



Envipco Holding NV

Interim Financial Report

2018 First Half Year Results

Unaudited

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FIRST SIX MONTHS RESULTS TO 30 JUNE 2018

Highlights

(in euro millions)

	1 st Half 2018	1 st Half 2017	% Change	Full Year to 31/12/2017
Revenues	15.43	16.81	-8.2	34.05
Gross profit	5.89	5.90	-0.2	12.12
Gross profit %	38.2%	35.1%	+8.8	35.6%
Operating profit/(loss) before one-time gain	0.16	(0.30)		0.83
Operating profit/(loss)*	0.78	(0.30)		0.83
Net profit / (loss) after taxes after minority	0.58	(0.40)		(2.54)
**EBITDA	2.24	1.57	+42.7	4.25
Earnings/(loss) per share (in euro)	0.15	(0.11)		(0.69)
Cash and cash equivalents	2.35	0.23	+1,021.7	1.79
Shareholders' equity	21.61	21.54	+0.32	20.60

*Operating profit includes a one-time gain of €0.62m.

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

First Half 2018 Highlights – Consolidated Results

- Revenues for the first six months of 2018 decreased 8.2% to €15.43m from €16.81m in 2017. On a constant currency basis, revenues increased by 1.6% for the first six months of 2018 compared to 2017.
- Gross profit for the first six months of 2018 decreased 0.2% to €5.89m from €5.90m in 2017. On a constant currency basis, gross profit increased 10.2% for the first six months of 2018 compared to 2017 as a result of the improved performance of the North America business.
- Gross profit margin improved to 38.2% for first half of 2018 compared to 35.1% in the first half of 2017.
- Operating profit/(loss) for the first half of 2018 improved to €0.78m from a loss of (€0.30m) in the first half of 2017. Operating profit/(loss) for the first half of 2018 was favorably impacted by a one-time payment of €0.62m to settle a dispute that arose from an earlier 2011 Settlement Agreement.
- EBITDA for the first six months of 2018 improved to €2.24m compared to €1.57m in 2017. On a constant currency basis and excluding the impact of the one-time gain, EBITDA improved by 20.5% for the first half of 2018 compared to the first half of 2017
- Earnings per share increased to a profit per share of €0.15 for the first six months of 2018 compared to a loss per share of (€0.11) in 2017.

- Shareholders' equity increased to €21.61m at 30/6/2018 compared to €20.60m at 31/12/2017 as a result of first half 2018 earnings and a positive translation reserve of €0.43m for the first half of 2018.
- In comparing the balance sheet at 30/6/2018 to 31/12/2017, the most notable change relates to the overall increases in current assets over current liabilities tied to higher container throughput volumes and some timing on retailer payments.
- The company has adequate working capital at 30/6/2018 with borrowing availability of approximately €2.22m under its' financing arrangements.
- On 27th June 2018, Envipco obtained an additional listing on Euronext Amsterdam.
- 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. Legal costs incurred in the first half of 2018 were €0.30m compared with €0.29m in first half of 2017. It is expected that cost at this level will continue for the remainder of 2018.

Gool Santchurn, the CEO of Envipco comments: "In the past months we have been successful in developing commercial opportunities, as demonstrated by contracts recently won in Greece and Australia.

The company has initiated market development activities in new European markets as the prospects for new container deposit systems (CDS) have been steadily gaining momentum, [including in the UK (England, Scotland and Wales)]. We expect to significantly increase European investments and market development activities over the next two years to ensure our participation in these new market opportunities.

A resolution authorizing issuance of up to 20% of the outstanding shares was approved at the Shareholders General Meeting on 26 June 2018 to finance European expansion. We believe that our recent additional listing on Euronext Amsterdam will be instrumental in further enhancing Envipco's visibility and accessibility among the investment community."

Business Review:

2018 Second Quarter and Half Year Highlights:

(in euro millions)	2nd Quarter		1st Half Year		Full Year
	2018	2017	2018	2017	2017
Revenues	8.92	9.82	15.43	16.81	34.05
North America	8.22	8.64	14.56	15.29	30.14
Europe	0.70	1.18	0.87	1.52	3.91
ROW	-	-	-	-	-
Gross profit	3.56	3.60	5.89	5.90	12.12
Gross profit in %	40%	37%	38%	35%	36%
Operating expenses	2.73	3.17	5.73	6.21	11.30
Net profit /(loss) after taxes excluding one-time gain*	0.77	0.45	(0.04)	(0.40)	(2.54)
Net profit /(loss) after taxes	1.39	0.45	0.58	(0.40)	(2.54)
EBITDA	2.20	1.42	2.24	1.57	4.25
EBITDA Margin	25%	14%	15%	9%	12%
Earning per share (EPS)	0.36	0.13	0.15	(0.11)	(0.69)

* One -time gain of €0.62m to settle dispute from 2011 Settlement Agreement.

Second Quarter and First Half Year 2018 – RVM Operations:

- North American revenues for the first half of 2018 decreased 4.8% to €14.56m from €15.29m in the first half of 2017 due to a significant increase in the EURO to USD translation rate from 1.08 in 2017 to 1.21 in 2018. In local USD currency, North America revenues actually increased by 6.5% for the first six months of 2018. This increase was driven by higher program service revenues of 8.1% for the first half of 2018 over 2017. RVM machine sales were down by 4.5% for the first six month of 2018 over 2017. RVM machine sales for the second half of 2018 are expected to exceed the second half of 2017 resulting in an overall RVM sales increase in 2018 over 2017 in local currency. At constant currencies, in comparing the first half of 2018 to the first half of 2017; North America Gross profit increased by 17.3%, Operating profit increased by 56.3% (excluding the one-time settlement gain) and EBITDA increased by 19.7% (excluding the one-time settlement gain). The North America business is performing well and is benefiting from sustained market share gains under long-term contracts, overall container volumes increases and operational efficiencies. The Company expects these positive trends to continue during the remainder of 2018. The launch of “Quantum” bulk-feed technology in Michigan continues to perform well and we expect additional installations before year-end 2018. Quantum continues to demonstrate Envipco’s innovation leadership and is being most actively considered in conjunction with major store renovation planning cycles.

- Europe revenues for the first six months of 2018 decreased 42.8% to €0.87m from €1.52m in 2017. The Swedish market revenues in the first six months of 2018 decreased on reduced number of Quantum installations of 7 compared to 10 in the first half of 2017. The decline is a result of both customer installation delays and a slowdown in deliveries as we complete the engineering and manufacturing changes to move to a totally modular concept for Quantum. The modular concept is key to allow us to fully scale manufacturing capabilities for Quantum in the future. Envipco expects continued positive development and growth in the Swedish market especially as more retailers evaluate reformatting their bottle return services to outside the store. The balance of decline in the European business is tied to zero RVM machine sales in France for the first half of 2018 compare to the first half of 2017. The Company expects substantial improvement in Europe RVM sales for the second half of 2018 based on confirmed orders for Greece and France.
- ROW revenue, which currently reflects the Australian market was zero for the first half of 2018 and first half of 2017. Our Australian distributor (Envirobank), has successfully won a tender to provide Container Refund Points (CRP) in the State of Queensland. Envirobank has placed an initial RVM order and accordingly we are expecting meaningful RVM sales revenue in the second half of 2018 compared to zero revenue in 2017.
- Operating expenses have decreased by €0.48m to €5.73m in the first half of 2018 compared to €6.21m in the first half of 2017. On a restated currency basis operating expenses were relatively flat for the first half of 2018 compared to the first half of 2017. Approximately €0.30m of increased operating expenses in North America was largely offset by lower market development and warranty cost related to Sweden.

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 sees a very positive outlook for the business considerate of strengthening North America performance, continued market execution in Sweden, continued expansion in the European non-deposit markets of Greece and France, expansion in the Australian market and most importantly the significant potential for growth tied to new container deposit legislation in Europe.
- Envipco has the experience and technology to be a significant player in these new CDS European market opportunities. The company has demonstrated technology leadership and its ability to compete with a dominant competitor in the Swedish market. Our revolutionary bulk-feed “Quantum” continues to show strong consumer preference and this combined with the most complete offering of single-feed RVMs well positions the company for market success. The speed and scope of market developments necessitate that the company accelerates its European activities. This includes expansion of European head office, expansion of business development resources, engagement in legislative initiatives and engagement with retailers and potential demonstration pilots. These activities need to be combined with scaling our engineering and manufacturing capabilities to meet this significant market demand at the onset of new deposit markets. The company has formalized plans and received Board approval to undertake the necessary near-term (two year) investments to ensure our participation. Based on the

shareholder approval of issuance of up to 20% of the outstanding shares at the 26, June 2018 Annual General Meeting, the Board has further approved issuance of new shares to finance the expansion plans.

Annual General Meeting:

The annual general meeting of the shareholders was held on 26 June 2018 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 94% 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 2018.

	<u>Number of Shares</u>	<u>Shareholding</u> %	<u>Voting Rights</u> %
Alexandre Bouri/Megatrade International SA (beneficially owned by Mr. Alexandre Bouri)	2,171,068	56.57	56.57
Gregory Garvey/EV Knot LLC	521,513	13.59	13.59
Douglas Poling/GD Env LLC	200,000	5.21	5.21
B.Santchurn/Univest Portfolio Inc.	155,480	4.05	4.05
Otus Capital Management Ltd	225,000	5.86	5.86

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	2,171,068	56.57	56.57
Gregory Garvey/EV Knot LLC	521,513	13.59	13.59
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 8 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 2018 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 2018 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 27 August 2018.

Envipco Holding N.V.

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Consolidated Statement of comprehensive income

(in thousands of euros)		Unaudited Q2 2018	Unaudited *Q2 2017	Unaudited Half Year 2018	Unaudited Half Year 2017	Audited Full Year 2017
	Note					
Revenues		8,917	9,817	15,429	16,811	34,049
Cost of revenue		(4,837)	(5,648)	(8,555)	(9,740)	(19,743)
Leasing depreciation		(505)	(569)	(985)	(1,166)	(2,188)
Gross profit		3,575	3,600	5,889	5,905	12,118
Operating expenses		(2,732)	(3,168)	(5,734)	(6,205)	(11,297)
Other income - contract settlement	4	619	-	619	-	-
Other income/(expenses)	4	3	2	7	4	9
Operating result		1,465	434	781	(296)	830
Net financial items		(58)	(69)	(117)	(146)	(296)
Exchange gains/(losses)		1	114	(53)	90	128
Result before taxes		1,408	479	611	(352)	662
Income taxes		(12)	(30)	(26)	(46)	(3,201)
Net results		1,396	449	585	(398)	(2,539)
Other comprehensive income						
Items that will be classified subsequently to profit and loss						
Exchange differences on translating foreign operations		825	(1,201)	428	(1,514)	(2,279)
Other movements		(3)	-	(1)	(1)	(7)
Total other comprehensive income		822	(1,201)	427	(1,515)	(2,286)
Total comprehensive income		2,218	(752)	1,012	(1,913)	(4,825)
Profit attributable to:						
Owners of the parent						
Profit/(loss) for the period		1,394	450	583	(397)	(2,540)
		1,394	450	583	(397)	(2,540)
Non-controlling interests						
Profit/(loss) for the period		2	(1)	2	(1)	1
		2	(1)	2	(1)	1
Total						
Profit/(loss) for the period		1,396	449	585	(398)	(2,539)
		1,396	449	585	(398)	(2,539)
Total comprehensive income attributable to:						
Owners of the parent		2,216	(751)	1,010	(1,912)	(4,826)
Non-controlling interest		2	(1)	2	(1)	1
		2,218	(752)	1,012	(1,913)	(4,825)
Number of shares used for calculation of EPS						
- Basic and diluted (euro)		3,837,607	3,597,607	3,837,607	3,597,607	3,655,315
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the year						
Basic (euro)		0.36	0.13	0.15	(0.11)	(0.69)
Fully diluted (euro)		0.36	0.13	0.15	(0.11)	(0.69)

*Certain figures have been restated for comparison purposes.

Consolidated balance sheet

(in thousands of euros)

Note	At 30 June 2018 Unaudited	At 30 June 2017 Unaudited	At 31 December 2017 Audited
Assets			
Non-current assets			
Intangible assets	5,956	5,290	5,548
Property, plant and equipment	9,436	9,731	9,184
Long term deposits	717	62	72
Deferred tax asset	1,780	4,857	1,737
Total non-current assets	17,889	19,940	16,541
Current assets			
Inventory	8,255	7,617	7,044
Trade and other receivables	10,551	9,874	9,677
Cash and cash equivalent	2,351	229	1,788
Total current assets	21,157	17,720	18,509
Total assets	39,046	37,660	35,050
Equity			
Share capital	1,919	1,919	1,919
Share premium	54,822	52,853	54,822
Retained earnings	(38,574)	(37,016)	(39,157)
Translation reserves	3,447	3,785	3,019
Total equity	21,614	21,541	20,603
Non-controlling interest	23	27	22
	21,637	21,568	20,625
Liabilities			
Non-current liabilities			
Borrowings	6 3,563	5,126	4,142
Other liabilities	219	216	217
Total non-current liabilities	3,782	5,342	4,359
Current liabilities			
Borrowings	6 1,387	1,682	1,356
Trade creditors	9,163	6,939	6,236
Accrued expenses	2,596	1,501	1,755
Provisions	105	258	236
Tax and social security	376	370	483
Total non-current liabilities	13,627	10,750	10,066
Total liabilities	17,409	16,092	14,425
Total equity and liabilities	39,046	37,660	35,050

Consolidated cash flow statement

(in thousands of euros)

	1HY-2018 Unaudited	1HY-2017 Unaudited	Full Year 2017 Audited
Cash flow (used in) / provided by operating activities			
Operating result	781	(296)	830
Depreciation and amortisation	1,494	1,774	3,287
Interest received	1	3	3
Interest paid	(117)	(148)	(299)
Changes in trade and other receivables	(1,312)	(316)	(320)
Changes in inventories	(928)	(145)	136
Changes in provisions	(131)	(9)	(31)
Changes in trade and other payables	3,452	(315)	(605)
Cash generated from operations	3,240	548	3,001
Income taxes paid	(26)	(46)	177
Cash flow (used in)/ provided by operating activities	3,214	502	3,178
Cash flow (used in)/provided by investing activities			
Net investment in intangible fixed assets	(766)	(711)	(1,142)
Net investment in tangible fixed assets	(1,276)	(1,233)	(2,573)
Proceeds from sale of assets	-	33	-
Cash flow (used in)/ provided by investing activities	(2,042)	(1,911)	(3,715)
Cash flow (used in)/provided by financing Activities			
Proceeds from sale of shares	-	-	1,969
Changes in borrowings and capital lease obligations - gross	-	3,696	3,548
Changes in borrowings and capital lease obligations - repaid	(664)	(3,553)	(4,447)
Cash flow (used in)/ provided by financing activities	(664)	143	1,070
Net increase/(decarase) in cash and cash equivalents	508	(1,266)	533
Opening position on 1 January	1,788	1,416	1,416
Foreign currency differences on cash and cash equivalents	21	31	(134)
Foreign currency differences and other changes	34	48	(27)
Closing balance cash and cash equivalents	2,351	229	1,788
The closing position consists of:			
Cash and cash equivalents	2,351	229	1,788
	2,351	229	1,788

Consolidated statement of changes in equity

<i>(in euro thousands)</i>	Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interests	Total
Balance at 1 January 2018	1,919	54,822	(39,157)	3,019	20,603	22	20,625
Net result	-	-	583	-	583	2	585
Currency translation adjustment	-	-	-	428	428	-	428
Other comprehensive income	-	-	-	-	0	(1)	(1)
Total recognised movements for the period ended 30 June 2018	-	-	583	428	1,011	1	1,012
Balance at 30 June 2018	1,919	54,822	(38,574)	3,447	21,614	23	21,637

<i>(in euro thousands)</i>	Q2		HY		FY Audited
	2018	2017	2018	2017	2017
Opening Balance	19,419	22,320	20,625	23,481	23,481
Net result	1,396	449	585	(398)	(2,539)
Currency translation adjustment	825	(1,201)	428	(1,514)	(2,279)
Other comprehensive income	(3)	-	(1)	(1)	(7)
Total recognised movements for the period ended	2,218	(752)	1,012	(1,913)	(4,825)
Sale of treasury shares	-	-	-	-	1,969
Closing Balance	21,637	21,568	21,637	21,568	20,625

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 2018 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 2017, 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 2017.

- 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 2018.
- 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.

(in euro thousands)	RVM Segment	Holding Segment	Total
Six Months Ended 30 June 2018			
Segment Results			
Revenue from external customers	15,429	-	15,429
Other income / (expenses)	626	-	626
Depreciation & amortisation	1,132	362	1,494
Net profit attributable to owners of the parent	1,347	(764)	583
Segment Assets - 30 June 2018	32,401	6,645	39,046
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

4. Other income/(expenses)

Other income for the first half year 2018 resulted from a one-time settlement of €0.620m for breach of contract. In 2017, sale of an asset resulted in a net other income of €0.004m.

5. Transactions with Related Parties

There is a receivable of €0.69m as of 1HY 2018 due from a related party under common control by the majority shareholder. An amount of €0.10m is payable to the majority shareholder.

6. Borrowings – Third Parties

	6 months to 30 June 2018	6 months to 30 June 2017	12 months to 31 December 2017
	€'000	€'000	€'000
At beginning of period	5,498	7,238	7,238
New borrowings	-	3,696	3,548
Repayments	(664)	(3,553)	(4,447)
Translation effect	116	(573)	(841)
At end of period	<u>4,950</u>	<u>6,808</u>	<u>5,498</u>

7. Consolidated cash flow

Group generated a positive €3.21m cash from its operating activities in the first half of 2018 versus a €0.50m during the same period last year. Investments in tangible and intangible assets were €2.04m for the first half of 2018 (1HY2017 - €1.91m). Net repayments for the debt were €0.66m for the first six months of 2018 (1HY2017 -net borrowings were €0.14m).

8. Post balance sheet events

There are no post balance sheet events.