



# **Envipco Holding NV**

Interim Financial Report

1<sup>st</sup> Quarter 2017

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## Q1 2017 RESULTS UNAUDITED

### Highlights

(in euro millions)	Quarter to 31/03/2017	% Change	Quarter to 31/03/2016	Full Year 31/12/2016
Revenues	6.99	3.4	6.76	33.11
Gross profit	2.31	3.6	2.23	11.65
Gross profit %	33.00%	-	33.00%	35.19%
Operating profit/(loss)	-0.73	-247.6	-0.21	1.38
Net profit / (loss) after taxes after minority	-0.85	-240.0	-0.25	5.24
EBITDA*	0.18	-69.0	0.58	4.56
Earnings/(loss) per share (in euro)	-0.24	-242.9	-0.07	1.46
Shareholders' equity	22.29	32.4	16.83	23.45

\*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortisation

#### 2017 First Three Months Highlights – Consolidated Results:

- Revenues for the first three months of 2017 increased 3.4% to €6.99m from €6.76m in 2016.
- Gross profit for the first three months of 2017 increased 3.6% to €2.31m from €2.23m in 2016.
- Gross profit margin remained steady at 33% in Q1 2017 compared to 2016. Net loss for the first three months of 2017 increased to (€0.85m) from a loss of (€0.25m) in 2016. This increased loss was the result of no distributor sales in overseas markets except for Sweden for Q1 2017 compared to 2016 and overall increased cost associated with development of the Swedish market and IP enforcement cost.
- EBITDA for the first three months of 2017 decreased by 69% to €0.18m from €0.58m in 2016. EBITDA was similarly impacted by no distributor sales in overseas markets and increased Swedish market cost as noted above.
- Shareholders' equity at 31/03/2017 was negatively impacted by translation reserve of €0.31m for the quarter.
- In comparing the balance sheet at 31/03/2017 to 31/03/2016, there have been changes in the cash, borrowings and property, plant and equipment due to increased investment in RVM lease portfolio at 31/03/2017 compared to 2016. Overall lease portfolio investment increased by approximately €0.60m, which included placement of 50 new RVMs.
- The company has adequate working capital at 31/03/2017 with unused borrowing availability of approximately €2.8m under its financing arrangements.
- Swedish operations started the year with a fully formed organization compared to Q1 of 2016. Revenues were €0.3m in Q1 2017 compared to €0.1m in 2016. We are building a good order book for 2017 and can expect continuing revenue growth the rest of 2017 over 2016. Contribution from the Swedish market will be constrained in 2017 as organizational costs will not be fully absorbed at projected 2017 revenues. The market response to our revolutionary "Bulk Feed Quantum" remains very positive.
- Our Australian distributor continues with preparations for implementation of the deposit legislation passed by The Government of New South Wales (NSW). The implementation date remains December 1, 2017, but certain system operator decisions have not been formalized as of yet. Our Australian distributor is well positioned in this market and we expect sales in the second half of 2017.
- The Company is continuing IP enforcement activities related to a patent granted by the German Patent office that covers a method for how container security labels are created and interpreted. Significant cost was incurred in the latter part of 2016 on this matter. Approximately €0.07m was incurred during Q1 2017 with the expectation that cost at this level and above will continue for the remainder of 2017.

## Business Review- Segments:

(in euro millions)	1st Quarter		Full Year
	2017	2016	2016
<b>Revenues</b>	<b>6.99</b>	<b>6.76</b>	<b>33.11</b>
North America	6.65	6.28	30.14
Europe	0.34	0.48	2.70
ROW	-	-	0.27
<b>Gross profit</b>	<b>2.31</b>	<b>2.23</b>	<b>11.65</b>
Gross profit in %	33%	33%	35%
Operating expenses	3.04	2.44	10.33
Net profit /(loss) after taxes	(0.85)	(0.25)	5.24
EBITDA*	0.18	0.58	4.56
EBITDA Margin	3%	9%	14%
Earnings per share (EPS)	€ (0.24)	€ (0.07)	€ 1.46
*Earnings before Interest, Taxes, Depreciation & Amortisation			

### 2017 First Three Months Highlights – Segment Results:

- North America revenues for the first three months of 2017 increased by 5.9% to €6.65m from €6.28m in 2016. There was some favourable currency impact in Q1 2017 compared to Q1 2016 that accounted for 4.2% of the increase. The increase attributable to lease, service and container throughput income amounted to €0.45m for the quarter. This increase was partially offset by lower RVM machine sales in Q1 2017 of €0.38m compared to €0.45m in 2016.
- Europe revenues for the first three months of 2017 decreased by 29% to €0.34m from €0.48m in 2016. The Q1 2017 revenue all occurred in the Swedish market which actually increased from €0.10m in Q1 2016. The decrease was entirely attributable to no distributor sales in overseas markets in Q1 2017 compared to sales of €0.36m in 2016.
- With passage of the mandatory deposit law in New South Wales Australia effective July 2017, which has now been delayed to the end of 2017, we expect meaningful sales in the second half of 2017.
- Operating expenses increased to €3.04m for the first three months of 2017 compared to €2.44m in 2016. This increase reflects the cost of the fully functioning Swedish organization, investments in our German R&D organization and cost incurred at the Holding company which includes patent enforcement activities.

### Market Outlook:

Our investments in the most comprehensive and innovative RVM technology combined with our organizational investments well position the company for sustained market growth and profitability. The company has adequate bank facilities/credit lines in place, along with shareholders' support to fund our ongoing market development plans.

## **Annual General Meeting:**

The annual general meeting of the shareholders is scheduled for 28 June 2017 in Amsterdam. Notice of the meeting and the agenda have been posted on our website at [www.envipco.com](http://www.envipco.com)

## **Capital & Shareholding:**

### **Authorised and Issued Share Capital**

The Company's authorized capital is €4,000,000 divided into 8,000,000 shares, each having a nominal value of €0.50. The issued share capital of the Company currently amounts to €1,918,803.50 divided into 3,837,607 Shares, each having a nominal value of €0.50.

### **Substantial Shareholders:**

The Group has been notified of, or is aware of the following 3% or more interest as at 31 March 2017.

	<u>Number of Shares</u>	<u>Shareholding</u> %	<u>Voting Rights</u> %
Alexandre Bouri/Megatrade International SA (beneficially owned by Mr. Alexandre Bouri)	2,558,568	66.67	66.67
Gregory Garvey/EV Knot LLC	234,013	6.10	6.10
Douglas Poling/GD Env LLC	200,000	5.21	5.21
Univest Portfolio Inc	140,480	3.66	3.66
Stichting Employees Envipco Holding	240,000	6.25	6.25

## **Risks and Uncertainties:**

- Legislation driven growth: Our RVM business, which is mainly dependent on deposit laws can have significant negative impact, if such laws are repealed or curtailed significantly.
- Major RVM customers going out of business may also have a significant negative impact, although unlikely due to the diversity of our customer base.
- The Group may be at risk from competition.
- At present, majority of the group revenue is generated in United States Dollar, which can be subject to significant fluctuations that may have a negative or positive impact on the group results depending upon whether it is a favorable or an unfavorable change.
- Non-availability of lines of credit or cash to continue to fund projects under development stage may impact long term viability of the Group.

*Amersfoort, 26 May 2017*  
*Board of Directors*  
*Envipco Holding N.V.*

*Bhajun Santchurn*  
*CEO & Executive Board Member*

## Consolidated statement of comprehensive income

(in thousands of Euro)	Note	Q1-2017	Q1-2016	Full Year 2016
Revenues		6,994	6,761	33,114
Cost of revenue		(4,092)	(4,007)	(19,257)
Leasing depreciation		(597)	(522)	(2,204)
<b>Gross profit</b>		<b>2,305</b>	<b>2,232</b>	<b>11,653</b>
Selling expenses		(279)	(293)	(1,261)
General and administrative expenses		(2,758)	(2,149)	(9,065)
- Miscellaneous income/(expenses)	2	-	-	49
<b>Operating result</b>		<b>(730)</b>	<b>(210)</b>	<b>1,376</b>
Financial expense		(79)	(61)	(260)
Financial income		2	27	25
Exchange gains/(losses)		(24)	14	(26)
<b>Result before tax</b>		<b>(831)</b>	<b>(230)</b>	<b>1,115</b>
Income taxes		(16)	(20)	4,136
		(16)	(20)	4,136
<b>Net results from continuing operations</b>		<b>(847)</b>	<b>(250)</b>	<b>5,251</b>
<b>Other comprehensive income</b>				
<b>Items that will be classified subsequently to profit and loss</b>				
Exchange differences on translating foreign operations		(313)	(517)	733
Other movements		(1)	(2)	-
Total other comprehensive income		(314)	(519)	733
<b>Other comprehensive income</b>		<b>(1,161)</b>	<b>(769)</b>	<b>5,984</b>
<b>Profit attributable to:</b>				
<b>Owners of the parent</b>				
Profit/(loss) for the period from continuing operations		(847)	(250)	5,241
		(847)	(250)	5,241
<b>Non-controlling interests</b>				
Profit/(loss) for the period from continuing operations		-	-	10
		-	-	10
<b>Total</b>				
Profit/(loss) for the period from continuing operations		(847)	(250)	5,251
		(847)	(250)	5,251
<b>Total comprehensive income attributable to:</b>				
<b>Owners of the parent</b>		(1,161)	(769)	5,974
<b>Non-controlling interest</b>		-	-	10
		(1,161)	(769)	5,984
Number of shares used for calculation of EPS				
- Basic (euro)		3,597,607	3,597,607	3,597,607
- Diluted (euro)		3,597,607	3,597,607	3,597,607
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the year				
Basic (euro) - continuing operations		(0.24)	(0.07)	1.46
Fully diluted (euro) - continuing operations		(0.24)	(0.07)	1.46

*Consolidated balance sheet*

(in thousands of Euro)

	Notes	Q1-2017	Q1-2016	Full Year 2016
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible fixed assets, net of amortisation		4,883	4,287	5,034
Property, plant and equipment		10,526	9,626	11,042
Financial Assets		205	354	219
Deferred tax assets		5,181	898	5,269
		<b>20,795</b>	<b>15,165</b>	<b>21,564</b>
<b>Current assets</b>				
Inventory		8,331	8,296	7,645
Trade and other receivables		9,310	7,435	10,120
Cash and cash equivalents		222	268	1,416
<b>Total current assets</b>		<b>17,863</b>	<b>15,999</b>	<b>19,181</b>
<b>Total assets</b>		<b>38,658</b>	<b>31,164</b>	<b>40,745</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		1,919	1,919	1,919
Share premium		52,853	52,853	52,853
Retained earnings		(37,465)	(41,989)	(36,618)
Translation reserve		4,985	4,047	5,298
Total equity		22,292	16,830	23,452
Non-controlling interest		28	18	29
		<b>22,320</b>	<b>16,848</b>	<b>23,481</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	(5)	4,994	5,173	5,227
Other liabilities		215	211	214
<b>Total non-current liabilities</b>		<b>5,209</b>	<b>5,384</b>	<b>5,441</b>
<b>Current liabilities</b>				
Borrowings	(5)	1,859	841	2,011
Trade creditors		6,149	5,505	6,510
Accrued expenses		2,508	1,810	2,645
Provisions		251	379	267
Tax and social security		362	397	390
<b>Total current liabilities</b>		<b>11,129</b>	<b>8,932</b>	<b>11,823</b>
<b>Total liabilities</b>		<b>16,338</b>	<b>14,316</b>	<b>17,264</b>
		<b>38,658</b>	<b>31,164</b>	<b>40,745</b>

## Consolidated cash flow statement

(in thousands of Euro)

Note	Q1 2017	Q1 2016	Full Year 2016
<b>Cashflow (used in) / provided by operating activities</b>			
Operating result	(730)	(210)	1,376
Adjustments for:			
Depreciation and amortisation	912	748	3,195
Interest received	2	27	25
Interest paid	(79)	(61)	(260)
Changes in trade and other receivables	656	1,222	(625)
Changes in inventories	(675)	(1,094)	791
Changes in provisions	(17)	21	147
Changes in trade and other payables	(369)	(744)	(17)
<b>Cash generated from operations</b>	<u>(300)</u>	<u>(91)</u>	4,632
Income taxes (paid) / repaid	(16)	(20)	(82)
<b>Net cash flow from operating activities</b>	<u><b>(316)</b></u>	<u><b>(111)</b></u>	<u><b>4,550</b></u>
<b>Investing activities</b>			
Investment in intangible fixed assets	(111)	(137)	(1,422)
Investment in property, plant & equipment	(484)	(934)	(3,941)
<b>Net cash flow used in investing activities</b>	<u><b>(595)</b></u>	<u><b>(1,071)</b></u>	<u><b>(5,363)</b></u>
<b>Financing activities</b>			
Changes in borrowings - proceeds	-	4,314	12,384
Changes in borrowings - repayments	(266)	(3,671)	(11,003)
<b>Net cash flow from financing activities</b>	<u><b>(266)</b></u>	<u><b>643</b></u>	<u><b>1,381</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u><b>(1,177)</b></u>	<u><b>(539)</b></u>	<u><b>568</b></u>
Opening position as at 1 January	1,416	789	789
Foreign currency differences on cash and cash equivalents	11	(6)	(5)
Foreign currency differences and other changes	(28)	24	64
Closing balance cash and cash equivalents	<u>222</u>	<u>268</u>	<u>1,416</u>
<b>The closing position consists of:</b>			
Cash and cash equivalents	<u>222</u>	<u>268</u>	<u>1,416</u>
	<u>222</u>	<u>268</u>	<u>1,416</u>



*Consolidated statement of changes in equity*

<i>(Figures in euro thousands)</i>	Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interests	Total
	<b>Balance at 1 January 2017</b>	<b>1,919</b>	<b>52,853</b>	<b>(36,618)</b>	<b>5,298</b>	<b>23,452</b>	<b>29</b>
Net result	-	-	(847)	-	(847)	-	(847)
Currency translation adjustment	-	-	-	(313)	(313)	-	(313)
Other movements	-	-	-	-	-	(1)	(1)
Total recognised movements for the period ended 31 March 2017	-	-	(847)	(313)	(1,160)	(1)	(1,161)
<b>Balance at 31 March 2017</b>	<b>1,919</b>	<b>52,853</b>	<b>(37,465)</b>	<b>4,985</b>	<b>22,292</b>	<b>28</b>	<b>22,320</b>

<i>(Figures in euro thousands)</i>	Q1		Full Year
	2017	2016	2016
<b>Opening Balance</b>	<b>23,481</b>	<b>17,617</b>	<b>17,617</b>
Net result	(847)	(250)	5,251
Currency translation adjustment	(313)	(517)	733
Other movements	(1)	(2)	(120)
Total recognised movements for the period ended	(1,161)	(769)	5,864
<b>Closing Balance</b>	<b>22,320</b>	<b>16,848</b>	<b>23,481</b>

## Selected Explanatory Notes

### 1. General

#### Activities

Envipco Holding N.V. is a public limited liability company incorporated in accordance with the laws of The Netherlands, with its registered address at Utrechtseweg 102, 3818 EP Amersfoort, The Netherlands.

Envipco Holding N.V. and Subsidiaries (“the Company” or “Envipco”) are engaged principally in Recycling in which it develops, manufactures, assembles, leases, sells, markets and services a line of “reverse vending machines” (RVMs) in the USA, Europe, Australia, Middle East and the Far East;

#### Basis of preparation

The consolidated interim financial information for the first quarter ended 31 March 2017 has been prepared in accordance with IAS 34 “interim financial reporting.” The consolidated interim financial information should always be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS as endorsed by the European Union.

All financial information is reported in thousands of euros unless stated otherwise.

### 2. Accounting policies

Except as set out below, the accounting policies of these interim financial statements are consistent with the annual financial statements for the year ended 31 December 2016.

- Taxes on income in the period are accrued using the tax rate that would be applicable to expected total annual earnings.
- The annual impairment tests on goodwill and intangible assets with indefinite life will be carried out at the end of fiscal year 2017. Consequently, any impairment losses will only be recognised in the annual financial statements over the fiscal year 2017.
- These unaudited interim financial statements have not been reviewed by our auditors.

### 3. Segment reporting

In accordance with the provisions of IFRS 8, the segments are identified based on internal reporting. The senior management board has been identified as the chief operating decision-maker. The senior management board reviews internal reporting on a periodical basis. The Group’s two segments are the RVM and Holding company functions segments:

- RVM Segment : The deposit market activities under this segment include operation of systems to redeem, collect, account for and processing of post consumer beverage containers in the legislated environment including other related activities like sale and lease of RVMs, container data handling, management and deposit clearing functions. The non-deposit market activities under this segment include sales and market development activities for the automated recovery of used beverage containers in non-legislated environments. All of the group’s RVM related research and development activities are also included under this segment.
- Holding Segment: This comprises of all holding company activities including head office and corporate expenses.

<i>(Figures in euro thousands)</i>	RVM Segment	Holding Segment	Total
<b>Quarter Ended 31 March 2017</b>			
<b>Segment Results</b>			
Revenue from external customers	6,657	337	<b>6,994</b>
Other income / (expenses)	2	-	<b>2</b>
Depreciation & amortisation	658	254	<b>912</b>
Net profit attributable to owners of the parent	(434)	(413)	<b>(847)</b>
<b>Segment Assets - 31 March 2017</b>	<b>33,072</b>	<b>5,586</b>	<b>38,658</b>
<b>Quarter Ended 31 March 2016*</b>			
<b>Segment Results</b>			
Revenue from external customers	6,761	-	<b>6,761</b>
Other income / (expenses)	-	-	<b>-</b>
Depreciation & amortisation	606	142	<b>748</b>
Net profit attributable to owners of the parent	(71)	(179)	<b>(250)</b>
<b>Segment Assets - 31 March 2016</b>	<b>26,073</b>	<b>5,091</b>	<b>31,164</b>

\* Certain figures have been reclassified for presentation purposes

#### 4. Transactions with related parties

There is a loan receivable of €0.68m due from an affiliate under common control.  
An amount of €0.09m is payable to the majority shareholder.

#### 5. Borrowings – third parties

	3 months to 31 March 2017	3 months to 31 March 2016
	€'000	€'000
At beginning of period	7,238	5,613
New borrowings	-	3,731
Repayments	(266)	(3,061)
Translation effect	(119)	(269)
At end of period	<u>6,853</u>	<u>6,014</u>

#### 6. Consolidated cash flow

Group used €0.32m cash in its operating activities for the First Quarter 2017 versus €0.11m for the same period in 2016. Investments in tangible and intangible assets were €0.60m for the First Quarter 2017 (Q1-2016 - €1.07m). Net debt repayment was €0.27m for the First Quarter 2017 compared to net borrowing of €0.64m in the First Quarter of 2016.