



Envipco Holding NV

Interim Financial Report

2017 First Half Year Results

Unaudited

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FIRST SIX MONTHS RESULTS TO 30 JUNE 2017

Highlights

(in euro millions)

	1 st Half 2017	1 st Half 2016	% Change	Full Year to 31/12/2016
Continuing operations:				
Revenues	16.81	15.33	+9.7	33.11
Gross profit	5.90	5.46	+8.1	11.65
Gross profit %	35.1%	35.6%	-1.4	35.2%
Operating profit/(loss)	(0.30)	0.77	-139.0	1.38
Net profit / (loss) after taxes after minority	(0.40)	0.63	-163.5	5.24
*EBITDA	1.57	2.32	-32.3	4.56
Earnings/(loss) per share (in euro)	(0.11)	0.18	-161.1	1.46
Cash and cash equivalents	0.23	(0.42)	+154.8	1.42
Shareholders' equity	21.54	18.00	+19.7	23.45

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

First Half 2017 Highlights – Consolidated Results

- Revenues for the first six months of 2017 increased 9.7% to €16.81m from €15.33m in 2016. There is a favorable 3.5% impact from currency translation with the average USD to EURO conversion rate of 1.08 in the first six months 2017 compared to 1.12 in 2016.
- Gross profit for the first six months of 2017 increased 8.1% to €5.90m from €5.46m in 2016.
- Gross profit margin was 35.1% for first half of 2017 compared to 35.6% in the first half of 2016.
- Net profit/(loss) for the first six months of 2017 declined to a loss of (€0.40m) from a profit of €0.63m in 2016.
- EBITDA for the first six months of 2017 amounted to €1.57m compared to €2.32m in 2016. EBITDA was negatively impacted by increased 2017 operating expense of €1.51m as further discussed under Business Review.
- Earnings per share reduced to a loss of (€0.11) for the first six months of 2017 compared to a profit per share of €0.18 in 2016.
- Shareholders' equity of €21.54m at 30/6/2017 was negatively impacted by a translation reserve of €1.51m for the first half of 2017.
- In comparing the balance sheet at 30/6/2017 to 30/6/2016, the most notable change relates to the recognition of the deferred tax asset of approximately €4.0m during the year 2016.
- The company has adequate working capital at 30/6/2017 with borrowing availability of approximately €2.63m under its' financing arrangements.
- As part of preparation for the deposit legislation passed by The Government of New South Wales (NSW); the Scheme Coordinator and Network Operator have now been appointed. Our distributor, (Envirobank), is focusing their efforts on establishing collection sites that will be key to achieving the recovery targets. Many of these collection sites will rely on RVMs to provide container redemption services. Envirobank has a number of identified sites and property relationships for placement of RVMs. Envirobank will work with the Network Operator in approving and operating collection sites.
- 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. This patent

arises from a previously granted utility model in May 2007. In the first half of 2017, the Company has incurred legal cost of approximately €300k on this matter compared to nominal cost in the first half of 2016. The Company expects to continue to incur cost on this matter.

Business Review:

2017 Second Quarter and Half Year Highlights:

(in euro millions)

	2nd Quarter		1st Half Year		Full Year
	2017	2016	2017	2016	2016
Revenues	9.82	8.57	16.81	15.33	33.11
North America	8.64	7.72	15.29	14.00	30.14
Europe	1.18	0.85	1.52	1.33	2.70
ROW	-	-	-	-	0.27
Gross profit	3.60	3.23	5.90	5.46	11.65
Gross profit in %	37%	38%	35%	36%	35%
Operating expenses	3.17	2.26	6.21	4.70	10.33
Net profit /(loss) after taxes	0.45	0.88	(0.40)	0.63	5.24
EBITDA	1.42	1.74	1.57	2.32	4.56
EBITDA Margin	14%	20%	9%	15%	14%
Earning per share (EPS)	0.13	0.25	(0.11)	0.18	1.46

Second Quarter and First Half Year 2017 – RVM Operations:

- North America revenues for the first six months of 2017 increased by 9.2% to €15.29m from €14.00m in 2016. The increase is mostly attributable to lease, service and container throughput income that result from an additional 230 RVM placements in the first half 2017 over 2016. RVM machine sales for the first six months of 2017 were up by €0.39m compared to 2016. The second quarter 2017 revenues of €8.64m increased by 11.9% compared to second quarter 2016. Revenue increases in our lease, service and container throughput income were complemented by increases in RVM machine sales in the second quarter 2017 compared to second quarter of 2016.

Our breakthrough bulk feed technology “Quantum” is being launched in the Michigan market in the latter part of August 2017 with a major retailer. The Michigan market with a 10 cent deposit, high redemption rates and significant retailer investments in RVM technology, is ideally suited for Quantum. The retailer is keenly focused on the demonstrated consumer attractiveness and increased foot traffic attributable to the Quantum technology as experienced in other markets. Successful test of Quantum in Michigan is expected to lead to meaningful new RVM sales and market share gains.

- Europe revenues for the first six months of 2017 increased 14.3% to €1.52m from €1.33m in 2016. The Swedish market revenues in the first six months increased substantially to €1.0m in 2017 from €300k in

2016. The Swedish activity continues to demonstrate strong consumer support for our bulk feed technology resulting in increased retailer sales activity. The remaining Europe activities in France, Greece and Germany for the first six months of 2017 were down to €500k from €1.0m in the first half 2016. This is more a reflection of significant machine sales that occurred in the first half of 2016 for these other European markets, rather than any decline in the market potential. Overall, we expect the European market to perform well for the remainder of 2017.

- ROW which currently reflects the Australian market, is largely dependent on implementation of the new deposit law in New South Wales with anticipated effect from December 2017. Our proven distributor, (Envirobank) has been actively developing container redemption sites that will include RVMs under the new system. We expect machine sales to this market in the second half of 2017 leading into 2018.
- Operating expenses have increased by €1.51m to €6.21m in the first half of 2017 over the first half of 2016. Of this increased amount, €303k relates to IP litigation cost, €321k of R&D cost and approximately €400k of start-up and warranty cost related to the increased European market activities. The impact of the IP litigation, R&D and Europe start-up costs are expected to moderate over time.

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 increasing 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 was held on 28 June 2017 in Amsterdam. The minutes of the meeting can be viewed on our website at www.envipco.com

Risks and Uncertainties

- Legislation driven growth: 100% of our group revenues is generated from our RVM business, mainly dependent on deposit laws that can be repealed or curtailed significantly. None is expected, as has been the case during the last 20 years, and such scenario is very unlikely. To the contrary, there are even more initiatives to expand and extend these laws to other states and countries due to environmental concerns which can positively impact our business.
- 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.
- About 91% of the group revenues are generated in United States Dollar, which can be subject to significant fluctuations that may have a negative or positive impact on the group results depending upon whether it is a favorable or 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.

Capital & Shareholding:

Authorised and Issued Share Capital

The Company's authorised 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 30 June 2017.

	<u>Number of Shares</u>	<u>Shareholding</u>	<u>Voting Rights</u>
		<u>%</u>	<u>%</u>
Alexandre Bouri/Megatrade International SA (beneficially owned by Mr. Alexandre Bouri)	2,558,568	66.67	66.67
Gregory Garvey/EV Knot LLC	259,013	6.75	6.75
Douglas Poling/GD Env LLC	200,000	5.21	5.21
B.Santchurn/Univest Portfolio Inc.	155,480	4.05	4.05
Stichting Employees Envipco Holding	240,000	6.25	6.25

Directors' interest in the share capital of the Group is shown below:

	<u>Number of Shares</u>	<u>Shareholding</u> %	<u>Voting Rights</u> %
Alexandre Bouri/Megatrade International SA	2,558,568	66.67	66.67
Gregory Garvey/EV Knot LLC	259,013	6.75	6.75
B.Santchurn/Univest Portfolio Inc.	155,480	4.05	4.05
C.Crepet	6,456	0.17	0.17
David D'Addario	80,451	2.10	2.10
T.J.M. Stalenhoef	600	0.02	0.02

Post balance sheet events:

Please refer to Note 9 of the selected explanatory notes for further details.

Executive Board Responsibility Statement:

The company's members of the Executive Board hereby declare that, to the best of their knowledge:

1. The mid-year financial statements for the first half of the financial year ending 31 December 2017 give a true and fair view of the assets, liabilities, financial position and the profit / loss of the company and its consolidated entities;
2. The mid-year directors' report for the first half of the financial year ending 31 December 2017 gives a true picture of:
 - a) the most important events which have occurred in the first six months of the financial year in question and of the effect of those on the mid-year financial statements,
 - b) the most important transactions with related parties which were entered into during this period,
 - c) the main risks and uncertainties for the remaining six months of the financial year in question.

Bhajun G. Santchurn W.S.
CEO and Executive Board Member

Christian Crepet W.S.
Executive Board Member

The report was approved by the Board of Directors on 13 August 2017.

Envipco Holding N.V.

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Consolidated Statement of comprehensive income

(in thousands of euros)	Note	Unaudited Q2 2017	Unaudited Q2 2016	Unaudited Half Year 2017	Unaudited Half Year 2016	Audited Full Year 2016
Revenues		9,817	8,572	16,811	15,334	33,114
Cost of revenue		(5,648)	(4,819)	(9,740)	(8,820)	(19,257)
Leasing depreciation		(569)	(531)	(1,166)	(1,053)	(2,204)
Gross profit		3,600	3,222	5,905	5,461	11,663
Operating expenses		(3,168)	(2,255)	(6,205)	(4,702)	(10,326)
Other income/(expenses)	4	2	12	4	10	49
Operating result		434	979	(296)	769	1,376
Net financial items		(69)	(69)	(146)	(103)	(235)
Exchange gains/(losses)		114	(6)	90	9	(26)
Result before taxes		479	904	(352)	675	1,115
Income taxes		(30)	(20)	(46)	(41)	4,136
Net results		449	884	(398)	634	5,251
Other comprehensive income						
Items that will be classified subsequently to profit and loss						
Exchange differences on translating foreign operations		(1,201)	280	(1,514)	(237)	733
Other movements		-	4	(1)	2	-
Total other comprehensive income		(1,201)	284	(1,515)	(235)	733
Total comprehensive income		(752)	1,168	(1,913)	399	5,984
Profit attributable to:						
Owners of the parent						
Profit/(loss) for the period		449	886	(397)	636	5,241
		449	886	(397)	636	5,241
Non-controlling interests						
Profit/(loss) for the period		(1)	(2)	(1)	(2)	10
		(1)	(2)	(1)	(2)	10
Total						
Profit/(loss) for the period		448	884	(398)	634	5,251
		448	884	(398)	634	5,251
Total comprehensive income attributable to:						
Owners of the parent		(751)	1,170	(1,912)	401	5,974
Non-controlling interest		(1)	(2)	(1)	(2)	10
		(752)	1,168	(1,913)	399	5,984
Number of shares used for calculation of EPS						
- Basic and diluted (euro)		3,597,607	3,597,607	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)		0.13	0.25	(0.11)	0.18	1.46
Fully diluted (euro)		0.13	0.25	(0.11)	0.18	1.46

Consolidated balance sheet

(in thousands of euros)

Note	At 30 June 2017 Unaudited	At 30 June 2016 Unaudited	At 31 December 2016 Audited
Assets			
Non-current assets			
Intangible assets	5,290	4,564	5,034
Property, plant and equipment	9,731	10,094	11,042
Long term deposits	62	360	219
Deferred tax asset	4,857	918	5,269
Total non-current assets	19,940	15,936	21,564
Current assets			
Inventory	7,617	8,375	7,645
Trade and other receivables	9,874	10,942	10,120
Cash and cash equivalent	229	(42)	1,416
Total current assets	17,720	19,275	19,181
Total assets	37,660	35,211	40,745
Equity			
Share capital	1,919	1,919	1,919
Share premium	52,853	52,853	52,853
Retained earnings	(37,016)	(41,105)	(36,618)
Translation reserves	3,785	4,328	5,298
Total equity	21,541	17,995	23,452
Non-controlling interest	27	21	29
	21,568	18,016	23,481
Liabilities			
Non-current liabilities			
Borrowings	5,126	6,313	5,227
Other liabilities	216	213	214
Total non-current liabilities	5,342	6,526	5,441
Current liabilities			
Borrowings	1,682	863	2,011
Trade creditors	6,939	7,489	6,510
Accrued expenses	1,501	1,399	2,645
Provisions	258	368	267
Tax and social security	370	550	390
Total non-current liabilities	10,750	10,669	11,823
Total liabilities	16,092	17,195	17,264
Total equity and liabilities	37,660	35,211	40,745

Consolidated cash flow statement

(in thousands of euros)

	1HY-2017 Unaudited	*1HY-2016 Unaudited	Full Year 2016 Audited
Cash flow (used in) / provided by operating activities			
Operating result	(296)	769	1,376
Interest received	3	31	25
Interest paid	(148)	(134)	(260)
Depreciation and amortisation	1,774	1,514	3,195
Changes in trade and other receivables	(316)	(2,132)	(625)
Changes in inventories	(145)	(1,002)	791
Changes in provisions	(9)	-	147
Changes in trade and other payables	(315)	650	(17)
Cash generated from operations	548	(304)	4,632
Income taxes paid	(46)	(41)	(82)
Cash flow (used in)/ provided by operating activities	502	(345)	4,550
Cash flow (used in)/provided by investing activities			
Net investment in intangible fixed assets	(711)	(555)	(1,422)
Net investment in tangible fixed assets	(1,233)	(1,637)	(3,941)
Proceeds from sale of assets	33	-	-
Cash flow (used in)/ provided by investing activities	(1,911)	(2,192)	(5,363)
Cash flow (used in)/provided by financing Activities			
Changes in borrowings and capital lease obligations - gross	3,696	5,237	12,384
Changes in borrowings and capital lease obligations - repaid	(3,553)	(3,538)	(11,003)
Cash flow (used in)/ provided by financing activities	143	1,699	1,381
Net increase/(decrease) in cash and cash equivalents	(1,266)	(838)	568
Opening position on 1 January	1,416	789	789
Foreign currency differences on cash and cash equivalents	31	0	(5)
Foreign currency differences and other changes	48	7	64
Closing balance cash and cash equivalents	229	(42)	1,416
The closing position consists of:			
Cash and cash equivalents	229	(42)	1,416
	229	(42)	1,416

*Certain figures have been restated for comparison purposes

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
	Balance at 1 January 2017	1,919	52,853	(36,618)	5,298	23,452	29
Net result	-	-	(397)	-	(397)	(1)	(398)
Currency translation adjustment	-	-	-	(1,514)	(1,514)	-	(1,514)
Other comprehensive income	-	-	(1)	1	0	(1)	(1)
Total recognised movements for the period ended 30 June 2017	-	-	(398)	(1,513)	(1,911)	(2)	(1,913)
Balance at 30 June 2017	1,919	52,853	(37,016)	3,785	21,541	27	21,568

<i>(Figures in euro thousands)</i>	Q2		HY		FY Audited
	2017	2016	2017	2016	2016
	Opening Balance	22,320	16,848	23,481	17,617
Net result	449	884	(398)	634	5,251
Currency translation adjustment	(1,201)	280	(1,514)	(237)	733
Other comprehensive income	-	4	(1)	2	-
Total recognised movements for the period ended	(752)	1,168	(1,913)	399	5,984
Other movements	-	-	-	-	(120)
Closing Balance	21,568	18,016	21,568	18,016	23,481

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 Arnhemseweg 10, 3817 CH 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

This consolidated interim financial information for the six months ended 30 June 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 interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.
- The annual impairment test on goodwill and intangible assets with indefinite life will be carried out in the second six-month period of this year. Consequently, any impairment losses will only be recognised in the annual financial statements over the fiscal year 2017.
- These unaudited 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. Currently the Group has 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
Six Months Ended 30 June 2017			
Segment Results			
Revenue from external customers	16,811	-	16,811
Other income / (expenses)	4	-	4
Depreciation & amortisation	1,333	441	1,774
Net profit attributable to owners of the parent	152	(549)	(397)
Segment Assets - 30 June 2017	31,694	5,966	37,660
Six Months Ended 30 June 2016			
Segment Results			
Revenue from external customers	15,334	-	15,334
Other income / (expenses)	10	-	10
Depreciation & amortisation	1,231	283	1,514
Net profit attributable to owners of the parent	1,134	(498)	636
Segment Assets - 30 June 2016	29,933	5,278	35,211

4. Other income/(expenses)

Net other income for the first half year 2017 resulted in €0.004m. In 2016, sale of an asset resulted in a net other income of €0.01m.

5. Transactions with Related Parties

There is a receivable of €0.50m due from a related party under common control by the majority shareholder.

6. Borrowings – Third Parties

	6 months to 30 June 2017	6 months to 30 June 2016	12 months to 31 December 2016
	€'000	€'000	€'000
At beginning of period	7,238	5,613	5,613
New borrowings	3,696	5,237	12,384
Repayments	(3,553)	(3,538)	(11,003)
Translation effect	(573)	(136)	244
At end of period	<u>6,808</u>	<u>7,176</u>	<u>7,238</u>

7. Jointly controlled assets

Since the termination of the pilot in 2014, the Group has incurred no additional final closing costs in the first half of 2017 or 2016. The Group's share of the equity on 30 June 2017 and on 30 June 2016 amounted to €0.02m to recognise the 50% share of the remaining intangibles (reimagine trademark).

8. Consolidated cash flow

Group generated a positive €0.50m cash from its operating activities in the first half of 2017 versus a negative €0.35m during the same period last year. Investments in tangible and intangible assets were €1.91m for the first half of 2017 (1HY2016 - €2.19m). The 2017 outflows were funded by borrowings during the first half of 2017 similar to the 2016 outflows. Net borrowings were €0.14m for the first six months of 2017 (1HY2016 - €1.70m). The US subsidiary refinanced its credit facilities with its current lender during the second quarter of 2017.

9. Post balance sheet events

There are no post balance sheet events.