



Envipco Holding NV

2016 Q4 and Full Year Results

Unaudited

TABLE OF CONTENTS

| | |
|--|----|
| Highlights | 3 |
| Business review | 4 |
| Market outlook | 5 |
| Capital & shareholding | 5 |
| Consolidated statement of comprehensive income | 6 |
| Consolidated balance sheet | 7 |
| Consolidated cash flow statement | 8 |
| Consolidated statement of changes in equity | 9 |
| Selected explanatory notes | 10 |

2016 Q4 AND FULL YEAR RESULTS UNAUDITED

Highlights

| (in euro millions) | Full Year to 31/12/2016 | % Change | Full Year to 31/12/2015 |
|--|----------------------------|-------------|----------------------------|
| Continuing operations: | | | |
| Revenues | 33.11 | +11.7 | 29.63 |
| Gross profit | 11.65 | +10.5 | 10.54 |
| Gross profit % | 35.2% | -1.1 | 35.6% |
| Operating profit/(loss) before one-time gain* | 1.38 | +10.4 | 1.25 |
| Operating profit/(loss) | 1.38 | -23.8 | 1.81 |
| Net profit / (loss) after taxes after minority | 5.24 | +269.0 | 1.42 |
| EBITDA** | 4.42 | +2.55 | 4.31 |
| Earnings/(loss) per share (in euro) | 1.46 | +274.4 | 0.39 |
| Cash and cash equivalents | 1.42 | +79.7 | 0.79 |
| Shareholders' equity | 23.57 | +33.9 | 17.60 |

*The results have been restated to exclude impact of one-time contract termination gain of €0.6m in 2015

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

2016 Full Year Highlights - Continuing Operations

- Revenues for the full year 2016 increased 11.7% to €33.11m from €29.63m for 2015. There is negligible impact from currency translation with the average USD to EURO conversion rate of approximately 1.10 in both years.
- Gross profit for the full year 2016 increased to €11.65m from €10.54m in 2015. Gross profit margin remained relatively stable at 35%.
- Operating profit before one-time gain increased 10.4% to €1.38m in 2016 from €1.25m in 2015.
- Net profit after taxes after minority increased substantially in 2016 to €5.24m from €1.42m in 2015. This improvement was the result of recognizing approximately €4.00m of tax loss carry-forwards not previously reflected on the balance sheet. Recognition of this portion of the tax loss carry-forwards is based on positive business developments combined with sustained and improving profit outlook in future years.
- EBITDA increased to €4.42m in 2016 compared to €4.31m in 2015. Excluding the impact of the one-time gain in 2015 of €0.60m, the EBITDA increase for 2016 would have been 18%.
- Earnings per share increased to €1.46 in 2016 compared to €0.39 in 2015. This increase was favorably impacted by recognition of the tax loss carry-forwards as discussed above.
- The shareholders equity increase of €5.97m for 2016 compared to 2015 includes a positive impact of €0.70m from currency translation.
- Renewal of USD 11.0m term and revolver credit facility of which USD 7.6m is utilized.
- Swedish activities continue with launch of our revolutionary “Bulk Feed Quantum” along with introduction of our Flex RVM platform. Significant Swedish investment and cost has been incurred in building the organization, market development activities and ongoing technology upgrades. During 2016, this has negatively impacted profitability by approximately €1.10m. Product upgrades and improvements have been completed whereby the platform is fully meeting performance expectations. Our 2017 order book, combined with sales momentum in the Swedish market is expected to result in significant revenue and profit improvement in 2017.
- Efforts continue with our Australian distributor in preparation for the deposit legislation passed by The Government of New South Wales (NSW). The actual implementation of the law has been delayed until November 2017, but with the requirement that 80% of the infrastructure is in place by this date to accept deposit containers. Consequently, we expect meaningful RVM sales in Q2 and Q3 of 2017.

- 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 €0.55m of cost during 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 2016 operating profit of €1.38m has been significantly 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 €3.03m for the full year 2016.

Business Review:

2016 Fourth Quarter and Full Year Highlights: Segment Results Unaudited

| (in euro millions) | 4th Quarter | | Full Year | |
|--------------------------------------|-------------|-------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Revenues | 7.57 | 8.03 | 33.11 | 29.63 |
| North America | 6.98 | 7.72 | 30.14 | 28.80 |
| Europe | 0.59 | 0.31 | 2.70 | 0.60 |
| ROW | - | - | 0.27 | 0.23 |
| Gross profit | 2.58 | 2.92 | 11.65 | 10.54 |
| Gross profit in % | 34% | 36% | 35% | 36% |
| Operating expenses | 2.89 | 2.40 | 10.33 | 9.40 |
| Net profit /(loss) after taxes* | 3.90 | 0.42 | 5.24 | 0.85 |
| EBITDA continuing operations* | 0.55 | 1.23 | 4.42 | 3.74 |
| EBITDA Margin | 7% | 15% | 13% | 13% |

*Net profit and EBITDA restated to exclude one-time gain in 2015

Fourth Quarter and Full Year 2016 – RVM Operations:

- North America revenues for the full year 2016 increased by 4.7% to €30.14m from €28.80m 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 full year 2016 were down by €1.70m compared to 2015. This decrease mainly results from delayed installations with one of our major customers that have been moved out to 2017 and 2018. The fourth quarter 2016 revenues of €6.98m decreased by 9.6% compared to fourth quarter 2015. Revenue increases in our lease, service and container throughput income were more than offset by a €1.35m decrease in RVM machine sales in the fourth quarter 2016 compared to fourth quarter 2015.
- Europe revenues for the full year 2016 increased substantially to €2.70m from €0.60m in 2015. This increase was tied to RVM sales activity in Sweden, Greece and France. In the fourth quarter European revenues were €0.59m compared to €0.31m in the fourth quarter 2015. Our Swedish activity continues to demonstrate strong consumer support for the Quantum bulk feed. For the full year 2016 we have also realised meaningful RVM sales in the Greek and French non-deposit markets through our distributors. Overall, we expect continued momentum in the European markets that will result in significant sales growth in 2017.

- ROW revenue, which currently reflects the Australian market was €0.27m for the full year 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, now effective November 2017. Meaningful RVM sales to our Australian distributor are expected in Q2 and Q3 of 2017.
- Net profit/(loss) for the fourth quarter 2016, excluding the impact of the tax loss carry-forward was a loss of €(0.30m) compared to a profit of €0.43m in the fourth quarter of 2015 excluding the impact of the one-time contract termination gain. This fourth quarter 2016 loss was the result of delayed RVM sales in North America combined with ongoing IP enforcement cost in Germany.

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 and expansion in European markets and passage of mandatory deposit legislation in Australia 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.

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 December 2016.

| | <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 |
| B.Santchurn/Univest Portfolio Inc | 140,480 | 3.66 | 3.66 |
| Stichting Employees Envipco Holding | 240,000 | 6.25 | 6.25 |

Consolidated Statement of comprehensive income

(in thousands of euros)

| | Note | Q4 2016 Unaudited | Q4 2015* Unaudited | Full Year 2016 Unaudited | Full Year 2015* Audited |
|--|------|-------------------------|--------------------------|--------------------------------|-------------------------------|
| Revenues | | 7,570 | 8,032 | 33,114 | 29,635 |
| Cost of revenue | | (4,397) | (4,610) | (19,257) | (17,365) |
| Leasing depreciation | | (593) | (506) | (2,204) | (1,734) |
| Gross profit | | 2,580 | 2,916 | 11,653 | 10,536 |
| Operating expenses | | (2,885) | (2,398) | (10,326) | (9,400) |
| Other income/(expenses) | (4) | 35 | 283 | 49 | 678 |
| Operating result | | (270) | 801 | 1,376 | 1,814 |
| Net financial items | | (80) | (62) | (238) | (199) |
| Exchange gains/(losses) | | 52 | (24) | (23) | (133) |
| Result before taxes | | (298) | 715 | 1,115 | 1,482 |
| Income taxes | | 4,198 | (11) | 4,136 | (67) |
| Net results from total operations | | 3,900 | 704 | 5,251 | 1,415 |
| Other comprehensive income | | | | | |
| Items that will be classified subsequently to profit and loss | | | | | |
| Exchange differences on translating foreign operations | | 1,098 | 395 | 733 | 1,196 |
| Other movements | | - | 2 | - | 1 |
| Total other comprehensive income | | 1,098 | 397 | 733 | 1,197 |
| Total comprehensive income | | 4,998 | 1,101 | 5,984 | 2,612 |
| Profit attributable to: | | | | | |
| Owners of the parent | | | | | |
| Profit/(loss) for the period from continuing operations | | 3,894 | 703 | 5,241 | 1,413 |
| | | 3,894 | 703 | 5,241 | 1,413 |
| Non-controlling interests | | | | | |
| Profit/(loss) for the period from continuing operations | | 6 | 1 | 10 | 2 |
| | | 6 | 1 | 10 | 2 |
| Total | | | | | |
| Profit/(loss) for the period from continuing operations | | 3,900 | 704 | 5,251 | 1,415 |
| | | 3,900 | 704 | 5,251 | 1,415 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | | | | |
| | | 4,992 | 1,100 | 5,974 | 2,610 |
| Non-controlling interest | | | | | |
| | | 6 | 1 | 10 | 2 |
| | | 4,998 | 1,101 | 5,984 | 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 |
| Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the year | | | | | |
| Basic (euro) - continuing operations | | 1.08 | 0.20 | 1.46 | 0.39 |
| Fully diluted (euro) - continuing operations | | 1.08 | 0.20 | 1.46 | 0.39 |

*Certain figures have been restated for comparative purposes

Consolidated balance sheet

(in thousands of euros)

| Note | At 31 December 2016 Unaudited | At 31 December 2015 Audited |
|-------------------------------------|----------------------------------|--------------------------------|
| Assets | | |
| Non-current assets | | |
| Intangible assets | 5,156 | 4,308 |
| Property, plant and equipment | 11,085 | 9,864 |
| Long term deposits | 372 | 496 |
| Deferred tax asset | 5,269 | 936 |
| Total non-current assets | 21,882 | 15,604 |
| Current assets | | |
| Inventory | 7,700 | 7,510 |
| Trade and other receivables | 9,776 | 8,840 |
| Cash and cash equivalents | 1,416 | 789 |
| Total current assets | <u>18,892</u> | <u>17,139</u> |
| Total assets | <u>40,774</u> | <u>32,743</u> |
| Equity | | |
| Share capital | 1,919 | 1,919 |
| Share premium | 52,853 | 52,853 |
| Retained earnings | (36,498) | (41,739) |
| Translation reserves | 5,298 | 4,565 |
| Total equity | 23,572 | 17,598 |
| Non-controlling interest | 29 | 19 |
| | <u>23,601</u> | <u>17,617</u> |
| Liabilities | | |
| Non-current liabilities | | |
| Borrowings | 6 5,227 | 5,072 |
| Other liabilities | 120 | 120 |
| Total non-current liabilities | 5,347 | 5,192 |
| Current liabilities | | |
| Borrowings | 6 2,011 | 541 |
| Trade creditors | 6,689 | 6,702 |
| Accrued expenses | 2,219 | 2,324 |
| Provisions | 517 | 119 |
| Tax and social security | 390 | 248 |
| Total non-current liabilities | 11,826 | 9,934 |
| Total liabilities | <u>17,173</u> | <u>15,126</u> |
| Total equity and liabilities | <u>40,774</u> | <u>32,743</u> |

Consolidated cash flow statement

| | Full Year 2016 Unaudited | | Full Year 2015 Audited | |
|---|-----------------------------|---------|---------------------------|---------|
| (in thousands of euros) | | | | |
| Cash flow (used in) / provided by operating activities | | | | |
| Operating result | 1,376 | | 1,814 | |
| Interest received | 22 | | 35 | |
| Interest paid | (260) | | (234) | |
| Income taxes paid | (82) | | (65) | |
| Depreciation and amortisation | 3,058 | | 2,442 | |
| | | 4,114 | | 3,992 |
| Changes in trade and other receivables | (491) | | (2,267) | |
| Changes in inventories | 372 | | (572) | |
| Changes in provisions | - | | (3) | |
| Changes in trade and other payables | (73) | | 2,464 | |
| | | (192) | | (378) |
| Cash flow (used in)/ provided by operating activities | | 3,922 | | 3,614 |
| Cash flow (used in)/provided by investing activities | | | | |
| Net investment in intangible fixed assets | (1,421) | | (1,158) | |
| Net investment in tangible fixed assets | (3,329) | | (5,272) | |
| Proceeds from sale of assets | 15 | | 344 | |
| Cash flow (used in)/ provided by investing activities | | (4,735) | | (6,086) |
| Cash flow (used in)/provided by financing Activities | | | | |
| Changes in borrowings and capital lease obligations - gross | 12,413 | | 8,545 | |
| Changes in borrowings and capital lease obligations - repaid | (11,032) | | (7,027) | |
| Cash flow (used in)/ provided by financing activities | | 1,381 | | 1,518 |
| Net cash flow for the period | | 568 | | (954) |
| Foreign currency differences and other changes | 59 | | (36) | |
| | | 59 | | (36) |
| Changes in cash and cash equivalents, including bank overdrafts for the period | | 627 | | (990) |
| Opening balance cash and cash equivalents | | 789 | | 1,779 |
| Closing balance cash and cash equivalents | | 1,416 | | 789 |
| The closing position consists of: | | | | |
| Cash and cash equivalents | | 1,416 | | 789 |
| Bank overdraft | | - | | - |
| | | 1,416 | | 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 | 17,617 |
| Net result | - | - | 5,241 | - | 5,241 | 10 | 5,251 |
| Currency translation adjustment | - | - | - | 733 | 733 | - | 733 |
| Total recognised movements for the period ended 31 December 2016 | - | - | 5,241 | 733 | 5,974 | 10 | 5,984 |
| Balance at 31 December 2016 | 1,919 | 52,853 | (36,498) | 5,298 | 23,572 | 29 | 23,601 |
| <i>(Figures in euro thousands)</i> | | | | | | | |
| | | | | Q4 | | Full Year | |
| | | | | 2016 | 2015 | 2016 | 2015 |
| Opening Balance | | | | 18,603 | 16,516 | 17,617 | 15,005 |
| Net result | | | | 3,900 | 704 | 5,251 | 1,415 |
| Currency translation adjustment | | | | 1,098 | 395 | 733 | 1,196 |
| Other movements | | | | - | 2 | - | 1 |
| Total recognised movements for the period ended | | | | 4,998 | 1,101 | 5,984 | 2,612 |
| Closing Balance | | | | 23,601 | 17,617 | 23,601 | 17,617 |
| | | | | | | | |
| | | | | | | | |

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 unaudited consolidated financial information for the fourth quarter 2016 has been prepared in accordance with IAS 34 “interim financial reporting.” This unaudited 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 this unaudited financial statements are consistent with the annual financial statements for the year ended 31 December 2015.

- Taxes on income in the period are accrued using the tax rate that would be applicable to expected total annual earnings.
- 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 |
|---|---------------|-----------------|---------------|
| Full Year Ended 31 December 2016 | | | |
| Segment Results | | | |
| Revenue from external customers | 33,114 | - | 33,114 |
| Other income / (expenses) | 49 | - | 49 |
| Depreciation & amortisation | 2,490 | 568 | 3,058 |
| Net profit attributable to owners of the parent | 6,493 | (1,252) | 5,241 |
| Segment Assets - 31 December 2016 | 34,829 | 5,945 | 40,774 |
| Full Year Ended 31 December 2015 | | | |
| Segment Results | | | |
| Revenue from external customers | 29,635 | - | 29,635 |
| Other income / (expenses) | 678 | - | 678 |
| Depreciation & amortisation | 1,907 | 535 | 2,442 |
| Net profit attributable to owners of the parent | 2,337 | (924) | 1,413 |
| Segment Assets - 31 December 2015 | 26,858 | 5,885 | 32,743 |

4. Other income/(expenses)

Net profit from compensation received on a contract settlement for the year 2015 resulted in €0.57m.

5. Transactions with Related Parties

There is a loan receivable of €0.6m due from an affiliate under common control.

6. Borrowings – Third Parties

| | 12 months to 31 Dec 2016 | 12 months to 31 Dec 2015 |
|------------------------|-----------------------------|-----------------------------|
| | €'000 | €'000 |
| At beginning of period | 5,613 | 3,512 |
| New borrowings | 12,413 | 8,633 |
| Repayments | (11,032) | (6,969) |
| Translation effect | 244 | 437 |
| At end of period | <u>7,238</u> | <u>5,613</u> |

7. Jointly controlled assets

In 2016 no further costs were incurred in respect of the pilot (2015: €0.05m). The Group's share of the equity on 31 December 2016 amounted to €0.02m to recognise the 50% share of the remaining intangibles.

8. Consolidated cash flow

Group generated €3.9m cash from its operating activities for the year 2016 versus €3.6m during 2015. Investments in tangible and intangible assets were €4.7m for the year 2016 (2015: €6.1m). Net borrowings were €1.4m for the year 2016 (2015: €1.5m).