



Envipco Holding NV

Interim Financial Report

1st Quarter 2018

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2018 Q1 RESULTS UNAUDITED

Highlights

(in euro millions)	Quarter to	%	Quarter to	Full Year
	31/03/2018	Change	31/03/2017	31/12/2017
Revenues	6.51	-6.9	6.99	34.05
Gross profit	2.31	0.0	2.31	12.12
Gross profit %	35.53%	7.7	33.00%	35.59%
Operating profit/(loss)	-0.68	6.9	-0.73	0.83
Net profit / (loss) after taxes after minority	-0.81	4.7	-0.85	0.66
EBITDA*	0.00	-100.0	0.18	4.25
Earnings/(loss) per share (in euro)	-0.21	12.5	-0.24	1.46
Shareholders' equity	19.40	-13.0	22.29	20.60

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

2018 First Quarter Highlights – Consolidated Results:

- Revenues for the first three months of 2018 decreased 6.9% to €6.51m from €6.99m in 2017. In comparing Q1 2018 to Q1 2017, there is a significant negative impact on North America revenues from foreign exchange with the average USD to EURO conversion rate of 1.23 in Q1 2018 compared to 1.07 in Q1 2017. On a restated USD to EURO conversion rate of 1.23 for Q1 2017, revenues would have been €6.11 for Q1 2017 compared to €6.51 in Q1 2018 or a restated growth of 6.5% in Q1 2018.
- Gross profit for Q1 2018 remained steady at €2.31m in 2018 and 2017. On a restated currency basis, Q1 2018 gross profit would have increased 14.8% from Q1 2017.
- Gross profit margin improved to 35.53% in Q1 2018 compared to 33.00% in 2017 due to increased North America container volume along with increased machine sales.
- Net profit/(loss) for Q1 2018 decreased by 4.7% to (€0.81m) from a loss of (€0.85m) in Q1 2017. At the Net profit/(loss) level, the favorable improvement in North America results was mostly offset by an increase in Holding Company expenses and a decline in Europe results on lower revenues.
- EBITDA for Q1 2018 decreased to €0.00m from €0.18m in Q1 2017. On a restated currency basis, Q1 2017 EBITDA would have been €0.08m.
- Earnings/(loss) per share improved to (€0.21) in Q1 2018 from (€0.24) in Q1 2017 based on the reduced Net profit/(loss) after taxes and the increased number of shares outstanding by 240,000.
- Shareholders' equity at 31/03/2018 declined by €1.21m from year end 31/12/2017 based on the Q1 2018 Net profit/(loss) along with a negative translation reserve of €0.40m for the quarter. The most significant change in the shareholders equity from Q1 2018 compared to Q1 2017, was the reduction in the deferred tax asset taken in Q4 2017 related to changes in the USA tax laws.
- The company has adequate working capital at 31/03/2018 with unused borrowing availability of approximately €1.8m under its' financing arrangements.
- The Company has begun to initiate market development activities in the UK (England, Scotland and Wales) and also other European markets as the prospects for new container deposit systems (CDS) have been steadily gaining momentum. The major market forces against deposits have shifted markedly with the beverage industry, retailers and waste management companies evaluating such schemes. The Company expects to significantly increase European investments and market development activities over the next two years to ensure our participation in these new market opportunities.

- 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 were incurred in Q1-2018 of €0.16m compared with €0.07m in Q1-2017. It is expected that cost at this level will continue for the remainder of 2018.

Business Review- Segments:

(in euro millions)	1st Quarter		Full Year
	2018	2017	2017
Revenues	6.51	6.99	34.05
North America	6.34	6.65	30.14
Europe	0.17	0.34	3.91
ROW	-	-	-
Gross profit	2.31	2.31	12.12
Gross profit in %	35%	33%	36%
Operating expenses	3.00	3.04	11.30
Net profit /(loss) after taxes	(0.81)	(0.85)	(2.54)
EBITDA*	-	0.18	4.25
EBITDA Margin	0%	3%	12%
Earnings per share (EPS)	€ (0.21)	€ (0.24)	€ 1.46
*Earnings before Interest, Taxes, Depreciation & Amortisation			

2018 First Three Months Highlights – Segment Results:

- North America revenues for Q1 2018 decreased to €6.34m from €6.65m in Q1 2017 due to a significant increase in the EURO to USD translation rate. In local USD currency, North America revenues actually increased by 9.9%. This increase was driven by both higher program service revenues and RVM machine sales. In USD terms, in comparing Q1 2018 to Q1 2017, North America Gross profit increased by 19.0%, Operating profit increased by 318.0% and EBITDA increased by 27.1%. The North America business 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 year 2018. The launch of “Quantum” bulk-feed technology in Michigan continues to perform well and we expect several additional installations during 2018. While the adoption of Quantum has been slower than hoped due to the store renovations required for installation, the technology has demonstrated Envipco’s innovation leadership and has directly led to increased sales of traditional RVMs. Quantum is being most actively considered in conjunction with major store renovation planning cycles.
- Europe revenues for Q1 2018 decreased to €0.17m from €0.34m in 2017. Europe Q1 revenues in both 2018 and 2017 were attributable to the Swedish market. There were several installations that were delayed from Q1 until later in the year. Based on our order book and the sales activity in Sweden, we expect continuing strong growth in this market. The success of the outdoor Quantum and the proven consumer acceptance has led a number of Swedish retailers to evaluate reformatting their bottle return services to outside the store. This evaluation and planning has elongated the sales cycle over traditional replacements. The other European non-deposit markets of Greece and France had no sales in Q1 for both 2018 and 2017. The activity with our distributors in these markets remains strong and we expect meaningful sales in the second half of 2018.

- ROW revenue, which currently reflects the Australian market was zero for Q1 2018 and Q1 2017. The company is continuing to work with our Australian distributor to identify opportunities to participate in the recently passed deposit legislation in New South Wales (NSW). The NSW deposit implementation mitigates some of the benefits of RVM and has been challenged with adequate deposit redemption sites. We are also engaged in the Queensland and Western Australian container deposit discussions where we anticipate a more traditional use of RVM machines.
- Operating expenses for Q1 2018 declined to €3.00m from €3.04m in Q1 2017. On a restated currency basis, operating expenses in Q1 2018 increased by 8.9% over Q1 2017. North America expenses increased by 7.6%, Europe expenses by 3.7% and Holding company expenses by 20.7%. The Holding Company expense increase was mostly attributable to additional legal cost related to the German IP enforcement activities in Q1 2018 over Q1 2017.

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 to fund our current market development activities. 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 and the significant potential for expansion 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 accelerate our 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 is currently evaluating plans and financing scenarios to undertake the necessary near-term (two year) investments to ensure our participation in these exciting market opportunities. As part of potential financing scenarios, the Company has included a shareholder proposal at the Annual General Meeting to authorize the Board to issue up to 20% of the current outstanding shares.

Annual General Meeting:

The annual general meeting of the shareholders is scheduled for 26 June 2018 in Amsterdam. Notice of the meeting and the agenda have been posted on our website at www.envipco.com

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 March 2018.

	<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)	2,271,068	59.18	59.18
Gregory Garvey/EV Knot LLC	521,513	13.59	13.59
Douglas Poling/GD Env LLC	200,000	5.21	5.21
Univest Portfolio Inc	155,480	4.05	4.05
Otus Capital Management Ltd	165,000	4.30	4.30

Risks and Uncertainties:

- Legislation driven growth: Our RVM business, which is mainly dependent on deposit laws can have significant negative impact, if such laws are repealed or curtailed significantly.
- 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.
- At present, majority of the group revenue is 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.

Amersfoort, 25 May 2018
Board of Directors
Envipco Holding N.V.

Bhajun Santchurn
CEO & Executive Board Member

Consolidated statement of comprehensive income

(in thousands of Euro)	Note	Q1-2018	*Q1-2017	Full Year 2017
Revenues		6,512	6,994	34,049
Cost of revenue		(3,717)	(4,092)	(19,743)
Leasing depreciation		(481)	(597)	(2,188)
Gross profit		2,314	2,305	12,118
Selling expenses		(271)	(247)	(1,174)
General and administrative expenses		(2,730)	(2,790)	(10,123)
- Miscellaneous income/(expenses)	(4)	3	2	9
Operating result		(684)	(730)	830
Financial expense		(59)	(79)	(299)
Financial income		-	2	3
Exchange gains/(losses)		(53)	(24)	128
Result before tax		(796)	(831)	662
Income taxes		(15)	(16)	(3,201)
		(15)	(16)	(3,201)
Net results from continuing operations		(811)	(847)	(2,539)
Other comprehensive income				
Items that will be classified subsequently to profit and loss				
Exchange differences on translating foreign operations		(395)	(313)	(2,279)
Other movements		-	(1)	(7)
Total other comprehensive income		(395)	(314)	(2,286)
Other comprehensive income		(1,206)	(1,161)	(4,825)
Profit attributable to:				
Owners of the parent				
Profit/(loss) for the period from continuing operations		(811)	(847)	(2,540)
		(811)	(847)	(2,540)
Non-controlling interests				
Profit/(loss) for the period from continuing operations		-	-	1
		-	-	1
Total				
Profit/(loss) for the period from continuing operations		(811)	(847)	(2,539)
		(811)	(847)	(2,539)
Total comprehensive income attributable to:				
Owners of the parent		(1,206)	(1,161)	(4,826)
Non-controlling interest		-	-	1
		(1,206)	(1,161)	(4,825)
Number of shares used for calculation of EPS				
- Basic (euro)		3,837,607	3,597,607	3,655,315
- Diluted (euro)		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) - continuing operations		(0.21)	(0.24)	(0.69)
Fully diluted (euro) - continuing operations		(0.21)	(0.24)	(0.69)

• *Certain figures have been reclassified for comparison purposes.*

Consolidated balance sheet

(in thousands of Euro)

	Notes	Q1-2018	Q1-2017	Full Year 2017
ASSETS				
Fixed assets				
Intangible fixed assets, net of amortisation		5,569	4,883	5,548
Property, plant and equipment		9,116	10,526	9,184
Financial Assets		236	205	72
Deferred tax assets		1,690	5,181	1,737
		16,611	20,795	16,541
Current assets				
Inventory		7,306	8,331	7,044
Trade and other receivables		8,895	9,310	9,677
Cash and cash equivalents		1,132	222	1,788
Total current assets		17,333	17,863	18,509
Total assets		33,944	38,658	35,050
EQUITY AND LIABILITIES				
Equity				
Share capital		1,919	1,919	1,919
Share premium		54,822	52,853	54,822
Retained earnings		(39,968)	(37,465)	(39,157)
Translation reserve		2,624	4,985	3,019
Total equity		19,397	22,292	20,603
Non-controlling interest		22	28	22
		19,419	22,320	20,625
Liabilities				
Non-current liabilities				
Borrowings	▼ (6)	3,710	4,994	4,142
Other liabilities		217	215	217
Total non-current liabilities		3,927	5,209	4,359
Current liabilities				
Borrowings	▼ (6)	1,316	1,859	1,356
Trade creditors		6,146	6,149	6,236
Accrued expenses		2,499	2,508	1,755
Provisions		251	251	236
Tax and social security		386	362	483
Total current liabilities		10,598	11,129	10,066
Total liabilities		14,525	16,338	14,425
		33,944	38,658	35,050

Consolidated cash flow statement

(in thousands of Euro)

Note	Q1 2018	Q1 2017	Full Year 2017
Cashflow (used in) / provided by operating activities			
Operating result	(684)	(730)	830
Adjustments for:			
Depreciation and amortisation	738	912	3,287
Interest received	-	2	3
Interest paid	(59)	(79)	(299)
Changes in trade and other receivables	391	656	(320)
Changes in inventories	(376)	(675)	136
Changes in provisions	15	(17)	(31)
Changes in trade and other payables	696	(369)	(605)
Cash generated from operations	<u>721</u>	<u>(300)</u>	<u>3,001</u>
Income taxes (paid) / repaid	(15)	(16)	177
Net cash flow from operating activities	<u>706</u>	<u>(316)</u>	<u>3,178</u>
Investing activities			
Investment in intangible fixed assets	(212)	(111)	(1,142)
Investment in property, plant & equipment	(791)	(484)	(2,573)
Net cash flow used in investing activities	<u>(1,003)</u>	<u>(595)</u>	<u>(3,715)</u>
Financing activities			
Proceeds on sale of shares	-	-	1,969
Changes in borrowings - proceeds	-	-	3,548
Changes in borrowings - repayments	(327)	(266)	(4,447)
Net cash flow from financing activities	<u>(327)</u>	<u>(266)</u>	<u>1,070</u>
Net increase/(decrease) in cash and cash equivalents	<u>(624)</u>	<u>(1,177)</u>	<u>533</u>
Opening position as at 1 January	1,788	1,416	1,416
Foreign currency differences on cash and cash equivalents	(40)	11	(134)
Foreign currency differences and other changes	8	(28)	(27)
Closing balance cash and cash equivalents	<u>1,132</u>	<u>222</u>	<u>1,788</u>
The closing position consists of:			
Cash and cash equivalents	<u>1,132</u>	<u>222</u>	<u>1,788</u>
	<u>1,132</u>	<u>222</u>	<u>1,788</u>

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 2018	1,919	54,822	(39,157)	3,019	20,603	22
Net result	-	-	(811)	-	(811)	-	(811)
Currency translation adjustment	-	-	-	(395)	(395)	-	(395)
Other movements	-	-	-	-	-	-	-
Total recognised movements for the period ended 31 March 2018	-	-	(811)	(395)	(1,206)	-	(1,206)
Balance at 31 March 2018	1,919	54,822	(39,968)	2,624	19,397	22	19,419

<i>(Figures in euro thousands)</i>	Q1		Full Year
	2018	2017	2017
Opening Balance	20,625	23,481	23,481
Net result	(811)	(847)	(2,539)
Currency translation adjustment	(395)	(313)	(2,279)
Other movements	-	(1)	(7)
Sale of treasury shares	-	-	1,969
Total recognised movements for the period ended	(1,206)	(1,161)	(2,856)
Closing Balance	19,419	22,320	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

The consolidated interim financial information for the first quarter ended 31 March 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 period are accrued using the tax rate that would be applicable to expected total annual earnings.
- The annual impairment tests on goodwill and intangible assets with indefinite life will be carried out at the end of fiscal year 2018. Consequently, any impairment losses will only be recognised in the annual financial statements over the fiscal year 2018.
- These unaudited interim financial 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. The Group’s two 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
Quarter Ended 31 March 2018 Segment Results			
Revenue from external customers	6,346	166	6,512
Other income / (expenses)	4	-	4
Depreciation & amortisation	555	183	738
Net profit attributable to owners of the parent	(317)	(494)	(811)
Segment Assets - 31 March 2018	27,692	6,252	33,944
Quarter Ended 31 March 2017 Segment Results			
Revenue from external customers	6,657	337	6,994
Other income / (expenses)	2	-	2
Depreciation & amortisation	658	254	912
Net profit attributable to owners of the parent	(434)	(413)	(847)
Segment Assets - 31 March 2017	33,072	5,586	38,658

4. Miscellaneous income/(expenses)

Net profit from the sale of assets for the First Quarter 2018 resulted in €0.003m (Q1-2017 €0.002m).

5. Transactions with related parties

There is a loan receivable of €0.69m due from an affiliate under common control. An amount of €0.10m is payable to the majority shareholder.

6. Borrowings – third parties

	3 months to 31 March 2018	3 months to 31 March 2017
	€'000	€'000
At beginning of period	5,498	7,238
New borrowings	-	-
Repayments	(327)	(266)
Translation effect	(145)	(119)
At end of period	<u>5,026</u>	<u>6,853</u>

7. Consolidated cash flow

Group generated €0.71m cash from its operating activities for the First Quarter 2018 versus usage of €0.32m for the same period in 2017. Investments in tangible and intangible assets were €1.00m for the First Quarter 2018 (Q1-2017 - €0.60m). Net debt repayment was €0.33m for the First Quarter 2018 compared to €0.27m in the First Quarter of 2017.
