



Envipco Holding NV

Interim Financial Report

Nine Months Results

to 30 September 2016

Unaudited

TABLE OF CONTENTS

Highlights	3
Business review	5
Market outlook	6
Risk and uncertainties	6
Capital & shareholding	7
Consolidated statement of comprehensive income	8
Consolidated balance sheet	9
Consolidated cash flow statement	10
Consolidated statement of changes in equity	11
Selected explanatory notes	12

FIRST NINE MONTHS RESULTS TO 30 SEPTEMBER 2016

Highlights

(in euro millions)

	Nine Months to 30/9/2016	Nine Months to 30/9/2015	% Change	Full Year to 31/12/2015
Continuing operations:				
Revenues	25.54	21.60	+18.2	29.63
Gross profit	9.07	7.62	+19.0	10.54
Gross profit %	35.5%	35.3%	+0.6	35.6%
Operating profit before one-time gain*	1.64	0.62	+164.5	1.25
Operating profit	1.64	1.01	+62.4	1.81
Net profit after taxes after minority	1.35	0.71	+90.1	1.42
**EBITDA	3.87	2.80	+38.2	4.31
Earnings per share (in euro)	0.37	0.20	+85.0	0.39
Cash and cash equivalents	0.19	0.63	-69.8	0.79
Net working capital	8.06	6.59	+22.3	
Shareholders' equity	18.60	16.50	+12.7	17.60

*The results exclude the impact of one –time contract termination gain of €0.39m for the nine months of 2015

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

2016 First Nine Months Highlights – Consolidated Results

- Revenues for the first nine months of 2016 increased 18.2% to €25.54m from €21.60m in 2015. There is negligible impact from currency translation with the average USD to EURO conversion rate of 1.12 in both periods.
- Gross profit for the first nine months of 2016 increased 19.0% to €9.07m from €7.62m in 2015.
- Gross profit margin was stable at 35.5% for the nine months of 2016 compared to 35.3% in the first nine months of 2015.
- Operating profit before one-time gain for the first nine months of 2016 improved 165% to a profit of €1.64m from a profit of €0.62m in 2015.
- EBITDA for the first nine months of 2016 improved 38.2% to €3.87m from €2.80m in 2015.
- Earnings per share improved 85.0% to €0.37 for the first nine months of 2016 compared to earnings per share of €0.20 in 2015.
- Shareholders' equity of €18.6m at 30/9/2016 was negatively impacted by a translation reserve of €0.36m for the first nine months of 2016.
- The company has adequate working capital at 30/9/2016 with borrowing availability of approximately €3.60m under its' financing arrangements.

- Swedish activities continue with launch of our revolutionary “Bulk Feed Quantum” for indoor and outdoor installations along with introduction of our Flex RVM platform. We have installed 7 Quantum systems during the first nine months of 2016. Significant Swedish investment and cost has been incurred in building the Swedish organization, market development activities and ongoing technology upgrades. During the first nine months of 2016, this has negatively impacted profitability by approximately €1.00m. Good progress is being made on the technical performance and we are optimistic towards significant sales momentum as we enter 2017.
 - Efforts continue with our Australian distributor in preparation for the deposit legislation passed by The Government of New South Wales (NSW). As part of this preparation, an initial RVM order of €0.27m was shipped during the third quarter of 2016. As we move into 2017, we expect to realise significant additional orders.
 - On April 28, 2016, the company was granted a full patent 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. The company is pursuing its IP rights against various infringers in the German market. We have incurred approximately €0.40m of cost during the first nine months of 2016 on this action with regard to legal professionals, experts and court cost. We have a high degree of confidence of the violation of our IP and will continue aggressive pursuit of this matter.
 - The operating profit of €1.64m for the first nine months of 2016 has been substantially impacted by the Swedish market start-up activities and IP enforcement in the German market as discussed above. Without these cost, the operating profit would have been €3.04m for the first nine months of 2016 which confirms the significantly improving performance of our business.
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Business Review:

2016 Third Quarter and First Nine Months Highlights:

	3rd Quarter		1st Nine Months		Full Year
(in euro millions)	2016	2015	2016	2015	2015
Revenues	10.21	8.63	25.54	21.60	29.63
North America	9.15	8.49	23.16	21.07	28.80
Europe	0.79	0.14	2.11	0.30	0.60
ROW	0.27	-	0.27	0.23	0.23
Gross profit	3.61	3.50	9.07	7.62	10.54
Gross profit in %	35%	41%	36%	35%	36%
Operating expenses	2.74	2.41	7.44	7.00	9.40
Net profit after taxes	0.71	1.31	1.35	0.71	1.42

Third Quarter and First Nine Months 2016 – RVM Operations:

- North America revenues for the first nine months of 2016 increased by 9.9% to €23.16m from €21.07m in 2015. The increase is mostly attributable to lease, service and container throughput income that result from additional RVM placements in 2016 over 2015. RVM machine sales for the first nine months of 2016 were down by €0.35m compared to 2015. This decrease mainly results from delayed installations with one of our major customers that have been moved out to 2017. The third quarter 2016 revenues of €9.15 increased by 7.8% compared to third quarter 2015. Revenue increases in our lease, service and container throughput income were partially offset by a €0.07m decrease in RVM machine sales in the third quarter 2016 compared to third quarter of 2015.
- Europe revenues for the first nine months of 2016 increased substantially to €2.11m from €0.30m in 2015. This increase was tied to RVM sales activity in Sweden, Greece and France. In the third quarter European revenues were €0.79m compared to €0.14m in the third quarter 2015. Our Swedish activity continues to demonstrate strong consumer support for the Quantum bulk feed. For the first nine months of 2016 we have also realised meaningful RVM sales in the Greek and French non-deposit markets through our distributors. We expect continued sales growth in the European markets for the remainder of 2016.
- ROW revenue, which currently reflects the Australian market was €0.27 for the first nine months of 2016 compared to €0.23m in 2015. The 2016 ROW revenue was realized in the third quarter as our distributor prepares for implementation of the mandatory deposit law in New South Wales effective July 2017.
- Net profit for the first nine months of 2016 increased to €1.35m from €0.71m in the first nine months of 2015.
- Net of the one-time gain of €0.28m, net profit was €1.03m in the third quarter of 2015 compared to €0.71m in 2016. The decrease in third quarter 2016 net profit is attributable to the start-up costs in Sweden and IP enforcement costs in Germany as previously discussed.

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, successful entry into the Swedish market, passage of mandatory deposit legislation in Australia and a number of new non-deposit market opportunities all support a positive outlook for the business.

The company has adequate bank facilities/credit lines in place, along with shareholders' support to fund our ongoing market development plans.

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 97% 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.
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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 2016.

	<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	140,480	3.66	3.66
Stichting Employees Envipco Holding	240,000	6.25	6.25

Post Balance Sheet Events

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

Amersfoort, 9 November 2016
Board of Directors
Envipco Holding N.V.

Bhajun G. Santchurn
CEO and Executive Board Member

Consolidated Statement of comprehensive income

(in thousands of euros)		Unaudited Q3 2016	Unaudited *Q3 2015	Unaudited Q3-YTD 2016	Unaudited *Q3-YTD 2015	Audited Full Year 2015
	Note					
Revenues		10,209	8,632	25,543	21,603	29,635
Cost of revenue		(6,040)	(4,690)	(14,860)	(12,753)	(17,365)
Leasing depreciation		(558)	(443)	(1,611)	(1,229)	(1,734)
Gross profit		3,611	3,499	9,072	7,621	10,536
Operating expenses		(2,738)	(2,406)	(7,441)	(7,002)	(9,400)
Other income/(expenses)	(4)	2	-	14	112	118
- Contract settlement	(4)	-	282	-	282	560
Operating result		875	1,375	1,645	1,013	1,814
Net financial items		(56)	(61)	(158)	(137)	(199)
Exchange gains/(losses)		(83)	(26)	(75)	(109)	(133)
Result before taxes		736	1,288	1,412	767	1,482
Income taxes		(20)	25	(62)	(55)	(67)
Net results		716	1,313	1,350	712	1,415
Other comprehensive income						
Items that will be classified subsequently to profit and loss						
Exchange differences on translating foreign operations		(127)	(167)	(364)	802	1,196
Other movements		(3)	(1)	(1)	(3)	1
Total other comprehensive income		(130)	(168)	(365)	799	1,197
Total comprehensive income		586	1,145	985	1,511	2,612
Profit attributable to:						
Owners of the parent						
Profit for the period		716	1,313	1,350	712	1,417
		716	1,313	1,350	712	1,417
Non-controlling interests						
Profit for the period		(3)	(2)	(3)	(2)	(2)
		(3)	(2)	(3)	(2)	(2)
Total						
Profit for the period		713	1,311	1,347	710	1,415
		713	1,311	1,347	710	1,415
Total comprehensive income attributable to:						
Owners of the parent		589	1,147	988	1,513	2,614
Non-controlling interest		(3)	(2)	(3)	(2)	(2)
		586	1,145	985	1,511	2,612
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)		0.198	0.363	0.374	0.196	0.394
Fully diluted (euro)		0.198	0.363	0.374	0.196	0.394

* Certain figures have been restated for comparative purposes

Consolidated balance sheet

(in thousands of euros)

	Note	At 30 September 2016 Unaudited	At 30 September 2015 Unaudited	At 31 December 2015 Audited
Assets				
Non-current assets				
Intangible assets		4,929	4,186	4,308
Property, plant and equipment		10,228	9,165	9,864
Long term deposits		117	509	496
Deferred tax asset		910	907	936
Total non-current assets		16,184	14,767	15,604
Current assets				
Inventory		7,426	6,234	7,510
Trade and other receivables		12,205	10,217	8,840
Cash and cash equivalents		194	628	789
Total current assets		19,825	17,079	17,139
Total assets		36,009	31,846	32,743
Equity				
Share capital		1,919	1,919	1,919
Share premium		52,853	52,853	52,853
Retained earnings		(40,389)	(42,444)	(41,739)
Translation reserves		4,197	4,170	4,565
Total equity		18,580	16,498	17,598
Non-controlling interest		22	18	19
		18,602	16,516	17,617
Liabilities				
Non-current liabilities				
Borrowings	6	5,426	4,749	5,072
Other liabilities		214	91	120
Total non-current liabilities		5,640	4,840	5,192
Current liabilities				
Borrowings	6	1,025	519	541
Trade creditors		8,506	7,030	6,702
Accrued expenses		1,197	2,288	2,324
Provisions		520	250	119
Tax and social security		519	403	248
Total non-current liabilities		11,767	10,490	9,934
Total liabilities		17,407	15,330	15,126
Total equity and liabilities		36,009	31,846	32,743

Consolidated cash flow statement

(in thousands of euros)

	Q3-YTD 2016 Unaudited	Q3-YTD 2015 Unaudited	Full Year 2015 Audited
Cash flow (used in) / provided by operating activities			
Operating result	1,645	1,013	1,814
Interest received	35	35	35
Interest paid	(193)	(172)	(234)
Income taxes paid	(62)	(55)	(65)
Depreciation and amortisation	2,269	1,860	2,442
	3,694	2,681	3,992
Changes in trade and other receivables	(3,274)	(3,901)	(2,267)
Changes in inventories	(123)	492	(572)
Changes in provisions	-	199	(3)
Changes in trade and other payables	1,581	2,697	2,464
	(1,816)	(513)	(378)
Cash flow (used in)/ provided by operating activities	1,878	2,168	3,614
Cash flow (used in)/provided by investing activities			
Net investment in intangible fixed assets	(1,063)	(842)	(1,158)
Net investment in tangible fixed assets	(2,465)	(4,080)	(5,272)
Proceeds from sale of assets	-	-	344
Cash flow (used in)/ provided by investing activities	(3,528)	(4,922)	(6,086)
Cash flow (used in)/provided by financing Activities			
Changes in borrowings and capital lease obligations - gross	9,975	6,863	8,545
Changes in borrowings and capital lease obligations - repaid	(8,924)	(5,332)	(7027)
Cash flow (used in)/ provided by financing activities	1,051	1,531	1,518
Net cash flow for the period	(599)	(1,223)	(954)
Foreign currency differences and other changes	4	72	(36)
	4	72	(36)
Changes in cash and cash equivalents, including bank overdrafts for the period	(595)	(1,151)	(990)
Opening balance cash and cash equivalents	789	1,779	1779
Closing balance cash and cash equivalents	194	628	789
The closing position consists of:			
Cash and cash equivalents	194	628	789
	194	628	789

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 2016	1,919	52,853	(41,739)	4,565	17,598	19
Net result	-	-	1,350	-	1,350	(3)	1,347
Currency translation adjustment	-	-	-	(364)	(364)	-	(364)
Other movements	-	-	-	(4)	(4)	6	2
Total recognised movements for the period ended 30 September 2016	-	-	1,350	(368)	982	3	985
Balance at 30 September 2016	1,919	52,853	(40,389)	4,197	18,580	22	18,602

<i>(Figures in euro thousands)</i>	Q3		Q3-YTD		FY Audited
	2016	*2015	2016	*2015	2015
Opening Balance	18,016	15,371	17,617	15,005	15,005
Net result	713	1,313	1,347	710	1,415
Currency translation adjustment	(127)	(167)	(364)	802	1,196
Other movements	-	(1)	2	(1)	1
Total recognised movements for the period ended	586	1,145	985	1,511	2,612
Closing Balance	18,602	16,516	18,602	16,516	17,617

*Certain figures have been restated for comparison purposes.

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

This consolidated interim financial information for the nine months ended 30 September 2016 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 2015, 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 2015.

- 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 2016.
- 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 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
Nine Months Ended 30 September 2016			
Segment Results			
Revenue from external customers	25,543	-	25,543
Other income / (expenses)	14	-	14
Depreciation & amortisation	1,844	425	2,269
Net profit/(loss) attributable to owners of the parent	2,314	(967)	1,347
Segment Assets - 30 September 2016	30,519	5,490	36,009
Nine Months Ended 30 September 2015			
Segment Results			
Revenue from external customers	21,603	-	21,603
Other income / (expenses)	394	-	394
Depreciation & amortisation	1,460	400	1,860
Net profit/(loss) attributable to owners of the parent	1,684	(974)	710
Segment Assets - 30 September 2015	25,804	6,042	31,846

4. Other income/(expenses)

Net other income for the first nine months of 2016 resulted in €0.01m. In 2015, sale of an asset resulted in a net other income of €0.11m and a contract settlement of €0.28m.

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

	9 months to 30 Sep 2016	9 months to 30 Sep 2015	12 months to 31 Dec 2015
	€'000	€'000	€'000
At beginning of period	5,613	3,512	3,512
New borrowings	9,975	6,863	8,633
Repayments	(8,924)	(5,332)	(6,969)
Reclassification	-	(46)	-
Translation effect	(213)	271	437
At end of period	<u>6,451</u>	<u>5,268</u>	<u>5,613</u>

7. Jointly controlled assets

Since the termination of the pilot in 2014, the Group has incurred additional final closing costs in the first nine months of 2016 was €0m (1st nine months of 2015 - €0.04m). The Group's share of the equity 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 negative €1.88m cash from its operating activities in the first nine months of 2016 versus a positive €2.17m during the same period last year. Investments in tangible and intangible assets were €3.53m for the first nine months of 2016 (First nine months of 2015 - €4.92m). The 2016 outflows were funded partly by borrowings during the first nine months of 2016 similar to the 2015 outflows. Net borrowings were €1.05m for the first nine months of 2016 (First nine months - €1.53m).

9. Post balance sheet events

There are no Post Balance Sheet events.