



# **Envipco Holding NV**

**Interim Financial Report**

**Third Quarter & Nine Months Results**

**to 30 September 2017**

**Unaudited**

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## NINE MONTHS RESULTS TO 30 SEPTEMBER 2017

### Highlights

(in euro millions)

	Nine Months to 30/09/2017	Nine Months to 30/09/2016	% Change	Full Year to 31/12/2016
<b>Continuing operations:</b>				
Revenues	25.47	25.54	-0.3	33.11
Gross profit	9.18	9.07	+1.2	11.65
Gross profit %	36.0	35.5	+1.4	35.2
Operating profit	0.56	1.64	-65.9	1.38
Net profit after taxes after minority	0.41	1.35	-69.6	5.25
*EBIT	0.70	1.60	-56.3	1.37
**EBITDA	3.24	3.87	-16.3	4.56
Earnings per share (in euro)	0.11	0.37	-70.3	1.46
Cash and cash equivalents	0.40	0.19	+110.5	1.42
Net working capital	7.24	8.06	-10.2	7.36
Shareholders' equity	22.29	18.58	+20.0	23.45

\*\*EBIT – Earnings Before Interest and Taxes

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

### 2017 Nine Months Highlights – Consolidated Results

- Revenues for the first nine months of 2017 of €25.47m were flat with 2016 revenues of €25.54m for the same period. For the year, there is negligible currency translation impact with the average USD to EURO conversion rate of 1.11 in both periods. There is however a meaningful impact in Q3 2017 with a reversal of the first 6 months 2017 favorable currency. Revenue gains in the first 6 months of 2017 were offset in Q3 2017 on lower program service revenue in North America and reduced RVM machine sales in Europe and ROW.
- Gross profit for the first nine months of 2017 increased 1.2% to €9.18m from €9.07m in 2016.
- Gross profit margin increased to 36.0% for the nine months of 2017 compared to 35.5% in the first nine months of 2016.
- Operating profit for the first nine months of 2017 decreased 65.9% to a profit of €0.56m from a profit of €1.64m in 2016. Operating profit was negatively impacted by additional expenses in our German operation for support and in preparation for expanded European activities of approximately €0.60m and increased R&D expense and amortization of €0.40m.
- EBITDA for the first nine months of 2017 reduced 16.3% to €3.24m from €3.87m in 2016.
- Earnings per share declined 70.3% to €0.11 for the first nine months of 2017 compared to earnings per share of €0.37 in 2016.

- Shareholders' equity of €22.29m at 30/9/2017 was negatively impacted by a translation reserve of €2.08m for the first nine months of 2017. The company sold 60,329 treasury shares during Q3 2017 with the remaining treasury shares of 179,671 being sold in October 2017.
  - The company has adequate working capital at 30/9/2017 with borrowing availability of approximately €2.70m under its latest financing arrangements completed in the second half of 2017.
  - The actual implementation of deposit legislation passed by The Australian Government of New South Wales (NSW) resulted in a system that has reduced reliance and benefits than traditionally result from RVM machines. This impact is from fewer retailer collection points and no RVM compaction for logistic efficiencies and duplicate container redemption security. In conjunction with our Australian distributor, we will monitor system developments in NSW and also focus on new deposit initiatives in Queensland and Western Australia where we anticipate a more traditional use of RVM machines.
  - In the European market there have been an increasing number of discussions and activities surrounding introduction of deposit schemes for beverage packaging. Most significant of these discussions involve Cyprus, Greece and Scotland. The Scotland initiative has led to a broader market discussion including Wales and the UK. Accordingly, the Company is ramping market activities and investments to prepare and stay abreast of these initiatives.
  - The Company is continuing IP enforcement activities in Germany related to a patent granted by the German Patent office that covers a method for how security labels are created and interpreted. The Company has incurred legal cost of €0.40m in the first 9 months. The Company expects to continue to incur cost on this matter.
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## Business Review:

2017 Third Quarter and Nine Months:

(in euro millions)	3rd Quarter		Nine Months		Full Year
	2017	2016	2017	2016	2016
<b>Revenues</b>	<b>8.66</b>	<b>10.21</b>	<b>25.47</b>	<b>25.54</b>	<b>33.11</b>
North America	8.05	9.15	23.34	23.16	30.14
Europe	0.61	0.79	2.13	2.11	2.70
ROW	-	0.27	-	0.27	0.27
<b>Gross profit</b>	<b>3.28</b>	<b>3.61</b>	<b>9.18</b>	<b>9.07</b>	<b>11.65</b>
Gross profit in %	38%	35%	36%	36%	35%
Operating expenses	2.42	2.74	8.63	7.44	10.33
Net profit after taxes	0.81	0.71	0.41	1.35	5.25
<b>EBIT</b>	<b>0.90</b>	<b>0.80</b>	<b>0.70</b>	<b>1.60</b>	<b>1.37</b>
EBIT Margin	10%	8%	3%	6%	4%
<b>EBITDA</b>	<b>1.67</b>	<b>1.53</b>	<b>3.24</b>	<b>3.87</b>	<b>4.56</b>
EBITDA Margin	19%	15%	13%	15%	14%

RVM Operations:

- North America revenues for the first nine months of 2017 were up slightly to €23.34m from €23.16m in 2016. RVM machine sales for the first nine months of 2017 were lower by €0.45m compared to 2016. This decline was offset by increased lease, service and container throughput income that resulted from additional RVM placements in 2017 over 2016. Slowdown in machine sales in Q3 2017 are largely attributable to a major customers' revised store renovation and construction schedule; which has limited impact on the overall expected customer sales opportunity. North America Q3 2017 revenue of €8.05m was down €1.10m from 2016 which resulted from reduced machine sales, reduced container throughput income and the cumulative currency adjustment impact in the period.

The Company has successfully launched our breakthrough bulk feed technology "Quantum" in the Michigan market during Q3 2017 with a major retailer. The technology performance and customer response has been extremely positive. We are planning for several new installations and expect that technology performance and consumer awareness will lead to expanding sales in the Michigan market during 2018. Over the longer term with Michigan's 10 cent deposit and high redemption rates, we expect bulk feed container handling to become the preferred redemption method over single feed RVMs.

- Europe revenues for the first nine months of 2017 were €2.13m compared to €2.11m in 2016. The Sweden market has continued to expand in a steady manner with cumulative placement of 26 Quantum outdoor units and 4 Quantum indoor units. Sweden revenue for the first 9 months of 2017 increased 90.5% to €1.63m from 2016. The Company expects continued positive developments in the Swedish market based on the demonstrated consumer preference for bulk feed technology. The other European market revenues for Greece and France were down for the first nine months of 2017 to €0.49m from €1.26m in 2016. There are significant market activities occurring in France and Greece/Cyprus with our

established distributors. There have been some delays in both markets that have slowed sales in 2017 compared to 2016. Overall though, the Company sees positive market momentum and expects renewed and increasing sales in these markets in the medium term.

- ROW revenue, which currently reflects the Australian market had no sales in the first nine months of 2017 compared to €0.27m for the first nine months of 2016. The ROW market has been negatively affected by how the Australian NSW deposit law was implemented in regards to RVM utilization as previously discussed.
- For the third quarter of 2017, Net profit increased to €0.81m from €0.71m in 2016 which reflects a moderation of Operating expenses of certain market development activities in the period.

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## *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. Demonstrated North America performance and the successful introduction of Quantum will support sustained market share gains, successful entry and continued expansion into the Swedish market and significantly increasing legislative activities in the UK and Europe promoting container deposit and non-deposit collection, all support a positive outlook for the business.

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## *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 93% 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 September 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	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 (Note 9)	179,671	4.68	4.68

### *Post Balance Sheet Events*

Please refer to Note 9 of the Interim Financial Statements for further details.

Amersfoort, 15 November 2017  
Board of Directors  
Envipco Holding N.V.

Bhajun G. Santchurn  
CEO and Executive Board Member

## Consolidated Statement of comprehensive income

(in thousands of euros)	Note	Unaudited	Unaudited	Unaudited	Unaudited	Audited
		Q3 2017	Q3 2016	Q3-YTD 2017	Q3-YTD 2016	Full Year 2016
Revenues		8,656	10,209	25,467	25,543	33,114
Cost of revenue		(4,863)	(6,040)	(14,603)	(14,860)	(19,257)
Leasing depreciation		(519)	(558)	(1,685)	(1,611)	(2,204)
<b>Gross profit</b>		<b>3,274</b>	<b>3,611</b>	<b>9,179</b>	<b>9,072</b>	<b>11,653</b>
Operating expenses		(2,425)	(2,738)	(8,626)	(7,441)	(10,326)
Other income/(expenses)	(4)	3	2	3	14	49
<b>Operating result</b>		<b>852</b>	<b>875</b>	<b>556</b>	<b>1,645</b>	<b>1,376</b>
Net financial items		(73)	(56)	(219)	(158)	(235)
Exchange gains/(losses)		49	(83)	139	(75)	(26)
<b>Result before taxes</b>		<b>828</b>	<b>736</b>	<b>476</b>	<b>1,412</b>	<b>1,115</b>
Income taxes		(19)	(20)	(65)	(62)	4,136
<b>Net results</b>		<b>809</b>	<b>716</b>	<b>411</b>	<b>1,350</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		(569)	(127)	(2,083)	(364)	733
Treasury shares		513	-	513	-	-
Other movements		(4)	(3)	(5)	(1)	-
Total other comprehensive income		(60)	(130)	(1,575)	(365)	733
<b>Total comprehensive income</b>		<b>749</b>	<b>586</b>	<b>(1,164)</b>	<b>985</b>	<b>5,984</b>
<b>Profit attributable to:</b>						
<b>Owners of the parent</b>						
Profit for the period		808	716	411	1,350	5,241
		808	716	411	1,350	5,241
<b>Non-controlling interests</b>						
Profit for the period		(1)	(3)	(2)	(3)	10
		(1)	(3)	(2)	(3)	10
<b>Total</b>						
Profit for the period		807	713	409	1,347	5,251
		807	713	409	1,347	5,251
<b>Total comprehensive income attributable to:</b>						
Owners of the parent		750	589	(1,162)	988	5,974
Non-controlling interest		(1)	(3)	(2)	(3)	10
		749	586	(1,164)	985	5,984
Number of shares used for calculation of EPS						
- Basic and diluted (euro)		3,657,936	3,597,607	3,657,936	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)		0.22	0.20	0.11	0.37	1.46
Fully diluted (euro)		0.22	0.20	0.11	0.37	1.46



## Consolidated balance sheet

(in thousands of euros)

Note	At 30 September 2017 Unaudited	At 30 September 2016 Unaudited	At 31 December 2016 Audited
<b>Assets</b>			
<b>Non-current assets</b>			
	5,406	4,929	5,034
Intangible assets			
Property, plant and equipment	9,383	10,228	11,042
Long term deposits	437	117	219
Deferred tax asset	4,720	910	5,269
Total non-current assets	19,946	16,184	21,564
<b>Current assets</b>			
	8,030	7,426	7,645
Inventory			
Trade and other receivables	10,977	12,205	10,120
Cash and cash equival	395	194	1,416
Total current assets	19,402	19,825	19,181
<b>Total assets</b>	<b>39,348</b>	<b>36,009</b>	<b>40,745</b>
<b>Equity</b>			
	1,919	1,919	1,919
Share capital			
Share premium	53,366	52,853	52,853
Retained earnings	(36,209)	(40,389)	(36,618)
Translation reserves	3,215	4,197	5,298
Total equity	22,291	18,580	23,452
Non-controlling interest	26	22	29
	22,317	18,602	23,481
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
6	4,653	5,426	5,227
Borrowings			
Other liabilities	219	214	214
Total non-current liabilities	4,872	5,640	5,441
<b>Current liabilities</b>			
6	1,501	1,025	2,011
Borrowings			
Trade creditors	8,064	8,506	6,510
Accrued expenses	1,992	1,197	2,645
Provisions	241	520	267
Tax and social security	361	519	390
Total non-current liabilities	12,159	11,767	11,823
Total liabilities	17,031	17,407	17,264
<b>Total equity and liabilities</b>	<b>39,348</b>	<b>36,009</b>	<b>40,745</b>

## Consolidated cash flow statement

(in thousands of euros)

	Q3-YTD 2017 Unaudited	*Q3-YTD 2016 Unaudited	Full Year 2016 Audited
<b>Cash flow (used in) / provided by operating activities</b>			
Operating result	556	1,645	1,376
Depreciation and amortisation	2,547	2,269	3,195
Interest received	3	35	25
Interest paid	(228)	(193)	(260)
Changes in trade and other receivables	(2,105)	(3,274)	(625)
Changes in inventories	(1,053)	(123)	791
Changes in provisions	(26)	-	147
Changes in trade and other payables	2,132	1,581	(17)
Cash generated from operations	1,826	1,940	4,632
Income taxes paid	(67)	(62)	(82)
<b>Cash flow (used in)/ provided by operating activities</b>	1,759	1,878	4,550
<b>Cash flow (used in)/provided by investing activities</b>			
Net investment in intangible fixed assets	(1,032)	(1,063)	(1,422)
Net investment in tangible fixed assets	(1,354)	(2,465)	(3941)
<b>Cash flow (used in)/ provided by investing activities</b>	(2,386)	(3,528)	(5,363)
<b>Cash flow (used in)/provided by financing Activities</b>			
Changes in borrowings and capital lease obligations - gross	3,598	9,975	12,384
Changes in borrowings and capital lease obligations - repaid	(3,943)	(8,924)	(11003)
<b>Cash flow (used in)/ provided by financing activities</b>	(345)	1,051	1,381
<b>Net increase/(decrease) in cash and cash equivalents</b>	(972)	(599)	568
Opening balance cash and cash equivalents	1416	789	789
Foreign currency differences on cash and cash equivalents	32	-	(5)
Foreign currency differences and other changes	(81)	4	64
Closing balance cash and cash equivalents	395	194	1416
<b>The closing position consists of:</b>			
Cash and cash equivalents	395	194	1,416
	395	194	1,416

\*Certain figures have been reclassified for comparison purposes.

## Consolidated statement of changes in equity

(Figures in euro thousands)	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>	<b>23,481</b>
Net result	-	-	409	-	409	2	411
Other comprehensive income for the year	-	-	-	-	-	-	-
Currency translation adjustment	-	-	-	(2,083)	(2,083)	-	(2,083)
Total comprehensive income for the year	-	-	409	(2,083)	(1,674)	2	(1,672)
Treasury shares	-	513	-	-	513	-	513
Other movements	-	-	-	-	-	(5)	(5)
Total recognised movements for the period ended 30 September 2017	-	513	409	(2,083)	(1,161)	(3)	(1,164)
<b>Balance at 30 September 2017</b>	<b>1,919</b>	<b>53,366</b>	<b>(36,209)</b>	<b>3,215</b>	<b>22,291</b>	<b>26</b>	<b>22,317</b>

(Figures in euro thousands)	Q3		Q3-YTD		FY Audited
	2017	2016	2017	2016	2016
<b>Opening Balance</b>	<b>21,568</b>	<b>18,016</b>	<b>23,481</b>	<b>17,617</b>	<b>17,617</b>
Net result	807	713	411	1,347	5,251
Currency translation adjustment	(569)	(127)	(2,083)	(364)	733
Total comprehensive income for the year	238	586	(1,672)	983	5,984
Treasury shares	513	-	513	-	(120)
Other movements	(2)	-	(5)	2	-
Total recognised movements for the period ended	749	586	(1,164)	985	5,864
<b>Closing Balance</b>	<b>22,317</b>	<b>18,602</b>	<b>22,317</b>	<b>18,602</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 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 nine months ended 30 September 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 at the end 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. With the disposal of the plastics recycling segment, the only remaining 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 postconsumer 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>Nine Months Ended 30 September 2017</b>			
<b>Segment Results</b>			
Revenue from external customers	25,467	-	<b>25,467</b>
Other income / (expenses)	3	-	<b>3</b>
Depreciation & amortisation	1,918	629	<b>2,547</b>
Net profit/(loss) attributable to owners of the parent	1,603	(1,194)	<b>409</b>
<b>Segment Assets - 30 September 2017</b>	<b>33,214</b>	<b>6,134</b>	<b>39,348</b>
<b>Nine Months Ended 30 September 2016</b>			
<b>Segment Results</b>			
Revenue from external customers	25,543	-	<b>25,543</b>
Other income / (expenses)	14	-	<b>14</b>
Depreciation & amortisation	1,844	425	<b>2,269</b>
Net profit/(loss) attributable to owners of the parent	2,314	(967)	<b>1,347</b>
<b>Segment Assets - 30 September 2016</b>	<b>30,519</b>	<b>5,490</b>	<b>36,009</b>

#### 4. Other income/(expenses)

Net other income for the first nine months of 2017 resulted in €0.003m and €0.01m for the first nine months of 2016.

#### 5. Transactions with Related Parties

There is a receivable of €0.69m due from a related party under common control by the majority shareholder.

#### 6. Borrowings – Third Parties

	9 months to 30 Sep 2017	9 months to 30 Sep 2016	12 months to 31 Dec 2016
	€'000	€'000	€'000
At beginning of period	7,238	5,613	5,613
New borrowings	3,598	9,975	12,384
Repayments	(3,943)	(8,924)	(11,003)
Translation effect	(739)	(213)	244
At end of period	<u>6,154</u>	<u>6,451</u>	<u>7,238</u>

The US subsidiary restructured its debt when a part of its Line of Credit (LOC) was converted to a term loan with its lender for \$4.0m, repayable with interest over 4 years, and completed in the second half of 2017.

#### 7. Jointly controlled assets

The Group's share of the equity on 30 September 2017 (and on 30 September 2016) amounted to €0.02m to recognise the 50% share of the remaining intangibles (reimagine trademark).

#### 8. Consolidated cash flow

Group generated a positive €1.76m cash from its operating activities in the first nine months of 2017 versus €1.88m during the same period last year. Investments in tangible and intangible assets were €2.39m for the first nine months of 2017 (first nine months of 2016 - €3.53m). The 2017 outflows were funded by operations during the first nine months of 2017. In the first 9 months of 2016 the outflows were funded by operations and by borrowings. Net repayments were €0.35m for the first nine months of 2017 (First nine months of 2016 – net borrowings €1.05m).

#### 9. Post balance sheet events

The company sold 179,671 treasury shares in October 2017.