to the risk of a loss of the sole member of the Management Board.
- The Company may not be able to recover the amounts owed to them under loans granted to license partners and others or other long term receivables or amounts that may be paid out under guarantees given by the Company.
- In the ordinary course of business the Company is exposed to credit risks.
- The Company may not be able to meet its obligations under its loan agreements.
- In the ordinary course of business the Company is exposed to liquidity risks.
- The Company or its participations may be unable to secure additional financing in the future.
- The Company's debt could adversely affect its financial condition or results of operations.
- Non-cash payments made by our customers could adversely affect us.
- The Company's business is subject to price fluctuation and availability of oil derivative products or steel.
- The Company and/or its subsidiaries receive prepayments from their customers. Customers may not be willing to continue paying prepayments. This may negatively adverse the cash position of the Company.
- Mould making is a capital and labour intensive process. In order to recover the fixed cost base a mould maker needs to realise certain revenue and margin. Sales and attributable margin might not be sufficient to cover the fixed cost base.
- In the ordinary course of business, the Company is exposed to foreign currency risk and interest rate risk.

- A drop in the market price of Proventec Plc (“**Proventec**”) shares, WNA shares (owned by I-Pac through AFP Licensing Inc.), or other shares owned by the Company could adversely affect the Company’s results.
- Our 20% interest in WNA is subject to certain performance criteria.
- In recent years, a significant proportion of InnoConcepts’ net profit was positively impacted by events, the proceeds of which by their nature are generally only recorded in the financial period in which they are realised and there can be no guarantee that such or similar events will occur in the future.
- It is not certain that the Company will receive dividends or other distributions from Proventec or other interests. In the event the Company makes the strategic decision to sell its interest in Proventec or other participations, the Company may not be able to sell this interest for an appropriate price or at all.
- Impairment losses may occur on certain balance sheet items.
- If the Company continues to experience a negative free cash flow, this may have an adverse effect on the Company’s financial condition and results of operations.
- HTP entered into a new pension plan as per 1 January 2009 which may have an adverse effect on the Company’s financial results.

**Risks relating to the Rights, the Ordinary Shares and the Offering**

- The Company’s share price may fluctuate and you may be unable to sell the Rights or the Offer Shares at or above the price you pay for them.
- Due to the limited liquidity, future sales, or the possibility of future sales, of a substantial amount of Ordinary Shares may negatively influence the price of the Ordinary Shares (including the Offer Shares).
- Future issue of Ordinary Shares may affect the market price of the Ordinary Shares (including the Offer Shares) and may dilute your ownership in InnoConcepts.
- As an investor, you may experience immediate and substantial dilution in the value of the Offer Shares also in view of the remuneration policy of the Company, which partly consists of awarding shares and options to members of the Management Board.
- The level of dividend payable to shareholders may fluctuate, and InnoConcepts cannot guarantee that dividends will be declared or paid in the future.
- InnoConcepts has a limited number of major shareholders, listed in section “Major Shareholders and Related Party Transactions – Major Shareholders” (the “**Major Shareholders**”) who collectively own a substantial percentage of its shares.
- If securities or industry analysts do not publish research reports about the Company’s business, or if they change their recommendations regarding the Ordinary Shares adversely, the market price and trading volume of the Ordinary Shares (including the Offer Shares) could decline.
- If you do not exercise all of your Rights, your percentage ownership of the Ordinary Shares will be significantly diluted.

- If you do not properly exercise your Rights before the end of the Subscription Period, you will no longer be able to exercise those Rights and you may not receive any compensation for them.
- InnoConcepts can not assure you that an active trading market will develop for the Rights and, if a market does develop, the Rights may be subject to greater volatility than the Ordinary Shares.
- The market for the Ordinary Shares might be inactive.
- The marketability of the Ordinary Shares may decline and the market price of the Ordinary Shares (including the Offer Shares) may fluctuate and decline below the Issue Price.
- Shareholders in certain jurisdictions may not be able to participate in the Rights Offering and may experience dilution of their holdings.
- The ownership of the Ordinary Shares may partly be concentrated with one or more major Shareholders and their interests may conflict with the interests of other Shareholders.
- If closing of the Offering does not take place on the Closing Date or at all and the Offering is withdrawn, both the exercised and the unexercised Rights will be forfeited without compensation to their holders and the subscriptions for and allocation of Offer Shares that have been made, will be disregarded. Withdrawal of the Offering might have a material adverse effect on the market price of the Ordinary Shares (including the Offer Shares), our cash flow and our ability to operate our business.

## SUMMARY OF THE OFFERING AND THE PRIVATE PLACEMENT

<b>Company</b>	InnoConcepts N.V.
<b>Number of Ordinary Shares outstanding at the date of this Prospectus</b>	26,131,676
<b>Offering</b>	The Offering comprises 52,263,352 Offer Shares, which are being offered as described in this Prospectus.
<b>Offer Shares</b>	The new ordinary shares in the capital of the Company each having a nominal value of €0.01 that form part of the Offering on the date of the Offering.
<b>Number of Ordinary Shares outstanding after issue of the Offer Shares</b>	78,395,028
<b>Maximum number of Ordinary Shares outstanding after issue of the Offer Shares and the Private Placement Shares</b>	86,087,335
<b>Use of Proceeds</b>	<p>The gross proceeds of the Offering are expected to be approximately €27.2 million. The expenses of the Offering, including management and underwriting fees, are estimated to be approximately €2.0 million. The Company estimates receiving approximately €25.0 million after deduction of the estimated expenses and commissions and applicable taxes (if any) payable by it in connection with the Offering. In the event that the Private Placement will take place, the Company will receive additional proceeds of up to €4.0 million.</p> <p>The first €15.0 million net proceeds of the Offering will be used to implement the Company's new strategy, to improve working capital, to strengthen the balance sheet and to finance ongoing developments and operations of group companies. The net proceeds in the amount of up to €10.0 million above the first €15.0 million will be allocated to repay the Bridge Loan. Any remaining proceeds of the Offering will be used to reduce the net debt level of the Company. In the event that the Private Placement will take place, the net proceeds thereof will be used for general corporate purposes, including for working capital.</p>
<b>Issue Price</b>	€0.52 per Offer Share.
<b>Theoretical ex-rights price (TERP)</b>	€0.95 per Offer Share.

**Ranking and dividends**

The Offer Shares and the Private Placement Shares, if any, will, upon issue, rank equally in all respects with the then outstanding Ordinary Shares and will be eligible for any dividends which the Company may declare on the Ordinary Shares after Closing Date.

**Pre-emptive rights excluded**

The statutory pre-emptive rights of Shareholders in respect of the Offering have been excluded for the purposes of the Offering.

**Rights**

Subject to applicable securities laws and being an Eligible Person, the existing Shareholders as at the Record Date are being granted Rights to subscribe for Offer Shares at the Issue Price, in amounts pro rata to their holdings in the Ordinary Shares. Each Eligible Person holding Ordinary Shares immediately following the close of trading on Euronext Amsterdam on the Record Date will be entitled to subscribe for 2 Offer Shares for every 1 Right held. Rights can only be exercised in multiples of 1. No fractional Ordinary Shares will be issued.

If you hold Ordinary Shares on the Record Date, the financial intermediary through which you hold Ordinary Shares will customarily provide you with details of the aggregate number of Rights to which you will be entitled, subject to applicable securities laws. Your financial intermediary will supply you with this information in accordance with its usual customer relation procedures. You should contact your financial intermediary if you are a Shareholder entitled to receive Rights but have received no information with respect to the Rights Offering.

**Record Date**

The Record Date is immediately following the close of trading in the Ordinary Shares on Euronext Amsterdam at 17:40 hours CET on 10 December 2009.

**Subscription Agent**

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**Subscription Period**

Subject to applicable securities laws, Eligible Persons can only validly exercise their Rights during the Subscription Period. The last date and/or time before which notification of exercise instructions may be validly given by you may be earlier than the end of the Subscription Period, depending on the financial intermediary through which your Rights are held.

Once you have validly exercised your Rights, you cannot revoke or modify that exercise unless InnoConcepts amends a material term of the Offering and amends this Prospectus in any material respect. If you have exercised your Rights, you will be obliged to pay the Issue Price for any Offer Shares being subscribed for.

If you have not validly exercised your Rights before the end of the Subscription Period at 15:00 hours CET on 17 December 2009, you will no longer be able to exercise your Rights.

### **Trading in the Rights**

Trading in the Rights on Euronext Amsterdam is expected to commence at 8 December 2009 on 09:00 hours CET and to cease at 13:15 hours CET on 17 December 2009. The rights will be traded under the symbol "INORI".

If you are a Shareholder and you wish to sell all or part of your Rights and you are holding your Ordinary Shares through a financial intermediary, you should instruct the financial intermediary through which you hold your Rights in accordance with the instructions received from it. If you are an Eligible Person you may also instruct your financial intermediary to purchase Rights on your behalf. If you are interested in trading or purchasing Rights, you should be aware that you may be restricted from purchasing and/or exercising your Rights and acquiring Offer Shares if you are located in a jurisdiction other than The Netherlands and therefore ineligible to participate in the Rights Offering.

### **Exercise Commitments**

Certain Committed Subscribers and Mr N. Mehra have committed to participate in the Offering through the exercise of all Rights which will be granted to them for up to an amount of approximately €6.2 million, which represents approximately 23% of the Offer Shares to be issued pursuant to the Rights Offering, Mr N. Mehra agreed to provide this commitment subject to certain conditions of the CEO Commitment Letter, which have all been fulfilled at the date of this Prospectus.

### **Rump Offering**

After the end of the Subscription Period, the Rump Shares will be offered for sale by ING by way of a private placement to institutional investors in The Netherlands or certain other jurisdictions. The Rump Offering is expected to commence at 08:00 hours CET on 18 December 2009 and to end no

later than 17:30 hours CET on 18 December 2009. The Sole Global Coordinator has agreed to use its best efforts to procure subscribers for any Rump Shares at a price per Rump Share which is at least equal to the Issue Price plus any expenses related to procuring such subscribers (including any value added tax). Any Rump Shares not sold in the Rump Offering, will be subscribed and paid for at the Issue Price by: first, pursuant to an irrevocable undertaking by the Company's CEO, Mr N. Mehra, up to an amount of €4.00 million, subject to certain conditions of the CEO Commitment Letter, which have all been fulfilled at the date of this Prospectus; second, if Mr N. Mehra has subscribed for Rump Shares with an aggregate Issue Price of €4.00 million and any Rump Shares will still be unsold after such subscription, pursuant to irrevocable and unconditional undertakings by certain Committed Subscribers and the New Investor up to a total amount of €4.60 million; and third, if and to the extent that after the subscription for Rump Shares by Mr N. Mehra, the respective Committed Subscribers and the New Investor not all the Rump Shares have been subscribed and paid for, by the Sole Global Coordinator up to a total maximum subscription amount of approximately €12.34 million, subject to the terms and conditions of the Underwriting Agreement.

### **Unexercised Rights Payment**

Upon the completion of the Rump Offering, if the aggregate proceeds for the Rump Shares offered and sold in the Rump Offering, after deduction of selling expenses (including any value added tax) exceed the aggregate Issue Price for such Rump Shares (such amount, the "**Excess Amount**"), the Excess Amount will be paid out by the Sole Global Coordinator on behalf of the new shareholders to the holders of Rights that were not exercised at the end of the Subscription Period in cash, proportional to the number of unexercised Rights reflected in such holder's securities account (the "**Unexercised Rights Payment**"), but only if that amount exceeds €0.01 per unexercised Right.

If the Company has announced that an Excess Amount is available for distribution to holders of unexercised Rights and you have not received payment thereof within a reasonable time following the closing of the Rump Offering, you should contact the financial intermediary through which you hold unexercised Rights.

The Company cannot guarantee that the Rump Offering will be successfully completed. Should the Rump Offering take place, the Company, and the Sole Global Coordinator or any person processing purchases of Rump Shares will not be responsible for any lack of Excess Amount arising from any placement of the Rump Shares in the Rump Offering.

### **Conditions to the Offering**

If the closing of the Offering does not take place on the Closing Date, the Offering may be withdrawn. The obligations of the Sole Global Coordinator under the Underwriting Agreement are subject to the satisfaction or waiver of a number of conditions as described therein. The Underwriting Agreement provides that, upon the occurrence of certain events, such as a material adverse change in the Company's financial condition or business or in the financial markets, and under certain other conditions, the Underwriting Agreement will be terminated (provided that the Sole Global Coordinator has the right to waive the satisfaction of any of such conditions or part thereof). If any of the conditions to the Offering are not met or not waived by the Sole Global Coordinator or if certain circumstances occur prior to the Closing Date, the Sole Global Coordinator may, at its discretion, terminate the Rump Offering and its obligation to subscribe for any Rump Shares. In such an event, both the exercised and unexercised Rights will be forfeited without compensation to their holders, and subscriptions for and allotments of Offer Shares that have been made will be disregarded. Any subscription payments received by the Company will be returned without interest. Any such forfeiture of Rights will be without prejudice to the validity of any settled trades in the Rights. There will be no refund in respect of any Rights purchased in the market. All dealings in Rights prior to the closing of the Offering are at sole risk of the parties concerned. Euronext Amsterdam, the Company, the Subscription Agent and the Sole Global Coordinator do not accept any responsibility or liability to any person as a result of the withdrawal of the Offering or (the related) annulment of any transactions in Rights on Euronext Amsterdam.

### **Private Placement**

In the event that the number of Rump Shares not sold in the Rump Offering will not be sufficient to absorb the entire amount of €4.0 million of Mr N. Mehra's underwriting commitment, Mr N. Mehra will invest the remaining portion of the amount of €4.0 million committed by him in a

private placement of newly to be issued Ordinary Shares (the “**Private Placement Shares**”) at the theoretical ex-rights price (TERP), being €0.95 per share. In the event that the Private Placement will take place, listing of the Private Placement Shares on Euronext Amsterdam is expected to take place on 23 December 2009. The Private Placement will close on the Private Placement Closing Date, which is expected to be 23 December 2009. Mr N. Mehra has agreed that, for a period of 180 days following the Closing Date, he will not, without the prior written consent of the Sole Global Coordinator, transfer or agree to transfer the legal right to or economic ownership in any of his equity interest in the Company, provided that such consent will not be required in the event of a change of control of the Company by which the majority of shares in the Company will be held by one legal entity or natural person or by several legal entities or natural persons acting together.

**Payment and delivery**

Payment for the Offer Shares to the Subscription Agent must be made no later than on the Closing Date, which is expected to be 23 December 2009.

If you hold your Rights through a financial intermediary, you should pay the Issue Price for the Offer Shares that you subscribe for in accordance with the instructions you receive from such financial intermediary. Financial intermediaries may require payment to be provided to them prior to the Closing Date.

Delivery of the Offer Shares and the Private Placement Shares, if any, will take place through the book-entry systems of Euroclear Nederland.

**Paying Agent**

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**Selling and transfer restrictions**

The Rights are being granted by the Company and the Offer Shares are being offered by the Company only in those jurisdictions in which, and only to those persons to whom, granting of the Rights and offers of the Offer Shares (pursuant to the exercise of Rights or otherwise) may lawfully be made. Neither the Company, nor the Sole Global Coordinator are taking any action to permit a public offering of the Rights and the Offer Shares in any jurisdiction outside The Netherlands. The Rights and the Offer Shares have not been and will not be registered under the Securities Act or under any securities law of any state or other jurisdiction of

the United States, and may not be offered, granted, issued, sold, taken up, delivered, renounced, or transferred in or into the United States. Accordingly, the Rights are being granted and the Offer Shares are being offered by the Company only in transactions that are exempted from registration under the Securities Act pursuant to Regulation S and in compliance with any applicable securities of any state or other jurisdiction of the United States. There will be no public offering of the Rights or the Offer Shares in the United States. Holders of Rights who exercise or trade their Rights or persons who purchase Rights will be deemed to have made the representations and warranties set out elsewhere in the Prospectus.

Potential investors in the Rights or the Offer Shares should carefully read section “Selling and Transfer Restrictions”.

**Sole Global Coordinator and Sole Bookrunner** ING

**InnoConcepts Lock-up**

The Company has agreed with the Sole Global Coordinator that it will not, and will procure that none of its subsidiaries and associates, with the exception of Founders SAS, Proventec, WNA and Hoogerman Holding B.V.: (i) issue (in so far as appropriate), offer (in any public offering or private placement other than the Offering), sell, contract to issue or sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of; or (ii) enter into any swap or any other agreement or any transaction that transfers in whole or in part, directly or indirectly, any of the economic consequences of ownership of; or (iii) create any charge or security interest over, any shares in the Company or any securities convertible or exchangeable into securities or warrants or other rights to purchase securities or any debt instruments in the Company or other instruments with a similar effect to the foregoing, in each case for a period of 180 calendar days after the Closing Date without the prior written consent of the Sole Global Coordinator, which shall not be unreasonably withheld. See section “Plan of Distribution – Lock-up arrangements”.

**CEO Lock-Up**

Mr N. Mehra has agreed with the Sole Global Coordinator that, for a period of 180 days following the Closing Date, he will not, without the prior written consent of the Sole Global Coordinator, transfer or agree to transfer the legal right to or economic ownership in any of his equity interest in

the Company, provided that such consent will not be required in the event of a change of control of the Company by which the majority of shares in the Company will be held by one legal entity or natural person or by several legal entities or natural persons acting together. Furthermore, pursuant to his employment contract, the Ordinary Shares granted to Mr N. Mehra as part of his fixed remuneration shall be maintained by him for a period of at least five years after granting, unless and in so far selling of the Ordinary Shares is necessary to pay for the taxes on those shares. In addition, any Offer Shares and any Private Placement Shares, if any, purchased in connection with the Offering may not be sold by Mr N. Mehra for a minimum period of five years after the purchase thereof. See section “Plan of Distribution - Lock-up arrangements”.

**Listing Agent**

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**Listing and trading of the Offer Shares and the Private Placement Shares, if any**

Application will be made to list the Offer Shares and the Private Placement Shares, if any, on Euronext Amsterdam. InnoConcepts expects that the Offer Shares and the Private Placement Shares, if any, will be listed, and that trading in the Offer Shares and the Private Placement Shares, if any, will commence, on Euronext Amsterdam on 23 December 2009, barring unforeseen circumstances.

The Offer Shares and the Private Placement Shares, if any, will be listed and traded on Euronext Amsterdam under the symbol “INNOC”.

**Voting rights**

Each Ordinary Share entitles the holder to cast one vote in the general meeting of shareholders of the Company (the “**General Meeting of Shareholders**”).

**Codes for the Ordinary Shares (including the Offer Shares)**

ISIN: NL0000361145  
Common Code: 017373218  
Euronext Amsterdam Symbol: “INNOC”

**Codes for the Rights**

ISIN: NL0009312776  
Common code: 047153328  
Euronext Amsterdam Symbol: “INORI”

## RISK FACTORS

*Prospective investors should carefully consider the risk factors set out below, together with the other information contained in this Prospectus before making an investment decision with respect to any Offer Shares. If any of the following risks actually occurs, our business, prospects, financial condition or results of operations could be materially adversely affected. In that case, the value of the Rights or Offer Shares could decline and you could lose all or part of the value of your investment.*

*The risks described below are the risks which we currently consider to be material for the Company, but these risks are not the only ones we face. All of these factors are contingencies which may or may not occur. One or more of the risks described below may face us simultaneously. Additional risks and uncertainties that we are currently not aware of or deem immaterial, may also result in decreased revenues, increased expenses or other events that could result in a decline in the value of the Rights or the Offer Shares.*

*Prospective investors should carefully review the entire Prospectus and should get their own views and take their own decisions on the merits and risks of trading in the Rights or investing in the Offer Shares in light of their own personal circumstances. Furthermore, prospective investors should consult their own financial, legal and tax advisors to carefully review the risks associated with an investment in the Rights or the Offer Shares.*

### **Risks relating to our business**

#### ***The Company may not be able to protect its intellectual property.***

Exploitation and creation of intellectual property and its protection constitutes a major part of our business. We rely on a combination of intellectual property rights such as patents, know-how, trademarks, copyrights, confidentiality and non-disclosure clauses and agreements to define and protect our rights to the intellectual property in our technologies, products and services. The success of our business to a large extent depends on protecting and enforcing our intellectual property and keeping our know-how confidential. However, the validity of all or part of a patent and other intellectual property may be challenged by others possibly resulting in invalidity of the intellectual property right concerned. Other parties may not honour the contractual confidentiality undertakings imposed on them on which we rely for protection of our know-how. Since we anticipate a major part of our future income to consist of royalties based on both our existing and future intellectual property, an inability to protect or enforce our intellectual property rights could have an adverse effect on our business, prospects, financial condition or results of operations. Furthermore, in some jurisdictions in which we are active intellectual property rights are difficult and costly to enforce through the legal system, for example, in China, Central- and Eastern Europe.

#### *Patents*

Our patent portfolio consists of purchased patents, patents based on knowledge developed in-house, and rights to follow-up patents developed by licensees based on our patents in portfolio. The nature of patents is such that information about the subject of the patent, for instance, the technology, product or working method which it protects, is made public as a condition for patent protection. Although we apply a patent strategy aimed at achieving maximum protection for our patent portfolio, we cannot guarantee that our patent strategy will protect our technologies, products and services sufficiently and will successfully prevent third parties from being able to reengineer and design around our patents to achieve the same objective. The extent to which third parties may be able to benefit from our investment in patents or other intellectual property without having to make equivalent investments themselves, could place us at a competitive disadvantage and adversely affect our profitability. In certain circumstances we may not apply for patent protection at all or for a certain part of an innovation especially when

publication might undermine the development and exploitation of that innovation. We might take this approach, for example, where relevant know-how can be kept secret and publication would make the risk of reengineering (i.e. arriving at the same end-point in some other way) by others high. Others may create this same innovation and patent it all or a significant part thereof, thereby possibly undermining our intellectual property position.

### *Confidentiality*

Specific knowledge, know-how, and skills are essential elements of our intellectual property. Know-how is almost impossible to protect by a patent, and frequently this is not desirable in any event, since patenting leads to publication in public registers. The publication of some know-how can make the chances of reengineering by others high, for example, in the field of software source codes. It is often very difficult to verify whether a third party is using this know-how, making enforcement of a related patent more difficult.

In order to protect our proprietary know-how and technology, we generally require our employees, subcontractors and other independent contractors to enter into non-disclosure, non-competition and non-usage agreements with us. In addition, our agreements with these parties also provide for the transfer and assignment to us of ideas, developments, discoveries and innovations arising in the course of the provision of services to us. These agreements may not effectively prevent disclosure of our confidential information, provide meaningful protection for our confidential information or assign to us all such intellectual property rights. In addition, the enforceability of these agreements may vary from jurisdiction to jurisdiction.

There can be no assurance that third parties, including parties to whom we disclose our proprietary knowledge, information and technology under licensing or other contractual arrangements, will not attempt to misappropriate it or challenge our right to it. To the extent that our technologies, products or services are not protected by patents, copyrights or other intellectual property rights, third parties, including competitors, may be able to commercialise or use our know-how without compensating us. Further, third parties may use our intellectual property without our authorisation and even if we discover evidence of infringement or misappropriation, our recourse may be limited or could require us to pursue complex and protracted litigation, which could involve substantial legal fees, costs and expenses and divert management's attention from the operation of our business.

***A substantial portion of InnoConcepts' revenues are derived from the level of license fees and fees for technology in connection with the sale of moulds the Company charges for the use of its intellectual property. Declines in these license fees and fees for technology in connection with the sale of moulds due to price reductions or other factors would adversely impact the Company's revenues. Further, failure to implement the Company's licensed technologies by customers would also have an adverse impact on its revenues.***

The level of license fees and fees for technology in connection with the sale of moulds InnoConcepts can charge is subject to a number of factors, including its customers' perception of the quality of its technology, products and services, competition and a demand for such technologies, systems and products. Potential licensees might be unwilling to pay upfront license fees and may be unwilling to pay sufficiently for a technology, product or service, and, as a consequence, it may be difficult for the Company to generate more income than associated costs. Potential customers and licensees may also require servicing for a technology that the Company may not be able to provide thereby resulting in lower than anticipated income. In addition, licensees that have signed a license agreement may not implement the technology in question which may prevent the Company from, or limit the Company in, generating royalty income from the technologies the Company develops and thus have an adverse effect on the Company's business, prospects, financial condition or results of operations.

In addition, InnoConcepts' business, prospects, financial condition or results of operations could suffer if the Company is unable to adequately assess the level of the license fees and fees for technology in connection with the sale of moulds the Company charges for use of its innovative technologies and patented systems and if customers are unwilling to pay sufficiently for the technologies the Company develops.

***The Company may be required to defend itself against claims of infringement of intellectual property rights or other proprietary rights of third parties.***

We are active in an environment in which parties regularly threaten or commence litigation for infringement of intellectual property rights or start administrative proceedings to invalidate pending patent applications partly or wholly. Due to the nature of intellectual property laws, regardless of the merit of any intellectual property infringement claim which may be brought against us we may be required to litigate such claims that may be time consuming and costly to defend. In the event of successful claims we may be required to (i) obtain one or more licenses of such intellectual property rights from third parties and we may not be able to obtain such licenses on reasonable terms or at all, or (ii) spend resources developing non-infringing alternatives, or the intellectual property rights concerned may be annulled. In addition, we may be liable for substantial damages. An adverse outcome of any dispute with respect to intellectual property or other proprietary rights may adversely affect our business and results of operations.

***Patent protection has a limited lifetime.***

Our technologies, products and services are, if patented, protected for a limited period of time and for a well defined scope. Although none of the patents protecting our key revenue-generating products will expire in the near future, we cannot assure that upon the expiration of any of our patents, our competitors will not commence manufacturing products or otherwise using similar technologies to those protected by our current patents, which could adversely affect our business. Patents may also become obsolete or be annulled before we have had the time to recoup our investment in them or to realise their technological potential.

***The Company may require licenses to use the intellectual property of third parties to fully develop and/or sell its own technologies, products and services.***

With respect to certain intellectual property rights owned by third parties, we are dependent on intellectual property licensed and/or transferred to us by such third parties. There is a risk that the licensor concerned may attempt to terminate or renegotiate the license or that the licensor will not honour the agreed option to acquire the patents licensed to us and that the license agreements or certain clauses therein may be challenged by the licensor or third parties, for example on the basis of competition law, which may prevent us from obtaining or licensing in or out such intellectual property rights or parts thereof. Furthermore, we may not be successful in obtaining licenses to use such intellectual property on commercially viable terms or at all which may also adversely affect our business, prospects, financial condition or results of operations.

***Due to the confidential nature of working with Intellectual Property rights the Company cannot always be fully transparent in its communications to shareholders. This may negatively impact our share price.***

Exploiting intellectual property rights and technical expertise is an activity where confidentiality is of the utmost importance. As a result we have many confidentiality agreements with our customers. Confidentiality undertakings require our customers to keep our knowledge confidential. Secondly, these undertakings often require us to maintain certain information on our clients confidential. This can include business parameters such as turnover, clients and products but can also be our customer's name.

Although we fully comply with existing regulations on transparency and publication of price sensitive information our shareholders might wish to receive information that we are not able to provide due to the confidential nature of our business. This could materially and adversely affect the market price of the Offer Shares and could also impede the Company's ability to raise capital through the issue of equity securities in the future.

***As a result of important changes to InnoConcepts' structure and strategy, such as the sale and acquisition of entities and changes in the Management Board, the historical financials included in this Prospectus may not be representative for InnoConcepts' future performance.***

During the period covered by the Operating and Financial Review in this Prospectus, the Company has disposed of and invested in business activities and assets. As part of the new strategy we have now appointed a new CEO and have adopted a new revenue model which is expected to influence the way in which future revenues are generated by our business activities and assets. In connection herewith it is uncertain to which extent the Company will invest and divest in the future. As a consequence, the historical financials included in this Prospectus may not be representative for InnoConcepts' future performance.

***Our shift in strategy may not be successful.***

InnoConcepts has recently changed the composition of its management team and appointed a new CEO. In addition, the new CEO and management team of the Company has shifted the focus of the Company from a marketing organisation for new innovations in various market segments to an organisation focusing on exploiting its plastics moulding technology. Furthermore, the prime focus of the exploitation strategy for this technology has shifted from value based deals with sellers of plastic products to cash sales of moulds.

The shift in strategy may not be successful, which may adversely affect our results of operations and our share price.

***The business of the Company is that of an early growth stage company with all risks associated with such entities.***

Due to the nature of the Company's business, InnoConcepts is mainly involved in and invests heavily in relatively young and innovative activities which we expect to become profitable in the future. Although InnoConcepts was formed in 1992, it is inherent in its business model that many aspects of its business are in the early growth stage of development and consequently its operations are subject to all of the risks inherent to a company at this stage of development. The likelihood of InnoConcepts' success must be considered in light of the problems, expenses, cash-consuming difficulties, complications and delays frequently encountered in connection with the establishment of new businesses, the growth of an existing business, the development of new products and channels of distribution, and current and future development in several key technical fields, as well as the competitive and regulatory environment in which InnoConcepts operates.

***I-Pac operates in a competitive industry and their success in marketing their technologies to the plastics market may be hindered by major players within this industry.***

A major part of our business is focused on the plastic packaging industry. This industry is characterised by a limited number of large raw material providers as well as a limited number of large multinational end-users such as consumer product companies. We mainly intend to sell our technology and applications to either these end-users or to Converters serving these end-users. These Converters can either manufacture a proprietary range of products or serve as a contract manufacturer to the end-users. This commercial infrastructure may prevent us from being successful and reaching our full potential. For

example, potential customers may not license our technology because of unwillingness on the part of the end-users for whom they manufacture products to buy products based on our technology, or their commercial relationship with the end-user may be such that it may not be sufficiently profitable or financially attractive for the contract manufacturers to license our technology.

***The Company is a network organisation and relies on third party service providers.***

We operate as a project management organisation within a network of collaborating business, people and institutions. We have a limited number of staff and rely on third party service providers to provide specialist services and competences to us to be successful in our business. If we are not able to maintain our relationships within our current network or otherwise find sufficient qualified third parties to support us in specific competences our business, prospects, financial condition or results of operations may be adversely affected.

***The Company's business is subject to general economic conditions.***

Our financial success is sensitive to adverse changes in general economic and political conditions and developments. Such changing conditions could significantly reduce demand in the marketplace for our products, services and technology and those of our customers. In specific since July 2007, the general economic conditions have been significantly more volatile than in previous periods and such volatility may have an adverse effect on our business.

***The Company may fail to effectively identify or execute strategic acquisitions, co-operations, investments or divestment opportunities and if the Company does pursue such transactions the Company may fail to successfully implement them or realise anticipated benefits to its business in a timely manner.***

We may selectively pursue opportunities to acquire, form co-operations with, or make investments in businesses, products, technologies, services or innovations which complement our business and growth strategy. Divestments may also be beneficial for our business. We may not be able to identify suitable opportunities for such acquisitions, co-operations, investments or divestments, or if we do identify suitable opportunities, we may not be able to complete any transaction on acceptable terms, or at all. Any acquisitions, co-operations, investments or divestments we may pursue in the future could entail risks including:

- difficulties in realising cost, revenue or other anticipated benefits from the acquired entity or investment, including the loss of intellectual property from the acquired entity, co-operation, investment or divestment;
- costs due to pursuing opportunities but subsequently failing to execute such a pursued acquisition, co-operation, investment or divestment, both in terms of capital expenditure/costs and management time spent on the pursuit of such opportunities;
- expenditure of substantial managerial, operating, financial and other resources to integrate an acquired business to the detriment of our continuing operations;
- potential for undermining our strategy, our customer relationships or other elements critical to the success of our business;
- liabilities or losses resulting from our control of the acquired entity, co-operation, investment or divestment;
- difficulty in adapting acquired technology to our own systems or vice versa;

- potential unexpected loss or under-performance of key employees, customers or suppliers of the acquired entity, co-operation, investment or divestment;
- acquired intangible assets or goodwill may become impaired;
- existence of unknown liabilities or contingencies in the acquired businesses that arise after closing;
- potential disputes with counterparties; and
- increase in debt levels and interest costs.

We will need to implement appropriate operational, financial and management systems and controls as well as allocate sufficient management time and financial means to achieve the benefits that we anticipate at the time of each acquisition, partnership, investment or divestment. If we pursue acquisitions, partnerships, investments or divestment opportunities in the future and fail to successfully implement them, our business, results of operations or financial condition could be materially adversely affected.

***The Company may acquire and/or develop technologies, products, production facilities and services, which may not prove to be successful.***

In order to be successful, we must adapt and improve existing technologies, products and services as well as develop new products, services and technologies and bring them to successful commercial operation. Despite our best efforts, a new product, service or technology may prove to be unworkable, not cost effective, or otherwise unmarketable. We might acquire and/or develop technologies that may not materialise into saleable technologies, products or systems and at significant expense to us which we may not be able to recover. In addition, development processes might cost more and take longer than anticipated and the associated technology may still not materialise. We can therefore give no assurance that any new product, service or technology we may acquire or develop will be successful or that an adequate market for such service, product or technology will ever develop. Further, we may invest in the development of technologies, products or services that require the support of inventors or third parties which might not be available thereby preventing us from being able to realise the potential of that technology, product or service. The occurrence of any of the above could influence our profitability as well as our ability to generate future cash flows.

***Defects in the Company's technologies, products, production facilities or services may harm its reputation and business.***

Our technologies, products or services may not operate properly or have errors or defects, particularly when the first products of a new range or enhanced products are introduced. If our customers or end-users were to bring claims against us alleging defects in our technologies, products or services, we could incur substantial costs in responding to complaints or become involved in litigation and we may be required to provide additional services to our customers. Also, we could be required to pay substantial damages and incur significant costs or harm to our reputation.

Although we currently hold insurance coverage for these types of liabilities in amounts we believe to be adequate, our coverage may not be adequate to insure against all such eventualities. As a result of the factors above, if our technologies, products or services do not work properly or have errors or defects our financial condition and results of operations may be adversely affected.

***The Company is involved in partnerships, joint ventures and other long-term contractual arrangements. The Company does not at all times have decisive control, which may lead to decisions contrary to the interest of the Company.***

The Company and its dependent companies (*afhankelijke maatschappijen*) are involved in partnerships, joint ventures and other long-term contractual arrangements with other legal entities or as a fully liable partner in limited or general partnerships, which are material to their operations. The Company or its dependent companies may not at all times have decisive control, which could lead to decisions contrary to the interest of the Company. Termination of these arrangements may have an adverse effect on the Company's revenues.

***If the Company fails to successfully introduce new applications of its technologies and/or new products and services or to respond to technological developments, its business, prospects, financial condition or results of operations may suffer.***

We believe that our future success depends on our ability to introduce new and innovative applications of our technologies, products and services and to continuously update and improve existing technologies, products and services. Our success also depends on our ability to react to changing customer demands in a timely manner. If we fail to keep pace with product development, anticipate customer preferences or meet consumer demands, our financial condition and results of operations could be adversely affected. In addition, our revenues may suffer if any new or enhanced technologies, products or services that we plan to introduce fail to achieve market acceptance or experience technical difficulties. Further, potential customers may be unwilling to adopt our new technology, product or service on a timely basis or at all.

Introducing new technology applications, products or services requires a high level of financial and managerial commitment. There can be no assurance that the investments made by us will generate expected returns by enabling us to increase or maintain current revenue levels. No new licenses have been granted in the first half of the year. Potential customers might not be willing to pay for the new technology applications, products and services we offer, even if the technology applications, product or service in question is likely to provide additional value to the customer. In addition, potential customers may not be prepared to pay enough for the new technology applications products and services we offer for us to generate revenues over and above our associated costs. If we fail to maintain our level of investments in the development and marketing of new technology application, products and services, or fail to generate expected returns on those investments, our financial condition and results from operations may suffer. Due to the economic circumstances in the first half of this year we have not been able to conclude new license agreements.

***The Company's revenues and/or profitability would be adversely affected if demand for its IM Technology and products declines or does not continue to grow.***

The operational core of our business consists of mould production capacity and the management of our portfolio of intellectual property rights, including the development of our IM Technology base. As a result, the Company's revenues and/or profitability would be adversely affected if demand for its IM Technology or moulds declines or does not continue to grow, which could have an adverse effect on the Company's results and business prospects.

***Others may independently develop substitutable technologies, products, services or processes superior to those of the Company.***

Third parties including customers or competitors may independently develop substitutable technologies products, services or processes superior to our own which may adversely affect the demand for our technologies, products, services or processes and adversely affect our business, prospects, financial condition or results of operations.

***The Company derives a significant amount of its revenues from a limited number of customers and limited number of products segments.***

One of the key strategic objectives of the Company is to provide our technologies, products and services on an exclusive basis to a limited number of customers and product segments only. The Company believes that this approach enhances the value of the products, technologies and services the Company offers to its customers and/or product segments, as the provision on an exclusive basis allows us to customize our technologies, products and services and allows us to specialise in the product segments chosen. Almost all of the revenues are dependent on a few key customers and/or product segments. A change in the financial situation, strategy, ownership or operational structure of one or more of these customers and/or product segments could have a material negative impact on the Company's profitability.

If the commercial relationship of the Company with any of the key customers terminates for any reason, or if any of the customers significantly reduces its business with the Company, and the Company is unable to enter into similar relationships with other customers on a timely basis, on acceptable terms or at all, our business, prospects, results of operations or financial condition would be materially adversely affected.

***On transactions that may be entered into by the Company on the basis of joint venture partnerships, the Company may be jointly and severally liable for the performance of obligations by its joint venture partners.***

Delay or failure on the part of a joint venture partner to timely perform its obligations could result in delayed payments to the Company, additional liabilities or termination of a contract. The inability of a joint venture partner to continue with a transaction due to financial difficulties could have an adverse effect on the Company's results and business prospects.

***The Company is and may be subject to litigation that may impact its business.***

The Company is involved in legal proceedings and is exposed to potentially significant litigation. Disputes and legal proceedings are subject to many uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case. Adverse judgements in litigation could result in restrictions or limitations on the Company's operations or result in a material effect on the Company's reputation or results of operations. See section "Additional Information – Legal and Arbitration Proceedings", in particular the paragraph about a loan agreement with one of our shareholders.

***Moulds are capital goods bought after investment decisions from our customers. Customers may postpone or cancel investment decisions, negatively influencing our revenues.***

An important part of both selling our moulds and systems as well as in implementing our technology is the fact that our customers or their production partners require a new mould with our technology incorporated in order to use the technology. Moulds are usually only a part of the total investment decision of our customers. Other aspects might include marketing budget, machine investments and/ or production infrastructure.

Due to economic circumstances and or specific business rationale our customers might delay investment decisions or terminate a project totally. These decisions of our customers may influence the timing and the volume of our revenues and as a result our business, prospects, financial condition or results of operations could be materially adversely affected.

***The Company's success depends to a significant extent upon its ability to attract, integrate, motivate and retain key personnel.***

Our success depends to a significant extent on the continued services of our key personnel. Such persons include the members of the Management Board and our Senior Management. Although we have an incentive program to retain key personnel, the loss of any of our key personnel could adversely affect our profitability, business and hinder or even make it impossible to realise the potential of a technology.

***The Company's tax liability may increase if the tax laws in the countries in which the Company has income streams change or income streams are interpreted by tax authorities in a different way to which the Company has reported them.***

We receive income streams from The Netherlands as well as from countries outside The Netherlands. Our tax liability may increase if the tax laws in, and/or the relevant tax treaties with, the countries in which we have income streams change or taxation of these income streams are interpreted by the relevant tax authorities (whether under a tax audit or assessment or otherwise) in a different way to which we have reported them or if the relevant tax authorities conclude that we have failed to meet the relevant tax filing or other requirements (including the possibility of legal and/or economic double taxation). If this were to occur we may be exposed to substantial liabilities, in particular if this results in legal and/or economic double taxation. This may have a material impact on our business, prospects, financial condition and results of operations. For example, the Hong Kong tax authorities recently issued a tax assessment for the year 2002 of approximately HKD 11.0 million (approximately € 1.0 million) against I-Pac Manufacturing Asia Limited. It cannot be ruled out that additional claims for subsequent years will be submitted. See section "Additional Information – Legal and Arbitration Proceedings".

***The Company may not be able to manage risks associated with its international sales and operations and with its potential expansion into new international markets.***

We operate in and/or have financial interests in The Netherlands and other countries in Europe, the United States, Asia and elsewhere. As a result, we need to manage a number of risks across our operations, such as differing regulatory requirements and intellectual property protections. In addition, Asian countries, such as China and Hong Kong, are subject to greater risks than more developed markets, including, in some cases, increased political, economic and legal risks. Geographic regions such as Asia and the Middle East that we have identified as having potential for significant future growth may in fact grow at rates slower than we anticipate, or not at all. The success of our business depends, in part, upon our ability to succeed in these differing and sometimes fast changing economic, regulatory, social and political environments. If we are unable to manage the risks associated with our international sales and operations and with our potential expansion into new international markets, our business, results of operations or financial condition could be materially adversely affected.

In addition, geographic regions such as Asia, may present significant political and economic risks and are in many respects more challenging than other markets such as The Netherlands and other countries in Europe. If we pursue acquisitions, partnerships or investments in the future and fail to successfully execute such transactions or integrate such businesses, our business, prospects, financial condition or results of operations could be materially adversely affected.

***The Company operates in multiple jurisdictions and is therefore exposed to the risk of double taxation.***

As a result of our international activities, we are exposed to different tax risks including but not limited to, changes in tax laws and interpretations of these tax laws as well as InnoConcepts possibly being required to pay tax in more than one jurisdiction over the same income stream. This may result in tax

liabilities and may adversely affect our effective tax rate, which could have an adverse effect on InnoConcepts' financial position, results of operations and liquidity. In addition, any discussions with tax authorities regarding the applicability of relevant tax laws could cause us to incur significant legal expenses and divert management's attention from the operation of our business.

***The Company's business could suffer from increased governmental regulation or other changes in government policies.***

We currently operate in, among other regions, the European Union, the United States, Asia and we anticipate operating in the Middle East. Although governmental regulations have not had a material adverse effect on our business and operations to date, it is possible that we will experience the effects of increased regulation in the future. For example, the imposition of environmental taxes on plastic packaging or the implementation of other measures that could lead to an increase in the price of plastic packaging and/or the implementation of other regulation changes could adversely affect the demand for plastic packaging and thereby adversely affect the demand for, and profitability of, our technologies for injection moulded products.

***The Company currently is a small organisation with a limited number of employees and informal internal controls.***

Although we have invested in mould making companies as HTP and Formy, an important aspect of the Company's business model is to operate as a project management organisation. The Company has a limited number of employees under contract and may not have the skills necessary to grow the Company in particular, if a member of the team leaves or otherwise becomes unable to perform his or her tasks. The Company's business prospects depend upon motivating and retaining its current personnel and attracting, motivating and retaining new personnel with the requisite experience and qualifications as when required. In addition, its current staffing levels may not be sufficient to realise our potential or to maintain current levels of profitability.

Given the small size of InnoConcepts' organisation, in circumstances where a number of projects and/or other matters require attention at the same time, the Company may not be able to give such matters adequate attention, which may adversely affect its business, prospects, financial condition or results of operations. The Company's internal controls, such as procedures and management reporting, are relatively informal in nature. Since there is limited standardisation in reporting there is a risk that important information is not reported or that important information is not reported on a timely basis.

The Company regularly enters into a wide range of complex transactions, including co-operation arrangements, royalty arrangements, license arrangements, loans granted by the Company to third parties, acquisitions, disposals and financing arrangements. The Company may, due to the continuously changing environment and changes in ongoing relationship with licensees and/or other business partners and the limited resources that are available to the Company, not always document related internal processes and changes in our ongoing relationships with licensees and/or other business partners in sufficient detail or in a timely fashion.

***Mould making requires skilled labour. The Company might not be able to retain or acquire the workforce it needs to reach sales targets.***

Mould making is a craft that requires skilled people that operate specific machinery and equipment. Business functions include assembly, milling, grinding and engineering. All functions require extensive education on senior secondary vocational education level or higher professional education level and sufficient working experience. We believe that our current workforce is up to standard to perform all necessary functions. However, new technology might require additional skills from our people. Furthermore, we are not certain that we can replace our staff when necessary and/ or expand our

workforce when the Company grows. As a result our business, prospects, financial condition or results of operations could be materially adversely affected.

***Mould making requires specific production equipment and locations that might not be available in the future due to fire or other accidents.***

Manufacturing facilities are required for the building of mould and systems. A major part of the revenues of the Company arise from this manufacturing process. Revenues will be lost if any of the key manufacturing facilities are eliminated. The Company is exposed to the risks of ineffective manufacturing facilities, systems, processes and interruption, or any failure or breach thereof. Furthermore, the Company is exposed to the additional risk that the production locations can contain and/or cause pollution. Moreover building and other laws and regulations apply to the Company.

***The Company is exposed to the risk of a loss of the sole member of the Management Board***

The Company's future success depends, among other things, on having a capable Management Board. As the Company has one sole member of the Management Board, it would be a considerable disadvantage if the Chief Executive Officer were no longer employed with the Company. Losing his services could adversely affect the Company.

***The Company may not be able to recover the amounts owed to them under loans granted to license partners and others or other long term receivables or amounts that may be paid out under guarantees given by the Company.***

The Company has granted loans to license partners under license, joint investment and other co-operation arrangements, to its investment in Proventec (interest of 36%) and to other parties, such as TEA Group Limited ("TEA") and Cheng Meng. The Company may grant further such loans in the future. Furthermore, InnoConcepts has several other long-term receivables outstanding and the Company may in the future continue to give debtors the possibility to pay their receivables late. As at 30 June 2009, long term receivables, including in respect of Cheng Meng €8.3 million and in respect of TEA €5.0 million, comprised a significant proportion of InnoConcepts' balance sheet. Our debtors may not be able to repay all or any of the amounts due to us under the loans or other long term receivables and we may not be able to recover all or any such amounts in a liquidation or insolvency. In certain cases, such as Cheng Meng, we need to provide additional loans to preserve the value of the existing receivable. Although in certain cases we may have pledges over intellectual property rights to secure such payment obligations or we may be entitled to convert the loan into equity in the debtor, these remedies may not adequately financially compensate us for default under such loans.

At the end of 2007, I-Pac Manufacturing Services B.V. was incorporated and its shares were initially held by I-Pac (48%), the original licensee and an investor. I-Pac acquired the remaining 52% in I-Pac Manufacturing Services B.V. from the other shareholders in exchange for the set off of receivables in March 2009. Both the licensee and the financial investor obtained a future earn-out to make up for their investments. The actual earn-out depends on certain performance criteria, but it cannot be ruled out that a maximum cash outflow of €5.0 million will take place.

From time to time we give guarantees to other parties. For example, InnoConcepts guarantees payment under the £10.5 million unsecured convertible loan note 2012 of Proventec ("**Loan Note**"), which InnoConcepts sold in March 2006, and which was increased up to £15 million on 27 March 2008. This guarantee was valued at nil as per 30 June 2009. In addition the Company issued two buyback guarantees to a lease company concerning injection mould systems delivered to third parties. The latter buy back guarantees will expire on 31 December 2011 and 1 November 2012 respectively. These buyback guarantees were valued at nil at 30 June 2009. Also, we have provided certain financial guarantees to

Hoogerman Holding B.V.'s bank for a total amount of up to € 1 million. It cannot be ruled out that the Company will be required to pay very substantial amounts under these guarantees.

We may grant further guarantees in the future. To the extent we are required to make payments under guarantees we may not be able to recover all or any amounts paid by us.

***In the ordinary course of business the Company is exposed to credit risks.***

Credit risks primarily result from granted loans, non-current receivables, trade receivables, loan guarantees to other parties and current receivables related to licenses. InnoConcepts may suffer financial loss in cases where the buyer or other counterparty to a financial instrument or contract does not respect the contractual commitments made. Since InnoConcepts frequently grants loans to a limited number of companies in specific sectors some of which are companies early in their life cycle or even start-ups. The credit risks of granted loans, non-current receivables, trade receivables, loan guarantees to other parties and current receivables might be higher than the credit risks for other companies' receivables portfolios in general. As a result the Company's financial position could be adversely impacted.

***The Company may not be able to meet its obligations under its loan agreements.***

The Company has entered into loan agreements in order to be able to finance its activities. These loan facilities give rise to certain obligations which the Company may not be able to meet in the future. In case the Company is not able to meet its obligations, these agreements could be terminated by the counterparty, which could have a negative impact on the Company as a whole.

***In the ordinary course of business the Company is exposed to liquidity risks.***

InnoConcepts may suffer liquidity risk when it is not able to meet its financial commitments at the required point in time. This ability of not being able to meet its financial commitments might result from defaulting its credit lines. The default can be caused by limited liquidity of the Company, but could also result from a lower operating result or a weaker balance sheet. The default can cause liquidity problems or increase existing issues with liquidity and/or an increase in funding costs. As a result the Company's financial position could be adversely impacted. If the Company has a heavy debt burden, this may result in a situation that the Company may not be able to develop its activities. Due to defaulting of financial commitments the Company may not be able to expand and acquire.

***The Company or its participations may be unable to secure additional financing in the future.***

In order to grow our business, we may need to obtain additional external debt or equity financing. Our ability to raise necessary funds will depend on financial, economic or other factors, many of which are beyond our control. If we are unable to finance our capital expenditures, acquisitions or other business activities in the contemplated manner, on acceptable terms or at all, our business and results of operations could be adversely affected and we might not be able to pursue our future plans. Any additional capital raised through the sale of additional shares may also dilute your percentage ownership in us.

***The Company's debt could adversely affect its financial condition or results of operations.***

Our debt obligations will require us to dedicate a significant portion of cash flow from operations to payments on our indebtedness, which will reduce our funds available for working capital, capital expenditures, acquisitions and development. It will also limit our flexibility to plan for, or react to, changing economic, business and industry conditions to a greater degree than competitors with a lower level of debt.

***Non-cash payments made by our customers could adversely affect us.***

We have accepted forms of non-cash settlement, i.e. equity interests in companies as payment for the use of our technology. As a result of accepting non-cash settlements in the past the correlation between EBITDA and free cash flow has been limited. Also, non-cash settlement of transactions may have an adverse effect on our ability to fund operational or capital expenditures required to be made in cash and to make tax and other mandatory payments when due.

***The Company's business is subject to price fluctuation and availability of oil derivative products or steel.***

The technologies, products and services that InnoConcepts' subsidiary I-Pac offers, are related to or use oil derivatives like plastics as well as steel. A drop in the oil or steel prices may have a negative impact on our revenues because royalties are often linked to customer turnover, which turnover usually fluctuates with raw material prices. Although we have not experienced this to date, an increase in oil prices or steel prices may influence the willingness of our customers to implement our technologies or buy our products and services.

Moreover, we or our customers may not be able to arrange raw materials from our regular vendors or alternative sources in the event of an industry-wide general shortage of such raw materials, or a shortage or discontinuation of certain types of materials purchased from one or more of our suppliers. The Company depends on the availability of quality and affordable priced raw materials which they acquire from the key suppliers and timely delivery of these raw materials to ensure successful production and sale of products.

***The Company and/or its subsidiaries receive prepayments from their customers. Customers may not be willing to continue paying prepayments. This may negatively adverse the cash position of the Company.***

Mould maker companies HTP and Formy receive prepayments from their customers on ordered moulds. This is common practice in the mouldmaking industry. Economic, business or clientspecific events could occur, resulting in our customers ordering moulds subject to other payment terms. We might be forced to or willing to agree to those changed payment terms. As a result, our future cash position and business prospects might be adversely affected.

***Mould making is a capital and labour intensive process. In order to recover the fixed cost base a mould maker needs to realise certain revenue and margin. Sales and attributable margin might not be sufficient to cover the fixed cost base.***

Mould making is a craft that requires skilled people that operate specific machinery and equipment. We have invested in both the necessary people and equipment to service our customer's current needs as well as the necessary capacity to carry out our immediate growth strategy. This has resulted in certain periodical obligatory payments for the Company, that cannot easily be terminated.

In case anticipated revenue is insufficient to cover our periodical payments our cash position will be adversely affected as will our results from operations. As a result our business, prospects, financial condition or results of operations could be materially adversely affected.

***In the ordinary course of business, the Company is exposed to foreign currency risk and interest rate risk.***

We conduct our business in multiple currencies, principally the euro, US dollar, HK dollar, Czech koruna and pound sterling. The US dollar and pound sterling have experienced considerable volatility against

the euro in recent years. To prepare our consolidated financial statements, we must translate our assets, liabilities, revenues and expenses into euro. Consequently, increases and decreases in the value of the euro against these other currencies will affect the amount of these items in our consolidated financial statements, even if their value has not changed in their original currency. These translations could result in significant changes to our results of operations from period to period. In addition, to the extent that we incur expenses that are not denominated in the same currency as related revenues, exchange rate fluctuations could cause our expenses to increase as a percentage of revenues, affecting our profitability. However, the foreign currency risk regarding transactions is limited, since both revenue and costs are in the local currency.

We are exposed to interest rate risk on our variable rate debt. Fluctuations in interest rates may adversely affect the interest expense on existing debt and increase the cost of new and existing financing.

***A drop in the market price of Proventec shares, WNA shares (owned by I-Pac through AFP Licensing Inc.) or other shares owned by the Company could adversely affect the Company's results.***

The Company currently owns 36.2% interest in Proventec which the Company acquired in connection with the disposal of the Company's InnoCleaning Concepts business in 2005 and recent rights issue by Proventec and has a conditional 20% interest in WNA. According to International Financial Reporting Standards as endorsed by the European Union ("IFRS") accounting standards these holdings are and will be reported in the Company's consolidated financial statements using the "equity method". As a consequence certain events could lead to an impairment and consequently a provision in the Company's profit and loss account and as such adversely affect the Company's results.

***Our 20% interest in WNA is subject to certain performance criteria.***

The 20% interest which we currently have in WNA is subject to certain performance goals, which will be tested in March 2014. The 20% equity stake in WNA is based upon estimates and forecasts that both management of WNA and I-Pac made independently. The final equity stake I-Pac receives can be higher than 20% or lower than 20%, depending on the levels of EBITDA, which the technology generates for WNA. In the event that the EBITDA generated by the technology as percentage of total WNA EBITDA will be less than that estimated by management, our final interest in WNA may be lower than 20% and may result in negative revenue for the Company.

***In recent years, a significant proportion of InnoConcepts' net profit was positively impacted by events, the proceeds of which by their nature are generally only recorded in the financial period in which they are realised and there can be no guarantee that such or similar events will occur in the future.***

In recent years, a significant proportion of InnoConcepts' net profit was positively impacted by events, such as disposals and investments, the proceeds of which by their nature are generally only recorded in the financial period in which they are realised. The occurrence of such events is inherent to InnoConcepts' business model. For example, the sale of the Company's cleaning activities to Proventec in 2005 impacted its financial results in 2005 and was recorded in its consolidated financial statements under extraordinary results. Net of expenses and applicable taxes, the sale yielded a book profit of approximately € 13.8 million.

***It is not certain that the Company will receive dividends or other distributions from Proventec or other interests. In the event the Company makes the strategic decision to sell its interest in Proventec or other participations, the Company may not be able to sell this interest for an appropriate price or at all.***

The Company may not receive dividend income or other distributions from companies in which the Company has an equity interest, like Proventec, WNA and Hoogerman Holding B.V., or in which

InnoConcepts may have such an interest in the future. The Company recently identified its share interest, indirectly held in Proventec as non-core and is considering selling this stake. The Company may not be able to sell or otherwise dispose of its interest in Proventec or other interests the Company has or may have in the future, or sell at a value that is not significantly less than the value at which the investment was previously recorded in the Company's financial statements, which could adversely affect the Company's profitability.

***Impairment losses may occur on certain balance sheet items.***

The carrying amount of assets, save for deferred tax assets, is reviewed for impairment every time events or changes in circumstances indicate that the carrying amount might not be realised. An impairment loss is recognised whenever the carrying amount of an asset is higher than its realisable value. An impairment loss is charged directly to the income statement.

InnoConcepts makes estimates and assumptions regarding the future. The resulting budgeted and accounting outcomes will rarely be the same as the actual results. Estimates and assumptions are evaluated on an ongoing basis and are based on experience and other factors, including expectations of future events that are perceived as reasonable based on the circumstances.

In the event the expected future economic benefits deteriorate, the carrying amount of these assets might be impaired and could negatively affect the Company's results of operations or financial condition through impairment losses. In 2008, we reported an impairment loss of €37.0 million. As per 30 June 2009 we reported an impairment loss of €3.1 million and as per 30 September 2009 we reported an impairment loss of €18.5 million.

The carrying amount of deferred tax assets depends on the availability of tax losses and the Company's ability to generate future taxable profit in jurisdictions and companies where tax losses are available. The availability of these tax losses is therefore subject to changes in tax laws and interpretations of these tax laws.

***If the Company continues to experience a negative free cash flow, this may have an adverse effect on the Company's financial condition and results of operations.***

In recent years the activities of the Company generated a negative free cash flow. If the Company continues to experience a negative free cash flow, this may have an adverse effect on the Company's financial condition and results of operations. It is uncertain whether our cash flow results and the cash flow results of our acquired entities will improve in the future.

***HTP entered into a new pension plan as per 1 January 2009 which may have an adverse effect on the Company's financial results.***

HTP entered into an industry wide multi-employer pension plan as per 1 January 2009 for large companies in the metal industry provided by the pension fund for the metal and electronics industry. On 31 August 2009, this pension fund did not meet the required solvency level of 105%. It had a solvency ratio of 98%. In order to meet the solvency level required, either lower pension payments will be attributed or higher pension contributions will be required by its participants, which could have a negative impact on the financial results of InnoConcepts. Furthermore, the change of pension fund contains the risk of additional expenses due to settlement with former pension fund Avero, which could also adversely affect the financial results of InnoConcepts.

## **Risks relating to the Rights, the Ordinary Shares and the Offering**

***The Company's share price may fluctuate and you may be unable to sell the Rights or the Offer Shares at or above the price you pay for them.***

InnoConcepts has been listed on Euronext Amsterdam since 1998. Although the average daily trading volumes have been increasing over the past four years from 45,407 trades in 2006 to 66,344 trades in 2008, there is no guarantee that this will continue. Although the Company has an appointed liquidity provider and trading volumes in the shares have been increasing over the past few years, there can be no guarantee that there will be an active trading market in the Rights or Ordinary Shares (including the Offer Shares) or that trading volumes will increase and not decrease.

The price of the Ordinary Shares (including the Offer Shares) may be affected by a number of factors and market conditions. The market price of the Ordinary Shares (including the Offer Shares) could also fluctuate substantially due to a number of factors, including, but not limited to, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions, changes in government regulation, the general state of the securities market and other material events, such as significant management changes, refinancing, acquisitions and dispositions.

***Due to the limited liquidity, future sales, or the possibility of future sales, of a substantial amount of Ordinary Shares may negatively influence the price of the Ordinary Shares (including the Offer Shares).***

Future sales of Ordinary Shares, or the perception that such sales will occur, could cause a decline in the market price of the Ordinary Shares (including the Offer Shares). The Company's largest shareholder according to the AFM register, Aviva Plc., has an interest of 13.44% in the Company's issued share capital prior to the Offering. Furthermore, several shareholders have an interest of more than 5% in the Company's issued share capital prior to the Offering. The holdings of which are set out in the "Major Shareholders and Related Party Transactions – Major Shareholders" section of this Prospectus. These shareholders may decide to sell all or a substantial amount of the Ordinary Shares they own at any time. InnoConcepts cannot predict whether a substantial number of Ordinary Shares will be sold in the market. A sale of a substantial number of the Ordinary Shares or the perception that such sales could occur, could materially and adversely affect the market price of the Ordinary Shares (including the Offer Shares) and could also impede the Company's ability to raise capital through the issue of equity securities in the future.

***Future issue of Ordinary Shares may affect the market price of the Ordinary Shares (including the Offer Shares) and may dilute your ownership in InnoConcepts.***

InnoConcepts may raise capital in the future through public or private debt or equity financings by issuing additional shares or preferred shares, debt or equity securities convertible into the shares, or rights to acquire these securities, and exclude the pre-emption rights pertaining to the then outstanding shares. Therefore, it may not be possible for existing shareholders to participate in such future issues of shares, which may dilute your percentage ownership interest in InnoConcepts. In addition, the issue of additional shares by the Company, or the possibility of such issue may cause the market price of the Ordinary Shares (including the Offer Shares) to decline.

***As an investor, you may experience immediate and substantial dilution in the value of the Offer Shares also in view of the remuneration policy of the Company, which partly consists of awarding shares and options to members of the Management Board.***

The Company may raise capital in the future through public or private debt or equity financings by

issuing additional shares or other classes of shares, debt or equity securities convertible into shares in the Company, or rights to acquire these securities. If the Company raises significant amount of capital by these or other means, it could cause dilution for the existing shareholders. As the Company awards shares and options to its member of the Management Board as part of its remuneration policy, you may continue to experience immediate and substantial dilution in the future.

***The level of dividend payable to shareholders may fluctuate, and InnoConcepts cannot guarantee that dividends will be declared or paid in the future.***

Any future declaration of dividends may or may not be consistent with the Company's historical declaration of dividends. There can be no guarantee that InnoConcepts will declare dividends at all in the future. Future dividends, if any, will be at the discretion of the General Meeting of Shareholders and will depend, among other things, upon the Company's future results of operations, capital requirements, general financial condition, legal and contractual restrictions (including limitations included in the Company's financing arrangements) and other factors the Company's Supervisory Board and Management Board may deem relevant, including the extent to which they consider it appropriate to reserve profits.

***InnoConcepts has a limited number of major shareholders who collectively own a substantial percentage of its shares.***

InnoConcepts has a number of other major shareholders, see section "Major Shareholders and Related Party Transactions". The major shareholders of InnoConcepts are in a position to exercise significant influence over matters requiring the approval of the Company's shareholders. The interests of those major shareholders may or may not be in line with the interests of other shareholders. The Company's major shareholders may, if they act together, exercise significant influence over all corporate matters requiring shareholder approval, including the election of members of the Supervisory Board and the approval of significant corporate actions. These shareholders may vote in a way which you do not agree with. This concentration of ownership could delay or prevent a change of control that could otherwise be beneficial to the Company's shareholders.

***If securities or industry analysts do not publish research reports about the Company's business, or if they change their recommendations regarding the Ordinary Shares adversely, the market price and trading volume of the Ordinary Shares (including the Offer Shares) could decline.***

The trading market for the Ordinary Shares (including the Offer Shares) will be influenced by the research and reports that industry or securities analysts publish about the Company and its business. If one or more of the analysts who cover the Company or our industry downgrade our shares, the market price of the Ordinary Shares (including the Offer Shares) would likely decline. If one or more of these analysts ceases coverage of us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the market price of our Ordinary Shares (including the Offer Shares) or trading volume to decline.

***If you do not exercise all of your Rights, your percentage ownership of the Ordinary Shares will be significantly diluted.***

The Rights Offering will allow the Company to raise capital in a manner that gives existing Shareholders the opportunity to subscribe for the Offer Shares pro rata to their holdings of Ordinary Shares at the Record Date, subject to applicable securities laws. The Sole Global Coordinator has agreed, subject to certain conditions, to procure subscribers for any Rump Shares. To the extent that you do not exercise your Rights, your proportionate ownership and voting interest in the Company will be significantly reduced. If none of the existing Shareholders who were granted Rights, exercise those Rights, Shareholders' ownership will be diluted by approximately 200%. Even if you elect to sell your Rights, or if you decide to hold your Rights through the end of the Subscription Period entitling you to receive

any Unexercised Rights Payment, the consideration you receive, if any, may not be sufficient to fully compensate you for the dilution of your percentage ownership of Ordinary Shares that may be caused as a result of the Rights Offering.

***If you do not properly exercise your Rights before the end of the Subscription Period, you will no longer be able to exercise those Rights and you may not receive any compensation for them.***

The Subscription Period for the Rights commences at 9:00 on 8 December 2009, and expires at 15:00 hours CET on 17 December 2009. Eligible Persons and, if applicable, financial intermediaries acting on their behalf, must act promptly to ensure that all required exercise instructions and certificates are received by ING in its capacity as subscription agent (the “**Subscription Agent**”) on behalf of the Sole Global Coordinator before the expiration of the Subscription Period. If you, or your financial intermediary, fail to correctly follow the procedures that apply to the exercise of your Rights, the Company may, depending on the circumstances, reject such exercise of Rights. If you fail to validly exercise your Rights, your Rights will continue to be reflected in your securities account only for the purpose of distribution of Unexercised Rights Payment, if any. We cannot assure you, however, that there will be Unexercised Rights Payment for distribution to holders of unexercised Rights.

***InnoConcepts can not assure you that an active trading market will develop for the Rights and, if a market does develop, the Rights may be subject to greater volatility than the Ordinary Shares.***

InnoConcepts intends to set a trading period for the Rights on Euronext Amsterdam 9:00 hours CET on 8 December 2009, until 13:15 hours CET on 17 December 2009. InnoConcepts does not intend to apply for the Rights to be traded on any other stock exchange. Prior to the Offering there has been no market for the Rights. InnoConcepts cannot assure you that an active trading market in the Rights will develop or be sustained on Euronext Amsterdam during that period. If such a market fails to develop or be sustained, this could adversely affect the liquidity and price of the Rights, as well as increase their price volatility. Accordingly, the Company cannot assure investors of the liquidity of any such market, any ability to sell the Rights or the prices that may be obtained for the Rights. In addition, because the trading price of the Rights depends on the trading price of Ordinary Shares, the existing volatility of Ordinary Shares may magnify the volatility of the Rights and impact the value of the Rights.

***The market for the Ordinary Shares might be inactive.***

The volume of trading in Ordinary Shares can be low. The price of the Ordinary Shares is subject to volatility and investors may be unable to sell their Ordinary Shares at or above the price that was paid for them. There is no guarantee that there will be sufficient liquidity in the Ordinary Shares to sell or buy any number of Ordinary Shares at certain price levels. InnoConcepts can not predict the extent to which an active market for the Ordinary Shares will develop or be sustained following the Offering, or how the development of such a market might affect the market price for the Ordinary Shares. A non liquid market for the Ordinary Shares may result in lower trading prices and increased volatility, which could adversely affect the value of your investment.

***The marketability of the Ordinary Shares may decline and the market price of the Ordinary Shares (including the Offer Shares) may fluctuate and decline below the Issue Price.***

We cannot assure that the marketability of the Ordinary Shares will improve or remain as it was before the Offering. The market price of Ordinary Shares at the time of the Offering may not be indicative for the market price of the Ordinary Shares after the Offering has been completed. The market price of Ordinary Shares has been volatile in the past and may continue to fluctuate widely, depending upon many factors beyond our control. These factors include, amongst others, actual or anticipated variations in results or operations of InnoConcepts and its competitors, changes in financial projections by securities analysts, the general state of the securities markets, governmental legislation or regulation, as well as

general economic and market conditions. The market price of Ordinary Shares is also subject to fluctuations in response to issues of Ordinary Shares by InnoConcepts, the liquidity of trading in the Ordinary Shares and capital reduction or purchases of Ordinary Shares by InnoConcepts, as well as investor perception of the success and impact of the Offering. As a result of these or other factors, Ordinary Shares may trade at prices significantly below their market price before the announcement of the details of the Offering. We cannot assure you that the market price of the Ordinary Shares (including the Offer Shares) will not decline below the Issue Price. Should that occur after you have exercised your Rights, which exercise cannot be revoked or modified by you, you will suffer an immediate unrealised loss as a result. Moreover, InnoConcepts cannot assure you that after the exercise of Rights you will be able to sell your Ordinary Shares (including any Offer Shares) at a price equal to or greater than the Issue Price.

***Shareholders in certain jurisdictions may not be able to participate in the Rights Offering and may experience dilution of their holdings.***

Shareholders in certain jurisdictions may not be entitled to participate in the Rights Offering and, as a result, may experience dilution of up to 200% of their equity stakes. In addition, if the Company is unable to sell Rights that are not exercised or not distributed or if their sale is not lawful or reasonably practicable, the Company may allow the Rights to lapse. All Shareholders who did not exercise their Rights will be entitled to receive Unexercised Rights Payment, if any, as compensation for the dilution of their holdings.

***The ownership of the Ordinary Shares may partly be concentrated with one or more major Shareholders and their interests may conflict with the interests of other Shareholders.***

Certain Shareholders currently hold, and may continue to hold following the Offering (whether or not they exercise their Rights), and other investors may acquire, a significant proportion of the Ordinary Shares. These Shareholders may, if they act together, exercise significant influence over all corporate matters requiring shareholder's approval following the Closing Date, including the election of members of the Management Board and the Supervisory Board and the determination of significant corporate actions. These Shareholders may vote in a way with which other Shareholders do not agree and this concentration of ownership could adversely affect the trading volume and market price of the Ordinary Shares (including the Offer Shares) or delay or prevent a change of control that could be otherwise beneficial to InnoConcepts N.V.'s other Shareholders.

***If closing of the Offering does not take place on the Closing Date or at all and the Offering is withdrawn, both the exercised and the unexercised Rights will be forfeited without compensation to their holders and the subscriptions for and allocation of Offer Shares that have been made, will be disregarded. Withdrawal of the Offering might have a material adverse effect on the market price of the Ordinary Shares (including the Offer Shares), our cash flow and our ability to operate our business.***

If closing of the Offering does not take place on the Closing Date or at all, the Offering may be withdrawn. The Underwriting Agreement provides that, upon the occurrence of certain events, such as a material adverse change in the Company's financial condition or business or in the financial markets, in the event of non-compliance by Mr N. Mehra, the Committed Subscribers or the New Investor of their respective commitments in respect of the Rights Offering or the Rump Offering, and under certain other customary conditions, the Underwriting Agreement may be terminated (provided that the Sole Global Coordinator has the right to waive the satisfaction of any of such conditions or part thereof). If any of the conditions to the Offering are not met or not waived by the Sole Global Coordinator the Sole Global Coordinator may, at its discretion, terminate the Rump Offering and its obligation to subscribe for any Rump Shares. In such event, both the exercised and the unexercised Rights will be forfeited without compensation to their holders and the subscriptions for and allocation of Offer Shares that have been made will be

disregarded. Any subscription payments received by InnoConcepts will be returned without interest. Any such forfeiture of Rights will be without prejudice to the validity of any settled trades in the Rights. There will be no refund for any Rights purchases in the market. All trades in Rights prior to the Closing Date are at the sole risk of the parties concerned. The Company, the Subscription Agent and the Sole Global Coordinator do not accept any responsibility or liability to any person as a result of the withdrawal of the Offering or (the related) annulment of any transactions in Rights on Euronext Amsterdam. Euronext Amsterdam does not accept any responsibility or liability to any person as a result of the withdrawal of the Offering or (the related) annulment of any transactions in Rights on Euronext Amsterdam.

If the Offering would be withdrawn and we do not raise at least € 15.0 million of additional net financing through the Offering or other sources on or before 31 December 2009, we will be in breach of our Facilities Agreement as of 1 January 2010 and our indebtedness thereunder (at that time approximately € 55.0 million) will become immediately due and payable. If that were to occur, we would require additional funds of approximately € 70.0 million to cover the deficit in our working capital (including repayments of debt) for the 12 months following the date of this Prospectus. However, we may not be able to secure such additional financing at all or on acceptable terms. Withdrawal of the Offering might have a material adverse effect on our cash flow and our ability to operate our business and the market price of the Ordinary Shares (including the Offer Shares).

## IMPORTANT INFORMATION

*You are expressly advised that an investment in the Offer Shares or the Rights entails certain issues and that you should therefore carefully review the entire contents of this Prospectus.*

### **Responsibility Statement**

InnoConcepts accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of InnoConcepts (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the importance of such information. Potential investors shall not assume that the information in this Prospectus is accurate as of any other later date than as of the date hereof.

### **Notice to Investors**

This prospectus is made available by InnoConcepts. Investors should rely only on the information in this Prospectus and any supplement to this prospectus within the meaning of Article 5:23 FSA, if such supplement were to be published. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Sole Global Coordinator or their affiliates. Neither the delivery of this Prospectus nor any purchase of Offer Shares made pursuant to this Prospectus shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct at any time subsequent to, the date of this Prospectus.

No representation or warranty, express or implied, is made or given by or on behalf of the Sole Global Coordinator or any of its affiliates or any of its respective directors, officers or employees, or any other person, as to the accuracy, completeness or fairness of the information or opinions contained in this Prospectus, or incorporated by reference herein, and nothing contained in this Prospectus, or incorporated by reference herein, is, or shall be relied upon as, a promise or representation by the Sole Global Coordinator or any of its affiliates as to the past or the future. The Sole Global Coordinator does not accept any responsibility whatsoever for the contents of this Prospectus nor for any other statements made or purported to be made by it or on its behalf in connection with the Company, the Offering or the Offer Shares. The Sole Global Coordinator accordingly disclaims all and any liability whether arising in tort or contract or otherwise in respect of this Prospectus or any such statement.

The distribution of this Prospectus and the offer and sale of the Offer Shares may be restricted by law in certain jurisdictions. Persons in possession of this Prospectus are required to inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdictions. This Prospectus may not be used for, or in connection with, and does not constitute an offer to sell, or a solicitation to purchase, any securities in the Company in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. See section "Plan of Distribution" and section "Selling and Transfer Restrictions" elsewhere in this Prospectus. We do not accept any liability for any consequences resulting from infringements of these restrictions.

Although the Sole Global Coordinator is a party to various agreements pertaining to the Offering, this should not be considered as a recommendation to invest in the Rights or the Offer Shares. The contents of this Prospectus are not to be considered to be investment, legal, financial or tax advice. Each prospective investor should consult his own legal counsel, accountant and other advisers for legal, tax, business, financial and related advice before making any investment decision with regard to the Rights and Offer Shares and in order to determine whether or not such prospective investor is lawfully permitted to purchase the Offer Shares. Each prospective investor should consider whether an investment in the

Rights or the Offer Shares is appropriate in light of the investor's particular investment profile, objectives and financial circumstances.

The Sole Global Coordinator and the Listing, Paying and Subscription Agent are acting for InnoConcepts and no-one else in connection with the Offering and will not regard any other person as their client in relation to the Offering and will not be responsible to anyone other than InnoConcepts for providing the protections afforded to their clients nor for providing advice in relation to the Offering, the contents of this Prospectus or any transaction or arrangement referred to in this Prospectus. ING is providing, has provided and may in the future provide investment and commercial banking or other financial services to the Company and its group companies in the ordinary course of business, and will receive customary compensation in connection therewith. ING is currently the Company's main lender. See also section "Operating and Financial Review – Capital Resources and Liquidity".

Investment in the Company will involve certain risks and special considerations including, in particular, the matters set out in the section entitled "Risk Factors". The investments of the Company are subject to market fluctuations and risks inherent in shares generally as well as the specific risks described in this Prospectus and there can be no assurance that an investment in the Company will retain its value or that appreciation will occur. The price of our shares and the income from our shares can go down as well as up and investors may not realise the value of their initial investment. Investors must be able and willing to withstand the loss of their entire investment.

As a condition to a purchase any Offer Shares, each purchaser will be deemed to have made, or in some cases, be required to make, certain representations and warranties, which will be relied upon by us, the Sole Global Coordinator and others. See section "Selling and Transfer Restrictions". We reserve the right, in our sole and absolute discretion, to reject any purchase of Offer Shares that we or our agents (including the Sole Global Coordinator) believe may give rise to a breach or violation of any law, rule or regulation. See section "Selling and Transfer Restrictions".

#### **Notice to Investors in the United States**

The Rights and the Offer Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, granted, issued, sold, exercised, taken up, delivered, renounced, or transferred directly or indirectly in or into the United States. Accordingly, the Rights are being granted and the Offer Shares are being offered by the Company only in transactions that are exempted from registration under the Securities Act pursuant to Regulation S and in compliance with any applicable securities regulatory authority of any state or other jurisdiction of the United States. There will be no public offering of the Rights or the Offer Shares in the United States.

The Offer Shares have not been approved or recommended by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the US and may also be a criminal offence in other jurisdictions.

Potential investors in the Rights or the Offer Shares should carefully read "Selling and Transfer Restrictions – For Investors in the United States".

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT**

**THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR TO CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

### **Notice to UK and other EEA Investors**

This Prospectus, the Rights Offering and the Private Placement are only addressed to and directed at persons in member states of the European Economic Area (“**EEA**”), who are “qualified investors” (“**Qualified Investors**”) within the meaning of Article 2(1)(e) of the Prospectus Directive (including any relevant implementing measure in each relevant member state of the EEA). In addition, in the United Kingdom, this Prospectus is only being distributed to and is only directed at (1) Qualified Investors who are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or high net worth entities falling within Article 49(2)(a)-(d) of the Order or (2) persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**Relevant Persons**”). The Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, (1) in the United Kingdom, Relevant Persons and (2) in any member state of the EEA other than the United Kingdom, Qualified Investors. This Prospectus and its contents should not be acted upon or relied upon (1) in the United Kingdom, by persons who are not Relevant Persons or (2) in any member state of the EEA other than the United Kingdom, by persons who are not Qualified Investors.

This Prospectus has been prepared on the basis that all offers of the Offer Shares other than the offers contemplated in the Prospectus in the United Kingdom will be made pursuant to an exemption under the Prospectus Directive, as implemented in the member states of the EEA, from the requirement to produce a prospectus for offers of the Offer Shares. Accordingly, any person making or intending to make any offer within the EEA of the Offer Shares should only do so in circumstances in which no obligation arises for us, or the Sole Global Coordinator and Sole Bookrunner to produce a prospectus for such offer. None of the Company or the Sole Global Coordinator and Sole Bookrunner has authorized or authorizes the making of any offer of the Offer Shares through any financial intermediary, other than offers made by the Sole Global Coordinator and Sole Bookrunner which constitute the final placement of the Offer Shares contemplated in this Prospectus.

### **Forward-Looking Statements**

Certain statements in this Prospectus are not historical facts and are forward-looking statements, including statements about the Company’s beliefs, expectations and targets. These statements are based on information currently available to us and based on our current plans, beliefs, objectives, expectations and projections, as well as our expectations of external conditions and events. In particular the words “believe”, “anticipate”, “estimate”, “expect”, “intend”, “predict”, “project”, “could”, “may”, “will”, “plan”, “should”, “target”, “aim”, “potential”, “foresee”, including the negative of these terms, and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors

include, among other things, those discussed under “Risk Factors” and “Operating and Financial Review”.

These forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company and its subsidiaries. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Reference is made to section “Risk Factors”.

Prospective investors are cautioned that such forward-looking statements speak only as of the date of this Prospectus. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, except to the extent required by law.

Except as required by the FSA, the Prospectus Directive and the rules promulgated thereunder or otherwise required by law or regulation, the Company expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in InnoConcepts and its consolidated subsidiaries’ (the “**Group**”) expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

### **Presentation of Financial and Other Information**

Included in this Prospectus, beginning on page F-1, are our reviewed interim condensed consolidated financial information for the six months ended 30 June 2009 (with comparative information for the six months ended 30 June 2008), and related notes. Also included in this Prospectus are our audited consolidated financial statements for the year ended 31 December 2008, including the related notes and auditor’s statement. Our audited consolidated financial statements for the years ended 31 December 2007 and 2006, including the related notes and auditor’s statements, are incorporated by reference in this Prospectus. See section “Index to Financial Statements” and “Important Information – Incorporation by Reference”. The interim consolidated financial information for the six months ended 30 June 2009, and the consolidated financial statements for the years ended 31 December 2008, 2007 and 2006 have been prepared in accordance with IFRS.

Our consolidated financial statements for the years ended 31 December 2008, 2007 and 2006 have been audited by Deloitte Accountants B.V. (“**Deloitte Accountants**”).

Our unaudited interim condensed consolidated financial information for the six months ended 30 June 2009, has been reviewed by Deloitte Accountants.

The financial statements 2008 of the Company included in this Prospectus beginning on page F-1 are English translations of the original Dutch texts. In the event of any inconsistency between the English translation and the original Dutch text, the Dutch text will prevail.

Financial reporting during 2009 and further on may still be subject to change due to EU endorsements and could also be influenced by changes in IFRS itself.

#### *Other*

In this Prospectus all references to “InnoConcepts”, the “Company”, “we”, “us”, “our”, and “ours” refer to InnoConcepts and its consolidated subsidiaries, depending on the context.

Unless otherwise indicated, all references in this Prospectus to “EUR”, “€” or “euro” are to the lawful

currency of the European Monetary Union, references to “GBP”, “£” and “pound sterling”, are to the lawful currency of the United Kingdom, references to “US dollar”, “USD” or “US\$” are to the lawful currency of the United States and references to HKD are to the lawful currency of Hong Kong.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the figures in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row.

## **Market Information**

The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as we are aware and are able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Without prejudice to the statement in the previous sentence and, although we believe the third party sources are reliable, as we do not have access to the information, methodology and other bases for such information, we are not in a position to independently verify the accuracy and completeness of such information and therefore cannot guarantee the accuracy and completeness thereof.

This Prospectus contains references to market information, information about Proventec and other third parties. We have generally obtained this data from publicly available information, internal estimates and third party sources, including the Proventec annual report for the period ended 31 March 2009, and the Proventec published interim financial information for the six months ended 30 September 2008. Although we believe that such sources are reliable, we have not independently verified any of the data from third party sources and we cannot guarantee the accuracy and completeness of the information provided by such sources. Specific third party sources used are indicated in the Prospectus.

This Prospectus also contains statements regarding our competitive position that are not based on information obtained from independent third parties, but are based on our experience and our own investigation of market conditions. Although our estimates are based on information obtained from sources which we believe to be reliable, we cannot assure you that any of the assumptions underlying these estimates are accurate or correctly reflect our position in the industry.

## **Incorporation by Reference**

The following documents have been incorporated by reference in this Prospectus:

- The Articles of Association of the Company as most recently amended on 6 October 2009 (*Dutch version only* (“**Articles of Association**”)).
- Our audited Financial Statements as at and for the year ended 31 December 2007, including the auditor’s report, from page 23 up to and including page 70, with:
  - a) the consolidated balance sheet at 31 December 2007 (before profit appropriation) commencing on p. 24;
  - b) the consolidated income statement for the year ended 31 December 2007 commencing on p. 25;
  - c) the consolidated cash flow statement for the year ended 31 December 2007 commencing on p. 26;
  - d) the consolidated statement of changes in equity commencing on p. 27;

- e) the notes to the consolidated financial statements commencing on p. 28;
  - f) the Company financial statements for the year ended 31 December 2007 commencing on p. 60;
  - g) the notes to the Company financial statements for the year ended 31 December 2007 commencing on p. 66; and
  - h) the auditor's report commencing on p. 68.
- Our audited financial statements as at and for the year ended 31 December 2006, including the auditor's report, from page 21 up to and including 66, with:
    - a) the consolidated balance sheet at 31 December 2006 (before profit appropriation) commencing on p. 22;
    - b) the consolidated income statement for the year ended 31 December 2006 commencing on p. 23;
    - c) the consolidated cash flow statement for the year ended 31 December 2006 commencing on p. 24;
    - d) the consolidated statement of changes in equity commencing on p. 25;
    - e) the notes to the consolidated financial statements commencing on p. 26;
    - f) the Company financial statements for the year ended 31 December 2006 commencing on p. 59;
    - g) the notes to the Company financial statements for the Year Ended 31 December 2006 commencing on p. 60; and
    - h) the auditor's report commencing on p. 65.

For information on where to obtain copies of this Prospectus, see section "Additional Information – Availability of Documents".

### **No Incorporation of Website**

The contents of our website and websites accessible from hyperlinks on our website do not form part of this Prospectus, except for the annual reports of the Company for the years ended 31 December 2007 and 2006, which are incorporated by reference into this Prospectus and which are made available on our website.

## EXCHANGE RATES

We publish our consolidated financial statements in euro. The exchange rates below are provided solely for information and convenience. No representation is made that the euro could have been, or could be, converted into the relevant currencies at these rates.

The table below shows the average and end period exchange rates expressed in the relevant currencies per €1.00 for the years given as computed using the interbank standard rate for the euro during the period indicated. The average figure is the average weight of all daily interbank exchange rates during the year in question.

	2006		2007		2008		2009	
	31 Dec	Average	31 Dec	Average	31 Dec	Average	30 June	Average
<b>GBP</b>	0.674	0.682	0.738	0.685	0.974	0.796	0.851	0.895
<b>USD</b>	1.320	1.256	1.473	1.371	1.410	1.471	1.405	1.335
<b>HKD</b>	10.266	9.763	11.488	10.695	10.946	11.462	10.890	10.357
<b>CZK</b>	27.534	28.368	26.568	27.719	26.643	24.990	26.043	27.170

On 4 December 2009 the ECB fixing rate for the euro was EUR 1.000 = GBP 0.905, EUR 1.000=USD 1.507, EUR 1.000=HKD 11.678 and EUR 1.000=CZK 25.842.

Source: [www.oanda.com](http://www.oanda.com), Bloomberg.

## **REASONS FOR THE OFFERING AND USE OF PROCEEDS**

### **Rationale for the Offering**

The Offering is intended to implement the Company's new strategy, to improve our working capital, to strengthen our balance sheet, to finance ongoing developments and operations of group companies and to reduce our net debt level.

### **Use of Proceeds**

The gross proceeds of the Offering are expected to be approximately €27.2 million. The expenses of the Offering, including management and underwriting fees, are estimated to be approximately €2.0 million. The Company estimates receiving approximately €25.0 million after deduction of the estimated expenses and commissions and applicable taxes (if any) payable by it in connection with the Offering. In the event that the Private Placement will take place, the Company will receive additional proceeds of up to €4.0 million.

The first €15.0 million net proceeds of the Offering will be used to implement the Company's new strategy, to improve working capital, to strengthen the balance sheet and to finance ongoing developments and operations of group companies. The net proceeds in the amount of up to €10.0 million above the first €15.0 million will be allocated to repay the Bridge Loan. Any remaining proceeds of the Offering will be used to reduce the net debt level of the Company. In the event that the Private Placement will take place, the net proceeds thereof will be used for general corporate purposes, including for working capital.

## DIVIDEND POLICY

Our dividend policy is to aim for a pay out ratio of up to 30% of our operating result to shareholders either by way of a cash dividend or stock dividend or a combination of both, at the option of each individual shareholder. Our dividend policy is subject to:

- factors such as future earnings, financial performance, cash requirements and the requirements under Dutch law;
- the discretion of our Management Board, Supervisory Board and General Meeting of Shareholders; and
- restrictive covenants agreed with our lenders as part of our financing arrangements, limit our ability to pay dividend or to pay dividend in cash.

Despite our dividend policy, our shareholders may decide for the financial years 2009, 2010 and 2011 to pay out a stock dividend or no dividend. It is expected that for the financial year 2009 no cash dividend will be paid out.

For the financial year ended 31 December 2008, the Company has paid out a dividend by way of a stock dividend. The stock dividend per Share was 1:18.

For the financial years 31 December 2007 and 2006, we paid dividends of €0.24 and €0.21 per Share, respectively.

In each of these years, shareholders were given the option of receiving their dividends in cash or in Ordinary Shares. The stock dividend per Share for the financial years ended 31 December 2007 and 2006 was 1:35 and 1:73, respectively.

The Offer Shares and the Private Placement Shares, if any, rank equally in all respects with existing Ordinary Shares and will be eligible for any dividend we may declare on our Ordinary Shares in respect of the 2009 financial year and subsequent financial years.

Distributions that have not been claimed within six years as from the date that they have become payable, shall lapse in favour of the Company.

In principle, dividend payments are subject to withholding tax in The Netherlands. See section “Taxation” for a discussion of certain aspects of Dutch taxation of dividends.

For further details relating to the payment of dividends and our Ordinary Shares, see section “Description of Share Capital – Dividends and other Distributions”.

## CAPITALISATION AND INDEBTEDNESS

The following table sets out our consolidated capitalisation and indebtedness as of 30 September 2009 under IFRS.

In € thousands	Actual 30 September 2009 (unaudited)	(ii) Adjustments as a consequence of the Offering (unaudited)	(iii) As adjusted for the Offering– Total (unaudited)
Equity attributable to shareholders	47,034		47,034
Minority interest	360		360
Proceeds of the Offering	-	25,177	25,177
<b>Total Equity</b>	<b>47,394</b>	<b>25,177</b>	<b>72,571</b>
Short-term loans and borrowings	25,821	-9,000	16,821
Long-term loans and borrowings <sup>1)</sup>	32,467		32,467
<b>Financial Debt</b>	<b>58,288</b>		<b>49,288</b>
<b>Total Capitalisation</b>	<b>105,682</b>		<b>121,859</b>
Cash and Cash Equivalents	526	16,177	16,703
<b>Total</b>	<b>105,156</b>		<b>105,156</b>

### Disclosure of capitalisation

In € thousands	Actual 30 September 2009 (unaudited)	(ii) Adjustments as a consequence of the Offering (unaudited)	(iii) As adjusted for the Offering– Total (unaudited)
<b>Total current debt</b>	<b>25,821</b>	<b>-9,000</b>	<b>16,821</b>
Guaranteed	25,821	-9,000	16,821
Secured	-	-	-
Unguaranteed / Unsecured	-	-	-
<b>Total Non-Current debt (excluding current portion of long-term debt)</b>	<b>32,467</b>		<b>32,467</b>
Guaranteed	32,467		32,467
Secured	-	-	-
Unguaranteed / Unsecured	-	-	-
<b>Shareholder's equity:</b>			
Share capital	260	523	783
Reserves	87,586	24,654	112,240
Unappropriated result	-40,812		-40,812
Minority interest	360		360
<b>Total</b>	<b>47,394</b>	<b>25,177</b>	<b>72,571</b>

## Disclosure of Net indebtedness

In € thousands	Actual 30 September 2009 (unaudited)	(ii) Adjustments as a consequence of the Offering (unaudited)	(iii) As adjusted for the Offering– Total (unaudited)
Cash	526	16,177	16,703
Cash equivalent (detail)	-	-	-
Trading securities	-	-	-
<b><i>Liquidity</i></b>	<b>526</b>	<b>16,177</b>	<b>16,703</b>
<i>Current Financial Receivable</i>	-	-	-
Current Bank debt	15,050	-9,000	6,050
Current portion of non-current debt	10,771		10,771
Other current financial debt	1,454		1,454
<b><i>Current Financial Debt</i></b>	<b>27,275</b>	<b>-9,000</b>	<b>18,275</b>
<b><i>Net Current Financial Indebtedness</i></b>	<b>26,749</b>	<b>-25,177</b>	<b>1,572</b>
Non current Bank loans	32,467		32,467
Bonds issued	-		-
Other non-current loans	29,104		29,104
<b><i>Non current Financial Indebtedness</i></b>	<b>61,571</b>		<b>61,571</b>
<b><i>Net Financial Indebtedness</i></b>	<b>88,320</b>	<b>-25,177</b>	<b>63,143</b>

1) Other current financial debt and other non-current loans include indirect indebtedness and contingent liabilities.

## Indirect and contingent indebtedness

### *Financial guarantee contracts*

We entered into a loan note guarantee in relation to the sale of the Loan Notes in which we guarantee, subject to certain conditions, the due and punctual payment by Proventec of the principal and interest payments, amounting to a maximum contingent liability, of € 17.8 million per 30 September 2009. This guarantee will expire on the earlier of (i) the date falling 30 business days after the final repayment date of the Loan Notes, 31 December 2012; (ii) the date on which the Loan Notes are repurchased by Proventec, redeemed, converted or cancelled in full; and (iii) the first occasion on which the volume weight average price of an ordinary share in Proventec over any period of 60 days is 150% (75p) or more of the conversion price of the Loan Notes. The share price of Proventec as per close of 3 December 2009 is 57p and €0.80 on the Alternative Investment Market of the London Stock Exchange (“AIM”) and Alternext Paris respectively. The conversion price currently is 50p and remains subject to any further adjustment in accordance with the terms of the Loan Notes. In the event the share trades above 75p during a period of sixty days, the Loan Notes automatically convert. This guarantee was valued at nil per 30 September 2009.

Two buyback guarantees were issued to a lease company concerning injection mould systems delivered to third parties. The guarantees will expire on 31 December 2011 and 1 November 2012, respectively. These buyback guarantees were valued at nil per 30 September 2009.

We have provided certain financial guarantees to Hoogerman Holding B.V.'s bank for a total amount of up to €1.0 million, which will expire in April 2012.

### ***Contingent liabilities***

As per 30 September 2009, our liabilities under rental agreements relating to premises amounted to €0.9 million per year. These agreements cover four rental agreements from which the longest ends in December 2018. With regard to these rental commitments, bank guarantees have been provided by the Company for a total amount of €0.2 million.

## KEY CONSOLIDATED FINANCIAL DATA

The table below shows key financial data of the Company for the years ended 31 December 2008, 2007 and 2006 and for the six months ended 30 June 2009 and 2008. The key financial data have been extracted from our audited consolidated financial statements for the year ended 31 December 2008, 2007 and 2006 prepared in accordance with IFRS. The six months consolidated financial information is derived from our reviewed interim condensed consolidated financial information for the six months ended 30 June 2009 and 2008 prepared in accordance with IFRS.

The key financial data should be read in conjunction with “Important Information – Presentation of Financial and Other Information” and the “Operating and Financial Review”. It should also be read in conjunction with our audited consolidated financial statements for the years ended 31 December 2008, 2007 and 2006 and our reviewed interim condensed consolidated financial information for the six months ended 30 June 2009, and related notes included in this Prospectus, see section “Index to the Financial Statements” and section “Important Information – Incorporation by Reference”. The table below is prepared for illustrative purposes only and, because of its nature, may not give a true picture of our financial position following the Offering.

<b>Results of Operations</b>	<b>IFRS 30 June 2009</b>	<b>IFRS 30 June 2008</b>	<b>IFRS 2008</b>	<b>IFRS 2007</b>	<b>IFRS 2006</b>
<b>In € thousands</b>	<b>(reviewed)</b>	<b>(unaudited)</b>	<b>(audited)</b>	<b>(audited)</b>	<b>(audited)</b>
Sales IPR	-	13,490	33,661	18,712	18,231
Sales trading activities	6,723	7,434	16,748	8,920	787
Total Sales	6,723	20,924	50,409	27,632	19,018
Interest financial leases	252	313	648	908	1,378
<b>Total Income</b>	<b>6,975</b>	<b>21,237</b>	<b>51,057</b>	<b>28,540</b>	<b>20,396</b>
Cost of sales	-2,249	-1,806	-5,768	-6,370	-966
Gross profit	4,726	19,431	45,289	22,170	19,430
Other operating income					
Depreciation	-6,682	-3,488	-7,939	-2,868	-1,278
Operating expenses	-11,537	-7,803	-22,269	-5,637	-3,090
<b>Operating result</b>	<b>-13,493</b>	<b>8,140</b>	<b>15,081</b>	<b>13,665</b>	<b>15,062</b>
Sale of group companies	-	-	-	6,996	-
Result investments in associates	-5,791	101	-84	249	335
Dilution result	-	-	-16	262	-
Amortisation of goodwill	-	-	-	-	-
Financial income / expense	-2,393	200	38	-186	-355
Badwill	-	-	-	947	-
Impairment losses	-	-	-36,980	-	-
Taxes	4,232	-1,400	-193	-4,072	-843
<b>Group result</b>	<b>-17,445</b>	<b>7,041</b>	<b>-22,154</b>	<b>17,861</b>	<b>14,199</b>
Minority interest	185	-367	-672	-57	1,146
<b>Net result attributable to ordinary shareholders</b>	<b>-17,630</b>	<b>7,408</b>	<b>-21,482</b>	<b>17,918</b>	<b>13,053</b>

<b>Balance Sheet Data as of</b>	<b>IFRS 30 June 2009 (reviewed)</b>	<b>IFRS 30 June 2008 (unaudited)</b>	<b>IFRS 31 December 2008 (audited)</b>	<b>IFRS 31 December 2007 (audited)</b>	<b>IFRS 31 December 2006 (audited)</b>
<b>In € thousands</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	30,258	20,910	26,875	13,560	612
Goodwill and acquisition-related intangible assets	5,653	10,414	5,893	10,849	-
Intellectual property rights and development costs	25,239	21,682	24,468	12,141	10,132
Investments in associates	33,909	30,379	37,399	18,553	17,116
Loans and non-current receivables	14,643	32,082	19,592	36,584	33,707
Deferred tax assets	8,475	-	-	-	-
Derivative financial instruments	118	444	118	444	686
	<b>118,295</b>	<b>115,911</b>	<b>114,345</b>	<b>92,131</b>	<b>62,253</b>
<b>CURRENT ASSETS</b>					
Inventories	784	8,053	792	17,289	11,850
Trade and other receivables	24,489	32,485	17,713	27,013	21,860
Tax receivable	2,292	419	472	64	-
Cash and cash equivalents	402	4,435	4,015	14,181	12,577
	<b>27,967</b>	<b>45,392</b>	<b>22,992</b>	<b>58,547</b>	<b>46,287</b>
<b>TOTAL ASSETS</b>	<b>146,262</b>	<b>161,303</b>	<b>137,337</b>	<b>150,678</b>	<b>108,540</b>
<b>EQUITY</b>					
Share capital	258	231	231	227	213
Reserves	89,513	100,606	102,737	87,252	63,960
Retained earnings	-17,630	7,408	-21,482	17,918	13,053
Equity attributable to shareholders	72,141	108,245	81,486	105,397	77,226
Minority interest	265	402	71	728	-
Group equity	<b>72,406</b>	<b>108,647</b>	<b>81,557</b>	<b>106,125</b>	<b>77,226</b>
<b>NON-CURRENT LIABILITIES AND PROVISIONS</b>					
Loans and other liabilities	36,384	19,135	35,484	21,696	23,415
Deferred tax liabilities	8,454	2,953	1,429	2,238	119
	<b>44,838</b>	<b>22,088</b>	<b>36,913</b>	<b>23,934</b>	<b>23,534</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	26,512	24,957	15,144	15,692	6,784
Tax payable	2,506	5,611	3,723	4,927	996
	<b>29,018</b>	<b>30,568</b>	<b>18,867</b>	<b>20,619</b>	<b>7,780</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>146,262</b>	<b>161,303</b>	<b>137,337</b>	<b>150,678</b>	<b>108,540</b>

## Cash flow Statement

In € thousands	1 January until 30 June 2009 (reviewed)	1 January until 30 June 2008 (unaudited)	1 January until 31 December 2008 (audited)	1 January until 31 December 2007 (audited)	1 January until 31 December 2006 (audited)
Cash flow from operating activities:					
<b>Net result</b>	<b>-17,445</b>	<b>7,041</b>	<b>-22,154</b>	<b>17,861</b>	<b>14,199</b>
Adjustments for:					
Depreciation property, plant and equipment	2,926	1,753	3,181	439	131
Amortisation of intellectual property rights and development costs	3,756	1,737	4,758	2,429	1,147
Non-cash revenue	446	-11,000	-29,591	-6,234	-68
Impairment of assets	-	-	36,980	-	-
Taxes	-4,232	1,400	193	4,072	843
Interest income	-492	-1,030	-2,503	-2,120	-1,337
Interest expense	2,885	830	2,207	2,064	1,411
Impairment of derivatives	-	-	258	242	281
Result on associates	5,791	-101	84	-249	-335
Profit on sale of group company	-	-	-	-6,996	-
Dilution gains and losses	-	-	16	-262	-
Negative goodwill	-	-	-	-947	-
<b>Total adjustments</b>	<b>11,080</b>	<b>-6,411</b>	<b>15,583</b>	<b>-7,562</b>	<b>2,073</b>
Cash flow before movements in working capital and provisions					
	-6,365	630	-6,571	10,299	16,272
Movement in trade and other receivables	-1,880	-6,606	-1,125	1,449	-8,065
Movement in inventories	30	50	-688	-6,424	-10,085
Movements in trade and other payables	2,391	-1,735	-2,514	292	679
<b>Total movements in working capital</b>	<b>541</b>	<b>-8,291</b>	<b>-4,327</b>	<b>-4,683</b>	<b>-17,471</b>
<b>Subtotal</b>	<b>-5,824</b>	<b>-7,661</b>	<b>-10,898</b>	<b>5,616</b>	<b>-1,199</b>
Tax paid	-256	-356	-2,552	-443	-311
<b>Net cash flow from operating activities</b>	<b>-6,080</b>	<b>-8,017</b>	<b>-13,450</b>	<b>5,173</b>	<b>-1,510</b>
Cash flow from investing activities:					
Disposals of property, plant and equipment	-	20	1,325	99	93
Disposal of intellectual property rights	-	-	-	980	-
Acquisition of group companies	-	-	-	-2,988	-22,299
Sale of group companies	-	-	-	2,487	-
Sale of derivatives	-	-	-	-	1,553
Additions to property, plant and equipment	-904	-452	-1,222	-8,618	-137
Additions to intellectual property rights	-139	-6,154	-9,968	-2,590	-319
Development of intangible assets	-339	-5,278	-6,439	-2,745	-2,613
<b>Net cash flow from investing activities</b>	<b>-1,382</b>	<b>-11,864</b>	<b>-16,304</b>	<b>-13,375</b>	<b>-23,722</b>
Cash flow from financing activities:					
Share issue	-	-	-	19,391	23,538
Additions to long-term loans and other liabilities	5,000	-	37,900	-	42,717
Repayment of long-term loans and other liabilities	-3,378	-906	-23,257	-1,615	-39,148
Redemption of loans from credit institutions	-	-	-	-	-55
Additions to loans from credit institutions	3,296	7,650	615	-	-
Dividend paid	-	-	-2,102	-2,170	-1,711
Loans granted and non-current receivables	-148	-1,918	-2,084	-14,522	-15,175
Repayments received on loans and non-current receivables	-	3,347	7,131	8,389	20,871
Interest paid	-994	-830	-2,139	-2,064	-1,411
Interest received	-	1,030	2,503	2,120	1,337
<b>Net cash flow from financing activities</b>	<b>3,776</b>	<b>8,373</b>	<b>18,567</b>	<b>9,529</b>	<b>30,963</b>
<b>Net cash flow for the period</b>	<b>-3,686</b>	<b>-11,508</b>	<b>-11,187</b>	<b>1,327</b>	<b>5,731</b>
Cash and cash equivalents at 1 January	4,015	14,181	14,181	12,577	3,770
Effect of foreign exchange rate fluctuations on cash and cash equivalents on hand	73	1,762	1,021	277	3,076
Cash and cash equivalents at end of period	402	4,435	4,015	14,181	12,577

## OPERATING AND FINANCIAL REVIEW

The following operating and financial review should be read together with our audited consolidated financial statements for the years ended 31 December 2008, 2007 and 2006 and related notes, and our reviewed interim condensed consolidated financial information for the six months ended 30 June 2009, and comparative information for the six months ended 30 June 2008 (see section “Index to Financial Statements”, section “Important Information – Presentation of Financial and Other Information” and section “Important Information – Incorporation by Reference”).

Certain information contained in the following review and elsewhere in this Prospectus includes forward-looking statements that involve risks and uncertainties. Our actual results and the timing of events could differ materially from those expressed or implied by such forward-looking statements, as a result of various factors including those discussed below and elsewhere in the Prospectus, in particular, see section “Important Information – Forward-Looking Statements” and “Risk Factors”.

All financial figures regarding the Company in this review are based on our audited consolidated financial statements drawn up in accordance with IFRS for the year ended 31 December 2008 (with comparative information for 2007 drawn up in accordance with IFRS), our audited consolidated financial statements drawn up in accordance with IFRS for the year ended 31 December 2007 (with comparative information for 2006 drawn up in accordance with IFRS), and our audited consolidated financial statements in accordance with IFRS for the year ended 31 December 2006 (with comparative information for 2005 drawn up in accordance with IFRS), and our reviewed interim condensed consolidated financial information in accordance with IFRS for the six months ended 30 June 2009, with comparative information for the six months ended 30 June 2008, drawn up in accordance with IFRS. Our consolidated financial statements for the years ended 31 December 2008, 2007 and 2006 have been audited by Deloitte Accountants. Our condensed consolidated financial statements for the six months ended 30 June 2009, have been reviewed by Deloitte Accountants.

Certain figures in this text may be rounded and may not conform to the exact total, which is set out in the tables herein.

### Overview

As of September 2009, we changed our strategic focus in two respects. First, at Company level, we decided to focus on the exploitation of our IM Technology, which is our most valuable asset. Second, to improve our expected cash flow we decided to focus our exploitation of the IM Technology on selling moulds to Converters with an implied license fee per individual mould.

Historically, we started building our Company through marketing innovations. In the recent past, we have focused on two specific business-to-business technologies: (i) plastic packaging technology via I-Pac and (ii) cleaning and coating technology via InnoCleaning Concepts. See section “Business – History”.

Our key technology in I-Pac relates to a specific IM Technology that enables plastic packaging producers to realise substantial cost reductions.

We have to date exploited our IM Technology in five markets: media packaging, returnable transport packaging, food packaging, automotive and consumer electronics packaging. The roll-out of our IM Technology started in 2001 as a joint operation based on a cooperation agreement for media packaging with Cheng Meng (also known as Founders), a contract manufacturer in the People’s Republic of China. See also section “Business – History”. In 2005, we licensed our IM Technology for use in returnable transport packaging (e.g. pallets and crates) to SAS. Subsequently, we licensed our IM Technology to various parties in the food packaging markets, most importantly WNA. In 2007, we granted an exploratory

license for our IM Technology to IAC for the automotive industry. Finally, in 2008 we granted a license to Hoogerman Group to explore the potential for our IM Technology in the consumer electronics packaging area. In the near future we expect revenues related to our IM Technology from the media packaging and returnable transport packaging segment to be limited and we will therefore primarily focus on food packaging and automotive. In addition, we continue to explore possibilities in returnable transport packaging and consumer electronics packaging on a case-by-case basis. The current stage of commercialisation of our IM Technology in each of these five markets differs, but in none of these markets have we yet reached the stage of achieving multiple IM Technology mould sales to specific customers on an ongoing basis.

With respect to commercialising our technology, initially we aimed at (i) licensing of our IM Technology to Converters, often in consideration for an equity participation, and (ii) marketing, product development and production of packaging products for multinational producers of food and beverage products. Although this strategy held the promise of significant value creation in the long term, it did not allow the operational costs of our business to be covered by cash income in the short term (as illustrated by the complete lack of license income in the first half of 2009), thus creating a negative cash flow and resulting in the necessity to obtain additional debt or equity financing on a regular basis.

Following the appointment of our new CEO, Mr N. Mehra, in June 2009, we decided to adopt a cash-focused strategy in order to be less dependent on the availability of additional financing and to improve our financial performance in a sustainable way. This new strategy is primarily aimed at exploiting our IM Technology by selling moulds to Converters with an implied license fee per individual mould and in certain cases ongoing royalties. Nevertheless, I-Pac could still decide to license the IM Technology on an exclusive basis for a specific market segment if and when appropriate. By implementing this new strategy, we expect our business to generate more cash on a short term and create fewer hurdles for potential business partners to start using the technology. In addition, we expect that we can implement our new strategy with a more streamlined organisation and thereby reduce our costs. See sections “Business – Strategy and Objectives” and “Operating and Financial Review – Revenue Model”.

Following this recent change in strategy, our business activities can now be grouped in four distinct areas:

- (A) “*Mould Sales*”: the operational core of our business consists of advanced engineering and mould making units. It includes the production and sales of generic and IM Technology-based moulds for a specific product. Our main mould production capacity is located at Eindhoven and the Czech Republic, resulting from the acquisitions of HTP and Formy (100% owned and 60% owned respectively). This activity will be presented in the Results of operations as Sales mould making.
- (B) “*Intellectual property rights*”: the management of our portfolio of intellectual property rights, including the development of our IM Technology base. It includes the entering into of license agreements related to our IM Technology to specific market segments or for multiple products. This activity will be presented in the Results of operations as Sales IPR.
- (C) “*Investment in Converters*”: existing strategic (equity) investments in Converters, such as Founders SAS and WNA (owned by I-Pac through AFP Licensing Inc. (98%)). This activity will be presented in Results of operations as Investments in associates.
- (D) “*Non-core investments*”: (equity) investments in assets that are considered to be non-core, given the Company’s current strategy. At present, these non-core investments mainly consist of our 36.2% equity interest, indirectly held in Proventec, a provider of specialist steam cleaning solutions and preventative coating technologies. We may resolve to divest our participation in

Proventec in the future, by way of a private sale, a distribution to our shareholders or otherwise.

The different parts of our business referred to under (A) through (D) above will be described more in detail under section “Business – Business Activities”.

### **I-Pac Revenue Model**

With the current revised strategy of InnoConcepts, focusing on I-Pac’s unique IM Technology as core activity, in combination with the mould making activities, the revenue model has been aligned with the strategy and is essentially focused on generating cash and improving our financial performance in a sustainable way.

In our new strategy, revenues are expected to be generated as follows:

- the sale of moulds (both generic and those equipped with the IM Technology);
- royalty income over our Converters’ future revenues produced with a mould containing our IM Technology;
- upfront license fees and ongoing royalties resulting from licensing specific market segments or multiple products; and
- with certain Converters we may have revenues which are a mix of several of the above.

#### *Rationale*

Our IM Technology, being an integral part of the mould, enables our customers to reach cost savings on their own production costs. The cost savings relate to less capital expenditure (or higher output on existing capital expenditure), material savings and energy savings. Further to that, our technology allows for a bigger design and manufacturing freedom and allows for a reduction of the emission of CO<sub>2</sub> gasses through the reduction in the usage of plastic materials and energy.

The sale to the customer consists of the hardware (the mould itself) plus a license for the use of this hardware in one or more of the forms stated above.

The Converters own working capital accessibility enables them to fund the purchase of the moulds and a portion of the license fee until the Converter receives income derived from the sale of the plastic parts produced using the mould. Therefore, most Converters prefer to spread license fees over the useful life of the mould, contrary to our interests. The proportion of license fees paid “upfront” ultimately depends on the strength of our negotiating position.

For the purpose of cash generation, we have essentially abandoned the model of receiving a participation in the business of the customer in return for the granting of the license. In the past, such participations have generated significant value for the Company, but the conversion of this value into cash may take several years.

Our approach of focusing on a small number of key Converters enables us to provide them with moulds and technology on a per mould basis. This reduces the initial investment of our customers, thus making it easier for them to adopt the technology. Once the equipment is installed and the IM Technology is proven inside the Converters own production process, it may be expected that the amount of orders for new IM Technology moulds will substantially increase.

## Factors affecting the comparability between periods

During the period covered by this Operating and Financial Review, the Company has disposed of and invested in business activities and assets. The impact of these investments and/or divestments on the financial performance of the Company are in certain cases significant.

In addition, the adoption of the new strategy and revenue model, as set out in section “Business – Strategy and Objectives”, will influence the way in which future revenues are generated by our business activities in three different ways. First, as far as (A) “Mould Sales” are concerned, revenues recorded under Sales mould making, including our IM Technology, are anticipated to include implied license fees. Implied license fees are license fees which form an integral part of the total mould sales price, compensating for the use of the IM Technology. These license fees will be recorded in the mould making revenues line. As a result, we anticipate that gross profit margins on mould sales will increase over time. Second, we expect that as far as (B) “Intellectual property rights” are concerned, revenues will be generated in smaller amounts on a more frequent basis taking into account that our new strategy is primarily aimed at selling moulds with an implied license fee (which will be recorded jointly with the mould sales in mould making revenues) per individual mould, potentially together with an ongoing future royalty to our customers. These future royalties will be recorded in the Sales IPR revenue line. Third, the component of revenues generated by the sale of products other than moulds will decrease over the next year and will eventually be reduced to zero.

In addition to changing market conditions and the impact of the new strategy and revenue model, our year on year results are not fully comparable due to the following factors:

- Fluctuations in the value of the US dollar against the euro have had, and may continue to have, a significant effect on our results of operations and financial position. In the six months ended 30 June 2009, the impact amounted to €0.15 million solely related to the financial position. In 2008, the increase in the exchange rate of the euro against the US dollar when compared to the exchange rate for the full year 2007 had a negative impact on our revenues from I-Pac Manufacturing Asia Ltd. (Hong Kong) (“**I-Pac Asia**”) when translated into euro by approximately €0.3 million.
- In August 2009, we acquired the remaining shares in HTP and as a result HTP is no longer reflected as a minority interest in our accounts. See section “Additional Information – Material Contracts”.
- In September 2008, we acquired a 35% equity stake in Hoogerman Holding B.V. with business units in Tilburg, Vyskov (Czech Republic) and Jiangmen (China). Hoogerman Group has an international presence in the packaging of consumer electronics, as well as packaging of medical products and applications. Hoogerman Group’s 2008 annual sales were approximately €30 million. When entering into the transaction, we decided to license our IM Technology in exchange for shares in Hoogerman Holding B.V. to optimally benefit from the value creation at our licensees and get maximum return for our technology given the market dynamics at that time. In addition, we entered into a contract manufacturing agreement. The contract manufacturing agreement provides for penalty payments due by us in relation to a minimum revenue guarantee we have provided to the Hoogerman Group. See also section “Business – History”.
- In 2008, we acquired a significant conditional equity stake in WNA, through I-Pac’s equity stake in AFP Licensing Inc. (98%), in relation to a license agreement granted to WNA for the use of our IM Technology. The 20% interest in WNA is conditional upon meeting certain performance goals, which will be tested in 2014. See also section “Business – History”.
- In 2007, we acquired an equity stake in Formy (75%) through our 80% subsidiary IS Development

B.V. and an equity stake in HTP (88%) through our 57% subsidiary HTP Technologies B.V. See section “Additional Information – Material Contracts – Acquisitions and Disposals”.

- On 19 July 2006, we acquired a 18.9% equity stake in I-Pac from KBC Private Equity N.V. (“KBC PE”), thereby increasing our equity stake in I-Pac to 98.6%. On 28 September 2006, we acquired the remaining 1.4% of the issued share capital of I-Pac. As a result of this acquisition, I-Pac has become a wholly owned subsidiary and is therefore not reflected in our accounts as a minority interest. The result of the acquisition on our consolidated account was limited as I-Pac was already fully consolidated prior to the acquisition of the remaining shares.

## Results of operations

<b>Results of Operations</b>	<b>IFRS</b>	<b>IFRS</b>	<b>IFRS</b>	<b>IFRS</b>	<b>IFRS</b>
<b>In € thousands</b>	<b>30 June 2009</b>	<b>30 June 2008</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>(reviewed)</b>	<b>(unaudited)</b>	<b>(audited)</b>	<b>(audited)</b>	<b>(audited)</b>
Sales IPR	-	13,490	33,661	18,712	18,231
Sales trading activities	6,723	7,434	16,748	8,920	787
Total Sales	6,723	20,924	50,409	27,632	19,018
Interest financial leases	252	313	648	908	1,378
Total Income	6,975	21,237	51,057	28,540	20,396
Cost of sales IPR	-	-	-	-980	-
Cost of sales mould making	-2,217	-1,716	-3,774	-262	-
Cost of sales other	-32	-90	-1,994	-5,128	-966
Total cost of sales	-2,249	-1,806	-5,768	-6,370	-966
Gross profit	4,726	19,431	45,289	22,170	19,430
Other operating income					
Depreciation	-6,682	-3,488	-7,939	-2,868	-1,278
Operating expenses	-11,537	-7,803	-22,269	-5,637	-3,090
<b>Operating result</b>	<b>-13,493</b>	<b>8,140</b>	<b>15,081</b>	<b>13,665</b>	<b>15,062</b>
Sale of group companies	-	-	-	6,996	-
Result investments in associates	-5,791	101	-84	249	335
Dilution result	-	-	-16	262	-
Amortisation of goodwill	-	-	-	-	-
Financial income / expense	-2,393	200	38	-186	-355
Badwill	-	-	-	947	-
Impairment losses	-	-	-36,980	-	-
Taxes	4,232	-1,400	-193	-4,072	-843
<b>Group result</b>	<b>-17,445</b>	<b>7,041</b>	<b>-22,154</b>	<b>17,861</b>	<b>14,199</b>
Minority interest	185	-367	-672	-57	1,146
<b>Net result attributable to ordinary shareholders</b>	<b>-17,630</b>	<b>7,408</b>	<b>-21,482</b>	<b>17,918</b>	<b>13,053</b>

## *Comparative results of operations for the six months ended 30 June 2009 and 2008*

### *Total Sales*

Total sales decreased 67.3%, from €21.2 million in the first six months of 2008 to €7.0 million in the first six months of 2009, with no Sales IPR (which includes upfront license fees and royalties in return for I-Pac providing licenses) in the first half year of 2009 and Sales mould making decreasing by 9.5%. The decrease in the above sales line items was mainly caused by the global recession. Many of our customers have significantly scaled back on their capital expenditure, thereby severely impacting our revenues and resulting in no new upfront Sales IPR income.

### *Cost of sales*

Cost of sales mould making as percentage of sales increased from 23.3% to 33.3%, among other things, because (i) we have accepted to sell moulds at lower prices due to economic circumstances and (ii) increased outsourcing costs.

### *Depreciation and amortisation*

The increase in depreciation in the first six months of 2009 compared to the first six months of 2008 is mainly caused by the increase in fixed assets following the transfer of machinery from stock (intention to sell) to fixed assets (for own use) in 2008, the full consolidation of I-Pac Manufacturing Services B.V. as a result of the acquisition of the remaining 52% shares, and the investments in intangible fixed assets in the course of 2008.

### *Operating expenses*

Operating expenses increased from €7.8 million to €11.5 million mainly due to the addition to the provision for bad debt of €2.0 million and other one-off costs of €1.1 million. The provision for bad debt is related to the inability of some of our debtors to comply with their payment obligations. The one-off costs relate to payments under a lease guarantee of €0.6 million and €0.5 million advisory costs.

### *Operating Result*

As a result of the above, the operating result decreased with €21.6 million to negative €13.5 million.

### *Result on investments in associates*

“Result investments in associates” includes our share in the results of our investments Proventec, Founders-SAS, Hoogerman Holding B.V. and WNA (through I-Pac’s 98% equity stake in AFP Licensing Inc.), as reported in their annual or semi-annual reports. For Proventec and WNA these are the annual reports for the year ended 31 March 2009. For Founders-SAS and Hoogerman Holding B.V. these are the semi-annual reports for the period up to June 2009.

We have absorbed our share in the impairment losses of Proventec, resulting into an additional loss of €4.5 million in the result of investments in associates totalling to €5.8 million for the first six months ended 30 June 2009. The remaining €1.3 million of the negative result of investments in associates relates to our share in the net result of our other investments, being WNA (€1.0 million), Hoogerman Holding B.V. (€0.1 million) and Founders-SAS (€0.2 million).

### *Financial income and expenses*

Financial income and expenses decreased by 1,297% from €0.2 million in the first six months of 2008 to negative €2.4 million in the first six months of 2009, mainly due to an interest expense of €1.8 million for the loan we received from Staalhaven B.V. On 28 June 2009, the Company issued 1,243,523 ordinary shares at the then prevailing market price (€3.86 per share) in redemption of the loan. First half year 2009 interest income decreased compared to the first six months of 2008, due to several impairments on receivables with the resulting loss of interest income. See section “Additional Information – Legal and Arbitration Proceedings”.

### *Taxes*

The tax income of €4.2 million in the first six months of 2009 is a result of the negative result before tax compared to a positive result before tax resulting in a tax expense of €1.4 million in the first six months of 2008.

### ***Comparative results for operations for the years 2008 and 2007***

#### *Total Sales*

Total sales increased 82%, from €27.6 million in 2007 to €50.4 million in 2008, with Sales IPR increasing by 80% and Sales mould making by 580%.

Sales IPR in 2008 included a total non cash consideration of €29.6 million, related to the WNA- and Hoogerman Holding B.V. transactions, compared to €6.2 million in 2007.

The increase in Sales mould making was a result of the first full year consolidation of the activities of HTP and Formy in 2008. In 2007, HTP only contributed for a three month period to Sales mould making.

Sales other decreased from €6.3 million to €1.4 million. Both 2008 and 2007 figures concerned incidental sales of equipment, whereby in 2008 one injection moulding line was sold compared to five in 2007.

#### *Cost of Sales*

Total cost of sales decreased from €6.4 million to €5.8 million. Cost of sales IPR in 2007 resulted from the sale of previously acquired intellectual property rights.

Cost of sales mould making increased due to the first full year consolidation of the activities of HTP and Formy in 2008. In 2007, HTP only contributed for a three months period to the Cost of sales mould making.

The Cost of sales other in 2008 is related to the one injection moulding line sold.

#### *Depreciation and amortisation*

The increase in depreciation and amortisation in 2008 is mainly caused by the increase in fixed assets following the transfer of machinery from stock (intention to sell) to fixed assets (for own use), higher investments in intangible fixed assets (intellectual property rights and development costs), the amortisation of acquisition related intangible fixed assets as well as the first full year consolidation of the activities of HTP and Formy.

### *Operating expenses*

Operating expenses increased from € 5.6 million in 2007 to € 22.3 million in 2008 mainly due to the first full year consolidation of the activities of HTP and Formy (total impact of € 9.3 million in 2008), the addition to the provision for bad debt of € 5.1 million (mainly related to the food packaging client portfolio) and recorded one-off costs (amounting to € 1.7 million) amongst other things related to aborted potential acquisitions.

### *Operating Result*

As a result of the above the operating result increased by € 1.4 million to € 15.1 million in 2008.

### *Results of investments in associates*

“Result investments in associates” includes our share in the results of our investments Proventec and Founders-SAS as reported in their annual report. For Proventec, this is their annual report for the year ended 31 March 2008 and their unaudited semi-annual report for the period up to September 2008. For Founders-SAS this is their respective annual report for the year ended 31 December 2008.

### *Impairments*

During the year 2008, impairments increased to a total of € 37.0 million due to the economic circumstances. These impairments relate to the following assets:

#### **In € 000s**

Property, plant and equipment	582
Acquisition-related intangible assets	1,549
Goodwill	2,729
Associates	12,925
Loans and non-current receivables	8,320
Current receivables and other receivables	10,875
	<hr/>
	36,980

The write down of property, plant and equipment concerns the impairment of the machine park of HTP, which has originally been recognised at fair value.

Acquisition-related intangible assets and goodwill consist entirely of the impairment related to the acquisition of our equity stakes in HTP and Formy.

The impairment of investments in associates primarily involves Proventec (€ 6.7 million), the termination of the European food packaging joint venture through I-Pac Manufacturing Services B.V. (€ 4.1 million) and the declared bankruptcy of Pré B.V. (€ 2.1 million), a company that used to provide fulfilment services to our group in relation to our multimedia packaging activities in Europe in which we held a 38% stake.

The impairment of loans and non-current receivables primarily involves the full impairment of the current account facility provided to Founders SAS in the amount of € 6.3 million and the impairment of the TEA Loan Note in the amount of € 1.7 million. See section “Additional Information – Investments and Co-operations”.

The impairment of current receivables and other receivables concerns the write down in relation to the termination of the European food packaging joint venture through I-Pac Manufacturing Services B.V. in the amount of €5.0 million, the current portion of the non-current receivables related to the TEA Loan Note in the amount of €3.6 million as well as receivables due from a licensee for multimedia packaging activities in Europe, in the amount of €2.4 million. See also sections “Business – History” and “Business – Expansion of the business through I-Pac”.

#### *Taxes*

The lower tax expense of €0.2 million in 2008 compared to a tax expense of €4.1 million in 2007 is a result of a lower operating result and non-deductable impairment losses.

### ***Comparative results for operations for the years 2007 and 2006***

#### *Total Sales*

Total sales increased by 45%, from €19.0 million in 2006 to €27.6 million in 2007, with Sales IPR being up 3% and Sales other increasing by 697%.

Sales IPR included a total non cash consideration of €6.2 million in 2007 compared to nil in 2006. The non cash consideration in 2007 relates to the Formy transactions resulting in a contribution to Sales of €6.2 million.

The increase in Sales other was the result of the sale of five dedicated injection moulding machines in Europe (2006: €0).

Sales mould making relates to our 57% stake in HTP, which was consolidated as of the fourth quarter of 2007.

#### *Cost of sales*

Total cost of sales increased from €1.0 million to €6.4 million. Cost of sales IPR in 2007 resulted from the sale of acquired intellectual property rights.

Cost of sales mould making increased from nil to €0.3 million in 2007 due to our 57% stake in HTP, which was consolidated as of the fourth quarter of 2007.

Cost of sales other increased from €1.0 million in 2006 to €5.1 million in 2007 as a result of the costs related to the incidental sale of five injection moulding machines in Europe in 2007.

#### *Depreciation and amortisation*

Depreciation and amortisation increased due to the investments in intangible assets (relating to development and intellectual property rights) made in the course of 2006 and 2007 and the first consolidation of HTP in the fourth quarter of 2007.

#### *Operating expenses*

Operating expenses increased to an amount of €5.6 million mainly as a result of the consolidation of HTP in the fourth quarter of 2007.

### *Operating Result*

As a result of the above, the operating result decreased by 9%, from €15.1 million in 2006 to €13.7 million in 2007.

### *Sale of group companies*

Sale of group companies includes proceeds related to the sale of 20% of I-Pac Manufacturing Services B.V. related to the start up of our joint venture for European food-packaging activities. See section “Business – History.”

### *Result investments in associates*

Result investments in associates includes our share in the results of our investments Proventec and Founders-SAS as reported in their annual report. For Proventec this is their annual report for the year ended 31 March 2007 and their unaudited semi-annual report for the period up to September 2007. For Founders-SAS this is their respective annual report for the year ended 31 December 2007.

### *Financial income and expense*

Interest income less expenses increased by 48%, from negative €0.4 million in 2006 to negative €0.2 million in 2007, which is mainly due to an increase in interest bearing receivables.

### *Badwill*

Badwill relates to the acquisition of HTP in 2007.

### *Taxes*

The higher tax expense of €4.0 million in 2007 compared to €0.8 million in 2006 is a result of a greater part of our revenues being realised in the Netherlands which has a higher applicable tax rate.

## **Liquidity and capital resources**

### ***Overview***

As a result of the global recession resulting in very difficult market conditions whereby our customers and potential customers scaled back their capital expenditure, the license income and more in particular the cash license income evaporated. Furthermore, our income from mould-making decreased with an additional 9.5% in the first six months of 2009 compared to the same period in 2008. All this, together with a high cost base as a result of the value driven fast growth strategy, had a severe negative impact on our operating cash flow.

In order to finance the lack of operating cash flow we have taken certain steps in 2009 in order to meet our cash needs, as described in “Operating and Financial Review – Liquidity and Capital Resources – Current Financial Situation”.

Our current estimates of reasonably anticipated liquidity needs are based on information known to us as of the date of this Prospectus and may not reflect actual liquidity needs in future periods. Financial markets and economic conditions may continue to deteriorate over the next 12 months.

### ***Working capital statement***

Our current cash resources, together with our Facilities Agreement (as defined in section “Definitions”) do not provide us with sufficient working capital for the next 12 months following the date of this Prospectus. However, we do have sufficient working capital for our present requirements until 1 January 2010, the date on which we will be in breach of our Facilities Agreement.

If the Offering is successfully completed at the Issue Price, the net proceeds of the Rights Offering are expected to be approximately €25.0 million. In addition, subject to a successful Rights Offering we have agreed with ING, our main lender, to amend our Facilities Agreement (see also section “Operating and Financial Review – Liquidity and capital resources”). As stated above under section “Summary of the Business – Use of Proceeds”, €15.0 million of the net proceeds of the Offering will be used to implement the Company’s new strategy, to improve working capital, to strengthen the balance sheet and to finance ongoing developments and operations of group companies and an amount of up to €10.0 million will be used to repay the Bridge Loan. We believe that the aforementioned amount of €15.0 million out of the net proceeds of the Offering, together with the agreed amendments to the Facilities Agreement following completion of the Offering, will provide us with sufficient working capital for our present requirements for the next 12 months following the date of this Prospectus.

As described in this Prospectus, the Committed Subscribers and Mr N. Mehra have agreed to exercise the Rights with an aggregate value of €6.24 million. In addition, the Company received underwriting commitments from Mr N. Mehra, certain Committed Subscribers, the New Investor and ING, for an amount of up to €20.94 million, adding up to a total of €27.18 million.

If the Offering would be withdrawn (see section “Plan of Distribution – Conditions to the Offering”), and we do not raise at least €15.0 million of additional net financing through the Offering or other sources on or before 31 December 2009, we will be in breach of our Facilities Agreement as of 1 January 2010 and our indebtedness thereunder (at that time approximately €55.0 million) will become immediately due and payable. If that were to occur, we would require additional funds of approximately €70.0 million to cover the deficit in our working capital (including repayments of debt) for the 12 months following the date of this Prospectus. This may adversely affect our cash flow, our ability to operate our business and the market price of the Ordinary Shares. We intend to raise funds to cover the deficit from other sources, which may include additional debt and equity offerings, refinancing our Facilities Agreement, renegotiating the terms and conditions of our Facilities Agreement or selling some or all of our assets. However, we may not be able to secure such additional financing at all or on acceptable terms.

In respect of the above, we also refer to the following risk factors in section “Risk Factors” – Risks relating to our business (i) the Company may not be able to meet its obligations under its loan agreements, (ii) the Company or its participations may be unable to secure additional financing in the future; and (iii) the Company’s debt could adversely affect its financial condition or results of operations.

## Cash flow Statement

In € thousands	1 January until 30 June 2009 (reviewed)	1 January until 30 June 2008 (unaudited)	1 January until 31 December 2008 (audited)	1 January until 31 December 2007 (audited)	1 January until 31 December 2006 (audited)
Cash flow from operating activities:					
<b>Net result</b>	<b>-17,445</b>	<b>7,041</b>	<b>-22,154</b>	<b>17,861</b>	<b>14,199</b>
Adjustments for:					
Depreciation property, plant and equipment	2,926	1,753	3,181	439	131
Amortisation of intellectual property rights and development costs	3,756	1,737	4,758	2,429	1,147
Non-cash revenue	446	-11,000	-29,591	-6,234	-68
Impairment of assets	-	-	36,980	-	-
Taxes	-4,232	1,400	193	4,072	843
Interest income	-492	-1,030	-2,503	-2,120	-1,337
Interest expense	2,885	830	2,207	2,064	1,411
Impairment of derivatives	-	-	258	242	281
Result on associates	5,791	-101	84	-249	-335
Profit on sale of group company	-	-	-	-6,996	-
Dilution gains and losses	-	-	16	-262	-
Negative goodwill	-	-	-	-947	-
Total adjustments	11,080	-6,411	15,583	-7,562	2,073
<b>Cash flow before movements in working capital and provisions</b>	<b>-6,365</b>	<b>630</b>	<b>-6,571</b>	<b>10,299</b>	<b>16,272</b>
Movement in trade and other receivables	-1,880	-6,606	-1,125	1,449	-8,065
Movement in inventories	30	50	-688	-6,424	-10,085
Movements in trade and other payables	2,391	-1,735	-2,514	292	679
Total movements in working capital	541	-8,291	-4,327	-4,683	-17,471
<b>Subtotal</b>	<b>-5,824</b>	<b>-7,661</b>	<b>-10,898</b>	<b>5,616</b>	<b>-1,199</b>
Tax paid	-256	-356	-2,552	-443	-311
<b>Net cash flow from operating activities</b>	<b>-6,080</b>	<b>-8,017</b>	<b>-13,450</b>	<b>5,173</b>	<b>-1,510</b>
Cash flow from investing activities:					
Disposals of property, plant and equipment	-	20	1,325	99	93
Disposal of intellectual property rights	-	-	-	980	-
Acquisition of group companies	-	-	-	-2,988	-22,299
Sale of group companies	-	-	-	2,487	-
Sale of derivatives	-	-	-	-	1,553
Additions to property, plant and equipment	-904	-452	-1,222	-8,618	-137
Additions to intellectual property rights	-139	-6,154	-9,968	-2,590	-319
Development of intangible assets	-339	-5,278	-6,439	-2,745	-2,613
<b>Net cash flow from investing activities</b>	<b>-1,382</b>	<b>-11,864</b>	<b>-16,304</b>	<b>-13,375</b>	<b>-23,722</b>
Cash flow from financing activities:					
Share issue	-	-	-	19,391	23,538
Additions to long-term loans and other liabilities	5,000	-	37,900	-	42,717
Repayment of long-term loans and other liabilities	-3,378	-906	-23,257	-1,615	-39,148
Redemption of loans from credit institutions	-	-	-	-	-55
Additions to loans from credit institutions	3,296	7,650	615	-	-
Dividend paid	-	-	-2,102	-2,170	-1,711
Loans granted and non-current receivables	-148	-1,918	-2,084	-14,522	-15,175
Repayments received on loans and non-current receivables	-	3,347	7,131	8,389	20,871
Interest paid	-994	-830	-2,139	-2,064	-1,411
Interest received	-	1,030	2,503	2,120	1,337
<b>Net cash flow from financing activities</b>	<b>3,776</b>	<b>8,373</b>	<b>18,567</b>	<b>9,529</b>	<b>30,963</b>
<b>Net cash flow for the period</b>	<b>-3,686</b>	<b>-11,508</b>	<b>-11,187</b>	<b>1,327</b>	<b>5,731</b>
Cash and cash equivalents at 1 January	4,015	14,181	14,181	12,577	3,770
Effect of foreign exchange rate fluctuations on cash and cash equivalents on hand	73	1,762	1,021	277	3,076
Cash and cash equivalents at end of period	402	4,435	4,015	14,181	12,577

## *Explanatory notes*

Historically, our investments have been mainly financed by (operational) cash flows and if necessary through banking facilities and equity issues.

### *First six months of 2009*

The net cash flow from operating activities increased by 24%, from negative €8.0 million in the first six months of 2008 to negative €6.1 million in the first six months of 2009 as a balance of increased operating losses compensated by improvement of working capital.

The net cash outflow from investing activities decreased by 88% from €11.9 million in the first six months of 2008 to €1.4 million in the first six months of 2009. The decrease in investments is mainly due to a decrease in investments for intellectual property rights due to the further completion of the IM Technology.

The net cash flow from financing activities decreased with €4.6 million from €8.4 million in the first six months of 2008 to €3.8 million in the first six months of 2009, which was mainly due to the absence of redemptions received on loans and long term receivables as well as lower interest income.

### *2008*

The net cash flow from operating activities decreased by 360% from €5.2 million in 2007 to negative €13.4 million in 2008. This decrease is amongst other things, caused by the negative Group net result in 2008 of negative €21.5 million and non cash revenues in 2008 of €29.6 million which negatively impact the operational cash flow. The impairment losses of €37.0 million are non cash items for which the Group result should be adjusted to come to operational cash flow.

The net cash outflow from investing activities increased by 22% from €13.4 million in 2007 to €16.3 million in 2008. This increase in investments in 2008 is mainly due to an increase in investments in intellectual property rights of €9.9 million. These investments relate to the expansion of our intellectual property portfolio with, amongst other things, a number of patents for the appliance of RFID- tags and OLED- displays in combination with our IM Technology. These increased investments in tangible fixed assets were partly offset by decreased investments in tangible fixed assets from €8.6 million in 2007 to €1.2 million in 2008.

The net cash flow from financing activities increased by €9.0 million from €9.5 million in 2007 to €18.5 million in 2008, which was mainly due to the refinancing of the Company, resulting in an increase of our drawn bank facilities to €39.6 million from €24.1 million in 2007.

### *2007*

The net cash flow from operating activities increased by 443% from negative €1.5 million in 2006 to €5.2 million in 2007. This increase is mainly due to the decrease in working capital needs of €12.8 million due to lower inventories, as well as an increase of the net profit of €3.7 million. The increase in net profit is offset by higher non cash revenues of €6.2 million, which has a negative effect on operational cash flow.

The net cash outflow from investing activities decreased by 44% from negative €23.7 million in 2006 to negative €13.4 million in 2007. The decrease in investments was mainly due to less cash out related to acquisitions in 2007. In 2006 we increased our equity stake in I-Pac Technologies from 79.7% to 100% which lead to a negative cash flow for acquisitions of group companies of €22.3 million. In 2007, we had a negative cash flow from acquisitions of group companies amounting to €2.9 million. The

decrease in investments in cash flow from acquisitions of group companies was partly offset by higher investments in intangible fixed assets and intellectual property rights. In 2007, we invested € 8.6 million in tangible fixed assets for the development of our IM Technology and moulds for the production of technology related products.

The net cash flow from financing activities decreased with €21.4 million from €30.9 million in 2006 to €9.5 million in 2007. Variation in cash proceeds relate to various equity raisings (see below) and the sale of the Loan Note in March 2006 resulting in a net positive cash inflow of € 11.6 million in 2006.

We raised new equity of € 17.6 million through the issue and placing of 1,125,000 Ordinary Shares to institutional investors at 11 July 2007. In addition, we raised additional equity of € 42.9 million through the issue and placing of 3,613,116 Ordinary Shares to institutional investors and KBC PE in October 2006. Part of this equity issue did not result in cash income, because part of it was a share-for-share deal.

## **Liquidity**

### *Principal sources of liquidity*

Our principal sources of liquidity are operational cash flows, loan facilities and equity issues. Historically equity issues and loan facilities have been used to increase investments in development, assets and acquisitions. We intend to fund our principal future investments from operational cash flows, where possible. See section “Reasons for the Offering and Use of Proceeds” for the use of this equity issue.

### *Facilities Agreement*

This paragraph describes our facilities agreement (the “**Facilities Agreement**”), dated 25 July 2008, currently in force (and as amended by a waiver and amendment agreement, dated 21 August 2009, the “**Waiver and Amendment Agreement**”). Subject to a successful Offering, we have agreed with ING, our main lender, on an amendment to the terms of our financing arrangements, which are described below in a separate paragraph named “*Amendments to the Facilities Agreement following completion of the Offering*”.

We entered with ING into:

- (i) a committed facilities agreement, consisting of a Facility A Loan and a Facility B Loan, as described below;
- (ii) a Revolving Facility, as described below; and
- (iii) an Uncommitted Overdraft Facility, as described below,

each defined in the Facilities Agreement, as amended by the Waiver and Amendment Agreement.

In the Waiver and Amendment Agreement, ING

- (i) waived a number of events of default which occurred during the first and second quarter of 2009, and
- (ii) agreed to a Bridge Loan (as described below), thereby increasing the Uncommitted Overdraft Facility as described below.

Following the Waiver and Amendment Agreement, the terms and conditions of the various components of the Facilities Agreement were as follows:

- Facility A Loan: a multicurrency term loan facility in an amount of € 20.0 million with an interest rate equal to the Euribor rate for the chosen interest period, increased with the applicable margin (as defined in the Waiver and Amendment Agreement). The interest period is fixed and shall not exceed the period to the next redemption date. The interest is payable at the end of the chosen interest period, with a minimum of at least one time per three months equal to the redemption scheme. Redemption of this Facility A Loan is scheduled to take place in 19 equal instalments of € 1,052,000. The first redemption has taken place on 1 March 2009 and the current outstanding is € 16,844,000.
- Facility B Loan: a multicurrency term loan facility in an aggregate amount of € 20.0 million, which is drawn in amounts of € 500,000 (or integral multiples thereof) further to the term out options of the Revolving Facility. The interest rate is equal to the Euribor rate for the chosen interest period, increased with the applicable margin (as defined in the Waiver and Amendment Agreement). The interest period is fixed and shall not exceed the period to the next redemption date. The interest is payable at the end of the chosen interest period with a minimum of at least one time per six months if a longer interest period is agreed upon. Redemption of this Facility B Loan takes place in twelve equal quarterly instalments. The first instalment will be due on the first day of the seventh calendar quarter after the draw down date of the loan i.e. on 1 April 2010.
- Revolving Facility: a multicurrency revolving credit facility in an aggregate amount of € 20.0 million with a term out option, allocated to the Facility B Loan if the term out option is exercised. At the date of this Prospectus, all drawings under the Revolving Facility have been termed out i.e. have been converted into drawings under the Facility B Loan as described in the Facilities Agreement.
- Uncommitted Overdraft Facility: an uncommitted overdraft facility in the amount of: (i) € 10.0 million, the Bridge Loan, with a maturity date which is the earlier of (a) 31 December 2009 or (b) the date of the Offering; and (ii) € 5.0 million, with a maturity date on 1 September 2013. This Uncommitted Overdraft Facility has an interest rate equal to 3 months Euribor and an applicable margin (as defined in the Waiver and Amendment Agreement). Interest has to be paid quarterly in arrears on 1 January, 1 April, 1 July and 1 October of each calendar year.
- The interest margin on all facilities increased by 200bp per annum to 350bp per annum.

The Facilities Agreement contains positive pledge, negative pledge, cross default, material adverse change, change of control and pari passu clauses. In addition, we have agreed to a number of covenants. The solvency ratio (as defined in the Facilities Agreement) (i) for the period commencing on 1 July 2009 up to and including the earlier of the date of the Offering and 31 December 2009 has to exceed 50%; and (ii) after the earlier of the date of the Offering or 31 December 2009 has to exceed 60 %. The ratio of total net debt to EBITDA (as defined in the Facilities Agreement) shall not be greater than (i) 4.0:1.0 for the period commencing on 1 July 2009 up to and including the earlier of the date of the Offering and 31 December 2009 and (ii) 2.0 : 1.0 as of the earlier of the date of the Offering or 1 January 2010. In addition, the cashflow to total funding costs (as defined in the Facilities Agreement) has to be equal to or greater than 1.2:1.

#### *The Bridge Loan*

As stated above, part of the Uncommitted Overdraft Facility consists of a Bridge Loan with ING, extending our existing facilities with an additional € 10.0 million until the earlier of the date of the Offering or 31 December 2009. The total amount outstanding under the Bridge Loan is € 9.0 million at present.

### *Amendments to the Facilities Agreement following completion of the Offering*

Subject to a successful Offering, we agreed with ING on the following amendment to the Facilities Agreement:

- The repayment of instalments of Facility A and Facility B will be postponed during the period from 31 December 2009 up to and including 31 December 2011;
- For the period from 1 January 2012 up to and including 31 December 2012, redemptions on Facilities A and B will be made out of 75% of the excess cash flow (which definition is to be agreed upon between parties). The Facilities A and B need to be negotiated in the course of 2012 and are currently defined as bullet repayments per 31 December 2012. ING has expressed a positive attitude towards continuing both Facility A and B after 31 December 2012;
- The Uncommitted Overdraft Facility consists of an amount of €5.0 million and of a Bridge Loan in the amount of €10.0 million. The Bridge Loan will be repaid from the net proceeds of the Offering in excess of €15.0 million. The €5.0 million of the Uncommitted Overdraft Facility will be increased with €3.2 million (an amount equal to instalments of Facility A per 1 March 2009, 1 June 2009 and 1 September 2009). The total Uncommitted Overdraft Facility will be committed for three years until 31 December 2012 (“**Committed Overdraft Facility**”);
- The total commitment of Facility A, Facility B and the Committed Overdraft Facility will be €45.0 million from the settlement of the Offering until 31 December 2011;
- The covenants related to the ratio of total net debt to EBITDA, the ratio of cash flow to total funding costs and the solvency ratio (each ratio as described in the Facilities Agreement) will be waived until 31 December 2012; and
- The interest margin will be decreased by 200bp per annum to its original level of 150bp per annum, if the Sole Global Coordinator does not have to subscribe for any Rump Shares.

### *Loan provided by Staalhaven B.V.*

On 26 March 2009, the Company entered into a €3.0 million loan agreement with shareholder Staalhaven B.V. The loan had a 3 month term and was repayable at the election of the Company in either newly issued ordinary shares with a 50% premium or in cash with a 100% premium on 26 June 2009. The interest on the loan was 10% per calendar quarter, payable on redemption of the loan. On 28 June 2009, the Company issued 1,243,523 ordinary shares at the then prevailing market price (€3.86 per share) in redemption of the loan. Staalhaven B.V. has refused to accept these shares and has initiated legal proceedings against the Company regarding this issuance, primarily claiming that the applied issue price should be “lower” (without quantifying how much). Should the Company lose the court case, then it may have to issue additional shares to Staalhaven B.V. for no additional consideration, which would dilute the Company’s other shareholders. Pending the resolution of the dispute, the 1,243,523 ordinary shares have been deposited with Stichting Dergengelden ANT on behalf of Staalhaven B.V. Although the Company is confident of a positive outcome of this dispute, there is no certainty as long as court proceedings are ongoing. See also section “Additional Information – Legal and Arbitration Proceedings”.

### *Interest rate swap*

As per 1 August 2008, the existing interest rate swap with Rabobank International Hong Kong Branch was converted into an interest rate swap with ING with a fixed dollar rate of 4.54%. The end date of the interest rate swap is 30 June 2010.

### *Other loans, operational and financial leases and other credit facilities*

Within I-Pac there is an annuity loan obtained from a private investor bearing interest at a fixed rate of 8%. Interest and principal are payable quarterly, ending on 30 September 2011. The principle amount per 30 June 2009 is €52,000.

On 1 July 2006 HTP obtained a loan from Rabobank Venlo e.o. U.A. that is repayable over five years in 60 equal monthly installments, of which the last one is due on 30 September 2011. The loan bears interest based on the three-month Euribor rate plus 1% margin. The principle amount outstanding is €450,000 per 30 June 2009. In addition, HTP has an overdraft facility of €900,000 at the same bank with an interest rate of the one-month-Euribor plus 1.5% margin. The amount outstanding is €725,000 per 30 June 2009. For these facilities, there are no covenants agreed with the bank.

Formy has a total credit facility of CZK 28 million (approximately €1.0 million) from Raiffeisenbank a.s. The amount outstanding is €504,000 per 30 June 2009. The credit facility is renewed every year and has a maturity date of 31 March 2010. The credit facility is granted for the financing of working capital. The following covenants apply to this facility: solvency ratio based upon IFRS should exceed 40%, and the current ratio should exceed 1.2. At the date of this Prospectus, Formy is in compliance with these covenants.

Furthermore, InnoConcepts has entered into several financial lease contracts via its subsidiaries I-Pac Manufacturing Services B.V. and Formy. These financial and operational leases relate to the financing of mould making equipment, injection moulding machines and moulds for unbranded food packaging.

The key terms of these financial lease contracts, for which the liability has been fully accounted for in our balance sheet, are as follows. For I-Pac Manufacturing Services B.V. in total 11 contracts with interest rates varying from 6.11% to 8.02% and maturity dates varying from May 2010 to December 2011. For Formy in total seven contracts are in place with interest rates varying from 5.3% to 12.7% and maturity dates varying from December 2009 to June 2014. All these financial leases are on an annuity basis with monthly or quarterly redemptions. The total financing obtained via these lease contracts is €5.2 million per 30 June 2009.

### ***Contingent liabilities***

As per 30 June 2009, our liabilities under rental agreements relating to premises amounted to €0.9 million per year. These agreements cover four rental agreements from which the longest ends in December 2018. With regard to these rental commitments, bank guarantees have been provided by the Company for a total amount of €0.2 million.

As per 30 June 2009, the commitments under car lease agreements amounted to €0.1 million per year. The term of these leases is at the most 4 year.

As per 30 June 2009, our commitments under operational lease agreements for injection moulding equipment amounted to €0.4 million per year. The term of these operational leases is at the most 5 years.

### ***Financial guarantee contracts***

We entered into a loan note guarantee in relation to the sale of the Loan Notes in which we guarantee, subject to certain conditions, the due and punctual payment by Proventec of the principal and interest payments, amounting to a maximum contingent liability, of €19.1 million per 30 June 2009. This guarantee will expire on the earliest of (i) the date falling 30 business days after the final repayment date

of the Loan Notes, 31 December 2012; (ii) the date on which the Loan Notes are repurchased by Proventec, redeemed, converted or cancelled in full; and (iii) the first occasion on which the volume weight average price of an ordinary share in Proventec over any period of 60 days is 150% or more of the conversion price of the Loan Notes. The share price of Proventec as per close of 3 December 2009 is 57p and €0.80 on AIM and Alternext Paris respectively. The conversion price currently is 50p and remains subject to any further adjustment in accordance with the terms of the Loan Notes. In the event the share trades above 75p during a period of sixty days, the Loan Notes automatically convert. This guarantee was valued at nil per 30 June 2009.

Two buyback guarantees were issued to a lease company concerning injection mould systems delivered to third parties. The guarantees will expire on 31 December 2011 and 1 November 2012, respectively. These buyback guarantees were valued at nil per 30 June 2009.

We have provided certain financial guarantees to Hoogerman Holding B.V.'s bank for a total amount of up to €1.0 million, which will expire in April 2012.

### ***Current financial situation***

As a result of the global recession resulting in very difficult market conditions whereby our customers and potential customers scaled back their capital expenditures, the license income and more in particular, cash license income evaporated. Furthermore, our income derived from mould-making decreased with an additional 9.5% in the first six months of 2009 compared to the same period in 2008. All this, together with a high cost base as a result of the value driven growth strategy, had a severe negative impact on our operating cash flow.

In order to finance the lack of operating cash flow we have taken the following steps in 2009 in order to meet our cash needs:

1. In March 2009, we entered into an equity bridge loan agreement with our major shareholder Staalhaven B.V., whereby €3.0 million was obtained in cash preceding a planned share issue later this year. On 28 June 2009, the Company issued 1,243,523 ordinary shares at the then prevailing market price (€3.86 per share) in redemption of the loan, see section "Additional Information – Legal and Arbitration Proceedings".
2. In June 2009, we entered into a bridge loan facility with ING as part of the Waiver and Amendment Agreement, extending existing facilities with an additional Bridge Loan of €10.0 million until the planned share issue or 31 December 2009. At the same time we renegotiated our covenants, and are now in full compliance with all covenants as per 28 June 2009. The total amount outstanding under the Bridge Loan is €9.0 million at present.
3. The Offering is anticipated to close on 23 December 2009. If the Offering is successfully completed at the Issue Price, gross proceeds are expected to amount to approximately €27.2 million, including €2.0 million transaction costs. The first €15.0 million net proceeds of the Offering will be used to implement the Company's new strategy, to improve working capital, to strengthen the balance sheet and to finance ongoing developments and operations of group companies. The net proceeds in the amount of up to €10.0 million in excess of the first €15.0 million will be allocated to repay the Bridge Loan. Any remaining proceeds of the Offering will be used to reduce the net debt level of the Company. In the event that the Private Placement will take place, the net proceeds thereof will be used for general corporate purposes, including for working capital.
4. Subject to a successful Offering, we agreed with ING on the following amendments to the Facilities Agreement:

- The repayment of instalments of Facility A and Facility B will be postponed during the period from 31 December 2009 up to and including 31 December 2011.
  - For the period from 1 January 2012 up to and including 31 December 2012, redemptions on Facilities A and B will be made out of 75% of the excess cash flow (which definition is to be agreed upon between parties). The Facilities A and B need to be negotiated in the course of 2012 and are currently defined as bullet repayments per 31 December 2012. ING has expressed a positive attitude towards continuing both Facility A and B after 31 December 2012.
  - The Uncommitted Overdraft Facility consists of an amount of €5.0 million and of a Bridge Loan in the amount of €10.0 million. The Bridge Loan will be repaid from the net proceeds of the Offering in excess of €15.0 million. The €5.0 million of the Uncommitted Overdraft Facility will be increased with €3.2 million (an amount equal to instalments of Facility A per 1 March 2009, 1 June 2009 and 1 September 2009). The total Uncommitted Overdraft Facility will be committed for three years until 31 December 2012.
  - The total commitment of Facility A, Facility B and the Committed Overdraft Facility will be €45.0 million from the settlement of the Offering until 31 December 2011.
  - The covenants related to the ratio of total net debt to EBITDA, the ratio of cashflow to total funding costs and the solvency ratio (each ratio as described in the Facilities Agreement) will be waived until 31 December 2012.
  - The interest margin will be decreased by 200bp per annum to its original level of 150bp per annum, if the Sole Global Coordinator does not have to subscribe for any Rump Shares.
5. Should the Offering not result in a minimum net equity raising of €15.0 million, we will be in breach of our principal facilities as of 1 January 2010 and our indebtedness thereunder will become immediately due and payable. This may adversely affect our cash flow, our ability to operate our business and the market price of the Ordinary Shares.

### **Trading update – financial developments in the 3<sup>rd</sup> quarter of 2009**

Further to the publication of our half year results of 2009 and our trading update with regard to the third quarter of 2009, published on 5 November 2009, we continue to experience the consequences of the difficult economic circumstances.

Following our recently revised strategy, we have reviewed and reconsidered the value of our assets and liabilities. Due to the decision not to market and produce unbranded food packaging products ourselves, part of our contracted and own production capacity has become redundant. As a consequence, we have taken a considerable impairment on our tangible fixed assets. Furthermore, we have provided for future liabilities under the existing contract manufacturing agreement with the Hoogerman Group. Finally, we have impaired the full value of our investment in Founders SAS and partially our loan note to TEA Group Limited. The total value of these impairments and provision amounts to €18.5 million.

The market circumstances in which we operate remain difficult and our customers are severely cutting back on investments. As a result, we experienced another tough quarter. Revenues and normalised EBITDA were, adjusted for the seasonal pattern, at the same level as in the first quarters of 2009. Since 30 June 2009, our trading position has not changed significantly in comparison with the first two quarters of 2009. We continue to explicitly focus on cost reductions, in addition to the measures already taken in previous quarters.

As a result of operational losses and the additional impairments in this quarter, our solvency has strongly decreased compared to 30 June 2009 to below 40%.

## **Outlook**

The Offering is intended to implement the Company's new strategy, to improve our working capital, to strengthen our balance sheet, to finance ongoing developments and operations of group companies and to reduce our debt level. As stated in our trading update of June 2009, we believe that market circumstances remain tough for the remainder of 2009 and well into 2010. In addition, we will need time to adapt our organisation to our new strategy, realise further cost savings and deal with historical arrangements. Consequently, our operational result might remain negative for the coming period. We do however, notice a marked increase in interest in our IM Technology, as evidenced by the recent execution of the Obeikan agreement. See section "Business – Update on implementation of our new strategy". This supports our belief that our IM Technology is gaining traction in our focused markets, although it is too early to predict the timing of the revenues from this increased interest in our IM Technology.

## **Accounting policies and presentation of financial information (IFRS)**

The preparation of our consolidated financial statements requires management to make estimates, assessments and assumptions, which can affect the valuation of assets, liabilities, revenue and expenses. The assessments made and the related assumptions are based on past experience and various other factors considered reasonable under the given circumstances. Actual results can vary from assessments made.

The audited consolidated financial statements for the years ended 31 December 2008, 2007 and 2006 and the condensed consolidated financial statements for the six months ended 30 June 2009, and the six months ended 30 June 2008, are in accordance with IFRS.

In this review, only the main accounting policies as applied in our 2008, 2007 and 2006 audited consolidated financial statements and the condensed consolidated financial statements for the six months ended 30 June 2009 and the six months ended 30 June 2008, are included. These accounting policies are in accordance with IFRS. We refer to our audited consolidated financial statements for the years ended 31 December 2008, 2007 and 2006, included in this Prospectus, for full details of our accounting policies. See section "Index to the Financial Statements" and "Important Information – Incorporation by Reference".

### *Business Combinations (IFRS-3)*

Effective as per 1 January 2004, goodwill is no longer amortised but tested annually for impairment. Amortisation of goodwill charged in 2004 which related to acquisitions made prior to 1 January 2004, has been eliminated. Effective as per 1 January 2004, additions to assets and liabilities, including identified intangible assets and contingent liabilities are recognised at fair value; the remainder of the purchase price is recognised as goodwill. Identified intangible assets are systematically written off.

If InnoConcepts enters into a business combination, i.e. an acquisition whereby control over another entity is obtained, the purchase method of accounting will be used. With this method the purchase price for the acquisition is allocated by recognising and measuring all identifiable assets, liabilities and contingent liabilities at their fair values if they meet the IFRS recognition criteria. Assets obtained in an acquisition and classified as held for sale are valued at their fair value minus the costs for selling the asset. A remaining surplus of the purchase price over the fair value of identified assets, liabilities and contingent liabilities will be recognised as goodwill. Goodwill is not amortised but tested for impairment annually.

## Acquisitions of minority interests

For acquisitions of minority interests in entities that are already under control of the Company, IFRS-3 (business combinations) is not applicable since these types of acquisitions do not qualify as a business combination. For these types of acquisitions no specific accounting standard is available under IFRS. In accordance with IAS 8-10 and IAS 8-11 accounting standards that are specific to the Company need to be developed whereby the Company is required to use accounting principles, standards or legislation that are used in comparable acquisitions. The Management Board of InnoConcepts has used various IFRS manuals published by a number of large accounting offices to develop accounting principles for acquisitions of minority interests. Based upon these manuals three different approaches can be taken in respect of this kind of acquisitions:

- the “Parent Entity Extension Method” on the basis of which the difference between the purchase price of the additional interest in our subsidiary and the minority interest share as reflected in the consolidated balance sheet is recognised as goodwill;
- the “Entity Concept Method” on the basis of which the difference between the purchase price of the additional interest in our subsidiary and the minority interest share as reflected in the consolidated balance sheet is considered as a transaction between owners and whereby the surplus is eliminated from equity; and
- the “Hybrid Entity Concept/Parent Entity Method” which is a combination of the two above mentioned methods on the basis of which the difference between the purchase price of the additional interest in the subsidiary and the minority interest share as reflected in the consolidated balance sheet is partly recognised as goodwill (using IFRS-3 for measuring assets & liabilities) and partly as equity transaction.

In 2004, InnoConcepts increased its holding in I-Pac from 65.5% to 79.7% whereby the Parent Entity Extension Method has been used, as a result of which the surplus between the purchase price and the minority interest, as reflected in the balance sheet, has been recognised as goodwill for an amount of €17.9 million.

In 2006, InnoConcepts increased its holding in I-Pac from 79.7% to 100%. Increased insight, and developments in IFRS accounting principles made us decide to follow the Entity Concept Method since this method gives a better insight in a transaction in which a minority interest is bought and partially paid with shares in the Company. The surplus, that amounted to €29.7 million, which has been paid over the minority interest share, has been recognised in our share premium reserve in our consolidated balance sheet at transaction date for the acquired 20.3% minority interest, since the consideration for such minority interest consisted of shares and cash raised in an equity placement.

Due to our decision to use the Entity Concept Method in the latter transaction, we were also required to adjust the balance sheet at 31 December 2005, accordingly, recognising the €17.9 million goodwill resulting from the 2004 transaction to the share premium reserve as well.

## Principal accounting policies

### *Fixed Assets*

The carrying amount of assets, save for deferred tax assets, is reviewed for impairment every time events or changes in circumstances indicate that the carrying amount might not be realised. Where such indications are present, the realisable value of the asset concerned is determined. Where this is not possible, the realisable value of the cash generating unit (“CGU”) of which the asset forms part is

determined. For the purpose of impairment testing, assets are grouped at the lowest level on which separate cash flows are identified.

An impairment loss is recognised whenever the carrying amount of an asset is higher than its realisable value; realisable value is the higher of recoverable amount and value in use. Value in use is determined on the basis of the present value of estimated future cash flows. The capital borrowing rates that are used to discount future cash flows are based on both the current market rate, whose term is equal to the term of the estimates, and on the specific risks of the asset and/or the activity itself. An impairment loss is charged directly to the income statement.

Goodwill is allocated to CGUs for the purpose of testing impairment and is so tested at least annually. Impairment losses related to a CGU are initially allocated to the carrying amount of the goodwill of the CGU concerned and are then deducted pro rata from the carrying amount of the other assets of that CGU. The realisable value of loans and long-term receivables kept until maturity, i.e. non-current financial assets, is determined by discounting the estimated future cash flows to their present value using the original effective interest rate (the effective rate of interest used when these non-current financial assets were initially recognised).

Impairment of goodwill is not reversed. Impairment of loans and long-term receivables kept until maturity is reversed if the increase in the realisable value can be objectively attributed to an event that occurred after the moment of impairment. Impairment of other assets is reversed if the estimates used to determine realisable value have changed. An impairment loss is reversed only insofar as the carrying amount of the asset item does not exceed the carrying amount that is determined as if the impairment had not been recognised and which takes the original depreciation into account.

The financial statements of Proventec cover the period 1 April to 31 March. The most recent financial information available for Proventec for the purposes of drawing up our financial statements for the year ended 31 December 2008, was its unaudited interim financial information for the six months ended 30 September 2008, and these were used to determine the net equity value at 31 December 2008, taking into account the effect of significant transactions between 30 September 2008 and 31 December 2008. We are not in a position to require Proventec to adjust its accounting reference period to that of InnoConcepts.

The value in use of €6.0 million for Proventec at 31 December 2008, was determined on the basis DCF calculation of the estimated future cash flows of Proventec. Due to the economic crisis, the situation on the capital markets and actual results, the expected future cash flows have been adjusted downwards and the discount rate has been adjusted upwards in relation to the higher risk premiums. Following the publication of the annual results of Proventec for the year ended 31 March 2009, we have taken our share in the net result of Proventec, adjusted for the impairments already included in our own 2008 financial statements per the date of this Prospectus.

The ordinary shares of Proventec are listed on AIM and are also listed on Alternext Paris, which is part of Euronext Paris.

### *Revenues*

We derive revenue from sales regarding intellectual property rights and mould making. These revenue comprise the fair value of all amounts charged to third parties and considered to have been realised regarding the use of intellectual property rights, including the proceeds of the sale of any rights and related customer groups, less discounts and sales tax. In addition, we have sales resulting from trading activities. This comprises the fair value of all amounts charged to third parties for the supply of goods and services, less discounts and sales tax.

We aim to generate maximum cash value from bringing our technologies to market and we approach each new market and/or customer differently as appropriate to achieve this and may also change the nature of an existing commercial relationship over time. This can result in income derived from apparently similar activities being presented in our financial statements differently in any given year or from year to year.

### *Taxes*

Taxes on the profit for the year consist of the taxes owing for the reporting year, taxes available for set-off and prior year adjustments in accordance with the prevailing tax rates in the countries of establishment. The taxes owing and available for set-off in the reporting period, and the deferred taxes relating to items that have been recognised directly in equity in the reporting period or prior periods, are likewise recognised directly in equity in the reporting period.

Tax amounts for the current and past periods receivable and payable forthwith are recognised at the amount expected to be received from or paid to the tax authorities based on tax rates for which the enactment process has been substantially completed on the balance sheet date. Amounts of tax refundable and due for payment forthwith are presented as tax recoverable and tax payable respectively. Deferred tax assets and liabilities are recognised at the tax rates, expected to apply in the period in which the tax asset materialises or the tax liability is to be settled, and for which the enactment process has been substantially completed on the balance sheet date.

### **Risk management**

InnoConcepts' risk management consists of the management of its operations over the long term and the mitigation of the related business risks to the maximum possible extent. Depending on the nature and the relative significance of the risks associated with InnoConcepts' diversity of sales markets, clients, regions and its intellectual property portfolio, the risks are quantified where possible.

The Group is exposed to the following risks:

- strategic risks;
- operational risks;
- credit risks;
- liquidity risks;
- currency risks; and
- interest rate risks.

These notes provide information about InnoConcepts' exposure to each of the abovementioned risks, the objectives, principles and processes used to control and measure these risks and InnoConcepts' management of its capital.

The goal of InnoConcepts' risk policy is to identify the risks faced by InnoConcepts, analyse them, determine appropriate limits and control measures for them and monitor the risks and compliance with the defined limits. Risk management policies and systems are regularly evaluated and adjusted where necessary to changes in market circumstances and InnoConcepts' activities.

### *Strategic risks*

The main risk associated with our decision to focus on the marketing of intellectual property is infringement of the intellectual property developed and registered by us as patents or otherwise. We try to keep maximum know-how confidentiality and to disseminate (public) information on a need to know basis only so as to prevent others infringing our intellectual property rights. In order to prevent others from capitalising on our technology, in other ways than infringement we also use a layered patent strategy for our technology and products. In this strategy we combine various patents with varying lifetimes and partly overlapping scopes in order to try and achieve the best (also in terms of duration) protection for our technologies, services and products.

Furthermore, there is also the risk of competing innovations being introduced to the market which could be superior to our innovations and that could adversely impact our business. We aim to keep to the forefront of technology and to that end maintain good relationships with various innovators and inventors in an effort to stay ahead of or keep as close as possible to the next competitive technology. See also section “Risk Factors”.

### *Operational risks*

Our organisation depends on a limited number of employees. In order to limit this risk, we have built up a network of specialists to support us in certain business functions, which we can call on in the event of a possible shortage of in-house capacity, whether temporary or otherwise. With regard to our daily operations, in our business model we define various go/no-go decision moments to manage development and sales processes as effectively as possible.

Our financial controls consist of controls such as procedures, management reporting, security measures but also less tangible systems such as standards, values and culture. Given the nature and scope of our organisation, our controls are relatively informal.

### *Credit risks*

Credit risk is the risk of financial loss to InnoConcepts in cases where the buyer or counterparty to a financial instrument does not respect the contractual commitments made. Credit risks primarily result from granted loans, non-current receivables, trade receivables, loan guarantees to third parties and current receivables related to licenses. In addition, credit risks can result from our (conditional) interests in, amongst other companies, Proventec and WNA, and our participation in joint ventures or other forms of cooperation.

InnoConcepts’ exposure to credit risk is primarily determined by the individual characteristics of individual debtors and licensees and the countries in which they are vested.

If loans are provided to associates, they are assessed by the Management Board in terms of their creditworthiness and where possible a conversion right is exacted. To the extent possible, an assessment is carried out to determine whether the associate can provide sufficient certainty in the form of a security.

Non-current and current receivables from licenses are secured using the underlying patents that continue to be the property of InnoConcepts until the last instalment is paid. In granting licenses, a contract is signed stipulating that if payment conditions are not met, InnoConcepts is entitled to withdraw the license without any other obligations on its part. Licensees are assessed in terms of their creditworthiness.

Non-current and current receivables from financial leases are secured on the basis of the underlying

asset, over which InnoConcepts continues to exercise legal ownership. Receivables from trading activities and production are assessed ahead of time for creditworthiness. Progress payments that match the progress of the project are requested for receivables from production when the order is issued. The right to retain title is maintained for receivables from trading activities. Title to the goods is transferred to the client once the last payment is received. If payment terms are exceeded, this is ultimately reported to the Management Board that subsequently takes stricter measures: suspending the project, suspending the service and initiating legal proceedings.

#### *Liquidity risk*

The liquidity risk is the risk that InnoConcepts is not able to meet its financial commitments at the required point in time. The basic premise of the liquidity risk management approach is to, as far as possible, maintain sufficient cash and cash equivalents to be able to meet current and future financial commitments, under normal and difficult circumstances, without incurring unacceptable losses or endangering InnoConcepts' reputation in the process.

InnoConcepts monitors its cash flows on a regular basis. A summary of the Group's cash and cash equivalents is produced on a daily basis. A summary of the movements in the liquidity position is produced on a weekly basis. A cash flow analysis of the past quarter and a forecast for the coming quarter is prepared each quarter. A multi-year (3-5 years) cash flow forecast including bank covenant tests is prepared every 6 months. These reports help ensure that the Group has access to sufficient liquid assets over the short as well as long term in order to meet its operating and financial commitments. The cash flow reports do not take extreme circumstances into consideration.

Since the financing of intellectual property (non-current intangible assets) is not a standard banking product, we require a high level of solvency to finance our operations.

#### *Currency risks*

Currency risk is the risk that InnoConcepts' income or the value of assets is adversely affected by fluctuations in exchange rates. The objective of managing currency risk is to maintain this risk within acceptable limits with an optimal return.

InnoConcepts' conduct of business exposes the operation and the reported financial results and cash flows to risks due to fluctuating exchange rates. InnoConcepts' business operations are exposed to exchange rate differences if the proceeds of sales are received in a foreign currency that is different from the currency in which the costs related to these sales were incurred. To the extent that sales and costs can be netted using the same foreign currency, the balance will be affected by foreign exchange rate fluctuations in relation to the euro. We aim to conclude international licensing agreements in Euros as much as possible.

To mitigate the impact of currency exchange rate fluctuations, InnoConcepts continuously assesses its foreign currency exchange rate position. If required, a portion of these risks will be hedged with financial instruments, such as forward exchange transactions and currency options. InnoConcepts did not make use of such instruments on the 31 December 2008 balance sheet.

Translation risks can affect shareholders equity. We have a number of net investments and long term loans in foreign subsidiaries and associated investments, whose net assets are subject to foreign translation risks. In 2008 a loss of €0.3 million, in 2007 a loss of €7.0 million and 2006 a loss of €3.9 million was debited to equity.

### *Interest rate risks*

Interest rate risk is the risk that InnoConcepts' income or the value of assets is adversely affected by fluctuations in interest rates. The objective of managing interest rate risk is to maintain this risk within acceptable limits with an optimal return.

The Group's liabilities are subject to variable as well as fixed interest rates. All borrowings in Euros are subject to variable interest rates based on Euribor plus a premium, which is considered to provide natural protection against fluctuations in the operating result. If necessary based on risk and yield considerations, InnoConcepts will commit to interest rates for longer periods or build in an interest rate ceiling.

Where applicable, InnoConcepts' assets are subject to interest rates that are linked to market rates with a higher premium than the interest rate paid by InnoConcepts.

If necessary from a risk management point of view, InnoConcepts will consider fixing interest rates for longer periods or putting an interest rate ceiling in place. Interest rate coverage is the leading parameter for managing interest rate risks. On 31 December 2008, we have accounted for an interest swap with ING with a fixed USD rate as per 1 August 2008 of 4.54% (end date 30 June 2010).

## BUSINESS

### Overview

As of September 2009, we changed our strategic focus in two respects. First, at Company level, we decided to focus on the exploitation of our IM Technology, which is our most valuable asset. Second, to improve our expected cash flow we decided to focus our exploitation of the IM Technology on selling moulds to Converters with an implied license fee per individual mould.

Historically, we started building our Company through marketing innovations. In the recent past, we have focused on two specific business-to-business technologies: (i) plastic packaging technology via I-Pac and (ii) cleaning and coating technology via InnoCleaning Concepts. See section “Business – History”.

Our key technology in I-Pac relates to a specific IM Technology that enables plastic packaging producers to realise substantial cost reductions.

We have to date exploited our IM Technology in five markets: media packaging, returnable transport packaging, food packaging, automotive and consumer electronics packaging. The roll-out of our IM Technology started in 2001 as a joint operation based on a cooperation agreement for media packaging with Cheng Meng (also known as Founders), a contract manufacturer in the People’s Republic of China. See also section “Business – History”. In 2005, we licensed our IM Technology for use in returnable transport packaging (e.g. pallets and crates) to SAS. Subsequently, we licensed our IM Technology to various parties in the food packaging markets, most importantly WNA. In 2007, we granted an exploratory license for our IM Technology to IAC for the automotive industry. Finally, in 2008 we granted a license to Hoogerman Group to explore the potential for our IM Technology in the consumer electronics packaging area. In the near future we expect revenues related to our IM Technology from the media packaging and returnable transport packaging segment to be limited and we will therefore primarily focus on food packaging and automotive. In addition, we continue to explore possibilities in returnable transport packaging and consumer electronics packaging on a case-by-case basis. The current stage of commercialisation of our IM Technology in each of these five markets differs, but in none of these markets have we yet reached the stage of achieving multiple IM Technology mould sales to specific customers on an ongoing basis.

With respect to commercialising our technology, initially we aimed at (i) licensing of our IM Technology to Converters, often in consideration for an equity participation, and (ii) marketing, product development and production of packaging products for multinational producers of food and beverage products. Although this strategy held the promise of significant value creation in the long term, it did not allow the operational costs of our business to be covered by cash income in the short term (as illustrated by the complete lack of license income in the first half of 2009), thus creating a negative cash flow and resulting in the necessity to obtain additional debt or equity financing on a regular basis.

Following the appointment of our new CEO, Mr N. Mehra, in June 2009, we decided to adopt a cash-focused strategy in order to be less dependent on the availability of additional financing and to improve our financial performance in a sustainable way. This new strategy is primarily aimed at exploiting our IM Technology by selling moulds to Converters with an implied license fee per individual mould and in certain cases ongoing royalties. Nevertheless, I-Pac could still decide to license the IM Technology on an exclusive basis for a specific market segment if and when appropriate. By implementing this new strategy, we expect our business to generate more cash on a short term and create fewer hurdles for potential business partners to start using the technology. In addition, we expect that we can implement our new strategy with a more streamlined organisation and thereby reduce our costs. See sections “Business – Strategy and Objectives” and “Operating and Financial Review – Revenue Model”.

Following this recent change in strategy, our business activities can now be grouped in four distinct areas:

- (A) “Mould Sales”: the operational core of our business consists of advanced engineering and mould making units. It includes the production and sales of generic and IM Technology-based moulds for a specific product. Our main mould production capacity is located at Eindhoven and the Czech Republic, resulting from the acquisitions of HTP and Formy (100% owned and 60% owned respectively).
- (B) “Intellectual property rights”: the management of our portfolio of intellectual property rights, including the development of our IM Technology base. It includes the entering into of license agreements related to our IM Technology to specific market segments or for multiple products.
- (C) “Investment in Converters”: existing strategic (equity) investments in Converters, such as Founders SAS and WNA (owned through I-Pac’s 98% equity stake in AFP Licensing Inc.).
- (D) “Non-core investments”: (equity) investments in assets that are considered to be non-core, given the Company’s current strategy. At present, these non-core investments mainly consist of our 36.2% equity interest, indirectly held in Proventec, a provider of specialist steam cleaning solutions and preventative coating technologies. We may resolve to divest our participation in Proventec in the future, by way of a private sale, a distribution to our shareholders or otherwise.

The different parts of our business referred to under (A) through (D) above will be described more in detail under section “Business – Business Activities”.

## **History**

### *Origin and expansion of the group*

InnoConcepts was founded in 1992, at which time it sold innovative consumer products. The Company was founded for the exploitation of the LifeHammer, a safety device used to break car windows to facilitate escape in the event of an accident. Our consumer products division was strengthened in subsequent years with additional innovative consumer products, such as TowelClick (a towel hanger), and CableRoller (a device to roll-up cables). In 1994 we introduced InnoSeal, a patented bag closing system for professional as well as consumer users. We licensed out our consumer products activities in 2002 and our InnoSeal activities in 2001 and 2004.

On 24 April 1998, InnoConcepts was listed on Euronext Amsterdam in order to facilitate our further growth. At that time, management wanted to transform the Company from a supplier of innovative consumer products to a “business-to-business” and “business-to-industry” provider of new technologies and products. The rationale for this strategic change was that multiple products can be derived from one technology thereby generating an accelerated return on invested time and money. This development made the accumulation of specific industry and sector know-how of much greater importance and resulted in us focusing our priorities on two specific sectors, plastic packaging technology and cleaning and coating technology.

Shortly after the listing in 1998, we began to market and sell, together with its two inventors, GumBusters, a cleaning solution using low pressure steam technology for removing chewing gum. Since then GumBusters and its technology were further developed and evolved into a business offering to various industries a range of cleaning systems based on low pressure steam technology. This business formed the basis of InnoCleaning Concepts focusing on innovative cleaning technologies and protective coatings.

In 1999, InnoConcepts founded DiamondBox International B.V. (“**DiamondBox**”), a joint venture between a subsidiary of InnoConcepts and the inventor of the DiamondBox CD case. At that time, we indirectly held 75% of this company. In December 2001, DiamondBox was merged into I-Pac, as a result of which we became a 65.5% shareholder in I-Pac. At the same time, KBC PE provided €7.5 million of growth capital to I-Pac, thereby acquiring a 6.25% stake in I-Pac. The funding provided by KBC PE was mainly used to develop I-Pac’s technology base in in-mould labelling (a decoration technology for plastic products) and injection moulding (a technology used for the production of plastic products). The funds were used by I-Pac’s Asian subsidiary to further develop I-Pac’s Chinese media packaging activities together with our Chinese partner Cheng Meng.

In May 2004, InnoConcepts acquired additional shares in I-Pac from minority shareholders for €25.0 million increasing our equity stake in I-Pac from 65.5% to 79.7% of I-Pac’s outstanding issued share capital.

In July 2005, we sold InnoCleaning Concepts to Proventec, a company specialising in cleaning and coating solutions and listed on AIM and Alternext Paris for a consideration amounting to approximately £23.1 million, comprising Loan Notes with an aggregate principal amount of £10.5 million and approximately 89.9 million Proventec shares for £0.14 per share, at that time representing 36.2% of Proventec’s issued share capital. In addition, we received warrants to subscribe for shares in Proventec. At the date of this Prospectus, these warrants are far out of the money but still have a carrying value in the interim financial statements of €0.1 million per 30 June 2009. The carrying value, being the fair value per 30 June 2009, is derived with the Black and Scholes valuation model. See also section “Business – Additional information on Proventec”.

At the end of 2005, we acquired the TEA Convertible Loan Note, which is convertible into up to 90% of the issued share capital of TEA. In 2005, the TEA group consisted of a group of companies specialising in the engineering, development, production and servicing of moulds. Following our acquisitions of HTP and Formy in 2007, as described below, the TEA group companies became generally less important to us. Meanwhile, most activities of TEA Group have been liquidated, but the single remaining active TEA Group entity Cheng Yi Tools, being a mould maker, can still play a role in I-Pac’s IM Technology mould making footprint. Cheng Yi Tools could potentially also be used as a production facility for the European mould makers of I-Pac, HTP and Formy. In the last few reporting periods (including most recently in 2009), we have taken various impairments with regard to the TEA Convertible Loan Note. As a result, the book value of this loan note is €3.2 million per 30 September 2009. See section “Additional Information – Material Contracts – Investments and co-operations – TEA Convertible Loan Note”.

In March 2006, we sold the loan note of Proventec to a group of institutional investors for a total consideration of £10.9 million. Net of transaction costs the sale resulted in a cash inflow of £8.0 million to us, as at the same time we provided Proventec with a £2.6 million working capital facility. We have guaranteed payment to the noteholders under this loan note subject to certain conditions in the event of a default on the part of Proventec. See section “Additional Information – Material Contracts”.

On 19 July 2006, InnoConcepts acquired another 18.9% of the issued share capital of I-Pac from KBC PE increasing our interest in I-Pac from 79.7% to 98.6% of its share capital outstanding. In connection with this acquisition we (i) paid a cash consideration of €20.0 million and (ii) issued and placed on 17 October 2006, 1,547,000 ordinary shares with a nominal value of €0.01 per share with KBC PE.

In September 2006, InnoConcepts acquired the remaining 1.4% of the share capital of I-Pac. The consideration for these shares was €2.3 million which was paid on 17 October 2006. See section “Major Shareholders and Related Party Transactions – Acquisition of the remaining 1.4 % of I-Pac”.

During the course of 2007, we have sold five energy controlled IM Technology prepared production

lines to a number of Converters in the plastic food packaging segment. At that time, these Converters produced food packages for TWIM Packaging International B.V. (“TWIM”), our unbranded food packaging licensee.

#### *Expansion of the business through I-Pac*

Up until 2008, the business was substantially expanded by I-Pac through the development of the IM Technology and entering into license and cooperation agreements with local partners in several industries and several geographical markets worldwide (including Europe, China and the United States). In some cases, we acquired an equity stake in the local partner. Today’s most important cooperation and license agreements with respect to the IM Technology are set out below:

- In 2001, in order to service Asian and US markets, I-Pac set up a production location in China for media packaging together with our local partner Cheng Meng. Up to 2004, I-Pac Asia carried out the sales activities for these products (i.e. DVD and CD cases), which were manufactured by Cheng Meng, partly with our moulds and using our technology and products. In 2004, we changed our legal and economic relationship with Cheng Meng to a royalty agreement. As a result, Cheng Meng performed the sales activities, based on which we received royalties. In addition, Cheng Meng continues to use our moulds for the manufacturing of media packaging products on the basis of a lease agreement between Cheng Meng and us.
- In 2008, Cheng Meng decided to reorganise its operations in response to the declining multimedia packaging markets. In the middle of this reorganisation, the managing director of Cheng Meng died in May 2008 and the general economic climate changed dramatically. At the request of Cheng Meng, InnoConcepts sent its former CFO, Mr Van der Jagt, to stabilize Cheng Meng’s operations. In the period mid-2008 to June 2009, he managed to get the factory up and running again to nearby break-even levels. Subsequently, in July 2009 it appeared that Cheng Meng had taken up bank loans using I-Pac’s assets as collateral without informing InnoConcepts. To repay these bank loans and provide additional working capital, Cheng Meng requested I-Pac to provide a loan in August 2009. To safeguard the value of I-Pac’s receivables on Cheng Meng, valued as per 30 June 2009 at €22.5 million, we decided to provide new funding up to €1.2 million. This funding will take place through various draw downs and part of it is subject to a successful Offering. I-Pac obtained the right to convert the total receivable and the new loan into equity if Cheng Meng fails to pay redemptions when due. The value of the equity stake in Cheng Meng, further to conversion depends on the amount outstanding under the total receivable and the new loan. The value of equity in Cheng Meng upon conversion will decrease as a result of redemptions made of the receivable and the new loan. As a result of market conditions in the multi-media packaging sector and the financial position of Cheng Meng, we do not expect any license income in the near future.
- SAS is a leading producer of returnable transport packaging, such as crates, (big) boxes and pallets. In April 2005, I-Pac granted a worldwide exclusive license for its IM Technology to SAS. Pursuant to this license, SAS was allowed to use our know-how and technology for its returnable transport packaging. A number of projects were initiated with SAS for the production of IM Technology based moulds, which were not successful in delivering the benefits expected by SAS. As a result, SAS has revoked its exclusivity right for the use of the IM Technology in its market segment. We therefore do not expect any royalty payments, which would have been received had this exclusivity remained. We, nevertheless, are of the belief that with the advances made in this technology recently there is still a potential for SAS to benefit from the IM Technology in its market segment and we have agreed with SAS to collaborate on a project to explore this potential.

In December 2005, we agreed to establish a business with SAS to jointly exploit the SAS product

range produced with the IM Technology in China through a joint venture named Founders SAS, in which we have a 45% interest and in which Founders Holding B.V. has the remaining 55% interest. The joint venture operates a production facility in China for the production of crates, big boxes and other returnable transport packaging. The cooperation between SAS, Founders Holding B.V. and I-Pac is formalised in a memorandum of understanding between all parties. The arrangement in this memorandum is that SAS provides sales, marketing, appropriately trained staff and any necessary licenses for intellectual property rights. I-Pac provides, amongst other things, financing, the benefit of its experience in establishing and operating an injection moulding business in China and licenses and Founders Holding B.V. provides local infrastructure and local labour for the production in China. Due to the lack of commercial success, we have impaired our interest in Founders SAS to nil as per 30 September 2009. See also section “Business – Business Activities”.

- In the period 2006-2007, we sold distribution and manufacturing licenses for unbranded food packaging for the main part of Europe to TWIM.

During the course of 2007, we have sold five energy controlled IM Technology prepared production lines to a number of Converters in the plastic food packaging segment. At that time, these Converters produced food packages for TWIM, our unbranded food packaging licensee.

At the end of 2007, we concluded that the pace of roll-out of the IM Technology in this specific segment was insufficient. We decided to set up a new company (I-Pac Manufacturing Services B.V.) together with TWIM and an investor. At that time I-Pac held 48% of the shares in I-Pac Manufacturing Services B.V. with TWIM (32%) and the investor (20%) holding the remainder. TWIM contributed new licenses, client base and equipment to this company. At 17 December 2009, I-Pac extended the territory of the license to the whole of Europe and the investor acquired its share from I-Pac resulting in a profit of €6.9 million. In 2008, an impairment of investments (€4.1 million) and an impairment of receivables (€5.0 million) was made in relation to the termination of the European Food Packaging joint venture (formed in 2007 with TWIM and an investor) through I-Pac Manufacturing Services B.V.

In 2008, both TWIM and the investor failed payments on their obligations to I-Pac. In March 2009, I-Pac therefore acquired the remaining 52% shares of I-Pac Manufacturing Services B.V. from TWIM and the investor in exchange for obligations outstanding, which made I-Pac 100% owner of I-Pac Manufacturing Services B.V.

Both TWIM and the investor obtained a future earn-out to make up for their investments. The actual earn-out depends on certain financial performance criteria, with a maximum total cash outflow of €5.0 million. It is currently not anticipated that we will have to make any payments under this earn out.

- WNA is one of the market leaders in plastic products for the catering industry. In September 2008, I-Pac entered into a strategic alliance with WNA whereby WNA acquired an exclusive license with respect to the food services industry (a subsector of the final packaging industry) in the US. In return, I-Pac received a conditional 20% equity stake in WNA. As a partner, WNA will develop and customise the IM Technology for the US market, and serve as a marketing and manufacturing platform.

Our 20% interest in WNA is subject to certain performance goals, which will be tested in March 2014. The envisaged 20% stake is based upon estimates and forecasts that both management of WNA and I-Pac have made independently. The final equity stake I-Pac receives can however be higher than 20% or lower than 20%, depending on the level of EBITDA the IM Technology generates for WNA as percentage of total WNA EBITDA. At this moment, InnoConcepts'

management believes that the performance goals can be met to achieve a 20% equity stake in 2014.

In September 2007, I-Pac acquired a majority interest of 57% in mould maker HTP Technologies B.V. HTP Technologies was at that time 88% shareholder of HTP. I-Pac and HTP Technologies B.V. have been working together for some time in connection with I-Pac's engineering needs, particularly in the field of thin walled production moulds for amongst other things food packaging and the possible applicability of the IM Technology for the optical market. On 5 August 2009, I-Pac acquired the remaining 43% of the share capital of HTP Technologies B.V. from Varova B.V., Saratoga B.V. and from local management, making it a wholly owned subsidiary. In addition, HTP Technologies B.V. acquired the remaining shares (12%) in the share capital of HTP from local management.

In December 2007, I-Pac reached agreement with SAS on the expansion of their cooperation in two fields. First, I-Pac and SAS established IS Development B.V., which is a R&D joint venture focused on the development of existing and new technology, and the exploitation of intellectual property owned by SAS. I-Pac holds 80% of the shares of IS Development B.V. with SAS owning the remaining 20%. Second, I-Pac's 80% owned subsidiary IS Development B.V. acquired the specific mould construction and service activities of SAS through the acquisition a 75% equity stake in Formy. Formy, established in Tachov in the Czech Republic, is a mould maker active in Central and Eastern Europe.

In September 2008, I-Pac acquired a 35% equity stake in Hoogerman Holding B.V., a holding company based in The Netherlands, with manufacturing and sales sites in The Netherlands, the Czech Republic, China and the US. The Hoogerman Group specialises in plastic products and packaging for consumer electronics and medical packaging. Apart from the 35% equity stake, the Hoogerman Group cooperation consists of a license agreement and a contract manufacturing agreement. The contract manufacturing agreement stipulates that penalty payments are due by I-Pac's subsidiary I-Pac Manufacturing Services B.V. if certain minimum revenues for the sale of food packaging products by Hoogerman Group using our IM Technology, is not realised. The minimum revenue guarantee is €7.4 million for 2009, €10.0 million for 2010 and 2011 and €5.0 million for 2012. As per 30 September 2009, the maximum liability out of this guarantee is €2.8 million over a total period of the next three years. We have paid €0.4 million in penalties in the third quarter of this year. In September 2009, we made a provision for future liabilities under the existing contract manufacturing agreement with the Hoogerman Group.

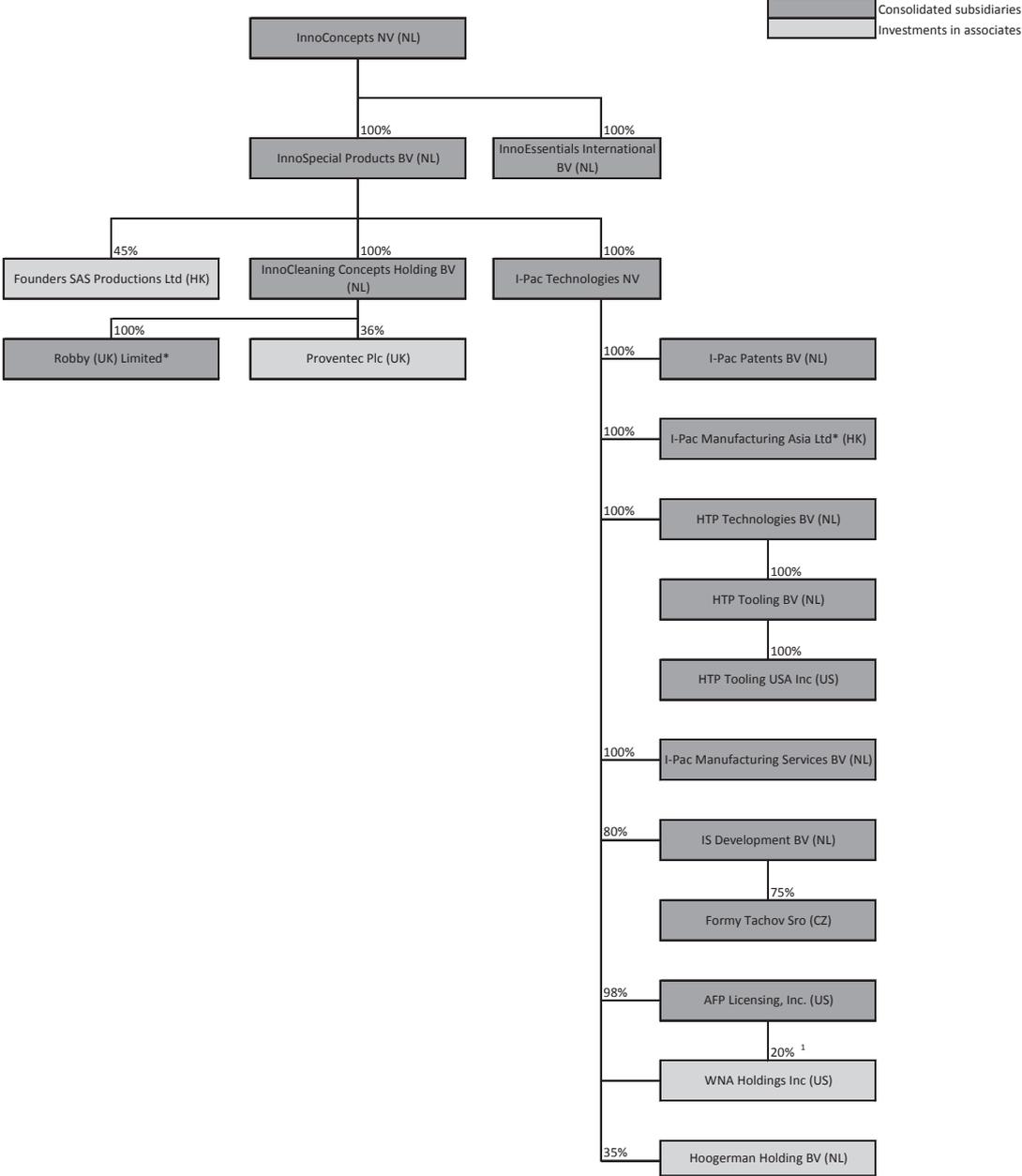
In addition, we have provided certain financial guarantees to Hoogerman Holding B.V.'s bank for a total amount of up to €1.0 million, which will expire in April 2012.

In the recent past we made various announcements regarding commercial agreements with multinational producers of food and beverage products. In light of the recent strategic change and our focus on selling IM Technology based moulds to Converters, we consequently concentrate our sales activities on these Converters rather than on food and beverage producers. As a result thereof, we do not expect the existing and announced commercial agreements with these producers to generate any direct revenues for us in the foreseeable future. However, our (historical) cooperation with these producers could still lead indirectly to both mould sales and intellectual property rights revenues as the producers could promote the Converters to purchase IM Technology based moulds.

# Organisation

## Legal entities / organisational chart

As a result of the various events detailed in the paragraph at the beginning of this chapter, the chart set out below details the current organisational chart of the Company. InnoConcepts N.V. is the holding Company of the group with I-Pac, the licensor of IM Technology, as its most important subsidiary and WNA as its most important investment.



\* dormant and may or will be liquidated  
<sup>1</sup> this stake is conditional

# Strategy and Objectives

As of September 2009, we changed our strategic focus in two respects. First, at Company level, we decided to focus on the exploitation of our IM Technology, which is our most valuable asset. Second, to

improve our expected cash flow we decided to focus our exploitation of the IM Technology on selling moulds to Converters with an implied license fee per individual mould.

Historically, we started building our Company through marketing innovations. In the recent past, we have focused on two specific business-to-business technologies: (i) plastic packaging technology via I-Pac and (ii) cleaning and coating technology via InnoCleaning Concepts. See section “Business – History”.

Our key technology in I-Pac relates to a specific IM Technology that enables plastic packaging producers to realise substantial cost reductions.

We have to date exploited our IM Technology in five markets: media packaging, returnable transport packaging, food packaging, automotive and consumer electronics packaging. The roll-out of our IM Technology started in 2001 as a joint operation based on a cooperation agreement for media packaging with Cheng Meng (also known as Founders), a contract manufacturer in the People’s Republic of China. See also section “Business – History”. In 2005, we licensed our IM Technology for use in returnable transport packaging (e.g. pallets and crates) to SAS. Subsequently, we licensed our IM Technology to various parties in the food packaging markets, most importantly WNA. In 2007, we granted an exploratory license for our IM Technology to IAC for the automotive industry. Finally, in 2008 we granted a license to Hoogerman Group to explore the potential for our IM Technology in the consumer electronics packaging area. In the near future we expect revenues related to our IM Technology from the media packaging and returnable transport packaging segment to be limited and we will therefore primarily focus on food packaging and automotive. In addition, we continue to explore possibilities in returnable transport packaging and consumer electronics packaging on a case-by-case basis. The current stage of commercialisation of our IM Technology in each of these five markets differs, but in none of these markets have we yet reached the stage of achieving multiple IM Technology mould sales to specific customers on an ongoing basis.

With respect to commercialising our technology, initially we aimed at (i) licensing of our IM Technology to Converters, often in consideration for an equity participation, and (ii) marketing, product development and production of packaging products for multinational producers of food and beverage products. Although this strategy held the promise of significant value creation in the long term, it did not allow the operational costs of our business to be covered by cash income in the short term (as illustrated by the complete lack of license income in the first half of 2009), thus creating a negative cash flow and resulting in the necessity to obtain additional debt or equity financing on a regular basis.

Following the appointment of our new CEO, Mr N. Mehra, in June 2009, we decided to adopt a cash-focused strategy in order to be less dependent on the availability of additional financing and to improve our financial performance in a sustainable way. This new strategy is primarily aimed at exploiting our IM Technology by selling moulds to Converters with an implied license fee per individual mould and in certain cases ongoing royalties. Nevertheless, I-Pac could still decide to license the IM Technology on an exclusive basis for a specific market segment if and when appropriate. By implementing this new strategy, we expect our business to generate more cash on a short term and create fewer hurdles for potential business partners to start using the technology. In addition, we expect that we can implement our new strategy with a more streamlined organisation and thereby reduce our costs. See section “Operating and Financial Review – Revenue Model”.

In our new strategy, revenues are expected to be generated as follows:

- the sale of moulds (both generic and those equipped with the IM Technology);
- royalty income over the Converters’ future revenues produced with a mould containing our IM Technology;

- upfront license fees and ongoing royalties resulting from licensing specific market segments or multiple products; and
- with certain Converters we may have revenues which are a mix of several of the above.

The Converter's own working capital accessibility enables them to fund the purchase of the moulds and a portion of the license fee until the Converter receives income derived from the sale of the plastic parts produced using the mould. Therefore, most Converters prefer to spread license fees over the useful life of the mould, contrary to our interests. The proportion of license fees paid "upfront" ultimately depends on the strength of our negotiating position.

Our approach of focusing on a small number of key Converters enables us to provide them with moulds and technology on a per mould basis. This reduces the initial investment of our customers, thus making it easier for them to adopt the IM Technology. Once the mould is installed and the IM Technology is proven inside the Converters own production process, it may be expected that the amount of orders for new IM Technology moulds will substantially increase.

Given the above, the success of our strategy will be contingent on developing a strong relationship with Converters and persuade them to use moulds with our IM Technology. In our opinion there are a number of critical success factors:

- focusing our commercial efforts on a small number of key Converters, principally in food packaging and automotive;
- being a leading innovator and renovator in mould making for Converters; and
- being of social relevance and to provide added value to the environment.

Based on our market position, our current resources and Company structure and the potential impact of our IM Technology on our markets we have defined the following four key objectives:

- to become a cash focused, high growth, high margin developer / marketer of high-technology moulds;
- to achieve double digit annual growth rates;
- the elimination of the overheads and operating costs of the food packaging activity; and
- the elimination of the overheads and substantial adviser and consultancy fees inherent of the old business model.

### **Update on implementation of our new strategy**

We are pleased that we have made progress in the implementation of our new strategy, amongst other things through the following achievements:

- First, we have concluded a framework agreement with the Obeikan Group on the sale of moulds and a license to use our IM Technology in part of the Middle East. The Obeikan Group is an industrial conglomerate from Saudi Arabia with a leading position as a Converter in the Middle Eastern food packaging market. Under the framework agreement, the Obeikan Group will have access to our IM Technology through the purchase of IM Technology based moulds with implied license fees for us. We anticipate the prototype phase to start shortly.

- Second, we have signed an agreement with Dampack, a European distributor of food packaging products. So far, our sales team has made limited progress in the sale of these products resulting in limited business to date for us. Therefore, we have decided to transfer these sales activities to Dampack, and to focus our sales activity on IM Technology based moulds. As a result, we have terminated employment contracts of staff related to this activity. The manufacturing of the food packaging products is still carried out by Hoogerman under the existing contract manufacturing agreement. Based on this agreement we expect to receive royalties on products sold by Dampack, and to lower penalties due by us to Hoogerman as described in section “Business – History”.
- Third, we initiated our cost reduction program, which amongst other things, will include moving our head-office from Barendrecht to our HTP location in Eindhoven by the end of this year. The physical presence of our corporate, sales and technical development activities on one location will enable us to function in a more cost effective manner ensuring short lines of communication. As a result of this scheduled move and other cost cutting measures, we will reduce our headcount by approximately 20 by the end of this year.

### **Key strengths**

- Our proprietary IM Technology that can provide Converters with significant manufacturing cost savings, with products superior in design and shape than those that can be achieved by their competitors and end products that can contribute to the reduction of environmental damage by the reduction in weight of packaging used.
- An in-house technology development capability with proven ability to develop applications for the use of IM Technology for specific customer requirements.
- The operational capability to design and manufacture the high precision moulds required to exploit the benefits of the IM Technology.
- An experienced management team with a track record of enabling an organisation to restructure its cost base whilst maintaining the Company’s focus on driving customer and thereby shareholder value.

### **Business Activities**

Following our recent change in strategy, our business activities can be grouped in four distinct areas:

- (A) “*Mould Sales*”: the operational core of our business consists of the advanced engineering and mould making units. It includes the production and sales of generic and IM Technology-based moulds for a specific product. Our mould production capacity is located at Eindhoven and the Czech Republic, resulting from the acquisitions of HTP and Formy (100% owned and 60% owned respectively).
- (B) “*Intellectual property rights*”: the management of our portfolio of intellectual property rights, including the development of our IM Technology base. It includes the entering into of license agreements related to our IM Technology to specific market segments or for multiple products.
- (C) “*Investment in Converters*”: existing strategic (equity) investments in Converters, such as Founders SAS and WNA (owned by I-Pac through AFP Licensing Inc. (98%)).
- (D) “*Non-core investments*”: (equity) investments in assets that are considered to be non-core, given the Company’s current strategy. At present, these non-core investments mainly consist of our 36.2% equity interest, indirectly held in Proventec, a provider of specialist steam cleaning

solutions and preventative coating technologies. We may resolve to divest our participation in Proventec in the future, by way of a private sale, a distribution to our shareholders or otherwise.

### **Business Activity A: Mould Sales**

For every plastic product produced with the IM Technology, a unique mould is required. In order to facilitate the roll-out of our IM Technology within our current customers, as well as to support new customers, we need to be able to provide them with moulds based on our IM Technology. Over the last few years, I-Pac made several investments in mould making production capacity.

In 2007, we acquired a majority stake in mould and system builder HTP Technologies B.V. (57%) (formerly Philips High Tech Plastics) and indirectly through I-Pac's 80% subsidiary IS Development B.V. a majority stake in Formy (75%). In August 2009, we acquired the remaining 43% in HTP Technologies B.V. from management thereby bringing HTP Technologies B.V. in complete ownership. These acquisitions resulted in the addition of 200 highly qualified specialists mould producers to our staff. It also offered the possibility to increasingly supply moulds based on the IM Technology in a more standardised form and as a stand-alone unit, and consequently to accelerate the entire commercial process. In addition to strengthening our market position, both new group companies explicitly add know-how, allowing further growth. HTP is globally recognised as an expert in the field of extremely accurate production moulds, which is specifically important for the market of thin-walled packaging. Formy has substantial experience in producing moulds for larger products with a limited number of cavities.

### **Business Activity B: Intellectual property rights**

The IM Technology is the core of our business. Some of the patents we use for the IM Technology are owned by us and some are licensed to us by third parties (partly on an exclusive and partly on a non – exclusive basis). In general, for the IM Technology, we rely on intellectual property rights such as patents, copyrights, contractual restrictions and trademarks to protect our innovations, and keep our know-how confidential. The protection of our intellectual property is often based on a combination of one or more of these categories. Our success depends to a large extent on our ability to protect current and future innovations through securing, enforcing and defending intellectual property rights.

As a result of our portfolio of intellectual property rights, including the development of our IM Technology base, we may enter into license agreements related to our IM Technology to specific market segments or for multiple products, albeit that we pursue this on a cash basis. These type of separate non recurring licensee fees, together with future ongoing royalties generated on top of our mould sales, will be entered into the IPR revenue line.

### **Business Activity C: Investments in Converters**

Before we changed our strategy to marketing our IM Technology via mould sales, we initiated converter activities with partners.

In 2001, in order to service Asian and US markets, I-Pac set up a production location in China for media packaging together with our local partner Cheng Meng. Up to 2004, I-Pac Asia carried out the sales activities for these products (i.e. DVD and CD cases), which were manufactured by Cheng Meng, partly with our moulds and using our technology and products. In 2004, we changed our legal and economic relationship with Cheng Meng to a royalty agreement. As a result, Cheng Meng performed the sales activities, based on which we received royalties. In addition, Cheng Meng continues to use our moulds for the manufacturing of media packaging products on the basis of a lease agreement between Cheng Meng and us.

In 2008, Cheng Meng decided to reorganise its operations in response to the declining multimedia packaging markets. In the middle of this reorganisation, the managing director of Cheng Meng died in May 2008 and the general economic climate changed dramatically. At the request of Cheng Meng, InnoConcepts sent its former CFO, Mr Van der Jagt, to stabilize Cheng Meng's operations. In the period mid-2008 to June 2009, he managed to get the factory up and running again to nearby break-even levels. Subsequently, in July 2009 it appeared that Cheng Meng had taken up bank loans using I-Pac's assets as collateral without informing InnoConcepts. To repay these bank loans and provide additional working capital, Cheng Meng requested I-Pac to provide a loan in August 2009. To safeguard the value of I-Pac's receivables on Cheng Meng, valued as per 30 June 2009 at € 22.5 million, we decided to provide new funding up to € 1.2 million. This funding will take place through various draw downs and part of it is subject to a successful Offering. I-Pac obtained the right to convert the receivables and the loan into equity if Cheng Meng fails to pay redemptions when due. I-Pac obtained the right to convert the total receivable and the new loan into equity if Cheng Meng fails to pay redemptions when due. The value of the equity stake in Cheng Meng further to conversion, depends on the amount outstanding under the total receivable and the new loan. The value of equity in Cheng Meng upon conversion will decrease as a result of redemptions made of the receivable and the new loan. As a result of market conditions in the multi-media packaging sector and the financial position of Cheng Meng, we do not expect any license income in the near future.

In December 2005, we agreed to establish a business with SAS to jointly exploit the SAS product range produced with the IM Technology in China through a joint venture named Founders SAS, in which we have a 45% interest and in which Founders Holding B.V. has the remaining 55% interest. The joint venture operates a production facility in China for the production of crates, big boxes and other returnable transport packaging. The cooperation between SAS, Founders Holding B.V. and I-Pac is formalised in a memorandum of understanding between all parties. The arrangement in this memorandum is that SAS provides sales, marketing, appropriately trained staff and any necessary licenses for intellectual property rights. I-Pac provides, amongst other things, financing, the benefit of its experience in establishing and operating an injection moulding business in China and licenses and Founders Holding B.V. provides local infrastructure and local labour for the production in China. Due to the lack of commercial success, we have impaired our interest in Founders SAS to nil as per 30 September 2009.

In 2008, we received payment in (conditional) shares for the license of our IM Technology from WNA and Hoogerman Group. These investments strengthen our relationship with these Converters and allow us to benefit from the value our IM Technology brings to WNA and Hoogerman Group. For more detail see also section "Business – History".

Given current market conditions and the financial condition of the Company we are currently aiming to structure our relations with new customers differently. See section "Business – Strategy and Objectives".

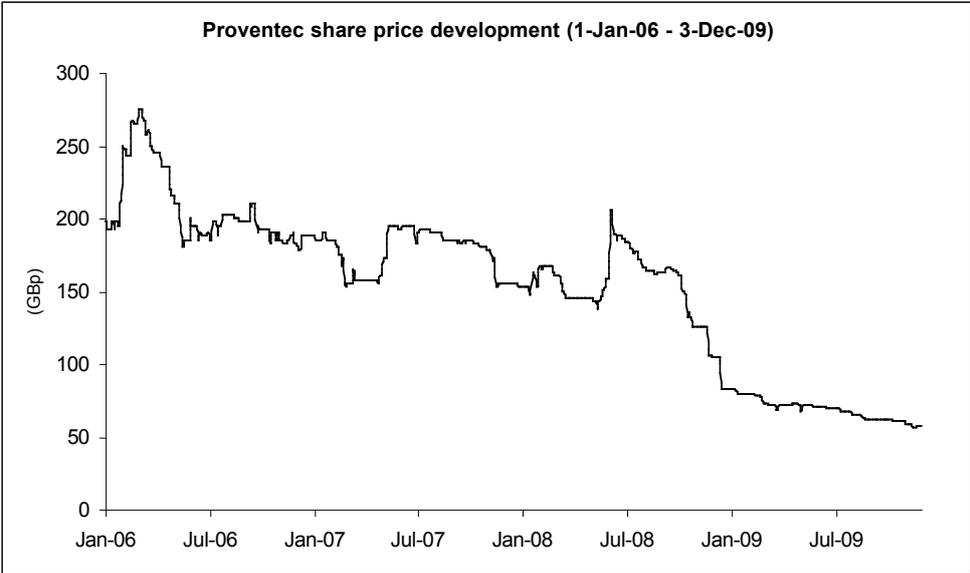
#### **Business Activity D: Non-core investments**

Our non-core investments mainly consist of Proventec, a company listed on the AIM in London and the multilateral trading facility organised by Euronext Paris SA ("**Alternext Paris**"). We currently have a 36.2% interest, indirectly held in Proventec. Proventec provides industrial cleaning solutions to among other things, the food retail and manufacturing market, the hospitality industry, and the healthcare market (which includes hospitals and suppliers of hospital equipment). In addition, Proventec provides fire retardant coatings technologies to a range of end-customers, including construction companies and timber merchants. Given our strategic focus on the IM Technology we consider our investment in Proventec as non core. As a result, we may resolve to divest our participation in Proventec in the future, by way of a private sale, a distribution to our shareholders or otherwise. See section "Business – Additional Information on Proventec".

The value of our interest in Proventec is disclosed in our audited consolidated financial statements for the year ended 31 December 2008. However, Proventec’s financial year ends on 31 March and as such, when drawing up our financial statements for year ended 31 December 2008, we relied on the interim financial information of Proventec for the six months ended 30 September 2008.

Proventec has published its full year accounts for the year ended 31 March 2009. For our interim financial statements per 30 June 2009 we have adjusted the value of our investment in Proventec based upon these accounts. Due to impairment losses in the accounts of Proventec itself we have further adjusted our investment, absorbing our share in Proventec’s impairments and net results resulting in a value of € 3.7 million per 30 June 2009 (compared to € 6.0 million per 31 December 2008).

On 14 July 2009, we have participated in the share issue of Proventec for our equal share adding £542,901 to our investment. The current book value of investment in associate Proventec is €4.0 million. Our total holding in Proventec remained unchanged at 36.2% or 5,580,923 shares.

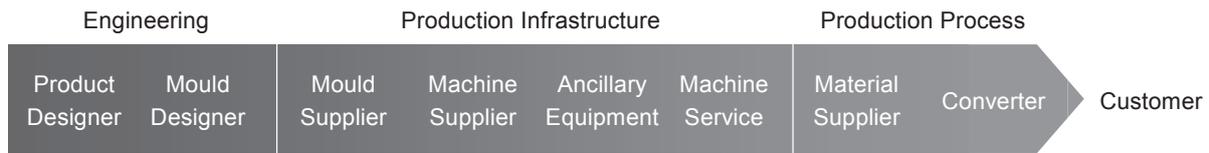


The graph above shows the share price performance of Proventec as per January 2006 up to and including 3 December 2009. Based on the IFRS accounting principles and the current share price, which being an impairment indicator, the fair value of our 36.2% stake is € 3.7 million per 30 June 2009.

**Our markets and IM Technology**

I-Pac is engaged in the development and marketing of concepts, systems and technologies primarily for the plastic packaging industry. This encompasses the IM Technology, a production technology for the manufacturing of injection moulded plastic packaging and the development and sale of specific product applications. I-Pac still aims to operate a licensing model for specific market segments with leading players in those segments and currently has licensees in the media packaging, the returnable transport packaging, the food packaging segments and the automotive industry. However, we focus on generating cash revenues instead of entering into partnerships with our customers.

## ***Plastics Market Structure***



*Source: the Company*

The global plastics industry consists of more than 25,000 players involved in the manufacturing process such as material suppliers, machinery suppliers, designers, engineers and Converters.

In our view the plastics industry is presently characterised by three key trends:

- concentration and consolidation of the industry; the companies need global presence;
- the need for specialisation of and innovation to optimise customer value; and
- the development of emerging markets.

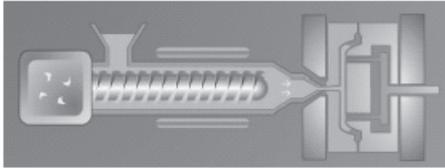
Different production technologies can be applied in producing plastics such as thermoforming, blow moulding and injection moulding.

From a technological perspective, injection moulding is, generally, the preferred technology because of the flexibility and quality of the output. However, to date injection moulding is considered to be the most complex and expensive technology.

### ***Injection Moulding***

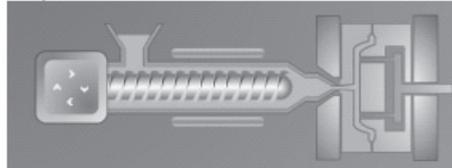
Injection moulding is a widely used manufacturing technique for making parts from plastic material. Molten plastic is injected at high pressure into a mould, which is the inverse of the desired shape. Injection moulding is very widely used for manufacturing a variety of parts, from small products such as rowing sticks to entire body panels of cars. Below we have displayed the schematic process of injection moulding.

1. Plastication



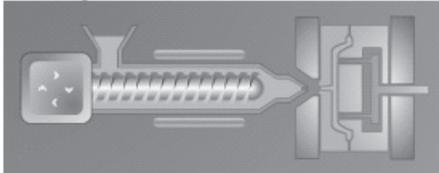
Mould fills via gates and runners

2. Injection



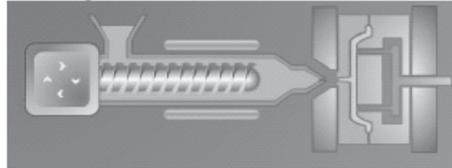
Mould packing stage under injection pressure

3. Packing



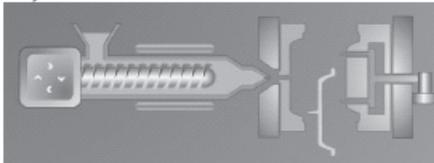
Injection unit retracts while pressure is being applied to the mould

4. Cooling



Screw recharges barrel with another shot of plastic. Mould coolant cools and solidifies the plastic.

5. Ejection



Machine opens ready for ejection of component. Ejector bar strikes stop and activates ejector mechanism. The component drops out of the mould.

*Source: the Company*

### *Injection moulding process*

On the right side of the figures above, the clamping unit (holding the mould parts together) can be seen. On the left side the injection unit is displayed. Plastic material (polymer), usually in the form of pellets, is loaded into a hopper on top of the injection unit. The pellets feed into the cylinder where they are heated until they reach molten form. Within the heating cylinder there is a motorised screw that mixes the molten pellets and forces them to the end of the cylinder. Once the polymer melt fills the mould cavity, a packing pressure is maintained to force the plastic in and compensate for the solidification of the polymer. Subsequently, the cooling process starts where the plastic is allowed to cool to its solid form within the mould, after which it is ejected. This cycle can take from a few seconds to several minutes, depending on the product.

### ***The Injection Moulding Market***

The injection moulding market can be divided in three market segments, being:

- thin walled products;
- end-products; and
- components.

Thin Walled Products	
	
Characteristics:	Low Weight, Single Usage
Examples:	Packaging, lenses
Alternative:	Cardboard, Thermoform

End-Products	
	
Characteristics:	Quality, Image
Examples:	Toys, Pallets
Alternative:	Wood, Metals

Components	
	
Characteristics:	Durability
Examples:	Car parts, Electr. Equipment
Alternative:	Wood, Metals

Source: the Company

### ***Injection Moulding, the I-Pac Way***

I-Pac’s IM Technology differentiates itself from traditional injection moulding as described above through using among other things:

- a lower injection temperature reducing the cycle times in the production process;
- a multi step process manipulator, including interchangeable and moving mould parts and an explosion moulding system within the mould; and
- an improved cooling process.

These differences result in advantages on material usage and mould efficiency.

Firstly, the IM Technology allows for a reduction of the material usage, as well as more material options and recycled materials. Secondly, with the IM Technology our licensee can either invest less in moulds or can realise a higher output of products on the same mould. Furthermore, licensees can use moulds multi functionally. Finally, the IM Technology allows for a higher design freedom for the products.

### **Additional information on Proventec**

From early 1998, we focused on our innovation portfolio in cleaning and following the acquisition of Osprey DeepClean Ltd. (“**Osprey DeepClean**”) in 2002, we transformed InnoCleaning Concepts from a company that mainly sold licenses and related products on the GumBusters concept into a dedicated supplier of steam cleaning equipment throughout various industries.

We acquired our interest in Proventec by selling our innovative cleaning technologies and systems business, InnoCleaning Concepts to Proventec in July 2005. Part of the consideration for the sale of InnoCleaning Concepts was satisfied by the issue of 89.9 million Proventec shares to us, at that time representing 36.2% of Proventec’s issued share capital. As part of the same transaction, Proventec simultaneously acquired the combined businesses of Magma Applications B.V. and Magma Industries B.V. (together “**Magma**”), a fire retardant coatings business, from MINT Investments B.V. (“**MINT**”), a company in which Novem International B.V. (“**Novem**”) (a major shareholder in our Company) at the time of the transaction was the controlling shareholder. As at 14 July 2009, MINT had an interest in 11.7% of Proventec’s issued share capital. The acquisition of InnoCleaning Concepts and Magma constituted a reverse takeover for Proventec. See section “Additional Information – Material Contracts – Agreements relating to the disposal of InnoCleaning Concepts to Proventec”. In addition, warrants convertible into Proventec shares forming part of the proceeds of the sale of InnoCleaning Concepts and Magma, are currently held by Falco Pescatore B.V. (a special purpose vehicle established in connection with the transaction) (“**Falco**”) for the account of InnoConcepts (through its wholly-owned subsidiary InnoCleaning Concepts Holding B.V (“**ICH**”)) and MINT, pending final allocation to ICH and MINT, respectively. The warrants are currently valued at nil. Following the sale of InnoCleaning Concepts to

Proventec Mr Teerlink, a former member of our Senior Management, was appointed to the board of Proventec as non-executive Chairman. This position is currently still held by Mr Teerlink. Our strategy with respect to Proventec going forward is to further lower our share holdings by selling shares if market conditions improve or dividend out to InnoConcepts' shareholders.

### *Cleaning systems*

The cleaning systems marketed and sold by Proventec use low-pressure dry steam, demanding less water than conventional cleaners and require fewer chemical agents than traditional non-steam cleaning systems. The primary benefits of these cleaning systems are considered to be a higher level of hygiene together with time, material and labour savings (when compared with the traditional mop and bucket approach). Customers for these cleaning systems included hospitals, retailers and a major fast food chains and located in Asia, the US and Australia as well as in various countries throughout Europe.

In 2008, Proventec expanded its business in the cleaning industry by acquiring a 60% equity stake in both (1) Frank GmbH, a renowned German manufacturer and distributor of hygienic products including portable high pressure washers and self-service vehicle wash stations and (2) Cryojet B.V., a leading provider of cryogenic cleaning equipment and related services based in Rotterdam in The Netherlands. Cryojet B.V. provides specialised, extremely low temperature industrial cleaning services using proprietary dry-ice technology. With both these acquisitions Proventec will be able to develop and manufacture automated cleaning and sanitation systems in the industrial sector and add a complementary division to its portfolio of technologies and services for the industrial and healthcare sector, in which hygiene and safety are becoming more important focal points.

### *Coatings*

Proventec markets, develops and sells a range of protective coatings, the most important ones being phosphorous based fire retardant products. These products are suitable for application to a range of cellulose based products such as timber, paper, plywood, thatch and textiles. Use of fire retardants is driven by safety concerns and increasing regulation in order to improve fire safety. The advantages of Proventec's products are considered to include the fact that they are non toxic and environmentally friendly. Furthermore, Proventec sells two other protective coatings InnoShield (protection coatings for a range of surfaces and materials aimed at reducing maintenance and cleaning costs) and InnoPearl (a surface enhancing technology for glass) and has an interest in Biocote (an additive for powder coating that diminishes bacterial growth).

## **Research and Development and Intellectual Property Rights**

### *Research and development*

The core technology which forms the basis of our current business is the energy controlled IM Technology for which we have a license to exploit in packaging and (partly) automotive. We have insourced and developed in-house an array of associated patented developments significantly increasing the barrier to entry for competitors who may try to overcome the patents.

Commercial exploitation of the IM Technology requires a second development phase for each product segment – e.g. thin walled packaging, thick walled packaging, automotive, returnable transport packaging etc. This second development phase usually involves close collaboration with a (potential) customer. This process usually takes the form of theoretical computer based simulations, followed by the choice of a product for which a prototype mould is produced. Thereafter, further empirical testing is conducted until all the interactions between the product and process parameters are modeled. This enables a clear decision by the customer on moving to the next phase: ordering the first mould.

The technical know-how required to develop our IM Technology resides within our technical development section based in Eindhoven. Here our development and testing equipment is located. The same locations houses the engineering and production of the moulds. This enables close collaboration between various engineering functions and the seamless transfer of a customer as we move from a development to a production phase.

The development activity is a key enabler of any potential transaction with a customer. It is our intention to strengthen this activity by appointing dedicated “customer development engineers” whose responsibility will be to further the penetration of our IM Technology within the customer base following the first mould order.

In 2006, 2007 and 2008 we invested €2.7 million, €2.7 million and €6.4 million respectively in research and development.

#### *Intellectual property rights*

Our patent portfolio consists of purchased patents, licenses to use third party patents, patents based on inventions developed in-house and rights to follow-up patents on inventions developed by licensees under the patents in our portfolio. Our licensees in turn, can exercise certain limited rights under our patents. Part of our patents portfolio consists of pending patent applications. We cannot provide any assurances that any of those patent applications will result in an enforceable patent or a patent that sufficiently protects our interests. We have a number of intellectual property rights that we do not exploit commercially today and we will be investigating the possibility of licensing or selling out these intellectual property rights. See section “Risk Factors – The Company may not be able to protect its intellectual property.”

Our intellectual property strategy is aimed at creating an intellectual property portfolio in which the scope of our patents overlaps to a degree, e.g. by applying for a patent on a particular technology and for a patent on a method to apply that technology.

Our patent portfolio is completed by a strategy of additional and complementary know-how protection. This additional know-how is often kept secret by us. In this way we seek to create an additional layer of protection to prevent reverse engineering by competitors of the invention published in the patent application.

In order to protect our proprietary know-how, we generally require our employees, subcontractors and other independent contractors as well as our licensees to enter into non-disclosure, non-competition and non-usage agreements with us. In addition, our agreements with these parties also provide for the transfer and assignment to us of intellectual property rights resulting from ideas, developments, discoveries and inventions arising in the course of the provision of services to us or the use of the invention. Alternatively, our agreements provide for such intellectual property rights to be licensed to us. These agreements may not effectively prevent disclosure of our confidential information, provide meaningful protection for our confidential information or assign to us all such intellectual property rights. In addition, the enforceability of these agreements may vary from jurisdiction to jurisdiction. See section “Risk Factors – The Company may not be able to protect its intellectual property”.

#### **Premises**

Until June 2009, we rented premises at Capelle aan den IJssel, The Netherlands in which our corporate headquarters was situated. The annual rent for these premises was approximately €0.3 million in 2008, and this lease term expired at 10 July 2009. As from that date, our corporate headquarters moved to Barendrecht, The Netherlands, where the Company has rented new premises. The annual rent for the new premises will be €0.1 million for a five-year and six-month term.

We have decided to relocate our corporate headquarters to the premises of HTP in Eindhoven by the end of 2009. All corporate, sales, technical development on one location thereby enabling the Company to function in the most optimal, cost effective manner, ensuring short lines of communication and greater rapidly in reaching the market events and grasping new commercial opportunities. The annual rent for the premises of HTP (located in Eindhoven) and Formy (located in Tachov, Czech Republic) is €0.5 million and €0.1 million respectively.

## MANAGEMENT AND EMPLOYEES

The Company's management structure consists of the Management Board and the Supervisory Board. Apart from what is stated in this chapter for N. Mehra and G. Jansen Venneboer in relation to Budelpack International B.V., which filed for bankruptcy in 2009, during the preceding five years, none of our directors or officers have served as an officer or director of any company subject to a bankruptcy proceeding, receivership or liquidation. Nor have any of our directors or officers ever been subject of an official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or have ever been convicted in relation to fraudulent offences. Neither have any of our directors or officers acting as a member of the administrative, management or supervisory bodies of an issuer or acting in the management or conduct of the affairs of any issuer ever been disqualified by a court. Furthermore, there is no family relationship between any member of the Management Board, Supervisory Board or Senior management.

### **Management Board**

#### *Powers, Composition and Functioning*

The Management Board is responsible for managing the Company, which includes being responsible for achieving our aims, strategy and policy and the associated results. The Management Board is accountable for this to the Supervisory Board and the General Meeting of Shareholders.

The Management Board is required to keep the Supervisory Board informed, consult with the Supervisory Board on important matters and submit certain important decisions to the Supervisory Board for its prior approval, as described below.

The Management Board may perform all acts necessary or useful for achieving our corporate purposes, with the exception of those acts that are prohibited by law or by our Articles of Association. The Management Board is entitled to represent the Company. The Company may also be represented by two managing directors acting jointly. If a member of the Management Board, acting in his personal capacity, enters into an agreement with us, or in his private capacity conducts litigation against us, we may nevertheless be represented by that member of the Management Board, unless the General Meeting of Shareholders designates a person for that purpose. The Management Board decision regarding any such issue requires the prior approval of the Supervisory Board.

The General Meeting of Shareholders appoints the members of the Management Board from a binding nomination, prepared by the Supervisory Board, naming at least two persons for each vacancy to be filled. Our Articles of Association provide that the number of members of the Management Board will be determined by the Supervisory Board, and will consist of a minimum of one member.

The General Meeting of Shareholders and the Supervisory Board may suspend Management Board members at any time. A resolution of the General Meeting of Shareholders to appoint, suspend or dismiss members of the Management Board requires an absolute majority (i.e. more than 50% of the votes validly cast).

Where there are two or more members of the Management Board in office, they shall pass resolutions by an absolute majority. In the event of a tie of votes, the Supervisory Board shall decide. A meeting of the Management Board may be convened at any time.

Our Articles of Association require decisions of the Management Board to be also approved by the Supervisory Board for, inter alia, the following matters:

- the issue or acquisition of any of our Ordinary Shares or debt instruments issued by us, or of

debt instruments issued by a limited or general partnership of which we are a fully liable partner;

- the co-operation in the issue of registered depository receipts;
- the application to or withdrawal from listing on any stock exchange of any of our Ordinary Shares or debt instruments issued by us, or of debt instruments issued by a limited or general partnership of which we are a fully liable partner;
- entry into or termination of a partnership, joint venture or other long-term contractual arrangement involving us or one of our dependent companies (*afhankelijke maatschappij*) with another legal entity or as a fully liable partner in a limited or general partnership, if such co-operation or termination is material to our operations;
- participation by us or one of our dependent companies in the capital of another company, which participation is valued at 25% or more of our issued share capital plus reserves, according to our most recently adopted annual balance sheet, as well as a significant increase in or reduction of such equity stakes;
- entry into any investments involving an amount equal to 25% or more of our issued share capital plus reserves, according to our most recently adopted annual balance sheet;
- a proposal to amend our Articles of Association;
- a proposal to dissolve (*ontbinden*) us;
- an application for bankruptcy (*faillissement*) and for suspension of payments (*surséance van betaling*) by us;
- termination of the employment of a significant number of our employees or the employees of a dependent company of ours at the same time or within a short time span;
- a far-reaching change in the working conditions of a considerable number of our employees or of a dependent company of ours; and
- a proposal to reduce our issued share capital.

Pursuant to the Dutch Civil Code, decisions of the Management Board involving a significant change in our identity or character are subject to the approval of the General Meeting of Shareholders. Such changes include:

- the transfer of all or substantially all of our business to a third party;
- the entry into or termination of long-term co-operation or participation of ours or of any of our subsidiaries, with another legal entity or company or of our position as a fully liable partner in a limited or general partnership if such a co-operation or participation or the termination thereof, is of far reaching significance to us; and
- the acquisition or disposal, by us or any of our subsidiaries, of an equity stake in the capital of a company valued at 33% or more of our assets according to our most recently adopted consolidated annual balance sheet.

## ***Members of the Management Board***

The following table sets out information relating to the members of our Management Board:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Mr N. Mehra	55	Chief Executive Officer

The business address of the Management Board is Eerste Barendrechtseweg 58-62, 2992 XC Barendrecht, The Netherlands. Set out below is the biography of the sole member of the Management Board including details of the companies in which he is currently and/or was in the past a director or supervisory board member (excluding non-operating personal holdings companies):

### *Mr N. Mehra*

Mr N. Mehra is a British citizen and member of the Management Board of the Company since his appointment by the shareholders of the Company on 5 June 2009. Mr N. Mehra's contract has a term of four years up until 5 June 2013. Mr N. Mehra was first a member of the Supervisory Board, but resigned after he became a member of the Management Board. After graduating with a (mechanical) engineering degree, Mr N. Mehra held various operational and management positions with Mars (1976 to 1993) and Groupe Danone (1993 to 2002). As Vice President of Danone, his responsibilities included purchasing, manufacturing and supply chain management. From 2002 to 2007, Mr N. Mehra was a member of the Executive Board of Royal Numico and responsible for operations. In the latter position, he played a significant role in guiding the company from a very challenging position to the successful sale to the Danone group. Mr N. Mehra is not a director or supervisory board member of any outside company other than a personal non-operating holding company.

In the previous five years Mr N. Mehra was a director of Koninklijke Numico N.V. and a Supervisory Board member of InnoConcepts and Budelpack International B.V. On 17 February 2009, Budelpack International B.V. filed for bankruptcy.

### *Mr P.A. Pruijssers*

Mr Pruijssers was a member of the Management Board until 5 June 2009. In April 2009, he made his wish known to leave the Company. In 2008 Mr Pruijssers was paid €128,210 gross salary, €37,524 bonus and €14,410 in the form of pension contributions.

## **Supervisory Board**

### ***Powers, Composition and Functioning***

The Supervisory Board is responsible for supervising the policy of the Management Board and general affairs of the Company and its affiliated enterprises and assisting the Management Board by providing advice.

In performing its duties, the Supervisory Board is required to act in the best interests of the Company and our business as a whole. The members of the Supervisory Board are generally not authorised to represent us in dealing with third parties. The General Meeting of Shareholders appoints the members of the Supervisory Board from a binding nomination, prepared by the Supervisory Board, naming at least two persons for each vacancy to be filled. Our Articles of Association provide that the number of members of the Supervisory Board will be determined by the Supervisory Board, and will consist of a minimum of three members.

Given the size of our Supervisory Board, the Supervisory Board has no committees. Instead, the Supervisory Board as a whole shall perform the tasks recommended by the Dutch corporate governance code published by the Dutch Corporate Governance Committee (*de Nederlandse Corporate Governance Code Tabaksblat*) (the “Code”) to be attributed to an audit committee, a selection and nomination committee and a remuneration committee. As such, the Supervisory Board will be responsible for, among other things, considering matters relating to financial controls and reporting, internal and external audits, the scope and results of audits and the independence and objectivity of auditors. It will monitor and review our audit function and, with the involvement of our independent auditor, will focus on compliance with applicable legal and regulatory requirements and accounting standards. The Supervisory Board will also be responsible for establishing and reviewing material aspects of our policy on compensation of members of the Management Board.

Each member of the Supervisory Board is appointed for a maximum of four years, which appointment can be renewed for another period of not more than four years at a time. The members of the Supervisory Board retire periodically in accordance with a rotation plan to be prepared by the Supervisory Board and can be re-appointed. The Supervisory Board has prepared a profile for its size and composition, taking into consideration the nature of the business, its activities and the desired expertise and background of the Supervisory Board members. The Supervisory Board appoints a Chairman from its members. The General Meeting of Shareholders shall appoint and may, at any time suspend or remove members of the Supervisory Board. A resolution of the General Meeting of Shareholders to appoint members of the Supervisory Board from a binding nomination, prepared by the Supervisory Board, naming at least two persons for each vacancy filled, and may, at any time suspend or remove members of the Supervisory Board requires an absolute majority (i.e. more than 50% of the votes validly cast).

In accordance with our Articles of Association, a meeting of the Supervisory Board may be convened at any time if a majority of its members or its Chairman deems it necessary. At least six times annually, the Supervisory Board must meet formally in conjunction with a meeting of the Management Board. At least once annually, the Supervisory Board will meet independently of the Management Board to discuss issues relating to its own functioning, composition and size and the powers, composition, and functioning of the Management Board. In addition to these formal meetings, the members of the Supervisory Board will maintain regular informal contact and meet when necessary either in person or by teleconference.

Decisions of the Supervisory Board are taken by a majority of all Supervisory Board members in function. In the event of a tied vote a second meeting shall be concluded. If in this second meeting there is a tie vote, the chairman of the Supervisory Board shall have the casting vote.

The Supervisory Board will be assisted by the company secretary, who will be appointed and dismissed by the Management Board.

***Members of the Supervisory Board***

The following table sets out information relating to the current members of the Supervisory Board:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Mr G. Jansen Venneboer	68	Chairman
Mr F.J. Snee	57	Member of Supervisory Board
Mr H.W. Verloop	58	Member of Supervisory Board

The business address of the members of the Supervisory Board is Eerste Barendrechtseweg 58-62, 2992 XC Barendrecht, The Netherlands. Set out below are the biographies of the members of the Supervisory Board including details of the companies in which they are currently and/or were in the past a director or supervisory board member (excluding non-operating personal holdings companies):

*Mr G. Jansen Venneboer*

Mr Jansen Venneboer was President and CEO of Schoemaker Beheer B.V. from 1972 to 1985. From 1985 to 1990 he was a member of the executive board of Van Ommeren Ceteco N.V. in Rotterdam. Since 1990, Mr Jansen Venneboer has run his own consultancy firm, GJV Consult B.V. in Amsterdam specialising in mergers and acquisitions. Mr Jansen Venneboer was first appointed to the Supervisory Board on 17 February 1998 and his current term of office expires in 2011.

Mr Jansen Venneboer is currently a non-executive director of DCC International Holdings B.V., Lotus Green Ltd. and Tentoo Holding B.V. Mr Jansen Venneboer is the Chairman of the supervisory board of Budelpack International B.V. Budelpack International B.V. filed for bankruptcy on 17 February 2009.

In the previous five years Mr Jansen Venneboer was a director of Stichting Preferente Aandelen Docdata.

*Mr F.J. Sneep*

Mr Sneep has extensive international management experience. From 1978 to 1996, he held various management positions at Unilever N.V. in countries including China, Korea, Turkey, Singapore and Spain. Afterwards, he became the CEO for McCain Foods Limited – Northern Europe and his most recent job was Senior Vice President Global Brands at Sara Lee. Mr Sneep was first appointed to the Supervisory Board on 5 June 2009, and his current term of office expires in 2013.

Mr Sneep is currently a director of Sara Lee Southern Europe S.L., Third Wave Group Ltd., Smooth Team Investments Ltd. and Becentury Holdings Ltd.

In the previous five years Mr Sneep had no other positions than already mentioned above.

*Mr H.W. Verloop*

Mr Verloop has extensive experience as CEO and CFO. As from 1986 Mr Verloop was working as CFO for Alcatel Nederland B.V., Heerema Offshore Construction Group and TBI Holdings B.V. Thereafter Mr Verloop was CEO of Schreiner Aviation Group B.V., Driessen Aerospace Group B.V., STA Group B.V. and Allshare B.V. Mr Verloop was first appointed to the Supervisory Board on 8 September 2009, and his current term of office expires in 2013.

Currently, Mr Verloop is working as Managing Director a.i. of VEGE Holding and as a Chairman of the supervisory board of Samco B.V., Plasticum Group B.V., Prins Autogassystemen B.V. and Sovec Funds.

In the previous five years Mr Verloop was a member of the supervisory board of Body Care. At 18 September 2009 he stepped down from this position.

*Mr C.A. Lieve*

On 13 March 2009, the Company announced that Mr Lieve will step down as a member of the Supervisory Board with immediate effect. Mr Lieve is a founding partner of Krüger & Partners, which has decided to end all supervisory board positions of its consultants. Considering the changed social role of supervisory directors, Krüger & Partners believes that its role as a professional adviser can no longer be reconciled with the membership of supervisory boards in general. Mr Lieve will remain active as an adviser to the Company.

### *Mr A. Langerak*

On 6 August 2009, the Company announced that Mr Langerak informed the Company that he will step down from the Supervisory Board as he wants to be able to focus more on his other business interests. Mr Langerak continues as an adviser to the Company for the remainder of 2009 in order to pass on his considerable knowledge and expertise to the management. Mr Langerak will focus on the commercial and strategic developments of the Company in the US. See section “Major Shareholders and Related Party Transactions – Related Party Transactions”.

We are not currently aware of any conflict of interest between the private interests and other duties of the members of the Supervisory Board and their duties and responsibilities to the Company. There is no family relationship between any member of the Supervisory Board, any member of the Management Board and any member of our Senior Management.

### **Senior Management**

The names of the members of our Senior Management, together with their respective ages, positions, qualifications and additional information are set out below.

The following table sets out information relating to the current members of our Senior Management:

<b>Name</b>	<b>Age</b>	<b>Responsibility</b>
Mr A.J. van Lent	56	Technology development and customer applications
Mr J.F. de Rijk	39	Group control and project management
Mr L.J.J.M. van Uden	45	General management of all mould making

Mr De Rijk and Mr Van Uden have been appointed for an indefinite period pursuant to their employment contract and management contract respectively. The management contract of Mr Van Lent expires on 31 December 2010.

The business address of the members of Senior Management is Eerste Barendrechtseweg 58-62, 2992 XC Barendrecht, The Netherlands. Set out below are the biographies of the members of Senior Management including, among other things, details of the companies in which they are currently a director or supervisory board member (excluding non-operating personal holding companies):

#### *Mr A.J. van Lent*

Mr Van Lent graduated as a Bachelor of Physics in 1976 on the HTS in Rijswijk. Hereafter he worked in various engineering and management positions at T.I.P. Engineering Group Inc., Aluminium Industry Vaassen B.V. and Stork Fokker AESP B.V. In 1988 he started working at one of the predecessors of SAS where he continued to work until November 2007 in various management positions including Manager Design and Engineering and Manager IT & Technology. Mr Van Lent is the Chief Technology Officer of the Company, responsible for development and implementation of the IM Technology.

#### *Mr J.F. de Rijk*

Mr De Rijk joined us in October 2002. He is responsible for international finance and administration of the group companies and reporting to the Management Board. In addition, he is involved as a project manager in transactions such as acquisitions, management buy-outs and trade sales. Mr De Rijk has a wide experience in financial management and prior to joining us he worked as a controller for a large

telecom operator and an architect firm called 'Office for Metropolitan Architecture'. Mr De Rijk has studied financial management at Hoger Financieel Administratief Management.

*Mr L.J.J.M van Uden*

Mr Van Uden graduated in Economics at the Erasmus University Rotterdam (1990). After his education he started his professional career at Royal Philips Electronics N.V. He joined the division Consumer Electronics and was assigned to various management positions within PC Peripherals. He held sales and general management positions in both Europe and the Far East (Taiwan and Hong Kong (1995 – 1998). After returning to Europe he was successively assigned to the global responsibilities as general manager CCTV and commercial manager DVD systems. His last assignment within Philips was general manager Internet and personal TV in Sunnyvale, USA. After a successful career at Philips he took the opportunity in 2002 to start his own consultancy firm in grants & incentives, projects and intellectual property. From 2008 onwards Mr Van Uden is the CEO of HTP Technologies B.V.

The Senior Management can rely on an extensive international support network with legal, financial and technical specialists either engaged by us on a management contract basis, or as independent outside counsel.

Because of the uncertain market circumstances, InnoConcepts decided to make several changes in the management structure and the rearrangement of responsibilities as per June 2009. As per June 2009, Mr Teerlink stepped down as CEO of I-Pac. He will continue to be an employee of the Company active as an advisor to the CEO. Mr Teerlink will remain chairman of Proventec. Since mid-2008, Mr Van der Jagt is responsible for China and for reshaping the total Asian group activities with local partners. Mr Van der Jagt has resigned as employee of the Company as per 1 December 2009 conditional to a successful completion of the Offering.

Mr Van Uden is a shareholder of Traverse Adviesgroep B.V. (51%) since 2 January 2003 and a managing director and sole shareholder of Saratoga B.V. since 1 October 2002. Saratoga B.V. is the sole managing director of Traverse Adviesgroep B.V. Traverse Adviesgroep B.V. is a consulting firm to HTP, which is a 100% subsidiary of HTP Technologies B.V. Furthermore, on 5 August 2009, I-Pac obtained 43% of the shares in the share capital of HTP Technologies B.V. from Varova B.V. and Saratoga B.V. for a cash consideration of €376,036 and €145,562 respectively. In addition, the Company issued 128,340 and 49,680 shares to Varova B.V. and Saratoga B.V. respectively. Except as stated above, we are not aware of any conflict of interest (actual or potential) between the private interests and other duties of the members of the Senior Management and their duties and responsibilities to the Company.

There is no family relationship between any member of the Senior Management, any member of the Management board, any member of the Supervisory Board or any other member of the Senior Management.

#### **Audit, remuneration and nomination committees**

The Supervisory Board currently has three members. As a result of this limited size of the Company, the duties which could be given to separate audit, remuneration and nomination committees are the responsibility of the full Supervisory Board.

#### **Remuneration**

The remuneration of individual members of the Management Board is the responsibility of the Supervisory Board and is thus an agenda item for the annual meeting of the Supervisory Board held in the absence of the members of the Management Board. The amount and composition of the remuneration will be assessed annually and determined using market standards and considering the extent to which the predetermined

targets have been achieved. We will submit the remuneration policy for new members of the Management Board for adoption by the General Meeting of Shareholders. The current remuneration policy of the Company was adopted by the General Meeting of Shareholders held on 8 September 2009.

### ***Management Board Remuneration***

In 2008, Mr N. Mehra was not a member of the Management Board.

The remuneration package for Mr N. Mehra comprises of the following relevant parts, which have been approved by the shareholders at the Extraordinary Meeting of Shareholders of 8 September 2009.

- InnoConcepts will pay Mr N. Mehra annually a cash salary of € 120,000 per annum. In addition, InnoConcepts will grant Mr N. Mehra annually 300,000 shares in the capital of InnoConcepts up to an amount of € 1 million euro, payable quarterly on 1 September, 1 December, 1 March and 1 June of each year. These shares are part of the fixed remuneration of Mr N. Mehra and are not subject to the fulfilment of performance criteria. The shares shall be retained by Mr N. Mehra for a period of at least five years, unless selling of the shares is necessary to pay for taxes on those shares. The shares will be issued from the share premium reserve of the Company.
- The Company will grant Mr N. Mehra a performance related award of a maximum of 350,000 share options on 1 April 2010 and a maximum of 600,000 share options annually dependent on the achievement of satisfactory performance results, laid down by the Supervisory Board.
- All of the share options granted to Mr N. Mehra may only be exercised after a period of three years, and lapse eight years after the award thereof or until the termination of his contract.
- There are no pension, or severance arrangements applicable. In the event of a change of control or termination by the Company other than for "serious cause" then all share options granted to Mr N. Mehra may be exercised and the lock-up on sales of shares held by Mr N. Mehra lapses.
- The exercise price of these share options shall deemed to be the average daily closing price of the previous five trading days prior to and including the day on which the option is granted.
- If the Company strengthens its shareholder's equity by means of an issue of shares and Mr N. Mehra participates for an amount of at least €2.0 million, the Company will grant to Mr N. Mehra (i) a number of options equal to 2.5 times the number of Rump Shares subscribed and paid for by Mr N. Mehra in the Rump Offering at a strike price equal to the issue price of the Offering and (ii) a number of options equal to 2.5 times the number of Private Placement Shares subscribed and paid for by Mr N. Mehra in the Private Placement at a strike price equal to TERP.

### ***Supervisory Board Remuneration***

The following remuneration was paid to members of the Supervisory Board in 2008:

<b>Name</b>	<b>Payment</b>
Mr G. Jansen Venneboer (Chairman)	€27,000
Mr A. Langerak	€22,000
Mr C.A. Lieve	€22,000
Mr N. Mehra	€11,000

In 2008, no loans, guarantees or share-based payments were granted to the members of the Supervisory Board.

### ***Senior Management Remuneration***

The total remuneration paid to the members of our Senior Management in 2008 amounted to €426,168. The remuneration for Mr Van Lent and Mr Van Uden are paid out by way of management contract.

### ***Benefits upon termination of employment***

The service contracts of the member of the Management Board, the members of the Supervisory Board and the members of Senior Management do not provide for benefits upon termination of employment.

### ***Pension Contributions***

In 2008, the Company made total pension contributions of €7,442 for the Senior Management. No pension contribution was made for members of the Supervisory Board.

### **Share ownership**

As at the date of this Prospectus members of the Supervisory Board, Management Board and Senior Management owned the following Ordinary Shares:

<b>Name</b>	<b>Position</b>	<b>Number of Ordinary Shares</b>
Mr N. Mehra	CEO	150,000

Mr N. Mehra received Ordinary Shares on 28 September 2009 (75,000) and 3 December 2009 (75,000) respectively. Furthermore, he has agreed to have his salary partly paid in Ordinary Shares.

No options over Ordinary Shares have been granted to members of the Supervisory Board or Senior Management. For options granted to our CEO, Mr N. Mehra, please see section “Remuneration – Management Board Remuneration”. In the employment contract of Mr N. Mehra, it has been agreed that, subject to the Company strengthening its shareholders equity by means of an issue of shares for at least €20.0 million. Mr N. Mehra has to purchase shares for a minimum value of €2.0 million and a maximum of €5.0 million and that the Company will subsequently award Mr N. Mehra 2.5 times the equivalent of the number of purchased shares in options, as described above under “Management Board Remuneration”. All of the share options granted to Mr N. Mehra may only be exercised after a period of three years, and lapse eight years after the award thereof or until the termination of his contract. In accordance with this undertaking, Mr N. Mehra has committed to subscribe for Offer Shares and Private Placement Shares, if any, up to an aggregate amount of €4.0 million. Mr N. Mehra has agreed with the Sole Global Coordinator that, for a period of 180 days following the Closing Date, he will not, without the prior written consent of the Sole Global Coordinator, transfer or agree to transfer the legal right to or economic ownership in any of his equity interest in the Company, provided that such consent will not be required in the event of a change of control of the Company by which the majority of shares in the Company will be held by one legal entity or natural person or by several legal entities or natural persons acting together. Furthermore, pursuant to his employment contract, the Ordinary Shares granted to Mr N. Mehra as part of his fixed remuneration shall be maintained by him for a period of at least five years after granting, unless and in so far selling of the Ordinary Shares is necessary to pay for the taxes on those shares. In addition, any Offer Shares and any Private Placement Shares, if any, purchased in connection with the Offering may not be sold by Mr N. Mehra for a minimum period of five years after the purchase thereof. See section “Plan of Distribution - Lock-up arrangements”.

### **Potential conflict of interest**

As described above our CEO, Mr N. Mehra, also holds shares in our capital. Additionally, Mr N. Mehra (i) will annually be granted additional shares as part of his fixed remuneration, (ii) will be granted options on shares if the Offering will be successful and Mr N. Mehra participates for an amount of at least €2.0 million, and (iii) may be granted additional share options dependent on the achievement of satisfactory performance results, laid down by the Supervisory Board. Consequently, Mr N. Mehra may have a conflict of interest in operating and representing the Company. As a result of authorisation by the Annual General Meeting of Shareholders held on 4 December 2009 and the appointment by the Supervisory Board as evidenced by the resolution of the Supervisory Board dated 18 November 2009 and the minutes of the Supervisory Board meeting dated 4 December 2009, Mr N. Mehra is authorised to represent the Company in connection with Mr N. Mehra's commitment, the Offering and the Private Placement.

### **Employees**

We provide a limited number of secondary benefits to our staff, the principal benefits are the legally required contribution in kind for medical insurance and a pension plan in accordance with local customs, conditions and laws of the countries in which it has a presence. These pension plans qualify as defined contribution or defined benefit plans funded by contributions to pension institutions not related to InnoConcepts.

The average number of employees (full time equivalents) of the Company and its subsidiaries in 2008 was 225 (this increase was due to the acquisition of Formy and HTP), 46 in 2007 and 13 in 2006.

## CORPORATE GOVERNANCE

### **Adherence to the Dutch Corporate Governance Code**

On 9 December 2003, the Code was published. The provisions of the Code took effect on 1 January 2005, and apply to annual reports for financial years starting on or after 1 January 2004. Dutch companies whose shares are listed on a government-recognised stock exchange must discuss compliance with the Code in their annual report. If a company does not apply the best practice provisions of the Code, it must explain the reasons why it does not apply them. Save as outlined below, we comply with the best practice provisions of the Code relevant to us.

The remuneration of individual members of the Management Board is the responsibility of the Supervisory Board and is thus an agenda item for the annual General Meeting of Shareholders, which agenda item is discussed in the absence of the members of the Management Board. The amount and composition of the remuneration will be assessed annually and determined using market standards and considering the extent to which the predetermined targets have been achieved. We will submit the remuneration policy for new members of the Management Board for adoption by the General Meeting of Shareholders.

We do not apply best practice provision II.2.6 of the Code on the Management Board's ownership of and transactions in securities other than those issued by the Company itself. We believe that this is the individual responsibility of the member of the Management Board and that, as a company, we should not be involved in this. Should this happen at any time in the future, we will be guided by the relevant best practice provisions.

We subscribe to the best practice provision II.2.7 of the Code that a severance pay may not be greater than one annual salary. If exceptional circumstances so require, we wish to be able to depart from this. No severance arrangements are currently in place for the sole member of the Management Board.

Information about the amount and structure of the remuneration of the Management Board is included in the notes to the annual report on page 52. In view of the limited size of the Company, as well as the number of Management Board members, a separate remuneration report as required in best practise provision III.2.1 of the Code will not be prepared. The annual report is available on the website of the Company.

The Company subscribes in general to best practice provision III.2.1 of the Code on the independence of members of the Supervisory Board, except that it wishes to be able to depart from it in certain circumstances in the interests of the Company. Future decisions on entering into transactions of material significance for the Company and/or Supervisory Board members and where there could be conflicting interests for members of the Supervisory Board, require the approval of the Supervisory Board by a simple majority, provided that the Supervisory Board member which has a potential conflict of interest is not present at the meeting.

The Supervisory Board has three members. As a result of this limited size and according to principle III.5, the duties which could be given to separate audit, remuneration and selection and appointment committees are the responsibility of the full Supervisory Board. The Supervisory Board has drawn up a set of board regulations, which are available on our website. Given the size of the Company and the limited number of members of the Supervisory Board, the role of vice-chairman is not currently being filled.

We do not apply best practice provision III.7.3 of the Code on the ownership of and transactions in securities other than those issued by the company itself by members of the Supervisory Board. We

believe that this is the responsibility of the individual members of the Supervisory Board and that, as a Company, we should not be involved in this.

The General Meeting of Shareholders should be able to exert such influence on the policy of the Management Board and the Supervisory Board that it plays a significant role in the system of checks and balances at the Company. Decisions of the Management Board on a major change in the identity or character of the Company or the enterprise shall be subject to the approval of the General Meeting of Shareholders.

We subscribe to best practice provision IV.1 of the Code on participation of shareholders in the decision-making in the General Meeting of Shareholders, if and to the extent it applies. Best practice provision IV.2 on depositary receipts for shares does not apply to us. The Management Board or, where appropriate, the Supervisory Board will provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price. The contacts between the Management Board and press and financial analysts will be carefully handled and structured, and the Company will not engage in any acts that compromise the independence of analysts in relation to the Company and vice versa.

We will attempt to provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price. We will meet with many investors, potential investors and analysts during the course of the year. We feel it is not practical to announce these meetings in advance or to make provisions for all shareholders to follow these meetings and presentations in real time. We will restrict the information presented in these meetings to publicly-available material.

### **Updated Corporate Governance Code**

In December 2008 the Dutch Corporate Governance Code monitoring committee presented the updated Corporate Governance Code and made various recommendations for legislative/ministerial action. On 25 May 2009 the Minister of Finance responded to the updated Code in a letter sent on behalf of the cabinet to the lower chamber of the Dutch Parliament. The cabinet endorses the updated Corporate Governance Code and the Corporate Governance Decree will be amended to require Dutch listed companies, as from 1 January 2010, to disclose their compliance with the updated Code in the preceding financial year (as they must presently do with respect to the 2003 Code).

## MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### Major Shareholders

#### *Principal Shareholders*

As at the date of this Prospectus, 26,131,676 Ordinary Shares were issued and outstanding. All holders of Ordinary Shares are entitled to one vote per Ordinary Share.

To the best of our knowledge, as at the date of this Prospectus the following persons, or groups of affiliated persons, beneficially own 5% or more of our issued and outstanding Ordinary Shares. The Information provided in the table below is derived from the official AFM register of the relevant shareholder as of the date of this Prospectus, please note that this information could be outdated.

<b>Name</b>	<b>% of share capital</b>
Aviva Plc.	13.44
Staalhaven B.V. / Lichthaven B.V.*	10.46
Novem International B.V.**	8.56
KBC Groep N.V	7.27
InnoInvest B.V.***	5.95
Stichting Derdengelden ANT****	5.08

\* Mr Fock holds 10.46% through Lichthaven B.V. and Staalhaven B.V.

\*\* Mr Langerak, a former member of our Supervisory Board, holds 8.56% through Novem International B.V. and has a call option with a third party with regard to 6.14% of the share capital.

\*\*\* Mr Teerlink, an employee of InnoConcepts, the chairman of the board of directors of Proventec and a former member of our senior management, holds 5.95% through InnoInvest B.V.

\*\*\*\* Stichting Derdengelden ANT holds the shares, issued on 28 June 2009 in redemption of a loan extended by Staalhaven B.V., pending resolution of a dispute with Staalhaven B.V. concerning the issuance.

The voting rights of our principal shareholders are not different from the voting rights of any other shareholders of InnoConcepts.

Under our Articles of Association, our authorised capital amounts to €1,000,000 and is divided into 100,000,000 Ordinary Shares, each with a nominal value of €0.01. All shares that are issued and outstanding at the date of this Prospectus are fully paid up.

### Related Party Transactions

#### *Novem*

Novem is a major shareholder in the Company and has an interest of 8.56% in our issued share capital prior to the Offering. Novem was set up in 1990 by Mr A. Langerak to market innovations. In 1998, its consumer portfolio was transferred to InnoConcepts and InnoConcepts was listed on Euronext Amsterdam after which Novem held 72% of our share capital.

Mr A. Langerak is an indirect majority shareholder in Novem and was a member of our Supervisory Board until 7 August 2009.

At our request, Novem, from time to time, makes available to us capacity for the functions and tasks for which we do not have sufficient staff of our own. We are free to end this assistance without notice at any time and the costs Novem charges us for these services are at arm's length. I-Pac made use of this assistance and hired management capacity from Novem during the financial years ended 31 December 2008, 2007 and 2006 and the beginning of 2009. In these years, the Company paid Novem (excluding VAT) € 130,129 and € 230,200 respectively for management services.

### ***Cheng Meng***

InnoConcepts has a representative (Mr Van der Jagt) on the management board of its Chinese partner for multimedia packaging, Cheng Meng. No new transactions took place since Mr Van der Jagt took his position. The existing agreements between us and Cheng Meng concerning the use of non-current assets and intellectual property were continued unchanged. At 31 December 2008, InnoConcepts had a receivable due from this Chinese partner in the amount of € 21.8 million. In 2008, Cheng Meng decided to reorganize its operations in response to the declining multimedia packaging markets. In the middle of the reorganization in May 2008, the Cheng Meng managing director died and the general economic climate changed dramatically. At the request of Cheng Meng, InnoConcepts sent its former CFO, Mr Van der Jagt, to stabilize Cheng Meng's operations. In the period mid-2008 to June 2009 he managed to get the factory up and running again to nearby break-even levels. Subsequently, it appeared that Cheng Meng had taken up bank loans using I-Pac's assets as collateral without informing InnoConcepts. To repay these bank loans and provide additional working capital, Cheng Meng asked I-Pac to provide a loan. To safeguard the value of I-Pac's receivables on Cheng Meng, valued as per 30 June 2009 at € 22.5 million, we decided to provide new funding up to € 1.2 million. This funding will take place through various draw downs and part of it is subject to a successful Offering. I-Pac obtained the right to convert the total receivable and the new loan into equity if Cheng Meng fails to pay redemptions when due. The value of the equity stake in Cheng Meng further to conversion, depends on the amount outstanding under the total receivable and the new loan. The value of equity in Cheng Meng upon conversion will decrease as a result of redemptions made of the receivable and the new loan. As a result of market conditions in the multi-media packaging sector and the financial position of Cheng Meng, we do not expect any license income in the near future. See section "Business – Business Activity C: Investments in Converters".

### ***Proventec Receivables***

At the balance sheet date of 2008, InnoConcepts had receivables due from Proventec amounting to £2.6 million, which amounted to € 4.1 million as per 30 June 2009, related to a loan granted to Proventec in 2006. The chairman of the board of Proventec, Mr Teerlink, is an employee of InnoConcepts.

### ***Loan Note with regard to Proventec***

In connection with the disposal of InnoCleaning Concepts, Proventec issued to the Company 8.5% fixed unsecured convertible loan notes for an amount of £10.5 million. These Loan Notes were sold to a group of institutional investors for the principal amount of £10.5 million increased with the accrued interest thereon amounting to £11.0 million on 8 March 2006. In connection with the amendment of the loan note instrument dated 24 August 2005 we provided a working capital facility of £2.6 million to Proventec. In the event of a successful claim under the warranties, indemnities or covenants given in the sale agreement with InnoCleaning Magma Holding B.V. ("IMH") or the agreement for the disposal of Osprey DeepClean, Proventec can set off the amount of such claim against this loan facility. We entered into a loan note guarantee in relation to the sale of the Loan Notes in which we guarantee, subject to certain conditions, due and punctual payment by Proventec of the principal and interest payments.

On 12 February 2008, Proventec announced that the note holders of the Loan Notes have decided to increase the amount of the Loan Notes from £10.5 million up to £15.0 million resulting in an increase of the loan note guarantee issued by us with the same amount.

The maximum contingent liability of the loan note guarantee per 30 June 2009, is €19.1 million. This guarantee will expire on the earliest of (i) the date falling 30 business days after the final repayment date of the loan notes; (ii) the date on which the loan notes are repurchased by Proventec, redeemed, converted or cancelled in full; and (iii) the first occasion on which the volume weighed average price of an ordinary share in Proventec over any period of 60 days is 75p or more. The share price of Proventec as per close of 3 December 2009 is 57p and €0.80 on AIM and Alternext Paris respectively. In the event the share trades above 75p during a period of sixty days, the convert automatically converts. This guarantee was valued at nil per 30 September 2009.

The ordinary shares of Proventec are listed on the AIM market of the London Stock Exchange and are listed on Alternext Paris as of 22 May 2008, which is part of Euronext Paris. In addition, the Loan Notes were also admitted to listing and trading on Alternext Paris as of 17 November 2008.

#### ***Acquisition of the remaining 1.4 % of I-Pac***

On 28 September 2006, the Company acquired the remaining 1.4% of I-Pac's issued share capital not already owned by the Company by way of execution of five notarial deeds pursuant to which 37,147 A shares in the share capital of I-Pac were purchased from five shareholders and transferred to the Company. Total consideration for this acquisition consisted of €2.3 million in cash. The Company paid the purchase price for these shares on 17 October 2006.

Mr C. Lieve, who was a member of the Supervisory Board of the Company until 13 March 2009, was one of these five former shareholders of I-Pac. Mr C. Lieve, together with his partners in Kruger & Partners, held approximately 5% in I-Pac before we became a shareholder in I-Pac in December 2001. Since December 2001, this interest was reduced from 5.0% to 1.2% as a result of the dilutive effect of subsequent issues of shares by I-Pac. Pursuant to this transaction on 28 September 2006, Mr Lieve sold shares in I-Pac to the Company representing approximately 0.3% of I-Pac's issued share capital and has received approximately €0.5 million as consideration for these shares.

#### ***Loan provided by Staalhaven B.V.***

On 26 March 2009 the Company entered into a €3.0 million loan agreement with shareholder Staalhaven B.V. The loan had a 3 month term and was repayable in either newly issued ordinary shares with a 50% premium and 50% commitment fee or in cash with a 100% premium, at the election of the Company. The interest on the loan was 10% per calendar quarter, payable on redemption of the loan. On 28 June 2009, the Company issued 1,243,523 ordinary shares at the then prevailing market price (€3.86 per share) in redemption of the loan. See also section "Additional Information – Legal and Arbitration Proceedings".

#### ***Acquisition of 43% of the shares of HTP***

On 5 August 2009, I-Pac obtained 43% of the shares in the share capital of HTP Technologies B.V. from Varova B.V. and Saratoga B.V. for a cash consideration of €376,036 and €145,562 respectively. In addition, the Company issued 128,340 and 49,680 shares to Varova B.V. and Saratoga B.V. respectively. Mr Van Uden is shareholder of Traverse Adviesgroep B.V. (51%) since 2 January 2003 and a managing director and sole shareholder of Saratoga B.V. since 1 October 2002. Saratoga B.V. is the sole managing director of Traverse Adviesgroep B.V. Traverse Adviesgroep B.V. is a consulting firm to HTP, which is a 100% subsidiary of HTP Technologies B.V. See section "Management and Employees – Senior Management".

### ***Underwriting commitments by Mr N. Mehra and Committed Subscribers***

In November 2009, the Committed Subscribers and Mr N. Mehra, have committed to participate in the Offering through the exercise of all Rights which will be granted to them. Certain Committed Subscribers have provided underwriting commitments for an amount of up to €4.6 million in respect of the Rump Shares. In addition, in November 2009, Mr N. Mehra committed to subscribe at a price equal to the Issue Price for Rump Shares up to an aggregate maximum subscription amount of €4.0 million. In the event that the number of Rump Shares not sold in the Rump Offering, will not be sufficient to absorb the entire amount of €4.0 million of Mr N. Mehra's underwriting commitment, Mr N. Mehra will subscribe and pay for Any Rump Shares not sold in the Rump Offering at the Issue Price in a private placement of Ordinary Shares, the Private Placement Shares, at the theoretical ex-rights price (TERP), being €0.95 per share. See section "Plan of Distribution". As agreed in Mr N. Mehra's employment contract, further to his commitment, the Company will grant him (i) a number of options equal to 2.5 times the number of Rump Shares subscribed and paid for in the Rump Offering at a strike price equal to the issue price of the Offering and (ii) a number of options equal to 2.5 times the number of shares he subscribed and paid for in the Private Placement at a strike price equal to the TERP. All of the share options granted to Mr N. Mehra may only be exercised after a period of three years, and lapse eight years after the award thereof or until the termination of his contract.

## DESCRIPTION OF SHARE CAPITAL

*Set out below is information concerning our share capital and summary information concerning the material provisions of our Articles of Association and certain applicable requirements of Dutch law. As a summary, this description does not contain all of the provisions of our Articles of Association and is qualified in its entirety by reference to the Articles of Association and the applicable provisions of Book 2 of the Dutch Civil Code. Our Articles of Association can be obtained as set out in “Additional Information – Availability of Documents”.*

### General

InnoConcepts is a public limited liability company (*naamloze vennootschap*), incorporated under Dutch law by notarial deed dated 24 November 1997 and operating under Dutch law. The address of the registered office of the Company is Eerste Barendrechtseweg 58-62, 2992 XC Barendrecht, The Netherlands from the date of 10 July 2009. The telephone number of our registered office is +31 (0)180 744200. The Company is registered in the commercial register of the Chamber of Commerce and Industry in Rotterdam under the number 24274708, for an unlimited duration.

### Objects

Pursuant to Article 3 of our Articles of Association, the objects of the Company are to participate in, to finance or to have any other interest in, to conduct the management of other companies or enterprises or to assume liability for obligations of group companies, and to do anything which is, in the widest sense, connected with or may be conducive to the attainment of these objects.

### Share Capital

At the date of this Prospectus, our authorised share capital is €1 million divided into 100,000,000 Ordinary Shares of €0.01 each. At the date of this Prospectus our issued share capital consists of 26,131,676 issued and outstanding Ordinary Shares, all of which are fully paid.

### Changes in Share Capital

<b>Date:</b>	<b>Issued Ordinary Shares:</b>	<b>Total cumulative number of issued Ordinary Shares:</b>
		17,503,119
19 July 2006	162,732	17,665,851
17 October 2006	3,613,116	21,278,967
11 July 2007	1,125,000	22,403,967
26 July 2007	149,929	22,553,896
11 October 2007	118,243	22,672,139
28 July 2008	397,520	23,069,659
4 February 2009	150,000	23,219,659
28 June 2009	1,243,523	24,463,182
8 July 2009	1,289,966	25,753,148
5 August 2009	228,528	25,981,676
28 September 2009	75,000	26,056,676
3 December 2009	75,000	26,131,676

## **Form and Transfer of Ordinary Shares**

The ordinary shares of the Company are in bearer or in registered form. Newly issued ordinary shares will be in bearer form, unless a shareholder requests Ordinary Shares to be registered in the name of the holder. All bearer shares are represented by one share certificate. The Offer Shares are in bearer form.

## **Issue of Ordinary Shares and pre-emptive rights**

Ordinary Shares may be issued pursuant to a resolution of the General Meeting of Shareholders. A resolution of the General Meeting of Shareholders to issue Ordinary Shares can only be taken on a proposal of the Supervisory Board. The General Meeting of Shareholders may also delegate the authority to issue new shares to the Supervisory Board or the Management Board, for a renewable period of five years. A Management Board resolution to issue Ordinary Shares requires the prior approval of the Supervisory Board.

Each holder of Ordinary Shares shall have pre-emptive rights to subscribe for any issue of shares pro rata to the aggregate amount of such holder's existing holding of Ordinary Shares. However, each Shareholder shall have no pre-emptive rights with respect to shares issued to our or our subsidiaries' employees or to a person who exercises a previously acquired right to subscribe for shares in the Company.

The Management Board resolved with the approval of the Supervisory Board (i) to issue the Offer Shares (ii) to exclude the pre-emptive rights of Shareholders, and (iii) to vote in favour of the representation of the Company by the CEO in relation to the Offering following authorisation by the Annual General Meeting of Shareholders held on 4 December 2009. For a description of the rights attached to the Offer Shares see section "Description of Share Capital – Issue of Ordinary Shares and pre-emptive rights".

## **Repurchase of own Ordinary Shares**

We may acquire fully paid Ordinary Shares at any time for no consideration or for a consideration, the latter subject to certain provisions of Dutch law and our Articles of Association, being (i) our shareholders' equity minus the payment required to make the acquisition, does not fall below the sum of called-up and paid-up share capital and any statutory reserves, and (ii) the Company and its subsidiaries would thereafter not hold Ordinary Shares or hold a pledge with an aggregate nominal value exceeding 10% of its issued share capital.

An acquisition of Ordinary Shares for a consideration should be authorised by the General Meeting of Shareholders. Such authorisation may apply for a maximum period of 18 months and must specify the number of Ordinary Shares that may be acquired, the manner in which Ordinary Shares may be acquired and the price limits within which Ordinary Shares may be acquired. At the General Meeting of Shareholders held on 5 June 2009, the Management Board was authorised to repurchase Ordinary Shares in the capital of the Company. The purchase price for the repurchase of the Ordinary Shares shall be between the nominal value of the Ordinary Shares and 110% of the share price on the stock market. Any Ordinary Shares held by the Company in its own capital may not be voted on or counted for quorum purposes. Any resolution by the Management Board to repurchase Shares requires the prior approval of the Supervisory Board.

## **Capital Reduction**

The General Meeting of Shareholders may, subject to the approval of the Supervisory Board and subject to Dutch law and our Articles of Association, resolve to reduce the issued share capital. A resolution of the General Meeting of Shareholders to reduce the issued share capital shall designate the shares to which the resolution applies and shall make provisions for the implementation of such resolution. A

partial repayment or exemption from the obligation to pay up shares, must be made pro rata, unless all the shareholders concerned agree otherwise, and shall be effected in accordance with the relevant provisions of the Dutch Civil Code. A resolution of the General Meeting of Shareholders to reduce the issued share capital requires a majority of at least 2/3 of the votes cast if less than 1/2 of the issued share capital is represented at the meeting.

### **General Meeting of Shareholders**

The Annual General Meeting of Shareholders shall be held within six months after the end of each financial year to, inter alia, discuss the written annual report of the Management Board with respect to the general state of affairs of the Company, adopt the financial statements, grant discharge to members of the Management Board and to members of the Supervisory Board, and appoint members for any vacancies on either the Management Board or the Supervisory Board. Proposals for items on the agenda of the General Meeting of Shareholders can be made by shareholders in writing to the Management Board. The Management Board may determine the items on the agenda of the General Meeting of Shareholders, as well as shareholders and others entitled to attend such meetings, representing at least 1% of the issued share capital or a value of at least € 50 million.

An extraordinary General Meeting of Shareholders can be held whenever the Management Board or the Supervisory Board deems it necessary and may be convened by the Supervisory Board or the Management Board, subject to the time limit stipulated in our Articles of Association. Shareholders that represent alone or in aggregate at least 10% of our issued share capital may, pursuant to the Dutch Civil Code, request that an extraordinary General Meeting of Shareholders be convened.

The convocation of a General Meeting of Shareholders will be announced in a national daily newspaper distributed throughout The Netherlands.

### **Voting Rights**

At the General Meeting of Shareholders, each share in the capital of the Company confers the right to cast one vote. Each shareholder shall have the right to vote on shares that are subject to a right of usufruct (*vruchtgebruik*) or a right of pledge. However, the usufructuary shall have the right to vote on the shares if so determined upon the establishment of the right of usufruct. Each shareholder is entitled to attend the General Meeting of Shareholders either in person or through a written proxy, and to address such meeting and exercise voting rights, in accordance with our Articles of Association.

Unless otherwise required by the Articles of Association or Dutch law, all resolutions of the General Meeting of Shareholders shall be adopted by an absolute majority of the votes cast as specified below. The Supervisory Board members and the Management Board members have, as such, the right to render advice in the General Meeting of Shareholders.

The following matters may be decided by a majority of votes cast, unless less than half of the issued capital is represented at the meeting, in which case a 2/3 super majority is required:

- limitation or exclusion of pre-emptive rights or designation of the Supervisory Board or the Management Board as the authorised corporate body to resolve on these matters;
- the dismissal or suspension of members of the Management Board or Supervisory Board, unless prior approval of the Supervisory Board is obtained;
- the break through of a binding nomination for members of the Management Board and Supervisory Board; and

- reduction of our capital.

Where the quorum is not present at a meeting, a second meeting shall be convened. This meeting may pass the resolution by a 2/3 super majority vote, irrespective of the share capital represented at the meeting.

The following matters require the prior approval of the Supervisory Board and once obtained, may be decided upon by a majority of the votes cast:

- amendment of the Articles of Association; and
- dissolution of the Company.

All shares in the Company carry the same voting rights.

## **Disclosure of Information**

### *Yearly and half-yearly information*

As a result of the implementation of the EU Directive 2004/109 of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the “**Transparency Directive**”) the Company is required to make its annual financial report available to the public ultimately four months after the end of each financial year and the Company must file the annual financial report with the AFM within five days after it has been adopted by the General Meeting of Shareholders. The annual financial information consists of the audited annual accounts, the annual report, a description of the main risks and uncertainties facing the Company and a statement by persons within the Company designated by the latter as the “responsible persons”, indicating (i) that the annual accounts give a fair view of the assets and financial position of the Company and, in the case of consolidated accounts, of the enterprises included in the consolidation, and (ii) that the annual report gives a fair view of the Company’s condition on the balance sheet date, the development of the Company and its affiliated companies during the previous financial year and all material risks to which the Company is exposed.

All Management Board members and Supervisory Board members sign the annual report. The financial statements, the annual report, the report of the Supervisory Board, and the auditor’s report are made available to the shareholders for review as from the day of the notice convening the Annual General Meeting of Shareholders. The annual report, including the financial statements is adopted by the General Meeting of Shareholders.

The Company must publish its half-yearly information within two months after the end of the first six months of its financial year. Both the annual and half-yearly financial information must remain publicly available for at least five years.

### *Interim management statements*

The Company has to publish an interim management statement in both the first and second half of its financial year at least ten weeks after the start, and no more than six weeks before the end, of the relevant half-year period or alternatively has to publish quarterly financial statements. It should include (i) an explanation of material events, transactions and controlled undertakings; (ii) the consequences thereof for the Company’s financial position; and (iii) a general description of the Company’s financial position and performance.

### *Changes in the Rights attached to the Company's securities*

The Company must make public immediately any changes in the rights attached to its securities (including changes in statutory rights) or to the rights to acquire its securities and send the AFM a copy of such publications. The Company must publish price sensitive information without delay as required by Articles 5:25i and 5:53 of the FSA.

### **Dividends and other Distributions**

The Offer Shares and the Private Placement Shares, if any, rank equally in all respects with our outstanding Ordinary Shares and will be eligible for any dividend declared on our Ordinary Shares after the Settlement Date.

Provided the equity of the Company is greater than its paid-up and called-up share capital, the profit disclosed in the financial statements following their adoption is at disposal of the General Meeting of Shareholders. This is subject, however to such reserves being formed as the Management Board, subject to the approval of the Supervisory Board shall determine.

The Supervisory Board may determine that a duly-determined distribution of dividends will be made at its discretion (in whole or in part) in the form of Ordinary Shares instead of in cash, or that shareholders may be given the option to receive dividends (in whole or in part) in the form of cash or Ordinary Shares.

The Supervisory Board may determine that a shareholder will be given the option to receive any dividends in the form of Ordinary Shares distributed out of the share premium reserve (if any).

The Supervisory Board may decide to distribute one or more interim dividends, subject to applicable law. Distributions of dividends are payable as of the date determined by the Management Board, which date will be within four weeks from the determination of the dividends by the General Meeting of Shareholders. Distributions of dividends will be announced in a press release. Distributions that have not been claimed within six years as from the date that they have become payable, shall lapse in favour of the Company.

### **Amendment of Articles of Association**

The General Meeting of Shareholders may resolve to amend our Articles of Association or to dissolve the Company. Amendments to our Articles of Association or our dissolution each require prior consent from the Supervisory Board. As a result of the implementation of the Transparency Directive, the Company will have to communicate the subject of the proposed amendment to the AFM and Euronext Amsterdam, at the latest on the date of the announcement convening the general meeting of shareholders which is to vote on the amendment or at the opportunity at which the shareholders are informed of such amendment.

### **Liquidation**

In the event of our dissolution, we must be liquidated according to applicable Dutch law. During liquidation, our Articles of Association shall remain in force insofar as possible. The balance of our equity remaining after payments of debts (and the costs of liquidation) shall be distributed to the holders of Ordinary Shares in proportion to the aggregate nominal amount of their Ordinary Shares. No distribution upon liquidation may be made to the Company in respect of Shares held by it.

## **Mandatory Offer Rules**

Following implementation of the Takeover Directive (2004/25/EC), the FSA and the decrees and regulations promulgated there under contain provisions regarding the making of a mandatory public offer. These provisions, the basics of which are outlined below, are applicable to the Company.

Any person who, solely or acting in concert with others, directly or indirectly, acquires predominant control over (*overwegende zeggenschap in*) a Dutch public limited liability company (*naamloze vennootschap*) whose shares (or depositary receipts) are admitted to trading on a regulated market in the European Economic Area, will be obligated to make a public offer for all shares (and depositary receipts) issued by that company at an equitable price. Predominant control is defined in the FSA as 30% or more of the voting rights in a company's general meeting of shareholders, generally acquired through 30% of that company's issued and outstanding shares.

A person or group of concert parties that had a controlling interest at the time the mandatory offer rules were implemented (on 28 October 2007) is exempt from the obligation to make a public offer. However, the obligation to make a public offer will apply to such shareholder or group of concert parties if its voting rights decrease below 30% and then again increase to 30% or more.

The obligation to make a public offer will expire if the voting rights of the relevant person or group of concert parties decrease below the 30% threshold, either by disposal of shares or otherwise, within 30 days after acquiring control and provided that this shareholder or group of shareholders has not exercised any voting rights on Ordinary Shares in this period.

## **Dutch Buy-out and Sell-out Proceedings**

If a person or company or group company (the “**Controlling Entity**”) holds a total of at least 95% of a Dutch company's issued share capital for its own account, Dutch law permits the Controlling Entity to acquire the remaining ordinary shares in the Controlled Entity by initiating proceedings against the holders of the remaining ordinary shares.

Conversely, Dutch law entitles each of the minority shareholders (together holding less than 5% of the outstanding shares and voting rights), but only those remaining after a public offer that has been made by the Controlling Entity, the right to sell their shares to the Controlling Entity within three months after the acceptance period of the public offer referred to.

In each case, the price to be paid for the ordinary shares will be determined by the Enterprise Chamber of the Amsterdam Court of Appeal (*Ondernemingskamer van het Gerechtshof Amsterdam*).

## **Disclosure of Significant Ownership of Ordinary Shares**

Shareholders in the Company may be subject to notification obligations under the FSA. The FSA came in force as per 1 January 2007. The following description summarises those obligations. Shareholders in the Company are advised to consult with their own legal advisers to determine whether the notification obligations apply to them.

The FSA replaces the Dutch Disclosure Act, which, in her turn, replaces the Disclosure of Major Holdings in Listed Companies Act 1996 (*Wet melding zeggenschap in ter beurze genoteerde vennootschappen 1996*). The FSA implements several provisions of the Transparency Directive (2004/109/EC) and is also aimed at simplifying and modernising the notification and disclosure procedures.

The most important notification requirements for our investors based on the FSA are as follows:

- any person who, directly or indirectly, acquires or disposes of a capital interest or voting rights in the Company must forthwith give written notice to the AFM of such capital interest and/or voting rights. This notification obligation will exist if an acquisition or disposal causes the total percentage of the capital interest and/or voting rights held, to reach, exceed or fall below a certain threshold. These thresholds are 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%;
- any person whose capital interest or voting rights in the Company reaches, exceeds or falls below a threshold due to a change in the Company's outstanding capital or in votes that can be cast on the shares of the Company as notified to the AFM by the Company, should notify the AFM no later than the fourth trading day after the AFM has published the Company's notification; and
- any person who's holding of shares or voting rights in the Company is larger than or equal to 5% will be required to notify the AFM of any changes in the composition of this interest annually within four weeks from 31 December at 24:00 hours CET.

For the purpose of calculating the percentage of capital interest of voting rights, the following interests must be taken into account: (i) shares (or depositary receipts for shares) directly held (or acquired or disposed of) by any person, (ii) shares (or depositary receipts for shares) held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement, and (iii) shares (or depositary receipts for shares) which such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right held by such person (or acquired or disposed of including, but not limited to, on the basis of convertible bonds). Special rules apply to attribution of community of property. A holder of a pledge or right of usufruct in respect of the shares can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote on the shares or, in case of depositary receipts, the underlying shares. If a pledgee or usufructarian acquires such (conditional) voting rights, this may trigger the reporting obligations for the holder of the shares (or depositary receipts for the shares). Pursuant to the FSA the Company is required to inform the AFM on changes in its share capital.

### **Insider Transactions**

The market abuse regime set out in the FSA, which implements the European Union Market Abuse Directive (2003/6/EC), is applicable to us, our directors, officers, other key employees, our insiders and persons performing or conducting transactions in our securities.

We must make public certain "inside information" as defined in the FSA. Inside information is information that is specific and pertains directly or indirectly to us or our securities or the trading thereof: (a) that has not been made public and (b) where disclosure could have a significant effect on the price of the securities in question or derivatives of those securities. We must also provide the AFM with this information at the time of publication. Further, we must immediately publish the information on our website and keep it available on our website for at least one year.

The Company's insiders as described in Article 5:60 of the FSA are obliged to notify the AFM when they carry out or cause to be carried out, for their own account, a transaction in shares of the Company or in securities of which the value is at least in part determined by the value of such shares. Insiders of the Company as described in Article 5:60 of the FSA include (i) members of the Management Board, (ii) members of the Supervisory Board, (iii) persons who have a managerial position within the Company and in that capacity are authorised to make decisions which have consequences for the future development and prospects of the Company and can have access to inside information on a regular basis, and (iv)

certain persons related to the persons mentioned under (i), (ii) and (iii) as described in Section 5 of the Dutch Market Abuse Decree (*Besluit marktmisbruik Wfi*).

This notification must be made no later than the fifth business day after the transaction date on a standard form drawn up by the AFM. In case a member of the Management Board or Supervisory Board has notified a transaction to the AFM pursuant to Article 5:48 of the FSA, a notification pursuant to Article 5:60 of the FSA need no longer be made. The notification obligation within the meaning of Article 5:60 of the FSA does not apply to transactions based on a discretionary management agreement as described in Section 8 of the Dutch Market Abuse Decree. The notification pursuant to Article 5:60 of the FSA may be delayed until the moment that the value of the transactions performed for that person's own account, together with the transactions carried out of the persons associated with that person, reach or exceed the amount of € 5,000 in the calendar year in question. Non-compliance with the reporting obligations under the FSA could lead to criminal fines, administrative fines, imprisonment or other sanctions. In addition, non-compliance with the reporting obligations under the FSA may lead to civil sanctions.

Pursuant to the rules against insider trading, we have adopted rules governing the holding of and carrying out of transactions in our securities by members of our Board of Directors and our employees. Further, we have drawn up a list of those persons working for us who could have access to inside information on a regular or incidental basis and have informed the persons concerned of the rules against insider trading and market manipulation including the sanctions which can be imposed in the event of a violation of those rules.

## TAXATION

### General

The following is a general summary of certain Netherlands tax consequences of the holding and disposal of the Ordinary Shares, Offer Shares and Rump Shares (hereinafter referred to as “**Shares**”) and/or Rights. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to such holder or prospective holder of Shares and/or Rights and in view of its general nature, it should be treated with corresponding caution. Holders should consult with their tax advisors with regard to the tax consequences of investing in the Shares and/or Rights in their particular circumstances. The discussion below is included for general information purposes only.

Please note that this summary does not describe the Netherlands tax considerations for:

- Holders of Shares and/or Rights if such holders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest or deemed substantial interest in us under The Netherlands Income Tax Act 2001. Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (statutorily defined term), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) holds rights to acquire, directly or indirectly, such interest; or (iii) holds certain profit sharing rights in that company that relate to 5% or more of the company’s annual profits and/or to 5% or more of the company’s liquidation proceeds. A deemed substantial interest arises if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.
- Holders of Shares and/or Rights in us that qualify as participation for purposes of The Netherlands Corporate Income Tax Act 1969. Generally, a taxpayer’s equity stake of 5% or more in a company’s nominal paid-up share capital qualifies as a participation. A holder may also have a participation if such holder does not have a 5% equity stake but a related entity (statutorily defined term) has a participation or if the company in which the shares are held is a related entity (statutorily defined term).
- Holders of Shares and/or Rights who have received a fee in return for their commitment to exercise a certain minimum amount of Rights or subscribe for a certain minimum amount of Shares in the Offering.
- Holders of Shares and/or Rights who will receive or have received the Shares and/or Rights as employment income, deemed employment income or otherwise as compensation.
- Pension funds, investment institutions (*fiscale beleggingsinstellingen*) and exempt investment institutions (*vrijgestelde beleggingsinstellingen*).
- Other entities that are exempt from Netherlands corporate income tax.

Except as otherwise indicated, this summary only addresses Netherlands national tax legislation and regulations, as in effect on the date hereof and as interpreted in published case law until this date, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.

## Dividend Withholding Tax

Dividends distributed by us generally are subject to Netherlands dividend withholding tax at a rate of 15%. The expression “dividends distributed” includes, among other things:

- distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital not recognised for Netherlands dividend withholding tax purposes;
- liquidation proceeds, proceeds of redemption of Shares, or proceeds of the repurchase of Shares by us or one of our subsidiaries or other affiliated entities to the extent such proceeds exceed the average paid-in capital of those Shares as recognised for purposes of Netherlands dividend withholding tax;
- an amount equal to the par value of Shares issued or an increase of the par value of Shares, to the extent that it does not appear that a contribution, recognised for purposes of Netherlands dividend withholding tax, has been made or will be made; and
- partial repayment of the paid-in capital, recognised for purposes of Netherlands dividend withholding tax, if and to the extent that we have net profits (*zuivere winst*), unless the holders of Shares have resolved in advance at a general meeting to make such repayment and the par value of the Shares concerned has been reduced by an equal amount by way of an amendment of our Articles of Association.

In addition, it cannot be excluded that Unexercised Rights Payments made to the holders of unexercised Rights upon completion of the Offering are subject to Netherlands dividend withholding tax; we will however take the position that no dividend withholding tax is due on these payments and accordingly no withholding tax will be withheld by us.

If a holder of Shares is resident in a country other than The Netherlands and if a double taxation convention is in effect between The Netherlands and such other country, such holder of Shares may, depending on the terms of that double taxation convention, be eligible for a full or partial exemption from, or refund of, Netherlands dividend withholding tax. If a holder of Shares is an entity that is resident in a member state of the European Union and, generally, holds 5% or more in our nominal paid-up share capital and meets certain other conditions, such holder may be eligible for a full exemption from Netherlands dividend withholding tax. The exemption may also be available if a holder of Shares is an entity that is resident in a member state of the European Union and the equity stake in us would have qualified as a participation as described under “General” above, if the holder of Shares were a taxpayer in The Netherlands.

Individuals and corporate legal entities who are resident or deemed to be resident in The Netherlands for Netherlands tax purposes (“**Netherlands Resident Individuals**” and “**Netherlands Resident Entities**” as the case may be), including individuals who have made an election for the application of the rules of The Netherlands Income Tax Act 2001 as they apply to residents of The Netherlands, can generally credit The Netherlands dividend withholding tax against their income tax or corporate income tax liability. The same generally applies to holders of Shares that are neither resident nor deemed to be resident of The Netherlands if the Shares are attributable to a Netherlands permanent establishment of such non-resident holder.

In general, we will be required to remit all amounts withheld as Netherlands dividend withholding tax to The Netherlands tax authorities. However, under certain circumstances, we are allowed to reduce the amount to be remitted to The Netherlands tax authorities by the lesser of:

- 3% of the portion of the distribution paid by us that is subject to Netherlands dividend withholding tax; and
- 3% of the dividends and profit distributions, before deduction of foreign withholding taxes, received by us from qualifying foreign subsidiaries in the current calendar year (up to the date of the distribution by us) and the two preceding calendar years, as far as such dividends and profit distributions have not yet been taken into account for purposes of establishing the above mentioned reduction.

Although this reduction reduces the amount of Netherlands dividend withholding tax that we are required to remit to The Netherlands tax authorities, it does not reduce the amount of tax that we are required to withhold on dividends distributed.

Pursuant to legislation to counteract “dividend stripping” a reduction, exemption, credit or refund of Netherlands dividend withholding tax is denied if the recipient of the dividend is not the beneficial owner as described in The Netherlands Dividend Withholding Tax Act 1965. This legislation generally targets situations in which a shareholder retains its economic interest in shares but reduces the withholding tax cost on dividends by a transaction with another party. It is not required for these rules to apply that the recipient of the dividends is aware that a dividend stripping transaction took place. The Netherlands State Secretary of Finance takes the position that the definition of beneficial ownership introduced by this legislation will also be applied in the context of a double taxation convention.

## **Taxes on Income and Capital Gains**

### *Netherlands Resident Individuals*

If a holder of Shares and/or Rights is a Netherlands Resident Individual (including the non-resident individual holder who has made an election for the application of the rules of The Netherlands Income Tax Act 2001 as they apply to residents of The Netherlands), any benefit derived or deemed to be derived from the Shares and/or Rights is taxable at the progressive income tax rates (with a maximum of 52%), if:

- (a) the Shares and/or Rights are attributable to an enterprise from which The Netherlands Resident Individual derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise, without being an entrepreneur or a shareholder, as defined in The Netherlands Income Tax Act 2001; or
- (b) the holder of the Shares and/or Rights is considered to perform activities with respect to the Shares and/or Rights that go beyond ordinary asset management (*normaal, actief vermogensbeheer*) or derives benefits from the Shares and/or Rights that are (otherwise) taxable as benefits from other activities (*resultaat uit overige werkzaamheden*).

If the above-mentioned conditions (a) and (b) do not apply to the individual holder of Shares and/or Rights, the Shares and/or Rights are recognised as investment assets and included as such in such holder’s net investment asset base (*rendementsgrondslag*). Such holder will be taxed annually on a deemed income of 4% of the aggregate amount of his or her net investment assets for the year at an income tax rate of 30%. The aggregate amount of the net investment assets for the year is the average of the fair market value of the investment assets less the allowable liabilities at the beginning of that year and the fair market value of the investment assets less the allowable liabilities at the end of that year. A tax free allowance may be available. Actual benefits derived from the Shares and/or Rights are as such not subject to Netherlands income tax.

### *Netherlands Resident Entities*

Any benefit derived or deemed to be derived from the Shares and/or Rights held by Netherlands Resident Entities, including any capital gains realised on the disposal thereof, will generally be subject to Netherlands corporate income tax at a rate of 25.5% (a corporate income tax rate of 20.0% applies with respect to taxable profits up to €200,000, the first bracket for 2009).

### *Non-residents of The Netherlands*

A holder of Shares and/or Rights will not be subject to Netherlands taxes on income or on capital gains in respect of any payment under the Shares and/or Rights or any gain realised on the disposal or deemed disposal of the Shares and/or Rights, provided that:

- such holder is neither a resident nor deemed to be resident in The Netherlands for Netherlands tax purposes and, if such holder is an individual, such holder has not made an election for the application of the rules of The Netherlands Income Tax Act 2001 as they apply to residents of The Netherlands;
- such holder does not have an interest in an enterprise or a deemed enterprise (statutorily defined term) which, in whole or in part, is either effectively managed in The Netherlands or is carried out through a permanent establishment, a deemed permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the Shares and/or Rights are attributable; and
- in the event such holder is an individual, such holder does not carry out any activities in The Netherlands with respect to the Shares and/or Rights that go beyond ordinary asset management (*normaal actief vermogensbeheer*) and does not derive benefits from the Shares and/or Rights that are (otherwise) taxable as benefits from other activities in The Netherlands (*resultaat uit overige werkzaamheden*).

### **Gift, Estate and Inheritance Taxes**

#### *Residents of The Netherlands*

Gift, estate and inheritance taxes will arise in The Netherlands with respect to a transfer of the Shares and/or Rights by way of a gift by, or, on the death of, a holder of Shares and/or Rights who is resident or deemed to be resident in The Netherlands at the time of the gift or his/her death.

#### *Non-residents of The Netherlands*

No Netherlands gift, estate or inheritance taxes will arise on the transfer of the Shares and/or Rights by way of a gift by, or on the death of, a holder of Shares and/or Rights who is neither resident nor deemed to be resident in The Netherlands, unless:

1. such holder at the time of the gift has or at the time of his/her death had an enterprise or an interest in an enterprise that, in whole or in part, is or was either effectively managed in The Netherlands or carried out through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the Shares and/or Rights are or were attributable; or
2. in the case of a gift of the Shares and/or Rights by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

For purposes of Netherlands gift, estate and inheritance taxes, amongst others, a person that holds The Netherlands nationality will be deemed to be resident in The Netherlands if such person has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his/her death. Additionally, for purposes of Netherlands gift tax, amongst others, a person not holding The Netherlands nationality will be deemed to be resident in The Netherlands if such person has been resident in The Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

### **Other Taxes and Duties**

No Netherlands VAT, registration tax, customs duty, stamp duty or any other similar documentary tax or duty will be payable by a holder of Shares and/or Rights in respect of the holding or disposal of the Shares and/or Rights.

## THE OFFERING

### General

In the Rights Offering, InnoConcepts offers 52,263,352 Offer Shares with a nominal value of €0.01 each at the Issue Price of €0.52 per Ordinary Share, issued pursuant to Dutch law. Immediately after the closing of the Offering, the Company will have 78,395,028 Ordinary Shares outstanding, which corresponds with a dilution of 200%. Subject to applicable securities laws, existing Shareholders as at the Record Date are being granted Rights to subscribe for the Offer Shares, in amounts pro rata to their equity stakes.

The Committed Subscribers and Mr N. Mehra have committed to participate in the Rights Offering through the exercise of all Rights which will be granted to them in connection with the Rights Offering for an amount of up to approximately €6.24 million. Mr N. Mehra agreed to such participation, subject to certain conditions of the CEO Commitment Letter, which have all been fulfilled at the date of this Prospectus. Following expiry of the Subscription Period, the Sole Global Coordinator, subject to the terms and conditions of the Underwriting Agreement, will offer the Rump Shares for sale by way of a private placement to institutional investors, on a best efforts basis, in The Netherlands or elsewhere at a price at least equal to the Issue Price and any expenses related to procuring such subscribers (including any value added tax). Any Offer Shares not subscribed for through the exercise of Rights in the Rights Offering or sold by the Sole Global Coordinator in the Rump Offering will be subscribed and paid for at the Issue Price by:

- first, pursuant to an irrevocable undertaking by the Company's CEO, Mr N. Mehra, up to an amount of €4.00 million, subject to certain conditions of the CEO Commitment Letter, which have all been fulfilled at the date of this Prospectus;
- second, if Mr N. Mehra has subscribed for Rump Shares with an aggregate Issue Price of €4.00 million and any Rump Shares will still be unsold after such subscription, pursuant to irrevocable and unconditional undertakings by certain Committed Subscribers and the New Investor up to a total amount of €4.60 million; and
- third, if and to the extent that after the subscription for Rump Shares by Mr N. Mehra, the respective Committed Subscribers and the New Investor not all the Rump Shares have been subscribed and paid for, by the Sole Global Coordinator up to a total maximum subscription amount of approximately €12.34 million, subject to the terms and conditions of the Underwriting Agreement.

In the event that the number of Rump Shares not sold in the Rump Offering will not be sufficient to absorb the entire amount of €4.00 million of Mr N. Mehra's underwriting commitment, Mr N. Mehra will invest the remaining portion of the amount of €4.00 million committed by him in Private Placement Shares at the TERP, being €0.95 per share. For information on applicable selling and transfer restrictions in respect of the Offer Shares and the Rights, see section "Selling and Transfer Restrictions".

The gross proceeds of the Offering are expected to be approximately €27.18 million. The expenses of the Offering, including management and underwriting fees, are estimated to be approximately €2.0 million. The first €15.0 million net proceeds of the Offering will be used to implement the Company's new strategy, to improve working capital, to strengthen the balance sheet and to finance ongoing developments and operations of group companies. The net proceeds in the amount of up to €10.0 million above the first €15.0 million will be allocated to repay the Bridge Loan. Any remaining proceeds to reduce the net debt level of the Company. In the event that the Private Placement will take place, the net proceeds thereof will be used for general corporate purposes, including for working capital. The Management Board resolved with the approval of the Supervisory Board, to issue the Offer Shares, to

conditionally issue the Private Placement Shares, to exclude pre-emptive rights of Shareholders and to vote on the representation of the Company by the CEO relation to the Offering following authorisation by the Annual General Meeting of Shareholders held on 4 December 2009. An Eligible Person can only validly exercise its Rights before the end of the period. For a description of the rights attached to the Offer Shares see section “Description of Share Capital”.

## Timetable

The timetable below lists certain expected key dates for the Offering and the Private Placement. This timetable is in accordance with the new rules as recently proposed by the Corporate Actions Joint Working Group for a comprehensive set of market standards for the operational processing of all categories of corporate actions.

<b>Record Date</b>	<b>Immediately following the close of trading in the Ordinary Shares on Euronext Amsterdam at 17:40 hours CET on 10 December 2009</b>
<i>Ex</i> Rights trading in the Ordinary Shares commences on Euronext Amsterdam	8 December 2009
Trading in the Rights commences on Euronext Amsterdam	on or about 9:00 hours CET on 8 December 2009
Subscription Period commences	on or about 9:00 hours CET on 8 December 2009
Trading in the Rights ceases on Euronext Amsterdam	on or about 13:15 hours CET on 17 December 2009
End of Subscription Period	15:00 hours CET on 17 December 2009
Rump Offering expected to commence on and to end no later than	8:00 hours CET on 18 December 2009 17:30 hours CET on 18 December 2009
Allotment of Offer Shares	18 December 2009
Potential Private Placement	immediately following the end of the Rump Offering on 18 December 2009
Listing of, and start of trading in, the Offer Shares on Euronext Amsterdam commences	on or about 9:00 hours CET on 23 December 2009
Listing of, and start trading in, the Private Placement Shares (if any) on Euronext Amsterdam commences	on or about 9:00 hours CET on 23 December 2009
Payment for and delivery of the Offer Shares	23 December 2009
Payment for an delivery of the Private Placement Shares (if any)	23 December 2009

### Note

The last date and/or time before which notification of exercise instructions may be validly given by you, may be earlier than the date and/or time specified above as the end of the Subscription Period, depending on the financial intermediary through which your Rights are held.

The results of the Offering will be made public through publication of a press release as soon as possible after the allotment of the Offer Shares.

InnoConcepts may adjust the dates, times and periods given in the timetable and throughout this Prospectus.

If InnoConcepts should decide to adjust dates, times or periods, it will notify Euronext Amsterdam and

the AFM and inform you through publication of an advertisement in a Dutch national daily newspaper. Any other material alterations will be published in a press release, in an advertisement in a Dutch national daily newspaper and in a supplement to this Prospectus.

## **Rights**

Subject to applicable securities laws, the existing Shareholders are being granted Rights at the Record Date to subscribe for Offer Shares at the Issue Price. Each Shareholder who holds Ordinary Shares immediately following the close of trading in the Ordinary Shares on Euronext Amsterdam at 17:40 hours CET on 10 December 2009, which is the Record Date, will be entitled to one Right for each Ordinary Share held. An Eligible Person will be entitled to subscribe for 2 Offer Shares for every 1 Right held. Accordingly, Eligible Persons will be entitled to subscribe for 2 Offer Shares for every 1 Ordinary Shares held on the Record Date. Rights can only be exercised in multiples of 1. No fractional Ordinary Shares will be issued. If you hold Ordinary Shares on the Record Date, the financial intermediary through which you hold Ordinary Shares will customarily give you details of the aggregate number of Rights to which you will be entitled, subject to applicable securities laws. Your financial intermediary will supply you with this information in accordance with its usual customer relations procedures. You should contact your financial intermediary if you are a Shareholder entitled to receive Rights but have received no information with respect to the Rights Offering. The statutory pre-emptive rights of Shareholders in respect of the Offering have been excluded for the purposes of the Offering.

## **Record Date**

The Record Date for determining the holders of the outstanding Ordinary Shares who will receive Rights (subject to applicable securities laws) is immediately following the close of trading on Euronext Amsterdam at 17:40 hours CET on 10 December 2009. Until the close of trading in the Ordinary Shares on Euronext Amsterdam on 7 December 2009, the Ordinary Shares will trade cum Rights. From 8 December 2009, the Ordinary Shares will trade ex Rights.

## **Trading in the Rights**

Trading in the Rights on Euronext Amsterdam is expected to commence on or about 9:00 hours CET on 8 December 2009 and will cease on or about 13:15 hours CET on 17 December 2009. The Rights will be traded under the symbol "INORI". The transfer of Rights will take place through the book-entry systems of Euroclear Nederland. Persons interested in trading or purchasing Rights should be aware that the exercise of Rights by holders who are located in countries other than The Netherlands is subject to restrictions as described under "Selling and Transfer Restrictions".

If you are a Shareholder and you wish to sell all or part of your Rights and you are holding your Ordinary Shares through a financial intermediary, you should instruct the financial intermediary through which you hold your Rights in accordance with the instructions received from it. If you are an Eligible Person you may also instruct your financial intermediary to purchase Rights on your behalf.

If you are interested in trading or purchasing Rights, you should be aware that you may be restricted from purchasing and/or exercising your Rights and acquiring Offer Shares if you are located in a jurisdiction other than The Netherlands and therefore ineligible to participate in the Rights Offering. See section "Selling and Transfer Restrictions".

All dealings in Rights prior to the closing of the Offering are at sole risk of the parties concerned. Euronext Amsterdam, the Company, the Subscription Agent and the Sole Global Coordinator do not accept any responsibility or liability to any person as result of the withdrawal of the Offering or (the related) annulment of any transactions in Rights on Euronext Amsterdam.

## **Subscription Period**

Subject to the restrictions set out below, an Eligible Person can only validly exercise his Rights to subscribe for Offer Shares from 8 December 2009 up to 15:00 hours CET on 17 December 2009, which is the end of the Subscription Period. The last date and/or time before which notification of exercise instructions may be validly given by you may be earlier, depending on the financial intermediary through which your Rights are held. If you have not validly exercised your Rights before the end of the Subscription Period, you will no longer be able to exercise your Rights. Once you have validly exercised your Rights, you cannot revoke or modify that exercise unless InnoConcepts amends a material term of the Offering or amends this Prospectus in any material respect. Even if the market price of the Ordinary Shares fluctuates below the Issue Price, if you have exercised your Rights, you will be obliged to pay the Issue Price for any Offer Shares subscribed for. InnoConcepts and the Sole Global Coordinator are not taking any action outside The Netherlands to permit the exercise and transfer of Rights by the general public. InnoConcepts urges you to carefully study the restrictions described under section “Selling and Transfer Restrictions”. InnoConcepts reserves the right, with sole and absolute discretion, to treat as invalid any subscription or purported subscription which appears to the Company to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws of any jurisdiction or if the Company believes that the same may violate applicable legal or regulatory requirements or may be inconsistent with the procedures and terms set out in this Prospectus or in breach of the representations and warranties to be made by an accepting holder, as described herein.

If a Shareholder does not participate in the Offering, his proportionate ownership and voting interests in the Company will be diluted up to 200% by the issue of the Offer Shares.

## **Subscription**

If you are a Shareholder and you wish to exercise your Rights, you should instruct your financial intermediary in accordance with the instructions received from it. The financial intermediary will be responsible for collecting exercise instructions from Eligible Persons and for informing the Subscription Agent of your exercise instructions. All questions concerning the timelines, validity and form of instructions to a financial intermediary in relation to the exercise, sale or purchase of Rights will be determined by the financial intermediary in accordance with its usual customer relations procedures or as it otherwise notifies you. InnoConcepts and the Sole Global Coordinator are not liable for any action or failure to act by a financial intermediary through which Shareholders hold their Ordinary Shares or by the Subscription Agent in connection with any subscriptions or purported subscriptions.

## **Unexercised Rights and the Rump Offering**

Rights can no longer be exercised after 15:00 hours CET on 17 December 2009, which is the end of the Subscription Period. At that time, any unexercised Rights will continue to be reflected in your securities account solely for the purpose of the distribution of Unexercised Rights Payment, if any. After the Subscription Period has ended, the Sole Global Coordinator will, subject to the terms and conditions of the Underwriting Agreement, commence the Rump Offering, in which they will offer for sale by way of a private placement to institutional investors in The Netherlands or elsewhere the Rump Shares, being the remaining Offer Shares that were issuable upon the exercise of the Rights but that were not subscribed for during the Subscription Period. The Sole Global Coordinator has agreed to use its best efforts to procure purchasers through a private placement of any Rump Shares at a price which is at least equal to the total of the Issue Price and any expenses related to procuring such purchasers (including any value added tax). The Rump Offering, if any, is expected to commence at 08:00 hours CET and to end no later than 17:30 hours CET on 18 December 2009.

## Allotment

Allotment of Offer Shares issued pursuant to the Offering is expected to take place on 18 December 2009.

## Unexercised Rights Payments

ING shall use its best efforts to procure subscribers, through private placements in The Netherlands and in certain other eligible jurisdictions, for any Rump Shares. The Company will be informed by ING on a regular basis of the status of the demand for the Rump Shares in the Rump Offering. The allocation of the Rump Shares will be made by ING in consultation with the Company. The offer price for the Rump Shares shall be determined by ING in consultation with the Company, provided that this offer price shall be at least equal to the total of the Issue Price plus any expenses related to procuring such subscribers (including any value added tax). The amount consisting of the positive difference between the aggregate proceeds for the Rump Shares and the aggregate issue price of the Rump Shares, after deduction of the selling expenses and applicable taxes, shall be referred to as the “**Excess Amount**”.

In case the Excess Amount per Unexercised Right is less than €0.01, the consideration due to each holder of each Unexercised Right (the “**Unexercised Rights Payment**”) is nil. Any Excess Amount per Unexercised Right less than €0.01 shall be retained by ING for its own benefit.

In case the Excess Amount per Unexercised Right is €0.01 or higher, the Unexercised Rights Payment amounts to the Excess Amount per Unexercised Right. In that case, the Excess Amount is paid out by ING on behalf of the new shareholders to the holders of Unexercised Rights collectively as recipients and each holder of Unexercised Rights as at a certain date shortly after the Subscription Period, which is an amount equal to the Unexercised Rights Payment for each Unexercised Right held at the end of the Subscription Period. For the avoidance of doubt, the Company shall not be entitled to any amounts in excess of the Issue Price. The aggregate proceeds of the Rights Offering and the Rump Offering will thus serve towards the payment of two separate components: (i) the Unexercised Rights Payments (if any) payable by ING in its capacity as Sole Global Coordinator and (ii) the paid-up share capital and share premium payable to the Company. The fees and expenses due by the Company to ING in its capacity as Sole Global Coordinator and Underwriter in connection with its services will be paid by means of a set off against the part of the proceeds that ING in its capacity as Sole Global Coordinator and Underwriter has to pay to the Company.

## Agents

ING will act as Subscription Agent to accept subscriptions for Offer Shares through the exercise of Rights and ING will act as listing agent (“**Listing Agent**”).

Rabo Securities N.V. (office address: Amstelplein 1, 1096 HA Amsterdam, the Netherlands, postal address: P.O. Box 94640, 1090 GP Amsterdam), in its capacity of original listing agent, holds an account of non issued shares and is therefore authorised to debit or credit such account. InnoConcepts shall procure that the balance of the account of non issued shares is at all times adequate.

## Payment, delivery, clearing and settlement

If you hold your Rights through a financial intermediary, you should pay the Issue Price for the Offer Shares that you subscribe for in accordance with the instructions you receive from your financial intermediary. The financial intermediary will pay the Issue Price to the Subscription Agent, who will in turn pay it to InnoConcepts, after deduction of applicable fees and expenses. Payment for the Offer Shares and the Private Placement Shares, if any, to the Subscription Agent must be made no later than

the Closing Date, which is expected to be 23 December 2009. Financial intermediaries may require payment to be provided to them prior to the Closing Date.

Payment for and delivery of the Offer Shares and the Private Placement Shares, if any, is expected to take place on 23 December 2009. The Rights, the Offer Shares and the Private Placement Shares, if any, will be delivered through the book-entry systems of Euroclear Nederland. The address of Euroclear Nederland is Damrak 70, 1012 LM Amsterdam, The Netherlands.

### **Ranking and dividends**

The Offer Shares and the Private Placement Shares, if any, will, upon issue, rank equally in all respects with the then outstanding Ordinary Shares and will be eligible for any dividends which InnoConcepts may declare on the Ordinary Shares after the issue date. See section “Dividend Policy”.

### **Listing and trading of the Offer Shares and the Private Placement Shares, if any**

Application will be made for the admission to trading of the Rights on Euronext Amsterdam. InnoConcepts expects trading of the Rights on Euronext Amsterdam to commence at 9:00 hours CET on 8 December 2009 and to end at 13:15 hours CET on 17 December 2009, barring unforeseen circumstances. InnoConcepts expects trading of the Offer Shares and the Private Placement Shares, if any, on Euronext Amsterdam to commence on 23 December 2009.

The Ordinary Shares are admitted to listing and trading on Euronext Amsterdam under the symbol “INNO”, common code 017373218 and ISIN NL0000361145. On 4 December 2009, the closing price of the Ordinary Shares on Euronext Amsterdam was €1.81 per Ordinary Share. The Rights will be admitted to listing and trading on Euronext Amsterdam under the symbol “INORI”, common code 047153328 and ISIN NL0009312776.

All dealings in Rights prior to the closing of the Offering are at the sole risk of the parties concerned. Euronext Amsterdam does not accept any responsibility or liability to any person as a result of the withdrawal of the Offering or (the related) annulment of any transactions in Rights on Euronext Amsterdam.

## PLAN OF DISTRIBUTION

### Commitments and Underwriting arrangements

The following commitment and underwriting arrangements have been agreed upon:

- Mr N. Mehra, who holds 150,000 Ordinary Shares at the date of this Prospectus, has irrevocably and subject to certain conditions of the CEO Commitment Letter, which have all been fulfilled as per the date of this Prospectus, committed to participate in the Offering through the exercise of all Rights which will be granted to him for an amount of up to approximately €156,000 which represents approximately 0.6% of the Offer Shares to be issued pursuant to the Rights Offering, subject to the terms and conditions of the CEO Commitment Letter, which have all been fulfilled at the date of the Prospectus. Mr N. Mehra will not receive a commitment fee for this commitment.
- The Committed Subscribers, which hold in total 5,849,375 Ordinary Shares at the date of this Prospectus, have committed to participate in the Offering through the exercise of all Rights which will be granted to them for an amount of up to approximately €6.08 million which represents approximately 22.4% of the Offer Shares to be issued pursuant to the Rights Offering.
- After the end of the Subscription Period, the Sole Global Coordinator, subject to the terms and conditions of the Underwriting Agreement, has agreed to use its best efforts to procure subscribers for any Rump Shares through a private placement to institutional investors in The Netherlands or certain other eligible jurisdictions at a price which is at least equal to the Issue Price and any expenses related to procuring such subscribers (including any value added tax).
- Any Rump Shares not sold in the Rump Offering will be subscribed and paid for at the Issue Price as follows:
  - first, pursuant to an irrevocable undertaking by the Company's CEO, Mr N. Mehra, up to an amount of €4.00 million, subject to certain conditions of the CEO Commitment Letter, which have all been fulfilled at the date of this Prospectus. As agreed in Mr N. Mehra's employment contract, further to this commitment, the Company will grant him a number of options equal to 2.5 times the number of Rump Shares subscribed and paid for in the Offering at a strike price equal to the issue price in the Rump Offering;
  - second, if Mr N. Mehra has subscribed for Rump Shares with an aggregate Issue Price of €4.00 million and any Rump Shares will still be unsold after such subscription, pursuant to irrevocable and unconditional undertakings by certain Committed Subscribers and the New Investor up to a total amount of €4.60 million; and
  - third, if and to the extent that after the subscription for Rump Shares by Mr N. Mehra, the respective Committed Subscribers and the New Investor, not all the Rump Shares have been subscribed and paid for, by the Sole Global Coordinator up to a total maximum subscription amount of approximately €12.34 million, subject to the terms and conditions of the Underwriting Agreement.
- InnoConcepts will pay the Sole Global Coordinator, the Committed Subscribers and the New Investor aggregate fees of approximately €1.0 million. The expenses of the Offering, including management and underwriting fees, are estimated to be approximately €2.0 million.
- In the event that the number of Rump Shares not sold in the Rump Offering will not be sufficient

to absorb the entire amount of €4.0 million of Mr N. Mehra's underwriting commitment, Mr N. Mehra will invest the remaining portion of the amount of €4.0 million committed by him in a private placement of newly to be issued Ordinary Shares at the theoretical ex-rights price (TERP), being €0.95 per share. As agreed in Mr N. Mehra's employment contract, further to this commitment, the Company will grant him a number of options equal to 2.5 times the number of shares he subscribed and paid for in the Private Placement at a strike price equal to the TERP. All of the share options granted to Mr N. Mehra may only be exercised after a period of three years, and lapse eight years after the award thereof or until the termination of his contract. In the event that the Private Placement will take place, listing of the Private Placement Shares on Euronext Amsterdam is expected to take place on 23 December 2009. The Private Placement will close on the Private Placement Closing Date, which is expected to be 23 December 2009. Mr N. Mehra has agreed that, for a period of 180 days following the Closing Date, he will not, without the prior written consent of the Sole Global Coordinator, transfer or agree to transfer the legal right to or economic ownership in any of his equity interest in the Company, provided that such consent will not be required in the event of a change of control of the Company by which the majority of shares in the Company will be held by one legal entity or natural person or by several legal entities or natural persons acting together.

The aggregate amount of the commitments as described above can be broken down as follows:

#### EXERCISE COMMITMENTS

<b>Party</b>	<b>Aggregate amount investment in Offer Shares upon exercise Rights</b>
Delta Lloyd Levensverzekering N.V.	€3.43 million
B.V. Algemene Holding & Financierings Maatschappij	€0.96 million
Invesco Asset Management Ltd.	€0.85 million
Mercurius Beleggingsmaatschappij B.V.	€ 0.85 million
Mr N. Mehra	€ 0.16 million
<b>Total Exercise Commitments</b>	<b>€6.24 million</b>

#### UNDERWRITING COMMITMENTS

<b>Party</b>	<b>Maximum aggregate amount underwriting</b>
Mr. N.Mehra	€4.00 million
Stichting Value Partners Family Office	€3.00 million
Invesco Asset Management Ltd.	€1.00 million
B.V. Algemene Holding & Financierings Maatschappij	€0.60 million
ING Bank N.V.	€12.34 million
<b>Total Underwriting Commitments</b>	<b>€20.94 million</b>
<b>Total Commitments</b>	<b>€27.18 million</b>

In the Underwriting Agreement, InnoConcepts has given certain representations and warranties and undertakings to the Sole Global Coordinator. In addition, InnoConcepts will agree to indemnify the Sole Global Coordinator against certain liabilities in connection with the Offering. Each of the parties to the Underwriting Agreement will agree that it will not offer or sell any securities, or distribute any prospectus or offering document in connection therewith in violation of the provisions of the Underwriting Agreement.

The Sole Global Coordinator has agreed that, except as permitted by the Underwriting Agreement, neither it nor any of its affiliates (as defined in the Securities Act) nor any person acting on its behalf (i) has engaged or will engage in any “directed selling efforts” (as such term is defined in Regulation S) with respect to the Offer Shares, (ii) has offered or sold and will not offer or sell the Offer Shares except in offshore transactions (as such term is defined in Regulation S) in accordance with Regulation S or (iii) will enter into any contractual arrangement with a distributor (as such term is defined in Regulation S) of the Offer Shares, except with its affiliates or with our prior written consent. Potential investors in the Rights or the Offer Shares should carefully read section “Selling and Transfer Restrictions – For investors in the United States”.

### **Conditions to the Offering**

If the closing of the Offering does not take place on the Closing Date, the Offering may be withdrawn. The obligations of the Sole Global Coordinator under the Underwriting Agreement are subject to the satisfaction or waiver of a number of conditions as described therein. The Underwriting Agreement provides that, upon the occurrence of certain events, such as a material adverse change in the Company’s financial condition or business or in the financial markets; in the event of non-compliance by Mr N. Mehra, the Committed Subscribers or the New Investor of their respective commitments in respect of the Rights Offering or the Rump Offering; and under certain other customary conditions, the Underwriting Agreement may be terminated (provided that the Sole Global Coordinator has the right to waive the satisfaction of any of such conditions or part thereof). If any of the conditions to the Offering are not met or not waived by the Sole Global Coordinator or if certain circumstances occur prior to the Closing Date, the Sole Global Coordinator may, at its discretion, terminate the Rump Offering and its obligation to subscribe for any Rump Shares. In such an event, both the exercised and unexercised Rights will be forfeited without compensation to their holders, and subscriptions for and allotments of Offer Shares that have been made will be disregarded. Any subscription payments received by the Company will be returned without interest. Any such forfeiture of Rights will be without prejudice to the validity of any settled trades in the Rights. There will be no refund in respect of any Rights purchased in the market. All dealings in Rights prior to the closing of the Offering are at sole risk of the parties concerned. Euronext Amsterdam, the Company, the Subscription Agent and the Sole Global Coordinator do not accept any responsibility or liability to any person as a result of the withdrawal of the Offering or (the related) annulment of any transactions in Rights on Euronext Amsterdam.

### **Lock-up arrangements**

The Company has agreed with the Sole Global Coordinator that it will not, and will procure that none of its subsidiaries and associates, with the exception of Founders SAS, Proventec, WNA and Hoogerman Holding B.V.: (i) issue (in so far as appropriate), offer (in any public offering or private placement other than the Offering), sell, contract to issue or sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of; or (ii) enter into any swap or any other agreement or any transaction that transfers in whole or in part, directly or indirectly, any of the economic consequences of ownership of; or (iii) create any charge or security interest over, any shares in the Company or any securities convertible or exchangeable into securities or warrants or other rights to purchase securities or any debt instruments in the Company or other instruments with a similar effect to the foregoing, in each case for a period of 180 calendar days after the Closing Date without the prior written consent of the Sole Global Coordinator, which shall not be unreasonably withheld.

These obligations shall not apply to the Offer Shares and the Private Placement Shares to be issued in accordance with the terms of the Underwriting Agreement, nor to any Shares or to other options or securities convertible into or exercisable or exchangeable for Shares to be issued (i) pursuant to the Private Placement, (ii) pursuant the employment contract of Mr N. Mehra or in relation to the Management Board remuneration package; (iii) in relation to any stock dividend that has been declared payable in

accordance with the Company's dividend policy; or (iv) to senior management in the ordinary course of business.

Mr N. Mehra has agreed with the Sole Global Coordinator that, for a period of 180 days following the Closing Date, he will not, without the prior written consent of the Sole Global Coordinator, transfer or agree to transfer the legal right to or economic ownership in any of his equity interest in the Company, provided that such consent will not be required in the event of a change of control of the Company by which the majority of shares in the Company will be held by one legal entity or natural person or by several legal entities or natural persons acting together. Furthermore, pursuant to his employment contract, the Ordinary Shares granted to Mr N. Mehra as part of his fixed remuneration shall be maintained by him for a period of at least five years after granting, unless and in so far selling of the Ordinary Shares is necessary to pay for the taxes on those shares. In addition, any Offer Shares and any Private Placement Shares, if any, purchased in connection with the Offering may not be sold by Mr N. Mehra for a minimum period of five years after the purchase thereof.

### **Potential conflicts of interest**

The Sole Global Coordinator, which is regulated in the Netherlands by the Dutch Central Bank (*De Nederlandsche Bank N.V.*) and the AFM, is acting for us in relation to the admission to listing and trading of the Offer Shares and for no one else and will not be responsible to anyone other than to us for giving advice in relation to, respectively, the Offering and the listing of the Offer Shares.

ING (and its affiliates) has from time to time engaged, and may in the future engage, in commercial banking, investment banking and financial advisory and ancillary transactions in the course of its business with us or any parties related to us in respect of which the sharing of information is generally restricted for reasons of confidentiality, by internal procedures or by rules and regulations, including the Decree on Market Conduct Supervision on Financial Undertakings FSA (*Besluit gedragstoezicht financiële ondernemingen Wft*), as amended from time to time, issued by the AFM. As a result of these transactions, this party may have interests that may not be aligned, or could potentially conflict, with your and our interests.

ING is acting as the Sole Global Coordinator, Listing, Paying and Subscription Agent for the admission to listing and trading of the Offer Shares. Members of the group to which ING belongs as well as ING itself have provided credit facilities and other financial services to us.

## SELLING AND TRANSFER RESTRICTIONS

### Notice to Investors

The Offering of the Rights and the Offer Shares to persons resident in, or who are citizens of, a particular jurisdiction may be affected by the laws of that jurisdiction. Investors should consult their professional advisers as to whether the investor requires any governmental or any other consent or needs to observe any other formalities to enable the investor to purchase the Rights and the Offer Shares.

Neither the Company nor the Sole Global Coordinator have been or will be taking any action to permit a public Rights and the Offer Shares in any jurisdiction outside The Netherlands. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus will be sent for information purposes only and should not be copied or redistributed. If the investor receives a copy of this Prospectus, the investor may not treat this Prospectus as constituting an invitation or offer to the investor of the Rights and the Offer Shares, unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Rights and the Offer Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if the investor receives a copy of this Prospectus or any other offering materials or advertisements the investor should not distribute or send the same, to any person, in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If the investor forwards this Prospectus or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this section.

Subject to the specific restrictions described below, investors (including, without limitation, any investor's nominees and trustees) wishing to subscribe for the Offer Shares or to trade in the Rights, must satisfy themselves as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

The information set out in this section is intended as a general guideline only. Investors that are in any doubt as to whether they are eligible to subscribe for the Offer Shares or to trade in the Rights, should consult their professional adviser without delay.

As a condition to a purchase of any Rights in the market and the Offer Shares in the Offering, each purchaser will be deemed to have made, or in some cases, be required to make, certain representations and warranties, which will be relied upon by the Company, the Sole Global Coordinator and others. The Company and the Sole Global Coordinator reserve the right, in their sole and absolute discretion, to reject any purchase of Rights and Offer Shares that the Company or the Sole Global Coordinator believe may give rise to a breach or violation of any law, rule or regulation.

### Representations and warranties by investors in the Offering

If you (i) take up, deliver or otherwise transfer the Rights, (ii) exercise the Rights to obtain the Offer Shares or (iii) trade or otherwise deal in the Rights granted or the Offer Shares offered in the Offering, you will be deemed to have made, and, in some cases, be required to make, the following representations and warranties to the Company, the Sole Global Coordinator, the Listing, Paying and Subscription Agent and any Company's or their behalf, unless such requirement is waived by the Company:

- i. you are not located in any jurisdiction outside The Netherlands and Belgium wherein the Offer Shares may not be offered pursuant to the selling and transfer restrictions as described in section "Selling and Transfer Restrictions" ("**Ineligible Jurisdiction**");
- ii. you are not a Shareholder or other person residing in an Ineligible Jurisdiction or person with a

- citizenship from an Ineligible Jurisdiction, such that you cannot lawfully participate in the Offering (“**Ineligible Person**”);
- iii. you are not acting, and have not acted, for the account or benefit of an Ineligible Person; and
- iv. you:
- are located outside the United Kingdom; or
  - are a person to whom Offer Shares may be offered and sold, as set out in “– For Investors in the United Kingdom” below;
  - are located outside the United States and any person for whose account or benefit you are acting is located outside the United States and, upon acquiring Offer Shares in the Offering you and any such person will be located outside the United States;
  - will not offer, sell or otherwise transfer either a Right or an Offer Share to any person located in the United States;
  - may lawfully be offered, take up, subscribe for and receive Rights and Offer Shares in the jurisdiction in which you reside or are currently located; and
  - were an Ordinary Shareholder and held Ordinary Shares at 17:30 hours CET on the Record Date the Subscription, Paying and Listing Agent and the Sole Global Coordinator.

The Company, the Sole Global Coordinator or you legally acquired Rights in the market place during the trading period for the Rights and any persons acting on behalf of the Company or the Sole Global Coordinator will rely upon your representations and warranties. Any provision of false information or subsequent breach of these representations and warranties may subject you to liability. The Company and the Sole Global Coordinator reserve the right, in their sole and absolute discretion, to reject any purchase of Rights and Offer Shares that the Company or the Sole Global Coordinator believe may give rise to a breach or violation of any law, rule or regulation.

If you are a person acting on behalf of an eligible holder of the Rights (including, without limitation, as a nominee, custodian or trustee), you will be required to provide the foregoing representations and warranties to the Company, the Sole Global Coordinator and the Subscription, Paying and Listing Agent with respect to the exercise of Rights on behalf of such eligible holder. If you do not or are unable to provide the foregoing representations and warranties, neither the Company nor the Sole Global Coordinator, the Subscription, Paying and Listing Agent will be bound to authorise the allocation of any of the Offer Shares being offered in the Rights Offering to you or the person on whose behalf you are acting.

If you (including, without limitation, your nominees and trustees) are outside The Netherlands and wish to exercise or otherwise deal in your Rights or subscribe for the Offer Shares, you must satisfy yourself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this chapter are intended as a general guide only. If you are in any doubt as to whether you are eligible to exercise your Rights or subscribe for the Offer Shares, you should consult your professional advisors without delay.

The Rights will initially be credited to the financial intermediaries for the accounts of all Shareholders that hold Ordinary Shares as of the Record Date in custody through such an intermediary. A financial intermediary may not exercise any Rights on behalf of any person in the Ineligible Jurisdictions or any Ineligible Persons and will be required in connection with any exercise of the Rights to certify to such effect.

Financial intermediaries are not permitted to send this Prospectus or any information about the Offering into any Ineligible Jurisdiction or to any Ineligible Persons. The crediting of Rights to the account of persons in Ineligible Jurisdictions or to Ineligible Persons does not constitute an offer of the Offer Shares to such persons. Financial intermediaries, which include brokers, custodians and nominees, holding Rights for Ineligible Persons may consider selling any and all Rights held for the benefit of such persons

to the extent permitted under their arrangements with such persons and applicable law and to remit the net proceeds to the accounts of such persons.

Exercise instructions or certifications sent from or postmarked in any Ineligible Jurisdiction will be deemed to be invalid and the Rights and the Offer Shares will not be delivered to addresses inside any Ineligible Jurisdiction. The Company, the Sole Global Coordinator and the Subscription, Paying and Listing Agent reserve the right to reject any exercise (or revocation of such exercise) in the name of any person who provides an address in an Ineligible Jurisdiction for acceptance, revocation of exercise or delivery of such Rights and Offer Shares, who is unable to represent or warrant that such person is not in an Ineligible Jurisdiction and is not an Ineligible Person, who is not acting on a discretionary basis for such persons, or who appears to the Company or the Company's agents to have executed its exercise instructions or certifications in, or dispatched them from, an Ineligible Jurisdiction. Furthermore, the Company reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of Rights in the Rights Offering, which appears to the Company to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws or regulations of any jurisdiction or if the Company believes that the same may violate or be inconsistent with applicable legal or regulatory requirements, the procedures and terms set out in this Prospectus or in breach of the representations and warranties to be made by an accepting holder, as described herein.

Despite any other provision of this Prospectus, the Company, the Sole Global Coordinator and the Subscription, Paying and Listing Agent reserve the right to permit you to exercise your Rights if the Company, the Sole Global Coordinator and the Subscription, Paying and Listing Agent, in the Company's absolute discretion, are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. Applicable exemptions in certain jurisdictions are described further below. In any such case, neither the Company, the Sole Global Coordinator nor the Subscription, Paying and Listing Agent accept any liability for any actions that you take or for any consequences that you may suffer by the Company accepting your exercise of Rights.

### **For Investors in the European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), an offer to the public of the Offer Shares which are the subject of the Offering contemplated by this Prospectus may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Offer Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) total balance sheet assets of more than €43 million and (3) an annual net turnover of more than €50 million, as shown in its last annual or consolidated accounts; and
- in any other circumstances which do not require the publication by us of a Prospectus pursuant to Articles 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares shall result in a requirement for the publication by us or ING of a Prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer to the public**" in relation to any Rights and Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and Offer Shares to be offered so as to enable an

investor to decide to purchase or subscribe for the Rights, as the same may be varied in that Member State by any measure implementing the “Prospectus Directive” in that Member State and the expression Prospectus Directive includes any relevant implementing measure in each Relevant Member State.

### **For Investors in the United Kingdom**

Neither this Prospectus nor any other offering material has been submitted to the clearance procedures of the Financial Services Authority in the United Kingdom. The Offer Shares have not been offered or sold and, prior to the expiry of a period of six months from the sale of the Offer Shares, will not be offered or sold to persons in the United Kingdom except to “qualified investors” as defined in section 86 of the Financial Services and Markets Act 2000.

The Sole Global Coordinator and Sole Bookrunner has warranted, undertaken and agreed that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the sale of the Company Securities and the Rump Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company.

### **For Investors in Japan**

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended), and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein includes any corporation or other entity organised under the laws of Japan), or to others for offering or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of the laws of Japan.

### **For Investors in Canada**

This communication does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for the Offer Shares and is not for distribution into Canada. The Ordinary Shares have not been and will not be qualified by Prospectus for sale to the public under applicable Canadian securities laws and, subject to certain exceptions, may not be, directly or indirectly offered or sold within Canada or to, or on behalf of, any national, resident or citizen, including any corporation or other entity, of Canada. Any failure to comply with these restrictions may constitute a violation of the Canadian securities laws.

### **For Investors in the United States**

The Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempted from, or not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities law. The Offer Shares will be offered outside the United States in reliance on Regulation S.

Each subscriber or purchaser of the Offer Shares being offered and sold will have been deemed to have represented and agreed as follows (terms used in this paragraph that are defined in regulation S under the Securities Act being used herein as defined therein):

- the subscriber or purchaser is, and the person, if any, for whose account the purchaser or subscriber is acquiring such Offer Shares is, outside the United States, and is acquiring the Offer Shares in an offshore transaction meeting the requirements of Regulation S;
- the subscriber or purchaser is aware that the Offer Shares have not been and will not be registered under the Securities Act and are being distributed and offered outside the United States in reliance on Regulation S; and
- the subscriber or purchaser acknowledges that the Company, the Sole Global Coordinator and Sole Bookrunner and others will rely upon the truth and accuracy of the foregoing representations and agreements.

## ADDITIONAL INFORMATION

### Material Contracts

The following contracts (other than relating to the Underwriting Agreement which is described in “Plan of Distribution”) are the only contracts (not being contracts entered into in the ordinary course of business) (i) which we have entered into in the two years immediately preceding the date of this Prospectus which are or may be material; or (ii) which have been entered into by us at any other time and which contain provisions under which we have an obligation or entitlement that is material to us as at the date of this Prospectus.

### *Acquisitions and Disposals*

#### *Agreements relating to the disposal of InnoCleaning Concepts to Proventec*

##### *Sale of the Loan Notes/Loan Note Guarantee*

In connection with the disposal of InnoCleaning Concepts, Proventec issued to the Company 8.5% fixed unsecured convertible loan notes for an amount of £10.5 million. These Loan Notes were sold to a group of institutional investors for the principal amount of £10.5 million increased with the accrued interest thereon amounting to £11.0 million on 8 March 2006. In connection with the amendment of the loan note instrument dated 24 August 2005 we provided a working capital facility of £2.6 million to Proventec. In the event of a successful claim under the warranties, indemnities or covenants given in the sale agreement with IMH or the agreement for the disposal of Osprey DeepClean, Proventec can set off the amount of such claim against this loan facility. We entered into a loan note guarantee in relation to the sale of the Loan Notes in which we guarantee, subject to certain conditions, due and punctual payment by Proventec of the principal and interest payments.

On 12 February 2008, Proventec announced that the note holders of the Loan Notes have decided to increase the amount of the Loan Notes from £10.5 million up to £15.0 million resulting in an increase of the loan note guarantee issued by us with the same amount.

The maximum contingent liability of the loan note guarantee per 30 June 2009, is €19.1 million. This guarantee will expire on the earliest of (i) the date falling 30 business days after the final repayment date of the loan notes; (ii) the date on which the loan notes are repurchased by Proventec, redeemed, converted or cancelled in full; and (iii) the first occasion on which the volume weighed average price of an ordinary share in Proventec over any period of 60 days is 75p or more.

The ordinary shares of Proventec are listed on the AIM market of the London Stock Exchange and are listed on Alternext as of 22 May 2008, which is part of Euronext Paris. In addition, the convertible bonds of the loan note instrument were also listed on Alternext Paris as of 17 November 2008.

##### *Acquisition of HTP*

On 27 September 2007, I-Pac entered into a purchase agreement with Varova B.V. pursuant to which we purchased 10,260 shares in the share capital of HTP Technologies B.V. from Varova B.V. which is equal to a 57% interest. HTP Technologies B.V. in its turn holds 88% of the issued share capital of HTP. The shares in HTP Technologies B.V. were transferred to I-Pac pursuant to a notarial deed dated 27 September 2007. See section “Major Shareholders and Related Party Transactions – Related Party Transactions”.

On 5 August 2009, I-Pac acquired the remaining 43% of the share capital of HTP Technologies B.V. from Varova B.V., Saratoga B.V. and from local management, making it a wholly owned subsidiary. In addition, HTP Technologies B.V. acquired the remaining shares (12%) in the share capital of HTP.

### *Acquisition of Formy*

Pursuant to a Heads of Agreement dated 17 December 2007, the Company and SAS reached agreement concerning the sale by SAS to our subsidiary IS Development B.V. (80%) of 75% in the share capital of Formy effective as per 31 December 2007. Total consideration for this acquisition consisted of €1.1 million in cash. The shares in Formy were transferred to IS Development B.V. pursuant to a notarial deed dated 30 June 2008.

### ***Investments and Co-operations***

#### *TEA Convertible Loan Note*

Pursuant to a loan note purchase agreement dated 31 December 2005, between Fastlane Ventures Limited, as vendor and InnoSpecial Products B.V., a wholly owned subsidiary of the Company, InnoSpecial Products B.V. acquired a loan note instrument constituting US\$ 3.5 million 7% fixed rate convertible secured loan notes issued by TEA on 30 December 2005. The purchase price for the loan note instrument was US\$ 8,750,000. According to the original agreement the loan notes could be partly or entirely converted into ordinary shares in TEA representing up to a maximum of 90% of TEA's share capital post conversion. Conversion could take place at any time from 1 January 2008 up to and including 31 December 2008, being the final repayment date of the loan notes. To the extent the loan notes were not converted or repaid prior to 31 December 2008, TEA would pay the note holder a cash premium equivalent to 150% of the principal amount of the loan notes outstanding on that date as well the outstanding principal amount. The loan notes were subsequently transferred by InnoSpecial Products B.V. to I-Pac Asia, another wholly owned subsidiary of InnoConcepts. The loan note instrument was revised in mid-2007 for strategic reasons. As a result the loan, together with the accumulated interest, is repayable on 31 December 2010 or convertible between 1 January 2010 and 31 December 2010. The other conditions remained unchanged. It is agreed that these loan notes will be transferred to I-Pac Technologies N.V. shortly.

In 2005, the TEA group consisted of a group of companies specialising in the engineering, development, production and servicing of moulds. Following our acquisitions of HTP and a substantial equity stake in Formy in 2007, the TEA group companies became generally less important for us. However, the single remaining TEA group entity Cheng Yi Tools can play still a role in I-Pac's IM Technology mould making footprint as a well equipped and qualified mould maker. Cheng Yi Tools could potentially also be used as a production facility for the European mould makers of I-Pac of HTP and Formy.

### **Legal and Arbitration Proceedings**

A supplier to the Company has initiated legal proceedings against us regarding the implementation and execution of its supply contract claiming damages of up to €1.2 million. This claim relates to the delivery of a specific multimedia product where the Company has outsourced the required production with this supplier. The project has however not materialised for reasons which are completely outside the control of the Company. The Company has nevertheless fully covered the project related investments of this supplier. We believe therefore that the claim by this supplier is without merit. However, court proceedings are ongoing and the outcome of such proceedings cannot be guaranteed.

The Company has a dispute with a plastics raw material supplier with respect to invoices payable by the Company on behalf of a contract manufacturer. Individual supplies under the contract required pre-approval by the Company. The supplier has initiated legal proceedings against the Company claiming payment of €200,000. However the Company is of the opinion that the supplies were not approved by it and that the underlying materials were not utilised for the Company's production. Therefore, in the Company's view, the claim should be rejected.

On 26 March 2009 the Company entered into a €3.0 million loan agreement with shareholder Staalhaven B.V. The loan had a 3 month term and was repayable in either newly issued ordinary shares with a 50% premium or in cash with a 100% premium, at the election of the Company. The interest on the loan was 10% per calendar quarter, payable on redemption of the loan. On 28 June 2009 the Company issued 1,243,523 ordinary shares in redemption of the loan. Staalhaven B.V. has refused to accept these shares and has initiated legal proceedings against the Company regarding this issuance, primarily claiming that the applied issue price should be “lower” (without quantifying how much). Should the Company lose the court case, then it may have to issue additional shares to Staalhaven B.V. for no additional consideration, which would dilute the Company’s other shareholders. Pending the resolution of the dispute, the 1,243,523 ordinary shares have been deposited with Stichting Derdengelden ANT on behalf of Staalhaven B.V. Although the Company is confident of a positive outcome of this dispute, there is no certainty as long as court proceedings are ongoing.

The Hong Kong tax authorities have issued a tax assessment for the year 2002 of approximately HKD 11 million (approximately € 1 million) against I-Pac Asia. I-Pac Asia intends to dispute this tax assessment, but in order for it to make a formal appeal, the amount of the assessment first needs to be paid. As I-Pac Asia is not in a position to pay the amount of this assessment, it might go into bankruptcy. Taking into account that I-Pac Asia has currently no activities and only limited assets, and that there are no tax treaties between Hong Kong and the Netherlands, we estimate that the consequences for the group of the foregoing are limited. It cannot be ruled out that if this claim proves to be valid, additional claims may be submitted for subsequent years.

Save as disclosed above, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which InnoConcepts is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on InnoConcepts and/or the Group’s financial position or profitability.

### **Independent Auditors**

Our consolidated financial statements as of and for the years ended 31 December 2006, 2007 and 2008 have been audited by Deloitte Accountants, independent auditors. Each of their reports, in respect of such years, expresses unqualified opinions. Deloitte Accountants has given, and has not withdrawn, its consent to the inclusion of its reports and the reference to it in this Prospectus in the form and context in which they are included. Deloitte Accountants is a member of Royal NIVRA (*Koninklijk Nederlands Instituut van Registeraccountants*) and is located at Admiraliteitskade 50, 3063 ED, Rotterdam, The Netherlands.

### **Availability of Documents**

Copies of

- this Prospectus;
- the Articles of Association;
- the deed of incorporation of InnoConcepts; and
- the annual reports, including the financial statements of the Company for the years ended 31 December 2008, 2007 and 2006;

may be obtained free of charge for a period of twelve months from the date of this Prospectus by sending a request in writing or by fax or email to InnoConcepts or the Listing, Subscription and Paying Agent at any one of the following addresses:

**InnoConcepts N.V.**

InnoConcepts N.V.  
Eerste Barendrechtseweg 58-62  
2992 XC Barendrecht  
The Netherlands  
Email: [info@inno-concepts.com](mailto:info@inno-concepts.com)

**ING Bank N.V.**

ING Bank N.V.  
Van Heenvlietlaan 220  
1083 CN Amsterdam  
The Netherlands  
Email: [iss.pas@ing.nl](mailto:iss.pas@ing.nl)

In addition, copies of this Prospectus and any supplement thereto, if any, may be obtained through the website of Euronext Amsterdam at [www.euronext.com](http://www.euronext.com).

Moreover, copies of the annual reports of the Company for the years ended 31 December 2008, 2007 and 2006 may be obtained through our website at [www.inno-concepts.com](http://www.inno-concepts.com).

## DEFINITIONS

<b>AFM</b>	Netherlands Authority for the Financial Markets ( <i>Autoriteit Financiële Markten</i> )
<b>AIM</b>	the Alternative Investment Market of the London Stock Exchange
<b>Alternext Paris</b>	the multilateral trading facility organised by Euronext Paris SA
<b>Articles of Association</b>	the articles of association of the Company, as most recently amended on 6 October 2009
<b>CGU</b>	cash generating unit
<b>CEO Commitment Letter</b>	The subscription and private placement agreement between Mr N. Mehra and the Company, describing the terms and conditions of Mr N. Mehra's commitment to exercise all Rights granted to him and his additional commitments in the amount of up to €4.2 million, dated 18 November 2009
<b>Cheng Meng</b>	Cheng Meng Plastic Production (Dongguan) Limited
<b>China</b>	the People's Republic of China
<b>Closing Date</b>	the day of payment for and delivery of the Offer Shares, which is expected to be 23 December 2009
<b>Code</b>	the Dutch corporate governance code published by the Dutch Corporate Governance Committee ( <i>Commissie Tabaksblat</i> )
<b>Commitment Letters</b>	The respective letters between each of (i) Delta Lloyd Levensverzekering N.V., (ii) B.V. Algemene Holding & Financierings Maatschappij, (iii) Invesco Asset Management Ltd. and (iv) Mercurius Beleggingsmaatschappij B.V. and the Company, describing the terms and conditions of the Committed Subscriber's commitments in the amount of up to €7.6 million, dated 18 November 2009, 1 December 2009 and 2 December 2009
<b>Committed Overdraft Facility</b>	The total Uncommitted Overdraft Facility which will be committed for three years until 31 December 2012
<b>Committed Subscribers</b>	Delta Lloyd Levensverzekering N.V. Spaklerweg 4 1096 BA Amsterdam The Netherlands  B.V. Algemene Holding & Financierings Maatschappij Diemerhof 42 1112 XN Diemen The Netherlands

	Invesco Asset Management Ltd. 30 Finsbury Square Londen AC2A 1AG England
	Mercurius Beleggingsmaatschappij B.V. Akerstraat 126 Postbus 299 6400 AG Heerlen The Netherlands
<b>Company</b>	InnoConcepts N.V.
<b>Converter</b>	producer of plastic packaging products
<b>Deloitte Accountants</b>	Deloitte Accountants B.V.
<b>DiamondBox</b>	DiamondBox International B.V.
<b>EEA</b>	European Economic Area
<b>Eligible Person</b>	any person who is not an Ineligible Person
<b>Euroclear Nederland</b>	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V., trading under the name “Euroclear Nederland”
<b>Euronext Amsterdam</b>	Euronext Amsterdam by NYSE Euronext, the regulated market of Euronext Amsterdam N.V.
<b>Excess Amount</b>	the aggregate proceeds for the Rump Shares offered and sold in the Rump Offering, after deduction of selling expenses (including any value added tax) exceed the aggregate Issue Price for such Rump Shares
<b>Facilities Agreement</b>	facilities agreement between the Company and ING, dated 25 July 2008, as amended on 21 August 2009 by the Waiver and Amendment Agreement
<b>FSA</b>	Dutch Financial Supervision Act ( <i>Wet op het financieel toezicht</i> )
<b>Formy</b>	Formy Tachov S.r.o.
<b>Founders SAS</b>	Founders-SAS Production Limited
<b>General Meeting of Shareholders</b>	general meeting of shareholders of the Company
<b>Group</b>	InnoConcepts and its consolidated subsidiaries
<b>Hoogerman Group</b>	Hoogerman Holding B.V. and its subsidiaries
<b>HTP</b>	HTP Tooling B.V.
<b>IAC</b>	International Automotive Components Group
<b>ICH</b>	InnoCleaning Concepts Holding B.V.
<b>IFRS</b>	International Financial Reporting Standards as endorsed by the EU

<b>IM Technology</b>	the I-Pac’s method of using the injection moulding technology as described in “Business – I-Pac Business – Injection Moulding, the I-Pac way”
<b>IMH</b>	InnoCleaning Magma Holding B.V.
<b>Ineligible Jurisdiction</b>	any jurisdiction outside The Netherlands and Belgium wherein the Offer Shares may not be offered pursuant to the selling and transfer restrictions as described under “Selling and Transfer Restrictions”
<b>Ineligible Person</b>	any Shareholder or other person residing in an Ineligible Jurisdiction or person with a citizenship from an Ineligible Jurisdiction such that he cannot lawfully participate in the Offering
<b>ING</b>	ING Bank N.V., a public limited liability company ( <i>naamloze vennootschap</i> ) incorporated in The Netherlands, having its corporate seat in Amsterdam and its business address at Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands
<b>InnoCleaning Concepts</b>	InnoCleaning Concepts Holding B.V.
<b>I-Pac</b>	I-Pac Technologies N.V.
<b>I-Pac Asia</b>	I-Pac Manufacturing Asia Ltd. (Hong Kong)
<b>Issue Price</b>	€0.52 per Offer Share
<b>KBC PE</b>	KBC Private Equity N.V.
<b>Listing Agent</b>	ING
<b>Loan Notes</b>	the 8.5% fixed unsecured convertible loan notes for an amount of £15 million issued by Proventec
<b>Magma</b>	the combined businesses of Magma Applications B.V. and Magma Industries B.V.
<b>Major Shareholder</b>	a shareholder as listed in section “Major Shareholders and Related Party Transactions – Major Shareholders”
<b>Management Board</b>	the management board of the Company
<b>MINT</b>	MINT Investments B.V.
<b>New Investor</b>	Stichting Value Partners Family Office, Dorpsstraat 26, 2841 BJ Moordrecht, The Netherlands
<b>New Investor Commitment Letter</b>	the subscription agreement between Stichting Value Partners Family Office and the Company describing the terms and conditions of Stichting Value Partners Family Office’s commitment in the amount of up to €3.0 million dated 18 November 2009
<b>Novem</b>	Novem International B.V.
<b>Offer Shares</b>	52,263,352 new Ordinary Shares offered at the Issue Price

<b>Offering</b>	the Rights Offering and the Rump Offering
<b>Order</b>	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005
<b>Ordinary Shares</b>	the ordinary shares in the capital of the Company with a nominal value of €0.01 each
<b>Osprey DeepClean</b>	Osprey DeepClean Ltd.
<b>Paying Agent</b>	ING
<b>Private Placement</b>	potential private placement of Ordinary Shares at TERP to the Company's CEO, Mr N. Mehra, for the remaining portion of the amount of €4.0 million of Mr N. Mehra's underwriting commitment that was not absorbed in the Rump Offering
<b>Private Placement Closing Date</b>	the day of payment for and delivery of the Private Placement Shares, which is expected to be 23 December 2009
<b>Private Placement Shares</b>	the Ordinary Shares offered in the Private Placement to the Company's CEO, Mr N. Mehra, at TERP
<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and of the Council of the European Union
<b>Proventec</b>	Proventec Plc, a public limited liability company incorporated in England and Wales (Registered Number 4134409), listed on AIM and Alternext by Euronext Paris and having its registered office at Knight's Quarter, 14 St John's Lane, London EC1M 4AJ, England
<b>Qualified Investor</b>	has the meaning as described in Article 2(1)(e) of the Prospectus Directive (including any relevant implementing measure in each relevant member state of the EEA)
<b>PTI</b>	Plastics Inc.
<b>Record Date</b>	17:40 hours CET on 10 December 2009
<b>Regulation S</b>	Regulation S under the Securities Act
<b>Relevant Person</b>	persons to whom the Prospectus may lawfully be communicated in the United Kingdom
<b>Rights</b>	the transferable subscription rights granted to the existing Shareholders under the Rights Offering, which entitle Eligible Persons to subscribe for 2 Offer Shares for every 1 Right held
<b>Rights Offering</b>	the granting of Rights to existing Shareholders, the exercise of which entitles Eligible Persons to subscribe for the Offer Shares at the Issue Price
<b>Rump Offering</b>	a private placement with institutional investors in The Netherlands or elsewhere of the Rump Shares

<b>Rump Shares</b>	the Offer Shares that were issuable upon the exercise of Rights, but have not been subscribed for before the end of the Subscription Period
<b>SAS</b>	Schoeller Arca Systems N.V., a 100% subsidiary of Schoeller Arca Systems Holding B.V.
<b>Securities Act</b>	the U.S. Securities Act of 1933, as amended
<b>Senior Management</b>	the senior management of the Company
<b>Sole Bookrunner</b>	ING
<b>Sole Global Coordinator</b>	ING
<b>Subscription Agent</b>	ING
<b>Subscription Period</b>	the period from 8 December 2009 until 15:00 hours CET on 17 December 2009 when eligible holders of Rights may subscribe for Offer Shares
<b>Supervisory Board</b>	the supervisory board of the Company
<b>TEA</b>	TEA Group Ltd.
<b>TEA Convertible Loan Note</b>	the TEA USD 3.5 million 7% convertible loan note 2008
<b>TERP</b>	Theoretical Ex-Rights Price, being €0.95 per share
<b>TWIM</b>	TWIM Packaging International B.V.
<b>Underwriter</b>	ING
<b>Underwriting Agreement</b>	the underwriting agreement between InnoConcepts and the Sole Global Coordinator dated 4 December 2009
<b>Unexercised Rights Payment</b>	the right of each holder of a Right that was not exercised at the end of the Subscription Period to receive a part of the Excess Amount in cash proportional to the number of unexercised Rights reflected in such holder's securities account as long as that amount exceeds €0.01 per unexercised Right
<b>Waiver and Amendment Agreement</b>	waiver and amendment agreement, dated 21 August 2009, between the Company and ING amending the Facilities Agreement, dated 25 July 2008
<b>WNA</b>	WNA Holdings, Inc.

## GLOSSARY OF SELECTED TERMS

<b>Cleaning market</b>	the market for specialist cleaning technologies and systems
<b>Coating</b>	a coating is a covering that is applied to an object to protect it or change its appearance
<b>Injection moulding technology</b>	a technology for the production of plastic products
<b>In-mould labelling technology</b>	a technology for decorating plastic products
<b>Media packaging</b>	packaging for CDs, DVDs, cards and other media applications
<b>Plastic packaging</b>	packaging made from plastic material
<b>Plastics market</b>	the market for plastic packaging
<b>PVC</b>	“polyvinyl chloride” or “vinyl”, a thermoplastic polymer
<b>Transport packaging</b>	packaging designed for the purposes of the movement of goods



## **INDEX TO FINANCIAL STATEMENTS**

1. Unaudited condensed financial statements for the six months ended 30 June 2009;
2. Auditors' Review Report;
3. Audited consolidated financial statements for the year ended 31 December 2008;
4. Company 2008 financial statements; and
5. Auditors' Report.

**UNAUDITED CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

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

<b>in € thousands</b>	<b>30 June 2009</b>	<b>31 December 2008</b>
<b>NON-CURRENT ASSETS:</b>		
Property, plant and equipment	30,258	26,875
Intellectual property rights and development costs	25,239	24,468
Goodwill and acquisition-related intangible assets	5,653	5,893
Investments in associates	33,909	37,399
Loans and non-current receivables	14,643	19,592
Deferred tax assets	8,475	-
Derivatives	118	118
	118.295	114,345
<b>CURRENT ASSETS:</b>		
Inventories	784	792
Trade and other receivables	24,489	17,713
Tax receivable	2,292	472
Cash and cash equivalents	402	4,015
	27,967	22,992
<b>TOTAL ASSETS</b>	<b>146.262</b>	<b>137,337</b>
<b>EQUITY:</b>		
Share capital	258	231
Reserves	89,513	102,737
Unappropriated result	-17,630	-21,482
Equity attributable to shareholders	72,141	81,486
Minority interests	265	71
Group equity	72,406	81,557
<b>NON-CURRENT LIABILITIES AND PROVISIONS:</b>		
Long term loans and other liabilities	36,384	35,484
Deferred tax liabilities	8.454	1,429
	44.838	36,913
<b>CURRENT LIABILITIES:</b>		
Trade and other payables	26,512	15,144
Tax payable	2,506	3,723
	29.018	18,867
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>146,262</b>	<b>137,337</b>

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

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

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

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

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

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

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

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

## Notes to the condensed consolidated financial statements

### 1. BASIS OF PREPARATION

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

IAS 1 (revised 2007) Presentation of financial statements.

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

IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009).

IFRS 8 is a disclosure Standard that has not yet resulted in a redesignation of the Group's reportable segments, and has had also no impact on the reported results or financial position of the Group. The reportable segments might be adjusted due to the implementation of InnoConcepts' revised strategy.

### 3. TAXES

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

### 4. EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30 June 2009</b>	<b>30 June 2008</b>
Earnings for the purpose of basic and diluted earnings per share for the period attributable to the equity holders of the parent (in € thousands)	-17,630	7,408
Weighted average number of shares for the purpose of basic and diluted earnings per share (in thousands)	23,114	22,557

### 5. DIVIDEND

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

## 6. SEGMENT INFORMATION

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

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

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

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

## 7. ACQUISITION OF SUBSIDIARIES

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

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

Non-current assets:

Property, plant and equipment	2,760
Intellectual property rights and development costs	1,969

Current assets:

Inventories	11
Trade and other receivables	114
Non-current liabilities	-1,342
Current liabilities	-3,512
Net assets acquired	-
Consideration	-
Goodwill	-

## 8. IMPAIRMENTS

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

## 9. BORROWINGS

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

## 10. ISSUED CAPITAL

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

## 11. FINANCIAL GUARANTEE

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

## 12. CONTINGENCIES AND COMMITMENTS

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

## 13. RELATED PARTY TRANSACTIONS

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

Since 2008 InnoConcepts N.V. has a representative in the board of her Chinese partner for multimedia packaging. Per 30<sup>th</sup> June 2009 the total balance outstanding resulting of the license and asset use agreement is €22,455,000. Currently it is intended that the following amendments will be made on the existing agreements: a new repayment scheme is being negotiated whereby InnoConcepts N.V. will obtain a right to convert her receivable into a majority share holding at her discretion in a event of

default under this repayment scheme. This agreement may result in a waiver for future royalties which may be due under the existing agreements together with limited short term funding of working capital. For the period ending June 30<sup>th</sup> 2009 the minimum royalties have not been accounted for in anticipation of the renegotiated agreement(s).

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

#### **14. SUBSEQUENT EVENTS**

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

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

#### **15. APPROVAL**

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

## **AUDITORS' REVIEW REPORT**

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

### **INTRODUCTION**

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

### **SCOPE**

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

### **CONCLUSION**

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

**Rotterdam, 31 August 2009**

**Deloitte Accountants B.V.**

**K.G. Tan RA**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

**CONSOLIDATED BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2008  
(BEFORE PROFIT APPROPRIATION)**

<b>In € 000s</b>	<b>Notes</b>	<b>2008</b>	<b>2007</b>
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	3.1	26,875	13,560
Intellectual property rights and development costs	3.2	24,468	12,141
Goodwill and acquisition-related intangible assets	3.3	5,893	10,849
Investments in associates	3.4	37,399	18,553
Loans and non-current receivables	3.5	19,592	36,584
Derivatives	3.6	118	444
		114,345	92,131
<b>CURRENT ASSETS:</b>			
Inventories	3.7	792	17,289
Trade and other receivables	3.8	17,713	27,013
Tax receivable	3.9	472	64
Cash and cash equivalents	3.10	4,015	14,181
		22,992	58,547
<b>TOTAL ASSETS</b>		<b>137,337</b>	<b>150,678</b>
<b>EQUITY:</b>			
Share capital	3.11	231	227
Reserves	3.11	102,737	87,252
Retained earnings	3.11	-21,482	17,918
Equity attributable to shareholders	3.11	81,486	105,397
Minority interests	3.12	71	728
<b>Group equity</b>		<b>81,557</b>	<b>106,125</b>
<b>NON-CURRENT LIABILITIES AND PROVISIONS:</b>			
Long-term loans and other liabilities	3.13	35,484	21,696
Deferred tax liabilities	3.9	1,429	2,238
		36,913	23,934
<b>CURRENT LIABILITIES:</b>			
Trade and other payables	3.15	15,144	15,692
Tax payable	3.9	3,723	4,927
		18,867	20,619
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>137,337</b>	<b>150,678</b>

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

In € 000s	Notes	2008	2007
Sales intellectual property rights	4.1	33,661	18,712
Sales trading activities and production	4.1	16,748	8,920
Total sales		50,409	27,632
Interest on finance leases	4.1	648	908
Total revenue		51,057	28,540
Cost of sales intellectual property rights		-	-980
Cost of sales trading activities and production		-5,768	-5,390
		-5,768	-6,370
		45,289	22,170
Depreciation of property, plant and equipment	4.2	-3,181	-439
Amortisation of intellectual property rights and development costs	4.2	-4,758	-2,429
General administrative expenses	4.3 - 4.4 - 4.5 - 4.6	-22,269	-5,637
		30,208	-8,505
Operating result		15,081	13,665
Interest income		2,503	2,120
Interest expense		-2,207	-2,064
Impairment of derivatives		-258	-242
Result of associates	3.4	-84	249
Profit on sale of group companies		-	6,996
Dilution gains and losses		-16	262
Negative goodwill		-	947
Impairment of assets	4.7	-36,980	-
Result before taxes		-21,961	21,933
Taxes	4.8	-193	-4,072
Result for the year		-22,154	17,861
Result attributable to:			
Shareholders		-21,482	17,918
Minority interests		-672	-57
		-22,154	17,861
Earnings per share			
Basic	4.9	€-0.94	€0.81
Diluted	4.9	€-0.94	€0.81

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

In € 000s	Notes	2008	2007
Cash flow from operating activities:			
<b>Net result</b>		<b>-22,154</b>	<b>17,861</b>
Adjustments for:			
Depreciation of property, plant and equipment	3.1 - 4.2	3,181	439
Amortisation of intellectual property rights and development costs	3.3 - 4.2	4,758	2,429
Non-cash revenue		-29,591	-6,234
Impairment of assets	4.7	36,980	-
Taxes	3.9 - 4.8	193	4,072
Interest income		-2,503	-2,120
Interest expense		2,207	2,064
Impairment of derivatives		258	242
Result on associates		84	-249
Profit on sale of group company		-	-6,996
Dilution gains and losses		16	-262
Negative goodwill		-	-947
		<b>15,583</b>	<b>-7,562</b>
Cash flow before movements in working capital and provisions			
		-6,571	10,299
Movements in trade and other receivables	5	-1,125	1,449
Movements in inventories	5	-688	-6,424
Movements in trade and other payables	5	-2,514	292
		<b>-4,327</b>	<b>-4,683</b>
		<b>-10,898</b>	<b>5,616</b>
Tax paid	3.9	-2,552	-443
<b>Net cash flow from operating activities:</b>		<b>-13,450</b>	<b>5,173</b>
Cash flow from investing activities:			
	3.1	1,325	99
Disposals of property, plant and equipment	3.2	-	980
Disposal of intellectual property rights		-	-2,988
Acquisition of group companies		-	2,487
Additions to property, plant and equipment	3.1 - 5	-1,222	-8,618
Additions to intellectual property right	3.2	-9,968	-2,590
Development of intangible assets	3.3	-6,439	-2,745
<b>Net cash flow from investing activities</b>		<b>-16,304</b>	<b>-13,375</b>
Cash flow from financing activities:			
Share issue		-	19,391
Additions to long-term loans and other liabilities	3.13	37,900	-
Repayment of long-term loans and other liabilities	3.13	-23,257	-1,615
Additions to loans from credit institutions	3.15	615	-
Dividend paid		-2,102	-2,170
Loans granted and non-current receivables	3.5	-2,084	-14,522
Repayments received on loans and non-current receivables	3.5	7,131	8,389
Interest paid		-2,139	-2,064
Interest received		2,503	2,120
<b>Net cash flow from financing activities</b>		<b>18,567</b>	<b>9,529</b>
<b>Net cash flow for the year</b>		<b>-11,187</b>	<b>1,327</b>
Cash and cash equivalents at 1 January			
		14,181	12,577
Effect of foreign exchange rate fluctuations on cash and cash equivalents on hand			
		1,021	277
Cash and cash equivalents at 31 December			
		<b>4,015</b>	<b>14,181</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Reserve for translation differences	General reserve	Unappropriated results	Equity attributable to shareholders	Minority interests	Total group equity
<b>In €000s</b>								
At 1 January 2007	213	22,928	-2,958	43,990	13,053	77,226	-	77,226
Net profit for the year 2007 before dividend	-	-	-	-	17,918	17,918	-57	17,861
Exchange rate fluctuations on investments in foreign associates	-	-	-6,968	-	-	-6,968	-	-6,968
Total result for the year 2007	-	-	-6,968	-	17,918	10,950	-57	10,893
Profit appropriation	-	-	-	13,053	-13,053	-	-	-
2006 dividend paid in cash	-	-	-	-2,170	-	-2,170	-	-2,170
2006 stock dividend paid	-	-2,298	-	-	-	-2,298	-	-2,298
Issue of shares for stock dividend	1	2,297	-	-	-	2,298	-	2,298
Issue of ordinary shares	13	19,738	-	-	-	19,751	-	19,751
Costs incurred on the issue of ordinary shares	-	-360	-	-	-	-360	-	-360
Acquisition of minority interests	-	-	-	-	-	-	785	785
	14	19,377	-	10,883	-13,053	17,221	785	18,006
At 31 December 2007/1 January 2008	227	42,305	-9,926	54,873	17,918	105,397	728	106,125
Result for the year 2008 before dividend	-	-	-	-	-21,482	-21,482	-672	-22,154
Exchange rate fluctuations on investments in foreign associates	-	-	-327	-	-	-327	15	-312
Total result for the year 2008	-	-	-327	-	-21,482	-21,809	-657	-22,466
Result appropriation	-	-	-	17,918	-17,918	-	-	-
2007 dividend paid in cash	-	-	-	-2,102	-	-2,102	-	-2,102
2007 stock dividend paid	-	-3,339	-	-	-	-3,339	-	-3,339
Issue of shares for stock dividend	4	3,335	-	-	-	3,339	-	3,339
	4	-4	-	15,816	-17,918	-2,102	-	-2,102
At 31 December 2008	231	42,301	-10,253	70,689	-21,482	81,486	71	81,557

### 1. GENERAL INFORMATION

InnoConcepts N.V. is a public limited liability company (*Naamloze Vennootschap*) governed by Dutch law, established in the Netherlands and listed on Euronext Amsterdam. The company's registered office is in Rotterdam. Its office address is Rivium Quadrant 90, 2909 LC Capelle aan den IJssel.

The consolidated financial statements of InnoConcepts N.V. consist of the company's financial statements and those of its subsidiary companies. For a list of all the subsidiary companies, reference is made to page 63 of the financial statements.

InnoConcepts' core activity is the marketing of innovations and creating value during this process. The focus of InnoConcepts' operational activities is mainly on I-Pac Technologies N.V. I-Pac's principal activity is developing, protecting and licensing innovative technologies and products for the plastic packaging industry.

For its company income statement, InnoConcepts N.V. availed itself of the exemption pursuant to Article 402, Part 9 of Book 2 of the Netherlands Civil Code.

The Management Board and Supervisory Board signed the financial statements on 29 April 2009 and gave their permission to publish them. The adoption of the financial statements and the dividend is the prerogative of the shareholders in the General Meeting of Shareholders.

## **2. SIGNIFICANT ACCOUNTING POLICIES AND PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

### **2.1 Adoption of IFRS**

The consolidated financial statements have been drawn up in accordance with International Financial Reporting Standards and the interpretations agreed to by the International Accounting Standards Board (IASB), as endorsed by the European Union (hereafter: IFRS).

In the financial year under review, InnoConcepts applied all new and revised standards as well as the interpretations as issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) as far as relevant to the operations and annual reporting as from 1 January 2008. Application of these new and/or revised standards and interpretations did not result in any change in InnoConcepts' accounting policies.

In addition, new standards as well as changes to and interpretations of existing IFRS standards were published that have to be applied to reporting years starting on or after 1 January 2009.

These standards are:

- IFRS 8: 'Operating segments'
- Revised IAS 23: 'Borrowing costs'
- Revised IAS 1: 'Presentation of financial statements'
- Revised IAS 3: 'Business Combinations'
- Amended IAS 27: 'Consolidated and separate financial statements'
- Amendment to IFRS 2: 'share based Payment'
- IFRIC 13: 'Customer Loyalty Programs'
- IFRIC 15: 'Agreements for the Construction of Real Estate'
- IFRIC 16: 'Hedges of a Net Investment in a Foreign Operation'
- IFRIC 17: 'Distributions of Non-Cash Asset to Owners'
- IFRIC 18: 'Transfer of Assets from Customers'
- Amendment to IAS 39, 'Financial Instruments: Recognition and Measurement'

InnoConcepts has not opted for early implementation of the standards, changes and interpretations applicable to it. These new standards are not expected to affect the recognition and presentation of InnoConcepts' assets and liabilities for future periods.

## **2.2 Basis of Consolidation**

The reporting currency of these financial statements is the euro; this currency is InnoConcepts' functional currency. The financial statements are drawn up based on the historical cost convention, with the exception of derivative financial instruments, which are recognised at fair value. Both current (settlement within one year) and non-current (settlement after one year) assets and liabilities are directly presented as such in the balance sheet. Current receivables and payables are not discounted. The preparation of the financial statements requires management to make estimates, assessments and assumptions, which can affect the valuation of assets, liabilities, revenue and expenses. The assessments made and the related assumptions are based on experience and various other factors considered reasonable under the given circumstances. Actual results can vary from assessments made. Management estimates involving a significant risk of material adjustments to the financial statements and the control measures in this regard are explained in more detail in Section 2.6 and Section 7. The accounting policies as set out below have been consistently applied in all the periods covered by these financial statements.

## **2.3 Consolidation Principles**

The consolidated financial statements consist of the accounts of InnoConcepts N.V. and of its subsidiary companies. Subsidiary companies are legal entities whose financial and operating activities can be controlled directly or indirectly by InnoConcepts N.V. through a shareholding that entitles it to cast more than 50% of the votes. Subsidiary companies are consolidated from the initial moment of control until the time this control ends. Inter-company balances, revenue and costs resulting from intra-group transactions and unrealised profits on intra-group supplies are eliminated. Unrealised profits and losses on inter-company transactions are likewise eliminated, unless the assets transferred are the subject of impairment.

## **2.4 Business Combinations**

Business combinations resulting in a controlling interest in the acquired entities are recognised using the acquisition method of accounting. The cost of an acquisition is determined based on the fair value of the assets given, the issued equity instruments and the liabilities contracted or assumed on the acquisition date, including directly attributable acquisition costs.

The business combination's cost of acquisition is subsequently allocated to the assets and liabilities of a business taken over which are recognised at their fair value on the acquisition date, including the estimated fair value of identified intangible assets and contingent liabilities. If the cost of the net assets acquired is higher than their fair value, the excess is recognized as goodwill. Goodwill is taken to the income statement the moment the subsidiary company is disposed of. Negative goodwill or badwill in connection with an acquisition is taken directly to the income statement.

The equity transaction method is used for the expansion of interests in subsidiary companies that InnoConcepts N.V. already controls. Under this method, the acquisition of the additional interest is perceived as a transaction between owners, with goodwill being charged to equity.

Goodwill is allocated to the cash-generating units for impairment testing purposes. For impairment testing purposes, goodwill is attributed to the cash-generating units or groups of cash-generating units to which the benefits of the acquisition that gave rise to the goodwill are expected to accrue. Goodwill is tested whenever indications suggest that impairment is a possibility but at least once a year. Management determines the realisable value of cash-generating units for which goodwill has been recognized by identifying the higher of the fair value less selling costs and the value in use.

Value in use is arrived at using the discounted cash flow method allowing for any residual value. These calculations are based on the future cash flows of current operating results and the expected future

operating results based on business plans and market developments. These business plans, which are drawn up by management, basically cover a period of 5 to 10 years. Cash flows subsequent to this period are extrapolated, using growth rates regarded as acceptable based on developments expected in the cash-generating units' industry. In principle, these growth rates will not exceed the average of the industry in which the cash-generating unit operates, unless a higher growth rate is justified. The discount rate used in the calculations consists of the risk-free market interest rate, plus a surcharge for the risks attaching to the asset.

## **2.5 Impairment of Assets**

The carrying amount of assets, save for deferred tax assets, is reviewed for impairment every time events or changes in circumstances indicate that the carrying amount might not be realised. Where such indications are present, the realisable value of the asset concerned is determined. Where this is not possible, the realisable value of the cash-generating unit of which the asset forms part is determined. For the purpose of impairment testing, assets are grouped at the lowest level on which separate cash flows are identified (cash-generating units). An impairment loss is recognised whenever the carrying amount of an asset is higher than its realisable value; realisable value is the higher of recoverable amount and value in use. Value in use is determined based on the present value of estimated future cash flows. The capital borrowing rates that are used to discount future cash flows are based on both the current market rate, whose term is equal to the term of the estimates, and on the specific risks of the asset and/or the activity itself. An impairment loss is charged directly to the income statement.

Goodwill is allocated to cash-generating units for impairment testing purposes, and is so tested at least annually. Impairment losses related to a cash-generating unit are initially allocated to the carrying amount of the goodwill of the cash-generating unit concerned and are then deducted pro rata from the carrying amount of the other assets of that cash-generating unit. The realisable value of loans and long-term receivables kept until maturity, i.e. non-current financial assets, is determined by discounting the estimated future cash flows to their present value using the original effective interest rate (the effective rate of interest used when these non-current financial assets were initially recognised). Impairment of goodwill is not reversed. Impairment of loans and long-term receivables kept until maturity is reversed if the increase in the realisable value can be objectively attributed to an event that occurred after the moment of impairment. Impairment of other assets is reversed if the estimates used to determine realisable value have changed. An impairment loss is reversed only insofar as the carrying amount of the asset item does not exceed the carrying amount that is determined as if the impairment had not been recognised and which takes into account the original depreciation.

## **2.6 Critical Judgements and Key Sources of Estimation Uncertainty**

InnoConcepts makes estimates and assumptions regarding the future. The resultant budgeted and accounting outcomes will rarely be the same as the actual results. Estimates and assumptions are evaluated on an ongoing basis and are based on experience and other factors, including expectations of future events that are perceived as reasonable based on the circumstances. The following estimates and assumptions bear a significant inherent risk, which could result in material adjustments to the carrying amount of assets and liabilities in the coming year:

### *Impairment of Intangible and Financial Assets*

Where there are indications of impairment and at least once a year, InnoConcepts tests intangible assets and financial assets for impairment. The realisable value of intangible assets, including cash-generating entities, and financial assets is determined using generally accepted valuation techniques, including value-in-use calculations. These calculations and valuations require the use of estimates. Based on these tests, possible impairment must be reported. However, where the actual performance of the underlying activities, businesses and cash-generating units is substantially worse, impairment losses could be

incurred and/or differ from the reported impairment losses. These impairment losses could have a material impact on the carrying amount of intangible and financial assets.

#### *Carrying value of deferred tax assets*

Assumptions play a major role in the determination of deferred tax assets. Many uncertain factors can affect the amount of carry-forward tax losses. InnoConcepts values the carrying amounts of deferred tax assets relating to carry-forward tax losses on the basis of its best estimates. Where actual outcomes differ from the original estimates, the differences will affect taxes and the income statement, as well as the deferred tax assets in the period in which these differences occur.

### **2.7 Foreign Currency Translation**

InnoConcepts operates in countries with different currencies. All companies use the currency of the country in which they operate, i.e. their principal economic environment, as their functional currency. The functional currency of the parent company and that of many of its subsidiary companies is the euro. The reporting currency is the euro. Transactions denominated in currencies other than the functional currency of the company in question are translated at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency of the companies in question are translated at the exchange rates prevailing on the balance sheet date. Non-monetary assets and liabilities denominated in currencies other than the functional currency of the companies in question and recognised at historical cost are translated at the exchange rates prevailing on the date of the transaction. Non-monetary assets and liabilities that are denominated in currencies other than the functional currency of the companies in question and recognised at fair value, are translated at the exchange rates prevailing on the date the fair value was determined. Exchange rate differences relating to cash and cash equivalents, interest-bearing debts and other balance sheet items are included in general administrative expenses. In the case of foreign activities, the assets and liabilities relating to activities – including goodwill and fair value adjustments on consolidation – denominated in currencies other than the euro, are translated at the exchange rates prevailing on the balance sheet date. The income statements regarding these activities denominated in currencies other than the euro are translated at average rates of exchange. On acquisition of a subsidiary company that has a currency other than the euro, the balance sheet on the date of acquisition is translated at the exchange rate prevailing on the date of acquisition. Translation differences on consolidation resulting from the translation of the net investment in subsidiary companies denominated in currencies other than the euro are included in a separate component of equity. In the event of disposing of the foreign activity, these translation differences are transferred to the income statement where they form part of the result on disposal. The net investment in subsidiary companies denominated in a currency other than the euro includes the reporting entity's monetary interest in the net assets of these subsidiary companies and where appropriate the reporting entity's loans to these subsidiary companies that are neither expected nor planned to be withdrawn in the near future.

### **2.8 Property, Plant and Equipment**

Property, plant and equipment are recognised at historical cost net of accumulated depreciation and impairment. Whenever an asset consists of several components with differing useful lives, depreciation is calculated straight-line in accordance with the useful lives of the various components.

### **2.9 Intangible Assets**

#### *Goodwill and acquisition-related intangible assets*

If the cost of acquisition of a business combination exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess thereof, the goodwill, is initially recognised at cost.

Goodwill created during acquisitions represents payments made by InnoConcepts in the expectation of future economic benefits from assets that are not individually identifiable and separately recognisable.

Following initial recognition, the goodwill is recognised at cost less any cumulative impairment costs. Goodwill created during the acquisition of subsidiaries (in case of business combinations) is reported as an intangible asset. Goodwill created as part of the acquisition of associates in which the company does not exercise or acquire control, is included in the acquisition cost of the associate.

Goodwill is taken to the income statement the moment the subsidiary company is disposed of. Negative goodwill or badwill in connection with an acquisition is taken directly to the income statement. Acquisition-related intangible assets, such as technology, knowledge, intellectual property rights, order books, client files and trademarks acquired by InnoConcepts on the basis of a business combination are recognised at cost less cumulative amortisation and impairments. The cost of acquiring acquisition-related intangible assets is equal to the fair value at the time of acquisition. The fair value is based on the estimated amount that an entity would have paid in a transaction between independent well-informed parties who are prepared to enter into a transaction based on the best available information at the time. If the fair value of an asset cannot be reliably determined, the relevant asset is recognised as part of the goodwill rather than as a separate item.

#### *Intellectual property rights and development costs*

Intellectual property rights are recognised at cost, net of amortisation. The period of amortisation is based on estimated useful economic life, subject to a maximum of three years. Impairment is taken into account when appropriate. The costs of research, undertaken with the object of acquiring new scientific and technical knowledge, are charged to the income statement as and when incurred.

The costs incurred on development work, in which the results of research are applied among other things for the production and creation of substantially improved or new products, processes and technologies, are deferred if the process, product or technology is technically and commercially viable and InnoConcepts has sufficient resources to complete the development work. The cost of development work – and notably the deferred costs of direct and hired staff and of materials, if any – is made up of the costs incurred, net of the amortisation based thereon, and spread over the expected useful economic life, subject to a maximum of five years. Impairment is taken into account as applicable.

## **2.10 Financial Assets**

### *Associates*

Investments in non-consolidated associates are recognised in accordance with the equity method of accounting. Under this method, an investment in an associate is initially recognised at cost. The carrying amount of the associate is then increased or decreased by the share in the associate's post-acquisition profit or loss. Distributions (dividends) received from an associate reduce the carrying amount of the investment. Direct changes in the equity of an associate, such as currency translation differences and revaluations, are taken directly to equity. Currency translation differences on foreign associates are taken directly to equity. On disposal or termination of the investment, cumulative exchange rate gains and losses are taken to the income statement. The carrying amount of associates is adjusted for impairment when appropriate. If a stock price is available it is first used for determining the impairment. If a stock price is not available or if it does not produce an accurate statement of the value due to insufficient liquidity, then the share of InnoConcepts' in the present value of the estimated future cash flows that are projected to be generated by the associate will be used.

### *Finance Leases*

A lease qualifies as a finance lease when substantially all the risks and benefits associated with ownership of an asset are transferred under the lease. Assets held under a finance lease are presented in the balance sheet as receivables at an amount equal to the gross investment in the lease, less the unrealised financial income: i.e. the net investment in the lease. The financial income is recognised in the income statement on an annuity basis over the term of the lease.

### *Loans and Non-current Receivables*

Convertible loans are compound financial instruments consisting of a loan constituent and a derivative: the conversion right. The conversion right is presented separately as a derivative. Loans, excluding any financial instruments forming part of the loans, and long-term receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method, less impairment adjustments, such as provisions for bad debts. Impairment adjustments are recognised based on objective factors and indications.

### *Derivatives*

Derivative financial instruments are recognised at fair value using generally accepted valuation techniques. If there is an active market for the derivative financial instruments, they are recognised at the quoted market price. If fair value cannot be determined in a reliable manner, derivative financial instruments are recognised at cost. Compound derivative financial instruments are separated from the basic contract and recognised at fair value using generally accepted valuation techniques. If there is an active market for the derivative financial instruments, they are recognised at the quoted market price. If the fair value of the separated individual derivative financial instrument cannot be determined in a reliable manner, the entire compound contract is held as a financial asset or financial liability for trading purposes.

### *Other Financial Assets*

Other financial assets are recognised at cost. Movements in the carrying amount of other financial assets are taken directly to the income statement.

## **2.11 Inventories**

Inventories are recognised at the lower of cost and fair value less costs to sell. The cost of inventories includes all purchasing costs, conversion costs and other costs to bring the inventories to their current location and in their current state. The cost of inventories is determined using the weighted average transfer pricing method.

## **2.12 Construction contracts**

Construction contracts consist of agreements specifically negotiated for the manufacture of an asset or combination of assets that in terms of their purpose or use are closely related. Construction contracts are valued using the Percentage of Completion method, whereby the costs and revenues of the project are taken to the income statement as income and expenses in proportion to the project's stage of completion at the balance sheet date. Expected losses on the projects in progress are immediately recognised in the income statement as an expense.

Instalments invoiced in advance on construction contracts are reduced by provisions for future losses recognised under other receivables, if any. Instalments on construction contracts that have been invoiced in advance are augmented by provisions for future losses recognised under other liabilities, if any.

### **2.13 Trade and Other Receivables**

Trade and other receivables are initially stated at fair value and thereafter at amortised cost, using the effective interest method, less a provision for impairment. A provision for the impairment of trade and other receivables is formed whenever it is likely that InnoConcepts will not be in a position to collect these receivables. The amount of the provision is equal to the difference between the carrying amount of the receivable and the present value of the estimated future cash flows. Impairment losses are charged to the income statement.

### **2.14 Cash and Cash Equivalents**

Cash and cash equivalents comprise bank balances, short-term deposits, cash and other liquid investments that are convertible into cash at a known amount. Cash and cash equivalents are recognised at their face value.

### **2.15 Equity**

Ordinary shares are classified as equity. The dividend distribution on ordinary shares is recognised as a liability in the period in which the dividend is declared by the shareholders of the company. In the case of a new share issue, the proceeds less directly attributable costs are included in equity under share capital and, where applicable, under share premium.

### **2.16 Non-current and Other Liabilities**

Interest-bearing loans (bank and other loans) are initially recognised at fair value less directly attributable transactions costs. Thereafter, the interest-bearing loans are recognised at amortised cost. Finance lease liabilities are recognised as liabilities at the start of the lease period at amounts equal to the lower of fair value of the leased asset and the present value of the minimum lease payments. Both are determined at the time the lease is entered into. The discount rate is the contractual interest rate of the lease agreement. The minimum lease payments are then recognised partly as repayment and partly as finance charges. The finance charges are allocated to each period of the lease in such a way as to result in a constant periodic amount of interest for the remaining term.

### **2.17 Financial Guarantee Contracts**

Financial guarantee contracts are initially recognised at fair value plus transaction costs, if any. They are subsequently recognised at the higher of the amount determined in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets or the amount originally recognised less, where applicable, cumulative amortisation recognised in accordance with IAS 18 – Revenue.

### **2.18 Tax Receivable and Payable**

Tax amounts for the current and past periods receivable and payable forthwith are recognised at the amount expected to be received from, or paid to the tax authorities based on tax rates for which the enactment process has been substantially completed on the balance sheet date. Amounts of tax refundable and due for payment forthwith are presented as tax recoverable and tax payable respectively. Deferred tax assets and liabilities are recognised at the tax rates expected to apply in the period in which the tax asset crystallises or the tax liability is to be settled, and for which the enactment process has been substantially completed on the balance sheet date.

## **2.19 Sales**

Sales of intellectual property rights are understood to mean the fair value of all amounts charged to third parties and considered to have been realised regarding the use of intellectual property rights, including the proceeds of any rights and related client files sold, less discounts and sales tax.

Income from trading activities is understood to mean the fair value of all amounts charged to third parties for the supply of goods and services, less discounts and sales tax.

Sales from production are understood to mean the fair value of all amounts charged and to be charged to third parties in relation to Construction contracts, less discounts and sales tax.

## **2.20 Cost of the sale of trading activities and production**

The cost of trading activities and production includes the cost of the goods and services sold and all directly related costs such as materials, energy, handling, transport, storage, and value adjustments to inventories. The costs of labour and the depreciation of equipment and machines are not included in the cost, but are respectively recognised under general administrative expenses and the depreciation of property, plant and equipment.

## **2.21 Cost of the sale of intellectual property rights**

The cost of the sale of intellectual property rights includes the forfeited amounts related to the realised sales. This cost concerns the carrying amount of the intellectual property portfolios sold that are transferred in their entirety to a licensee and which are not subject to any right of retention.

## **2.22 General Administrative Expenses**

General administrative expenses consist of employee benefits, inclusive of social security contributions and pension contributions, as well as the other general administrative expenses. The costs of research and intellectual property maintenance costs are also recognised under general administrative expenses.

### *Pensions*

InnoConcepts operates several pension plans in accordance with local customs, conditions and laws of the countries in which it has a presence.

One such plan is the Metalektro Industrial Pension Fund. This plan qualifies as a defined benefit plan under the IFRS. This fund has indicated that it is unable to provide information that could serve as a basis for making a calculation in line with the IFRS, because there does not exist a reliable and consistent basis for allocating the pension commitments, the fund's investments and the income and expenditures to individual subscribers of the fund. Further to the above, the referenced plan has been accounted for as a defined benefit plan. There is no reason to suspect that on the basis of the financial position of the fund at 31 December 2008, the amount of the chargeable premiums will change in the future. At 31 December 2008, the funding ratio for the Metalektro Industrial Pension Fund was 90% calculated on the basis of the accounting policies of the Netherlands Pensions Act. The pension fund developed a recovery plan in March 2009 designed to improve the fund's funding ratio. The most important impact on the company is the increase of the total premium to be contributed from 22% to the maximum of 23%. This maximum premium will remain in effect throughout the entire recovery period (2009 – 2013).

The other plans qualify as defined contribution or defined benefit plans funded by contributions to pension institutions not related to InnoConcepts. InnoConcepts does not have any legally enforceable or actual obligations to make supplementary contributions if these institutions unrelated to InnoConcepts

were to have insufficient resources to make payments to all employees in connection with pensions relating to the services performed by employees in current and past periods. The standard contributions as such are recognised as employee benefits for the year in which the obligation arises.

#### *Operating Lease Costs*

Operating lease costs are recognised in the income statement for the period to which they relate.

### **2.23 Interest Income and Expense**

Interest income and expense are recognised in the income statement on a time-prorated basis using the effective interest method.

### **2.24 Taxes**

Taxes on the profit for the year consist of the taxes owing for the reporting year, taxes available for set-off and prior year adjustments in accordance with the tax rates ruling in the countries of establishment. The taxes owing and available for set-off in the reporting period, and the deferred taxes relating to items that have been recognised directly in equity in the reporting period or that were recognised in prior periods, are likewise recognised directly in equity in the reporting period.

### **2.25 Segment Information**

A segment is an identifiable constituent of InnoConcepts that either carries out similar activities (business segment) or carries out activities in a certain economic environment (geographic segment) and whose risk and profitability profiles differ from those of other segments. The information per business segment is the primary segment base, and the information per geographic segment is the secondary segment base. The same accounting principles are applied to segment information as those used for the consolidated financial statements.

### **2.26 Consolidated Cash Flow Statement**

The cash flow statement is prepared using the indirect method. Cash flows in foreign currency are translated at average rates of exchange. Foreign exchange rate differences related to cash resources are shown separately in the cash flow statement. Taxes paid are included in the cash flow from operating activities. Interest paid and received and dividends paid are included in the cash flow from financing activities. The cost paid for the acquisition of associates and the proceeds received for associates disposed of are included under the cash flow from investing activities. The movements in assets and liabilities resulting from the acquisition and disposal of associates are taken into account in determining cash flows. Cash and cash equivalents comprise bank balances, short-term deposits, cash and other liquid investments convertible into cash at a known amount. Expenditures for investing in intellectual property rights and for development are recognised under the cash flow from investing activities.

## **3. NOTES TO THE CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008**

### **3.1 Property, Plant and Equipment**

Property, plant and equipment comprise buildings and premises, plant and machinery (production resources, factory set-up, moulds, and tools) and other operating assets (office furniture and equipment and computer hardware).

In € 000s	Plant and Machinery	Other Operating Assets	Total
Balance at 1 January 2007			
Cost	796	143	939
Accumulated depreciation and impairments	-263	-64	-327
Carrying value at 1 January 2007	533	79	612
Carrying value at 1 January 2007			
Carrying value at 1 January 2007	533	79	612
Additions	8,551	67	8,618
Acquired via business combinations	3,980	888	4,868
Disposals	-99	-	-99
Depreciation	-332	-107	-439
Carrying value at 31 December 2007	12,633	927	13,560
Balance at 31 December 2007			
Cost	23,008	5,098	28,106
Accumulated depreciation and impairments	-10,375	-4,171	-14,54
Carrying value at 31 December 2007	12,633	927	13,560
Carrying value at 1 January 2008			
Carrying value at 1 January 2008	12,633	927	13,560
Additions	18,331	76	18,407
Disposals	-1,325	-	-1,325
Exchange fluctuations on assets held abroad	-3	-1	-4
Impairments	-582	-	-582
Depreciation	-2,949	-232	-3,181
Carrying value at 31 December 2008	26,105	770	26,875
Balance at 31 December 2008			
Cost	39,906	5,203	45,109
Accumulated depreciation and impairments	-13,801	-4,433	-18,234
Carrying value at 31 December 2008	26,105	770	26,875

The acquisitions made in 2008 in particular involve the purchase of injection moulding systems that will be used for the continued development of technologies and packaging.

Plant and machinery are depreciated straight-line over their expected useful economic lives, which vary from 3-20 years. At the end of 2008, the average remaining life expectancy amounted to 7.7 years. The other operating assets are likewise depreciated straight-line over their expected useful economic lives, which vary from 3-10 years. At the end of 2008, the average remaining life expectancy amounted to 3.5 years. The Plant and Machinery item includes production resources with a carrying value of € 3,258,000 that are financed on the basis of a finance lease. The company does not own the legal title to these production resources. Property, plant and equipment are not expected to have any residual value.

### 3.2 Intellectual Property Rights (IPRs) and Development Costs

Intellectual property rights (IPRs) are understood to mean contractual and other rights to the exploitation of knowledge, technology and patents.

Development costs relate to the costs incurred on developing ideas, techniques and inventions into marketable technologies, products and processes.

<b>In € 000s</b>	<b>IPR</b>	<b>Development</b>	<b>Total</b>
<b>Balance at 1 January 2007</b>			
Cost	7,030	5,070	12,100
Accumulated depreciation	-591	-1,377	-1,968
Carrying value at 1 January 2007	6,439	3,693	10,132
<b>Carrying value at 1 January 2007</b>			
Carrying value at 1 January 2007	6,439	3,693	10,132
Additions	2,590	2,745	5,335
Disposals	-980	-	-980
Depreciation	-1,191	-1,155	-2,346
Carrying value at 31 December 2007	6,858	5,283	12,141
<b>Balance at 31 December 2007</b>			
Cost	8,149	7,433	15,582
Accumulated depreciation	-1,291	-2,150	-3,441
Carrying value at 31 December 2007	6,858	5,283	12,141
<b>Carrying value at 1 January 2008</b>			
Carrying value at 1 January 2008	6,858	5,283	12,141
Additions	968	6,439	16,407
Depreciation	-2,768	-1,312	-4,080
Carrying value at 31 December 2008	14,058	10,410	24,468
<b>Balance at 31 December 2008</b>			
Cost	17,453	13,585	31,038
Accumulated depreciation	-3,395	-3,175	-6,570
Carrying value at 31 December 2008	14,058	10,410	24,468

The intellectual property rights and development costs are primarily related to injection moulding technologies for the plastics and packaging industry.

### 3.3 Goodwill and Acquisition of Related Intangible Assets

The goodwill and acquisition-related intangible assets are related to the following interests acquired in 2007:

	<b>Activity</b>	<b>Acquisition</b>	<b>Interest</b>	<b>Country</b>
HTP Technologies B.V.	Production Moulds	30.09.2007	50.1%	Netherlands
Formy Tachov Sro	Production Moulds	30.12.2007	100%	Czech Republic

<b>In € 000s</b>	<b>Acquisition- related Intangible Assets</b>	<b>Goodwill</b>	<b>Total</b>
Carrying value at 1 January 2007	-	-	-
Additions via business combinations	6,948	3,984	10,932
Depreciation	-83	-	-83
Carrying value at 31 December 2007	6,865	3,984	10,849
Balance at 31 December 2007			
Cost	6,948	3,984	10,932
Accumulated depreciation and impairments	-83	-	-83
Carrying value at 31 December 2007	6,865	3,984	10,849
Carrying value at 1 January 2008	6,865	3,984	10,849
Impairments	-1,549	-2,729	-4,278
Depreciation	-678	-	-678
Carrying value at 31 December 2008	4,638	1,255	5,893
Balance at 31 December 2008			
Cost	6,948	3,984	10,932
Accumulated depreciation and impairments	-2,310	-2,729	-5,039
Carrying value at 31 December 2008	4,638	1,255	5,893

The acquisition-related intangible assets primarily involve technology that is related to the cash flow generating entities HTP Technologies B.V. and Formy Tachov Sro. These intangible assets are amortised on a straight-line basis over their expected economic life. In addition, these assets are tested for impairment.

Goodwill represents the value by which the cost of the business combination(s) exceeds the net fair value of the acquired identifiable assets, liabilities and unconditional liabilities. Goodwill is fully related to the cash flow-generating entity Formy Tachov Sro.

At 31 December 2008, it became apparent that the acquisition-related intangible assets, as well as the goodwill were subject to impairments. The impairments were due to disappointing actual and projected cash flows, higher discount rates due to changing conditions on the capital markets and the general state and development of the economy in the Netherlands and the Czech Republic during the last quarter of 2008.

The following impairments were effected in 2008:

<b>In € 000s</b>	<b>HTP Technologies B.V.</b>	<b>Formy Tachov Sro</b>
Acquisition-related intangible assets	1,549	-
Goodwill	-	2,279

The most important cause related to the cash flow generating entity HTP Technologies B.V. was the disappointing cash flow realised over 2008. The value in use of the relevant assets was consequently determined as at 31 December 2008 using an adjusted calculation of the estimated present value of the

cash flows generated by the relevant assets. A period of 5 years was used for this purpose for HTP Technologies B.V. together with the assumption that sales during 2009 will remain at 2008 levels. Some recovery of operations and sales is forecasted for the period starting in mid-2010. The average weighted growth rate including the recovery to sales levels experienced prior to the economic crisis is approximately 15%. Starting in 2014 and beyond, the ongoing growth rate is set at 2%, equal to the projected inflation rate. The cash flows were converted to their present value using a 14.47% discount rate (19.43% before tax).

The cash flows realised by the cash flow generating entity Formy Tachov Sro are in accordance with budget. The most important cause for the impairment here concerns the higher discount rate due to the changed economic conditions and the situation on the capital markets. The value in use for Formy Tachov Sro was calculated by estimating the cash flow for the next five years, which remains unchanged in comparison to last year. The average weighted growth rate over this period is 7%. Starting in 2014 and beyond, the ongoing growth rate is set at 3%. The cash flows were converted to their present value using a 16.89% discount rate (21.76% before tax). The most important reason for the impairment is due to the increase of the discount rate by 3.2% to 16.89% at year-end 2008.

### 3.4 Investments in Associates

Associates are investments in entities on which significant influence can be exercised and which do not qualify as a subsidiary company or a joint venture.

Movements in investments in associates are as follows:

#### In € 000s

At 1 January 2007	17,116
Direct movements in the equity of investments in associates	445
Investments in associates	2,059
Transaction costs	29
Translation differences on foreign associates	-1,607
Dilution gains and losses	262
Share in the result	249
At 31 December 2007	18,553
At 1 January 2008	18,553
Direct movements in the equity of investments in associates	1,943
Investments in associates	29,591
Translation differences on foreign associates	-3,806
Charged to the provision for receivables due from associates	4,143
Dilution gains and losses	-16
Impairments	-12,925
Share in the result	-84
At 31 December 2008	37,399

At 31 December 2008, investments in associates consisted of the following:

	<b>Interest</b>	<b>Voting Rights</b>
Proventec PLC, Liverpool, United Kingdom	36.2%	36.2%
Founders-SAS Production Ltd, Hong Kong, China	45.0%	45.0%
I-Pac Manufacturing Services B.V., Rotterdam, the Netherlands	48.0%	48.0%
Waddington North America Inc, Covington KY, United States	20.0%	20.0%
Hoogerman Holding B.V., Terheijden, the Netherlands	35.0%	35.0%

Proventec PLC's principal activity is the development, marketing and distribution of innovative cleaning concepts, fire retarding solutions and protective coatings. The principal activity of Founders SAS-Production Ltd is the production of transport packaging. I-Pac Manufacturing Services B.V.'s principal activity consists of the development, marketing and sale of innovative packaging for the European food packaging market.

Proventec PLC prepares its financial statements as of 31 March each year. The last published interim figures were for the six months ended 30 September 2008 and these were used to determine the net equity value at 31 December 2008, allowing for the effect of significant transactions in the period of 30 September 2008 to 31 December 2008. It is not possible for the financial year-end dates of Proventec PLC and InnoConcepts N.V. to be synchronised.

Waddington North America Inc prepares its financial statements as of 31 March each year.

Founders-SAS Production Ltd., I-Pac Manufacturing Services B.V. and Hoogerman Holding B.V. prepare their financial statements as of 31 December each year.

The associates' financial information as at 31 December 2008 can be summarised as follows:

<b>In € 000s</b>	<b>2008</b>	<b>2007</b>
Total assets	451,603	86,249
Total liabilities and obligations	374,863	41,080
Equity	76,740	45,169
Share of the group in the equity of associates	12,186	5,941
Sales	246,469	14,516
Result for the year	-12,315	796
Share of the group in the operating result for the year of associates	-84	249

The associates were tested for impairment. The following impairments were recognised at 31 December 2008: Proventec PLC €6,732,000, I-Pac Manufacturing Services B.V. €4,143,000 and Pré B.V. €2,050,000.

The value in use for Proventec PLC at 31 December 2008 was determined on the basis of a DCF calculation of the estimated future cash flows. Due to the economic crisis, the situation on the capital markets and actual results, the expected future cash flows have been adjusted downwards and the discount rate has been adjusted upwards in relation to the higher risk premiums. Proventec PLC is listed on the AIM market of the London Stock Exchange and is also listed on Alternext, which is part of Euronext Paris. The market value of the interest held in Proventec PLC as at 31 December 2008 amounted

to €3,800,000. In view of the limited liquidity of the Proventec PLC share, the Management Board is of the opinion that the current downwards adjusted carrying amount of €6,003,000 better reflects fair value.

An impairment in the amount of €4,143,000 was recognised for the I-Pac Manufacturing Services B.V. associate in relation to the termination of the European joint venture for the packaging of foodstuffs. The Pré B.V. associate was completely written off in the amount of €2,050,000.

Further reference is made to Note 4.7 Impairments.

### 3.5 Loans and Non-current Receivables

In € 000s	Finance Leases	Loans	Non-current Receivables	Total
At 1 January 2007	10,855	12,265	10,587	33,707
Contracted in the financial year	-	305	13,191	13,496
Add interest	845	416	446	1,707
Present value calculation	-	-	-325	-325
Exchange rate movement in loans and foreign currency	-1,125	-1,077	-1,410	-3,612
Transfer to trade and other receivables	-3,752	-1,392	-3,245	-8,389
At 31 December 2007	6,823	10,517	19,244	36,584
At 1 January 2008	6,823	10,517	19,244	36,584
Contracted in the financial year	-	20	-	20
Add interest	648	465	725	1,838
Present value calculation	-	-	197	197
Exchange rate movement in loans and foreign currency	334	-807	335	-138
Less repayments (unscheduled)	-	-	-1,250	-1,250
Negative equity in associates	-	-	-4,143	-4,143
Impairments	-	-1,728	-6,592	-8,320
Transfer to trade and other receivables	-2,901	-	-2,295	-5,196
At 31 December 2008	4,904	8,467	6,221	19,592

The finance leases were contracted for production resources made available to the Chinese multimedia partner. The contract is in US dollars and ends on 31 December 2015. The production resources are not expected to have any residual value. The average effective interest rate of the lease agreement amounts to 6.25% and is fixed until the end-date of the contract.

The fair value of the lease portfolio based on the net present value of the minimum future lease payments and on a market interest rate of 6.25%, amounts to €7,805,000. The interest income is credited to the income statement on an annuity basis.

The loans consist of a bullet loan and a convertible debenture loan. The bullet loan, which is to Proventec, was reinvested after the sale of the convertible debenture loan in mid-2006. The loan bears interest at the 3-month Euribor rate plus 0.5%. The term of this loan was revised in mid-2007. The accumulated interest and principal following this revision are payable on 31 March 2010.

The convertible debenture loan involving a 7% interest-bearing loan granted to the TEA Group in 2005 was reviewed in mid-2007 for strategic reasons. The loan is redeemable together with the accumulated interest on 31 December 2010 (was 31 December 2008), or can be converted during the period 1 January 2010 (was 1 January 2008) to 31 December 2010 (was 31 December 2008), whereby the overall conversion will result in 90% of the issued and fully paid up capital after conversion. Partial conversion would result in a pro rata share in the issued and fully paid up capital of the company. No value has been assigned to the conversion right. The remaining conditions remain unchanged. An impairment of € 1,728,000 was recorded against the convertible debenture loan provided to TEA.

The non-current receivables relate to licences and joint venture agreements with licence partners. These receivables are partly interest-bearing at 4.5%. Non-current receivables that are not interest-bearing are carried at their net present value based on the average InnoConcepts interest rates. Impairments totalling € 6,592,000 were recorded against the long-term receivables, including a long-term receivable due from the associate company Founders-SAS Production Ltd, in the amount of € 6,310,000.

### 3.6 Derivatives

<b>In € 000s</b>	<b>2008</b>	<b>2007</b>
Warrants	118	376
Interest rate swap	-	68
	118	444

The warrants, totalling 3,455,872, consist of four series of equal numbers and have exercise prices of £ 2.80, £ 5.60, £ 8.40 and £ 11.20 respectively. All the warrant series mature on 24 August 2014. The fair value of the warrants at the balance sheet date was determined by means of the 'Black & Scholes' model.

### 3.7 Inventories

<b>In € 000s</b>	<b>2008</b>	<b>2007</b>
Raw materials	546	597
Finished goods	245	245
Machines	-	16,447
Work in progress	1	-
	792	17,289

The inventory of machines decreased due to the fact that ready-to-use injection moulding systems were put into use by the company itself. No inventory impairment losses were incurred in 2008.

### 3.8 Trade and other receivables

<b>In € 000s</b>	<b>2008</b>	<b>2007</b>
Receivables from trading activities	1,514	3,394
Receivables from intellectual property rights (IPRs)	654	6,755
Finance leases receivable	2,671	3,514
Amounts due from customers under construction contracts	1,915	2,143
Receivables on shareholders	125	546
Taxes	374	143
Other receivables, prepayments and accrued income	10,460	10,518

	17,713	27,013
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The carrying amount of trade and other receivables is equal to their fair value. The average payment term of receivables due from trading activities is 45 days. Of the receivables due from trading activities approximately €300,000 is overdue with an average aging balance of 90 days. The average payment term of the receivables due from intellectual property rights is 220 days. Of the receivables due from intellectual property rights approximately €250,000 is overdue with an average aging balance of 90 days. The remaining term of the other receivables was less than one year.

A total amount of €5,181,000 in provisions for receivables was recorded in 2008. The key reason for recording these provisions concerns the termination of the joint venture for the European packaging of foodstuffs. Of the provision, an amount of €750,000 was used to effect a permanent write-down. The movement in the provision for receivables is as follows:

**In € 000s**

At 1 January 2008	-
Addition to the provision	5,181
Withdrawal from the provision	-750
Balance at 31 December 2008	4,431

The following amounts from construction contracts were recognised at 31 December 2008 under trade and trade receivables, as well as under trade and other payables:

<b>In € 000s</b>	<b>2008</b>	<b>2007</b>
Production costs including recognised profits		
Minus recognised losses	2,497	2,363
Advance payments	-1,448	-1,807
	1,049	556
Recognised under other receivables	1,915	2,143
Recognised under current liabilities	-866	-1,587
	1,049	556

### 3.9 Deferred and Current Taxes

#### *Deferred tax assets*

Deferred tax assets relate to carry-over tax losses. The amount of these deferred tax assets is based on management's estimates on the balance sheet date of these assets crystallising. Deferred tax assets amounting to some €87,000 (2007: €842,000) which are not deemed likely to crystallise, are not recognized.

#### *Deferred tax liabilities*

Deferred tax assets refer to timing differences calculated on the difference between the carrying amount of assets and liabilities for financial reporting purposes and the carrying amount of these items for taxation purposes. The portion of the deferred tax assets expected to be settled within one year is estimated at €235,000.

<b>In € 000s</b>	<b>2008</b>	<b>2007</b>
Tax receivable/(payable)		
Deferred tax assets	-	-
Tax receivable	64	-
Deferred tax liabilities	-2,238	-119
Tax payable	-4,927	-996
Balance at 1 January	-7,101	-1,115
Movements in the year		
- Tax due and payable	-1,002	-5,099
- Deferred tax liabilities	809	1,027
Increase due to business combinations	-	-2,403
Net payments/(receipts)	2,552	443
Translations gains/(losses)	62	46
Total movements	2,421	-5,986
Tax receivable/(payable)		
Deferred tax assets	-	-
Tax receivable	472	64
Deferred tax liabilities	-1,429	-2,238
Tax payable	-3,723	-4,927
Balance at 31 December	-4,680	-7,101

### 3.10 Cash and Cash Equivalents

An amount of €260,000 is not freely at the company's disposition in connection with bank guarantees issued. The company can freely dispose of the other cash and cash equivalents of €3,755,000.

### 3.11 Equity

The statement of changes in equity is set out on page 27 of these financial statements. Movements in the number of shares in 2007 and 2008 were as follows:

Balance at 1 January 2007	21,278,967
Issue dated 11 July 2007	1,125,000
Stock dividend issue dated 23 July 2007	149,929
Issue dated 17 October 2007	118,243
Balance at 31 December 2007	22,672,139
Balance at 1 January 2008	22,672,139
Stock dividend issue dated 28 July 2008	397,520
Balance at 31 December 2008	23,069,659

The authorised capital amounts to €500,000 and consists of 16,666,666 preference shares, each having a nominal value of €0.01, and 33,333,334 ordinary shares, each likewise having a nominal value of €0.01.

At the end of 2008, 23,069,659 ordinary shares were issued and paid up. No preference shares had been issued.

On 28 July 2008, 397,520 ordinary shares, each having a nominal value of €0.01, were issued in connection with a dividend distribution in the form of ordinary shares chargeable to the tax-exempt share premium.

The translation differences reserve consists of all the translation differences as from 1 January 2004 resulting from the translation of the net investment in activities denominated in a currency other than the euro. These foreign exchange differences are initially recognised in this reserve. In the event of disposing of the foreign net investment in question, the related part recognised in the reserve is transferred to the income statement.

After the balance sheet date, the Management Board proposed a dividend for the year 2008 of €0.20 per ordinary share. This dividend is exclusively paid in ordinary shares. No account has been taken of this dividend proposal in the balance sheet.

### 3.12 Minority Interests

Minority interests are the shares of third parties in the equity of the acquired companies HTP Technologies B.V. and Formy Tachov Sro. For further details, reference is made to Section 3.3 Goodwill and Acquisition-related Intangible Assets.

### 3.13 Non-current Liabilities and Provisions

<b>In € 000s</b>	<b>2008</b>	<b>2007</b>
Bank loans	39,087	24,100
Finance lease liabilities	2,011	2,494
Other liabilities	60	80
Less: due within 1 year	-5,890	-5,235
Provisions	216	257
	<b>35,484</b>	<b>21,696</b>

<b>Repayment terms and conditions</b>	<b>Bank loans</b>	<b>Finance Lease Liabilities</b>	<b>Other Liabilities</b>	<b>Total</b>
Within one year	5,048	826	16	5,890
In the second year	6,903	1,097	26	8,026
In the third year	10,327	88	18	10,433
In the fourth year	10,177	-	-	10,177
In the fifth year	6,632	-	-	6,632
After five years	-	-	-	-
	<b>39,087</b>	<b>2,011</b>	<b>60</b>	<b>41,158</b>

New loans, as well as a current account facility, were negotiated with ING Bank in mid-2008. The InnoConcepts N.V. and I-Pac Technologies N.V. existing loans and credit lines with Rabobank were redeemed as part of this process.

The ING Bank loan consists of two facilities:

Loan A: in the amount of €20,000,000. The interest rate on this loan is equal to the Euribor rate for the selected interest rate period plus 1.5%. The interest rate period can never be longer than the period up to the next repayment instalment. The interest is payable at the end of the selected interest rate period, at least once every three months in sync with the repayment schedule. The loan is repaid in 19 equal instalments of €1,052,000 each, with the first instalment due on 1 March 2009 and the last instalment on 1 September 2013.

Loan B: in the total amount of €20,000,000 consists of a revolving facility with a term-out option. The interest rate is equal to the Euribor rate for the selected interest rate period plus 1.5%. The interest rate period can never be longer than the period up to the next repayment instalment. The interest is payable at the end of the selected interest rate period, at least once every six months if a longer interest rate period is agreed upon. This loan is redeemed in 12 equal quarterly instalments, with the first instalment due on the first day of the 7<sup>th</sup> calendar quarter following the date on which the loan is taken out. The facility can be withdrawn in amounts of €500,000 or a multiple thereof.

Furthermore, a current account facility has been negotiated for an amount of €5,000,000. The interest rate on this account is equal to the 3-month Euribor rate and is payable every 3 months on 1 January, 1 April, 1 July and 1 October of every year. The current account facility is reported under current liabilities.

The following conditions apply to the entire €45,000,000 facility, for which positive pledge, negative pledge and pari passu declarations have been submitted: solvency greater than 60%, debt service cover ratio equal to or greater than 1.2, total net senior leverage not greater than 2. Furthermore, 80% of the total assets and 80% of the EBITDA must be owned or originate from the guarantors InnoConcepts N.V., I-Pac Technologies N.V., I-Pac Patents B.V., I-Pac Manufacturing Asia Ltd, InnoSpecial Products B.V. and InnoCleaning Concepts Holding B.V.

The stipulated conditions were met on 31 December 2008.

The other loan concerns the loan acquired by HTP Tooling B.V. from Rabobank and is repayable over five years in 60 equal monthly instalments of which the last one is due on 30 September 2011. The loan bears interest based on the three-month Euribor rate plus 1%.

The finance leases consist of a total of 8 lease agreements. The terms of the finance leases vary from 36 to 72 months, with the end date of the longest lease being 30 June 2011. The interest rates vary from 4.1% to 10.7%.

The other liabilities refer to an annuity loan bearing interest at a fixed rate of 8%. Interest and principal are payable quarterly, ending on 30 September 2011.

The provisions consist of a provision for anniversary payments related to the length of service. The provision is determined on an actuarial basis. The movement over 2008 is as follows:

**In € 000s**

At 1 January 2008	257
Disbursed	-19
Change in actuarial calculation	-22
At 31 December 2008	216

### 3.14 Financial Guarantee Contracts

Financial guarantee contracts are agreements in pursuance of which InnoConcepts is required to make certain payments to compensate the holder of these agreements if a third party debtor fails to comply with certain obligations to the holder. The financial guarantee contracts were not assigned any value at the balance sheet date. For more details, reference is made to 8.2, Off-Balance Sheet Commitments.

Guarantees for the payment of interest and principal have been issued to a group of institutional investors following the sale of the convertible debenture loan originally extended to Proventec. These guarantees terminate at the earliest of the following moments: (i) 30 working days after 31 December 2012, (ii) the date of the unscheduled repayment or full conversion by Proventec of the convertible debenture loan or (iii) the first moment in time on which the weighted average price of an ordinary Proventec share measured over a period of 60 days amounts to GBP 4.20 or more. The maximum guarantee at the balance sheet date amounts to €16,709,000. As at 31 December 2008, no liability was recognised for these guarantees.

Two buyback guarantees were issued to a lease company concerning injection mould systems delivered to third parties. The terms of the guarantees expire on 31 December 2011 and 1 November 2012 respectively and at 31 December 2008 amounted to a maximum of €5,405,000. As at 31 December 2008, no liability was recognised for this guarantee.

### 3.15 Trade and Other Payables

<b>In € 000s</b>	<b>2008</b>	<b>2007</b>
Repayment of non-current liabilities	5,890	5,235
Liabilities to credit institutions	615	-
Trade payables	2,862	1,912
Taxes and social security premiums	414	1,788
Amounts due to customers under construction contracts	866	1,587
Other liabilities, accrued expenses and deferred income	4,497	5,170
	<hr/> 15,144	<hr/> 15,692

The average payment term of trade payables is 68 days. The remaining term of the other liabilities, accrued expenses and deferred income is less than one year.

#### 4. NOTES TO THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

##### 4.1 Sales and revenue

In € 000s	2008	2007
Sale of intellectual property rights	33,661	18,712
Sale of trading activities and production	16,748	8,920
Total sales	50,409	27,632
Interest on finance leases	648	908
Total revenue	51,057	28,540

##### 4.2 Depreciation

Depreciation of property, plant and equipment

In € 000s	2008	2007
Plant and machinery	2,949	332
Other operating assets	232	107
	3,181	439

Amortisation of intangible assets

In € 000s	2008	2007
Intellectual property rights	2,768	1,191
Development costs	1,312	1,155
Acquisition-related intangible assets	678	83
	4,758	2,429

##### 4.3 Employee Benefits

Total salaries and wages, social charges and pension costs included in general administrative expenses amounted to:

In € 000s	2008	2007
Salaries and wages	6,997	1,952
Social charges	960	134
Pension costs	693	196
	8,650	2,282

The pension plans of InnoConcepts N.V. qualify as defined contribution plans. The standard contributions are expensed as such in the year in which the liability arises, and are accordingly recognised in the income statement.

The average number of FTE personnel employed by the group in the year under review was 225 (2007: 46). The number of FTE personnel employed at the end of 2008 was 226.

#### 4.4 Costs of Research

Costs of research amounting to €12,000 (2007: €83,000), including patent research and maintenance, were recognised as general administrative expenses in the year under review. Deferred development costs are explained in more detail under 3.2.

#### 4.5 Operating Lease Costs

Operating lease costs amounting to €1,182,000 (including the rental of buildings) (2007: €717,000, including the rental of buildings) were recognised in the income statement in the year under review.

#### 4.6 Emoluments paid to members of the company's Supervisory Board, Management Board and Key Management

The following gross amounts were paid to members of the company's Supervisory Board in the year under review:

<b>In €</b>	<b>2008</b>	<b>2007</b>
G. Jansen Venneboer (Chairman)	27,000	25,000
A. Langerak	22,000	20,000
C.A. Lieve	22,000	20,000
N. Mehra	11,000	-

The company paid the following remuneration and benefits in respect of its managing director in the year under review:

<b>In €</b>	<b>2008</b>	<b>2007</b>
<b>P.A. Pruijssers</b>		
Gross salary	128,210	125,080
Bonus	37,524	36,222
Pension contributions	14,410	11,567

The bonuses granted by the Supervisory Board to the Management Board and key management are based on the agreed upon bonus plan. Of the bonus to be paid, 60% is related to the EBIT budget approved by the Supervisory Board, 30% to the achievement of personal objectives and 10% is at the discretion of the Supervisory Board. The following compensation was awarded to key management, consisting of 3 persons, during the year under review:

<b>Key management</b>	<b>2008</b>	<b>2007</b>
Gross salary	391,812	373,446
Bonus	25,000	53,915
Pension contributions	25,340	24,949

#### 4.7 Impairment of assets

Provisions for write downs for current receivables in the amount of €5,181,000 were recognised under general administrative expenses. For further details, reference is made to the statement of changes in provisions in Section 3.8 Trade and Other Receivables.

During the year under review a total of € 36,980,000 in impairments were charged to the operating result in relation to the assets identified below:

**In € 000s**

Property, plant and equipment	582
Acquisition-related intangible assets	1,549
Goodwill	2,729
Associates	12,925
Loans and non-current receivables	8,320
Current receivables and other receivables	10,875
	<b>36,980</b>

The write down of property, plant and equipment concerns the allocation of the impairment of the cash flow generating entity HTP Technologies B.V. for the machine park originally recognised at fair value.

Acquisition-related intangible assets and goodwill consist entirely of the impairment of HTP Technologies B.V. and Formy Tachov Sro. For further details, reference is made to Section 3.3 Goodwill and Acquisition-related Intangible Assets.

The impairment of associates primarily involves Proventec PLC in the amount of € 6,732,000 and the termination of the European foodstuffs packaging joint venture via the associate I-Pac Manufacturing Services B.V. in the amount of € 4,143,000.

The impairment of loans and non-current receivables primarily involves a loan to Founders-SAS in the amount of € 6,310,000 and to TEA in the amount of € 1,728,000.

The impairment of current receivables and other receivables concerns the write down in relation to the termination of the European foodstuffs packaging joint venture in the amount of € 4,963,000, as well as the current portion of the non-current receivables due from TEA in the amount of € 3,607,000.

**4.8 Taxes**

The effective tax burden on the 2008 result before tax was -0.9%, (2007: 18.6%). The reconciliation between the Dutch standard tax rate, the applicable weighted average tax rate and the average effective tax rate is as follows:

	<b>2008</b>	<b>2007</b>
Dutch standard rate	25.5%	25.5%
Effect of tax rates in other jurisdictions	-6.3%	-1.5%
Applicable weighted average tax rate	19.2%	24.0%
Exempted result constituents	-19.9%	-12.3%
Effect of prior years and changes in tax rates	0.3%	6.5%
Movements in the deferred tax assets and liabilities	-0.5%	0.4%
Average effective tax rate	<b>-0.9%</b>	<b>18.6%</b>

The change in the applicable weighted average tax rate in 2008 when compared to 2007 is due to a different mix in the results of group companies in countries with different tax rates. The exempted result constituents refer in particular to the non-deductible impairments of assets. The effects of prior years and tax rate changes notably refer to the change in the recognition of deferred tax liabilities resulting from

the change in the standard tax rate in the Netherlands, as well as prior year adjustments. No taxes were recognised directly in equity in either 2008 or 2007.

#### 4.9 Earnings per Share

Basic earnings per share are calculated by dividing the profit for the year attributable to the shareholders of InnoConcepts N.V. by the weighted average number of shares in issue between 1 January 2008 and 31 December 2008. Diluted earnings per share are calculated by adjusting the weighted average number of shares in issue assuming that all potential ordinary shares that can result in dilution have been converted into ordinary shares. The weighting of the average number of shares in issue is based on weeks.

Movements in the weighted average number of shares in issue in 2008 were as follows:

	<b>2008</b>	<b>2007</b>
Number of shares at 1 January	22,672,139	21,278,967
Effect of the stock dividend issue	175,826	86,498
Effect of issues during the year	-	701,273
Weighted average number of shares	22,847,965	22,066,738
Result attributable to shareholders (in € 000s)	-21,482	17,918
Weighted average number of shares in issue (in 000s)	22,848	22,067
Result per share (in €)	-0.94	0.81

At 31 December 2008, InnoConcepts N.V. had no potential shares, such as staff options, so that the basic earnings per share are equal to the diluted earnings per share. InnoConcepts N.V. did not issue any preference shares.

#### 4.10 Auditor's fees

During the year under review, the following amounts were expended on audit fees and other services provided by Deloitte.

<b>In € 000s</b>	<b>Deloitte</b>	<b>Member</b>	<b>Total 2008</b>	<b>Deloitte</b>	<b>Member</b>	<b>Total 2007</b>
	<b>Accountants</b>	<b>Firms</b>		<b>Accountants</b>	<b>Firms</b>	
	<b>B.V.</b>	<b>/ Affiliates</b>		<b>B.V.</b>	<b>/ Affiliates</b>	
Audit fees	135	-	135	138	-	138
Audit-related fees	-	43	43	-	236	236
Tax advisory fees	-	-	-	-	-	-
Other non-audit fees	-	-	-	-	-	-
Total	135	43	178	138	236	374

## 5. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

For the majority of the items making up the consolidated cash flow statement, reference is made to the notes to the consolidated balance sheet and the consolidated income statement. Set out below is an overview of the other significant parts, showing the reconciliation between the amounts in the cash flow statement and those in the balance sheet.

In € 000s	2008	2007
<b>Investments in property, plant and equipment</b>		
Additions to property, plant and equipment		
Increase due to commissioning of inventories	17,185	-
Movement in cash flow statement	1,222	2,590
<b>Total investments in the financial year</b>	<b>18,407</b>	<b>2,590</b>
<b>Trade and other receivables</b>		
Balance at 1 January	27,013	21,860
Decrease due to sale of group companies	-	6,013
Portion of loans and non-current receivables due within 1 year	-	4,500
Movements other than in cash	-	-2,050
Impairments	-10,947	-
Translation differences	522	-1,861
Movement in cash flow statement	1,125	-1,449
<b>Balance at 31 December</b>	<b>17,713</b>	<b>27,013</b>
<b>Inventories</b>		
Balance at 1 January	17,289	11,850
Decrease due to sale of group companies	-	669
Decrease due to commissioning as property, plant and equipment	-17,185	-
Translation differences	-	-1,654
Movement in cash flow statement	688	6,424
<b>Balance at 31 December</b>	<b>792</b>	<b>17,289</b>
<b>Trade and other payables</b>		
Balance at 1 January	15,692	6,784
Decrease due to sale of group companies	-	7,391
Portion of non-current borrowings and other liabilities due within 1 year	656	1,234
Additions to loans from credit institutions	615	-
Translation differences	695	-9
Movement in cash flow statement	-2,514	292
<b>Balance at 31 December</b>	<b>15,144</b>	<b>15,692</b>

## 6. SEGMENT INFORMATION

The group is divided into two segments: ‘Intellectual Property’ (IPR) and ‘Trade and Production’. IPR concerns the development and marketing of the IPR portfolio related to injection moulding technologies. Trade and Production concerns the manufacture and marketing of injection moulding equipment and moulds.

Income Statement	Intellectual Property		Trade and Production		Unallocated		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>In €000s</b>								
Sale of intellectual property rights	33,661	18,712	-	-	-	-	33,661	18,712
Sale of trading activities and production	-	-	16,748	8,920	-	-	16,748	8,920
Interest on finance leases	-	-	648	908	-	-	648	908
Segment costs	-10,329	-4,187	-17,708	-7,820	-	-	-28,037	-12,007
Depreciation	-6,292	-2,578	-1,538	-232	-109	-58	-7,939	-2,868
Segment's result	17,040	11,947	-1,850	1,776	-109	-58	15,081	13,665
Financial income and expenses	-438	-462	35	-10	441	286	38	-186
Result on associates	-	-	-	-	-84	249	-84	249
Profit on sale of group companies	-	6,996	-	-	-	-	-	6,996
Impairment of assets	-19,193	-	-4,862	-	-12,925	-	-36,980	-
Segment's result	-2,591	18,481	-6,677	1,766	-12,677	477	-21,945	20,724
Dilution gains and losses							-16	262
Negative goodwill							-	947
Result before taxes							-21,961	21,933
Tax							-193	-4,072
Result for the year							-22,154	17,861

Balance Sheet	Intellectual Property		Trade and Production		Unallocated		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>In €000s</b>								
Assets	67,073	102,465	29,301	17,972	3,564	11,688	99,938	132,125
Associates	-	-	-	-	37,399	18,553	37,399	18,553
Consolidated assets	67,073	102,465	29,301	17,972	40,963	30,241	137,337	150,678
Liabilities	48,374	37,055	7,406	7,498	-	-	55,780	44,553
Additions	16,494	29,673	18,301	13	19	67	34,814	29,753

Personnel	Intellectual Property		Trade and Production		Unallocated		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Personnel in FTEs	13	12	212	34	-	-	225	46

Geographic Information	Europe		Asia		RoW		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>In €000s</b>								
Total revenue	13,996	20,928	5,554	6,494	31,507	1,118	51,057	28,540
Carrying value of intangible assets and of property, plant and equipment	34,626	36,550	22,610	-	-	-	57,236	36,550
Additions	11,414	29,753	23,400	-	-	-	34,814	29,753

## 7. FINANCIAL RISK MANAGEMENT

InnoConcepts' risk management consists of the management of its operations over the long term and the mitigation of the related business risks to the maximum possible extent. Depending on the nature and the relative significance of the risks associated with InnoConcepts' diversity of sales markets, clients, regions and its intellectual property portfolio, the risks are quantified where possible.

The Group is exposed to the following risks in relation to the use of financial instruments:

- Credit risk
- Liquidity risk
- Currency risk
- Interest rate risk

These notes provide information about InnoConcepts' exposure to each of the abovementioned risks, the objectives, principles and processes used to control and measure these risks and InnoConcepts' management of its capital.

The goal of InnoConcepts risk policy is to identify the risks faced by InnoConcepts, analyse them, determine appropriate limits and control measures for them and monitor the risks and compliance with the defined limits.

Risk management policies and systems are regularly evaluated and adjusted where necessary to changes in market circumstances and InnoConcepts' activities.

### 7.1 Credit Risk

Credit risk is the risk of financial loss to InnoConcepts in cases where the buyer or counterparty to a financial instrument does not respect the contractual commitments made. Credit risks primarily result from granted loans, non-current receivables, trade receivables and current receivables related to licenses.

InnoConcepts' exposure to credit risk is primarily determined by the individual characteristics of individual debtors and licensees and the countries in which they are vested.

If loans are provided to associates, they are assessed in terms of their creditworthiness and where possible a conversion right is exacted. To the extent possible, an assessment is carried out to determine whether the associate can provide sufficient certainty in the form of a security.

Non-current and current receivables from licenses are secured using the underlying patents that continue to be the property of InnoConcepts until the last installment is paid. In granting licenses, a contract is signed stipulating that if payment conditions are not met, InnoConcepts is entitled to withdraw the license without any other obligations on its part. Licensees are assessed in terms of their creditworthiness.

Non-current and current receivables from financial leases are secured on the basis of the underlying asset, over which InnoConcepts continues to exercise legal ownership.

Receivables from trading activities and production are assessed ahead of time for creditworthiness. Progress payments that match the progress of the project are requested for receivables from production when the order is issued. The right to retain title is maintained for receivables from trading activities. Title to the goods is transferred to the client once the last payment is received.

In case of new clients, additional security is usually requested in the form of bank guarantees, letters of credit, etc. If payment terms are exceeded, this is ultimately reported to the Management Board that subsequently takes stricter measures: suspending the project, suspending the service and initiating legal proceedings.

Due to the often extended payment terms of the current and non-current receivables related to licenses and joint ventures, such as associates, the short-term risk is significant. The long-term risk is significantly lower, however. Indeed, the recovered rights and/or patents can be resold on a renewed basis over time. In relation to the extended, subject to impairment, current and non-current receivables and loans, the relevant rights were recovered in 2009 where applicable.

The terms of the loans, non-current receivables, and trade and other receivables at 31 December 2008 are illustrated below.

**In € 000s**

<b>Loans and non-current receivables</b>	<b>2008</b>	<b>2007</b>
1 – 2 years	11,606	4,174
2 – 3 years	1,545	12,847
3 – 4 years	1,180	1,411
4 – 5 years	524	1,081
Greater than 5 years	4,737	17,071
	<b>19,592</b>	<b>36,584</b>

**In € 000s**

<b>Trade and other receivables</b>	<b>2008</b>	<b>2007</b>
0 – 60 days	3,721	3,930
61 – 90 days	2,593	2,944
91 – 120 days	1,017	416
120 days and over	10,382	19,723
	<b>17,713</b>	<b>27,013</b>

## 7.2 Liquidity Risk

The liquidity risk is the risk that InnoConcepts is not able to meet its financial commitments at the required point in time. The basic premise of the liquidity risk management approach is to, as far as possible, maintain sufficient cash and cash equivalents to be able to meet current and future financial commitments, under normal and difficult circumstances, without incurring unacceptable losses or endangering InnoConcepts' reputation in the process.

InnoConcepts monitors its cash flows on a regular basis. A summary of the Group's cash and cash equivalents is produced on a daily basis. A summary of the movements in the liquidity position is produced on a weekly basis. A cash flow analysis of the past quarter and a forecast for the coming quarter is prepared each quarter. A multi-year (3-5 years) cash flow forecast is prepared every 6 months. These reports help ensure that the Group has access to sufficient liquid assets over the short as well as long term in order to meet its operating and financial commitments. The cash flow reports do not take extreme circumstances into consideration. In addition to the external financing reported in the balance sheet, InnoConcepts has access to the following credit facilities:

- A €5,000,000 revolving credit facility negotiated with ING Bank with a definite term ending 1 September 2013.
- A €400,000 revolving credit facility negotiated with Rabobank with an indeterminate term of renewal.
- A €1,000,000 (CZK 28,000,000) revolving credit facility with Raiffeisen Bank with a term ending 31 March 2009, renewable for a 1 year term each time.

The contractual terms of the financial commitments, excluding the estimated interest payments, are as follows:

In € 000s	Carrying Value	< 6 mths	6-12 mths	1-2 yrs	2-5 yrs	> 5 yrs
ING Bank Amsterdam	37,900	2,105	2,106	6,703	26,986	-
Rabobank Venlo	550	100	100	200	150	-
Raiffeisen Bank	637	637	-	-	-	-
Other commitments	11,541	5,775	4,322	1,066	161	216

€3,500,000 of the revolving credit facility is used by a minority interest, for which InnoConcepts acts as the guarantor.

### 7.3 Currency Risk

Currency risk is the risk that InnoConcepts' income or the value of assets is adversely affected by fluctuations in exchange rates. The objective of managing currency risk is to maintain this risk within acceptable limits with an optimal return.

InnoConcepts' conduct of business exposes the operation and the reported financial results and cash flows to risks due to fluctuating exchange rates. InnoConcepts' business operations are exposed to exchange rate differences if the proceeds of sales are received in a foreign currency that is different from the currency in which the costs related to these sales were incurred. To the extent that sales and costs can be netted using the same foreign currency, the balance will be affected by foreign exchange rate fluctuations in relation to the euro.

The Group's investments in finance leases and long-term loans to associates denominated in USD are partially hedged via a USD loan. This loan reduces the risk of the net assets financed in USD.

To mitigate the impact of currency exchange rate fluctuations, InnoConcepts continuously assesses its foreign currency exchange rate position. If required, a portion of these risks will be hedged with financial instruments, such as forward exchange transactions and currency options. InnoConcepts did not make use of such instruments on the balance sheet date.

The key exchange rates during the year under review were as follows:

	At 31 December		Average Rate	
	2008	2007	2008	2007
GBP	0.974	0.738	0.796	0.685
USD	1.410	1.473	1.471	1.371
HKD	10.946	11.488	11.462	10.695
CZK	26.643	26.568	24.990	27.719

## Sensitivity Analysis

A 10% increase in the euro in relation to the above currencies at year end would have increased/ (decreased) equity and the operating result by the following amounts. All other variables, in particular the currency exchange rates, are kept constant. A 10% decrease in the euro in relation to the above currencies would have produced a similar, albeit opposite, result. The impact of the HKD and the CZK is not materially significant to this analysis.

Impact in € 000s	2008		2007	
	Operating Result	Other Reserves	Operating Result	Other Reserves
USD	-68	-4,594	-428	-4,224
GBP	-7	-888	-86	-1,679

### 7.4 Interest Rate Risk

Interest rate risk is the risk that InnoConcepts' income or the value of assets is adversely affected by fluctuations in interest rates. The objective of managing interest rate risk is to maintain this risk within acceptable limits with an optimal return.

The Group's liabilities are subject to variable as well as fixed interest rates. All borrowings in euros are subject to variable interest rates based on Euribor + a premium, which is considered to provide natural protection against fluctuations in the operating result. If necessary based on risk and yield considerations, InnoConcepts will commit to interest rates for longer periods or build in an interest rate ceiling.

Where applicable, InnoConcepts' assets are subject to interest rates that are linked to market rates with a higher premium than the interest rate paid by InnoConcepts.

An increase of 100 basis points in the interest rate effective at 31 December 2008 and 2007 would have produced the following increase/(decrease) in equity and operating result. All other variables, in particular the interest rates, are kept constant. A decrease of 100 basis points at 31 December 2008 and 2007 would have produced a similar, albeit opposite, result.

Impact in € 000s	2008		2007	
	Operating Result	Other Reserves	Operating Result	Other Reserves
Loans and non-current receivables	279	-	177	-
Trade and other receivables	103	-	162	-
Long-term loans and other liabilities	-122	-	-222	-
Trade and other payables	-61	-	-43	-

### 7.5 Fair Value

The fair value of the financial assets and liabilities recorded on the balance sheet is equal to the carrying value.

## **7.6 Management of Capital**

InnoConcepts' policy is focused on maintaining the strong financial position needed to maintain the confidence of investors, creditors and markets and to safeguard the future development of business operations.

InnoConcepts strives to achieve a dividend ratio equal to 1/3 of the profit for the year. InnoConcepts furthermore strives to maintain healthy balance sheet ratios, with a solvency target exceeding 50%.

InnoConcepts strives to maintain a balance between the higher return that could be achieved with a higher level of loan capital on the one hand and the benefits and security inherent in a solid financial position on the other. InnoConcepts' goal is to realise a healthy shareholders' return. In 2008 the return on equity was -26% (2007: 17%). By way of comparison, the weighted average interest rate on interest-bearing loans was 6.5% (2007: 6.4%).

No changes were made to InnoConcepts' approach to managing its capital during the year under review.

## **8. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **8.1 Related Parties**

Novem International B.V. Rotterdam, the Netherlands, holds approximately 13% of the InnoConcepts N.V. shares with voting rights attached.

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

At the balance sheet date, InnoConcepts had receivables due from the associate Proventec in the amount of €3,446,000 related to a loan granted to it. This loan was granted in 2006. InnoConcepts has a representative on Proventec's Board.

InnoConcepts has had a representative on the management board of its Chinese partner for multimedia packaging since mid-2008. No new transactions took place during this period. The existing agreements concerning the use of non-current assets and intellectual property were continued unchanged. At 31 December 2008, InnoConcepts had a receivable due from this Chinese partner in the amount of €21,841,000.

### **8.2 Contingent Liabilities**

The liabilities under various rental agreements amounted to €900,000 per year at 31 December 2008. The total annual commitment covers four rental agreements ending in June 2009, December 2013, June 2016 and December 2018 respectively. As regards these rental commitments, bank guarantees have been furnished to third parties to an amount of €260,000.

The commitments at 31 December 2008 under passenger car lease agreements amounted to €125,000 per year. The term of the lease agreements is at most four years.

The commitments at 31 December 2008 under lease agreements for production resources amounted to €26,000 per year. The term of the relevant lease agreements is at most five years.

### 8.3 List of Subsidiary Companies at 31 December 2008

InnoEssentials International B.V.	Rotterdam, the Netherlands	100%
InnoSpecial Products B.V.	Rotterdam, the Netherlands	100%
InnoCleaning Concepts Holding B.V.	Rotterdam, the Netherlands	100%
Robby Ltd	Cheltenham, UK	100%
Special Cleaning Industries GmbH <sup>1)</sup>	Ruhpolding, Germany	100%
I-Pac Technologies N.V.	Rotterdam, the Netherlands	100%
Formy Tachov Sro	Tachov, Czech Republic	85%
HTP Technologies B.V.	Eindhoven, the Netherlands	57%
HTP Tooling B.V.	Eindhoven, the Netherlands	50%
HTP Tooling Inc	Jacksonville, United States	50%
I-Pac Manufacturing Asia Ltd	Hong Kong, China	100%
I-Pac Patents B.V.	Rotterdam, the Netherlands	100%
IS Development B.V.	Rotterdam, the Netherlands	80%

1) Shares not yet legally transferred.

## COMPANY 2008 FINANCIAL STATEMENTS

### COMPANY BALANCE SHEET AT 31 DECEMBER 2008 (BEFORE PROFIT APPROPRIATION)

In € 000s	Notes	2008	2007
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10.2.1	20	34
Financial assets	10.2.2	108,241	125,925
		108,261	125,959
<b>CURRENT ASSETS</b>			
Receivables, prepayments and accrued income	10.2.3	1,151	3,695
Cash and cash equivalents		3,326	921
		4,477	4,616
<b>TOTAL ASSETS</b>		<b>112,738</b>	<b>130,575</b>

### COMPANY BALANCE SHEET AT 31 DECEMBER 2008 (BEFORE PROFIT APPROPRIATION)

In € 000s	Notes	2008	2007
<b>EQUITY</b>			
Share capital	10.2.4	231	227
Share premium reserve	10.2.4	42,301	42,306
Statutory reserves	10.2.4	1,852	-5,719
General reserves	10.2.4	58,584	50,666
Retained earnings	10.2.4	-21,482	17,918
Equity		81,486	105,397
<b>LIABILITIES</b>			
Non-current liabilities and provisions	10.2.5	909	17,490
Current liabilities, accrued expenses and deferred income	10.2.6	30,343	7,688
		31,252	25,178
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>112,738</b>	<b>130,575</b>

## COMPANY INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

In € 000s	2008	2007
Result on subsidiaries after tax	-17,315	20,214
Other revenue and expenses after tax	-4,167	-2,296
	-21,482	17,918

In € 000s	Share capital	Share premium	Statutory reserve for investments in associates	Reserve for translation differences	General reserve	Unappropriated results	Total group equity
At 1 January 2007	213	22,928	3,181	-2,958	40,809	13,053	77,226
Net profit for the year 2007 before dividend	-	-	-	-	-	17,918	17,918
Exchange rate fluctuations on investments in foreign associates	-	-	-	-6,968	-	-	-6,968
Total result for the year 2007	-	-	-	-6,968	-	17,918	10,950
Profit appropriation	-	-	-	-	13,053	-13,053	-
2006 dividend paid in cash	-	-	-	-	-2,170	-	-2,170
2006 stock dividend paid	-	-2,298	-	-	-	-	-2,298
Issue of shares for stock dividend	1	2,297	-	-	-	-	2,298
Issue of ordinary shares	13	19,738	-	-	-	-	19,751
Costs incurred on the issue of ordinary shares	-	-360	-	-	-	-	-360
Movement in statutory reserve for investments in associates	-	-	1,026	-	-1,026	-	-
	14	19,377	1,026	-	9,857	-13,053	17,221
At 31 December 2007/1 January 2008	227	42,305	4,207	-9,926	50,666	17,918	105,397
Net loss for the year 2008 before dividend	-	-	-	-	-	-21,482	-21,482
Exchange rate fluctuations on investments in foreign associates	-	-	-	-327	-	-	-327
Total result for the year 2008	-	-	-	-327	-	-21,482	-21,809
Result appropriation	-	-	-	-	17,918	-17,918	-
2007 dividend paid in cash	-	-	-	-	-2,102	-	-2,102
2007 stock dividend paid	-	-3,339	-	-	-	-	-3,339
Issue of shares for stock dividend	4	3,335	-	-	-	-	3,339
Movement in statutory reserve for investments in associates	-	-	7,898	-	-7,898	-	-
	4	-4	7,898	-	7,918	-17,918	-2,102
At 31 December 2008	231	42,301	12,105	-10,253	58,584	-21,482	81,486

## **10. NOTES TO THE COMPANY 2008 FINANCIAL STATEMENTS**

### **10.1 Significant Accounting Policies for the Company Financial Statements**

Significant Accounting Policies applied in the Company Financial Statements

InnoConcepts N.V.'s company financial statements are drawn up based on the legal provisions of Part 9, Book 2 of the Netherlands Civil Code. Pursuant to section 362, sub-section 8, Part 9, Book 2 of the Netherlands Civil Code, the company prepares its company financial statements based on the reporting policies applied in its consolidated financial statements. Subsidiaries are recognised at net asset value, based on the same accounting policies that are applied in the consolidated financial statements.

Significant accounting policies as well as a summary of critical judgements and assumptions are included in Section 2.

For its company income statement, InnoConcepts N.V. availed itself of the exemption pursuant to section 402, Part 9, Book 2 of the Netherlands Civil Code.

### **10.2 Notes to Company Balance Sheet**

#### *10.2.1 Property, plant and equipment*

Property, plant and equipment relate to office furniture and equipment and computer hardware.

<b>In € 000s</b>	<b>Other Operating Assets</b>
<hr/>	
Balance at 1 January 2007	
Cost	88
Accumulated depreciation	-45
Carrying value at 1 January 2007	43
<hr/>	
Carrying value at 1 January 2007	43
Additions	17
Depreciation	-26
Carrying value at 31 December 2007	34
<hr/>	
Balance at 31 December 2007	
Cost	96
Accumulated depreciation	-62
Carrying value at 31 December 2007	34
<hr/>	
Carrying value at 01 January 2008	34
Additions	5
Depreciation	-19
Carrying value at 31 December 2008	20
<hr/>	
Balance at 31 December 2008	
Cost	102
Accumulated depreciation	-82
Carrying value at 31 December 2008	20
<hr/>	

### 10.2.2 Financial Assets

<b>In € 000s</b>	<b>2008</b>	<b>2007</b>
Subsidiaries	107,152	124,507
Receivables from license agreements	1,089	1,418
	108,241	125,925
<i>Subsidiaries</i>		
In € 000s	2008	2007
Balance at 31 December of the previous year	124,507	15,969
Charged to the provision for receivables on subsidiaries	-3,219	-1,744
	121,288	14,225
Movements during the year:		
Exchange fluctuations on foreign subsidiaries	-327	-6,968
Recapitalisation	-	99,981
Recognition of goodwill on minority interests acquired	-	-
Dividend paid	-	-6,160
Disposal of associate	-	-4
Share in the operating result of subsidiaries	-17,314	20,214
	103,647	121,288
Charged to the provision for receivables on subsidiaries	3,473	3,219
Charged to the provision for subsidiaries in relation to the negative net capital value	32	-
	107,152	124,507

### 10.2.3 Receivables, Prepayments and Accrued Income

<b>In € 000s</b>	<b>2008</b>	<b>2007</b>
Receivables due from group companies	3,473	4,908
Provision for receivables due from subsidiary companies	-3,473	-3,219
	-	1,689
Other receivables	1,151	2,006
	1,151	3,695

### 10.2.4 Equity

The statutory reserve for investments in associates relates to group companies' retained earnings, insofar as these profits are not at the free disposition of InnoConcepts, being the statutory reserves for development costs and for retained earnings at associates formed by these group companies.

The statutory translation differences reserve consists of all the translation differences as from 1 January 2004 resulting from the translation of the net investment in activities denominated in a currency other than the euro.

These foreign exchange differences are initially recognised in this reserve. In the event of disposing of the foreign net investment in question, the related part recognised in the reserve is transferred to the income statement.

For details on the equity, reference is made to the Company Statement of Movements in Equity on page 67 and the Notes to the Consolidated Financial Statements, on page 47.

#### *10.2.5 Non-current liabilities and provisions*

<b>In € 000s</b>	<b>2008</b>	<b>2007</b>
Bank loans	-	15,900
Finance Leases	-	6
Deferred tax liabilities	877	1,584
Provision for group companies related to the negative net capital value	32	-
	909	17,490

#### *10.2.6 Current Liabilities*

<b>In € 000s</b>	<b>2008</b>	<b>2007</b>
Repayment of non-current liabilities	6	2,014
Liabilities to credit institutions	5,051	-
Trade payables	972	301
Taxes	3,429	4,679
Other liabilities, accrued expenses and deferred income	20,885	694
	30,343	7,688

Guarantees for the payment of interest and principal have been issued to a group of institutional investors following the sale of the convertible debenture loan originally extended to Proventec. These guarantees terminate at the earliest of the following moments: (i) 30 working days after 31 December 2012, (ii) the date of the unscheduled repayment or full conversion by Proventec of the convertible debenture loan or (iii) the first moment in time on which the weighted average price of an ordinary Proventec share measured over a period of sixty days amounts to GBP 4.20 or more. The maximum guarantee at the balance sheet date amounts to € 16,709,000. As at 31 December 2008, no liability was recognised for these guarantees.

### **10.3 Contingent Liabilities**

The commitment at 31 December 2008 under a rental agreement amounts to € 306,000 on an annual basis. The rental agreement runs until June 2009. A bank guarantee for an amount of up to € 80,000 has been issued to a third party in respect of the obligation under this rental agreement.

The obligations at 31 December 2008 under lease agreements for passenger cars amount to € 97,000 per year. The term of the lease agreements is at most four years.

Together with InnoEssentials International B.V., InnoSpecial Products B.V., I-Pac Technologies N.V. and I-Pac Patents B.V., the company forms a single fiscal entity for corporation tax purposes. Together with InnoEssentials International B.V. and InnoSpecial Products B.V., the company forms a single fiscal entity for VAT purposes. Under this arrangement, the company is jointly and severally liable to the tax authorities for the single taxable entity's liabilities.

For InnoEssentials International B.V., InnoSpecial Products B.V., InnoCleaning Concepts Holding B.V., I-Pac Technologies N.V. and I-Pac Patents B.V. the company has issued a liability undertaking in pursuance of section 403, Part 9, Book 2 of the Netherlands Civil Code.

#### **10.4 Notes to the Company Income Statement for the Year Ended 31 December 2008**

The average number of FTE personnel employed by the group in the year under review was 12 (2007: 11).

InnoConcepts N.V.  
29 April 2009

Management Board:  
P.A. Pruijssers

Supervisory Board:  
G. Jansen Venneboer (Chairman)  
A. Langerak  
N. Mehra

## AUDITORS' REPORT

To the Shareholders of InnoConcepts N.V.

### **Report on the financial statements**

We have audited the accompanying 2008 financial statements of InnoConcepts N.V., Rotterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company profit and loss account for the year then ended and the notes.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 InnoConcepts N.V. as at 31 December 2008, and of its result and its cash flow 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 Netherlands Civil Code.

*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 InnoConcepts N.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

*Report on other legal requirements*

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the Management Board is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 29 April 2009

Deloitte Accountants B.V.

K.G. Tan RA



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