



Envipco Holding NV

Interim Financial Report

Third Quarter & Nine Months Results

to 30 September 2018

Unaudited

TABLE OF CONTENTS

Highlights	3
Business review	5
Market outlook	7
Risk and uncertainties	7
Capital & shareholding	8
Consolidated statement of comprehensive income	9
Consolidated balance sheet	10
Consolidated cash flow statement	11
Consolidated statement of changes in equity	12
Selected explanatory notes	13

NINE MONTHS RESULTS TO 30 SEPTEMBER 2018

Highlights

(in euro millions)

	Nine Months to 30/09/2018	Nine Months to 30/09/2017	% Change	Full Year to 31/12/2017
Continuing operations:				
Revenues	27.02	25.47	+6.1	34.05
Gross profit	10.56	9.18	+15.0	12.12
Gross profit %	39.1	36.0	310bps	35.6
Operating profit	2.33	0.56	+316.1	0.83
Net profit after taxes after minority	2.04	0.41	+397.6	(2.54)
EBITDA*	4.53	3.24	+39.8	4.25
Earnings per share (in euro)	0.53	0.11	+381.8	(0.69)
Cash and cash equivalents	1.44	0.40	+260.0	1.79
Net working capital	9.11	7.24	+25.8	8.44
Shareholders' equity	23.25	22.29	+4.3	20.60

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

2018 Nine Months Highlights – Consolidated Results

- Revenues for the first nine months of 2018 increased by 6.1% to €27.02m from €25.47m in 2017. There is a meaningful currency impact for the first nine months of 2018 with the EURO to USD conversion rate of 1.19 compared to 1.11 in 2017. On a constant currency basis, revenues for the first nine months of 2018 increased by 13.3% compared to 2017.
- Gross profit for the 2018 nine month period increased 15.0% to €10.56m from €9.18m in 2017. On a constant currency basis, gross profit increased by 23.1%. This improvement was driven by the North American business with increased volumes of the throughput program services and also by increased RVM sales.
- Gross profit margin improved to 39.1% for the nine months of 2018 compared to 36.0% in 2017.
- Operating profit for the first nine months of 2018 increased 316.1% to a profit of €2.33m from a profit of €0.56m in 2017. On a constant currency basis this improvement was 515.8% for 2018. The nine month operating profit in 2018 was favorably impacted by the one-time settlement payment of €0.62m reported in Q2 of this year. The nine month 2018 operating profit was negatively impacted by €0.30m new market development expense incurred in Europe during Q3. Adjusting to exclude the one-time payment, market development expense and using a constant currency, the nine month 2018 improvement over 2017 would have been €1.63m or 428.8%.

- EBITDA for the first nine months of 2018 increased 39.8% to €4.53m from €3.24m in 2017. On a constant currency basis, the improvement in the nine months 2018 over 2017 was 53.0%. Adjusting to exclude the one-time payment, but including new market development expense, the nine month 2018 EBITDA would have been €3.90m representing a 31.8% improvement over 2017 on a constant currency basis.
- Earnings per share improved 381.8% to €0.53 for the first nine months of 2018 compared to earnings per share of €0.11 in 2017.
- Shareholders' equity increased to €23.25m at 30/9/2018 compared to €20.60m at 31/12/2017 as a result of the 2018 nine month earnings and also a positive translation reserve of €0.62m.
- The company has improved its' net working capital to €9.11m at 30/9/2018 and has adequate working capital with borrowing availability of approximately €2.58m under its' financing arrangement.
- The Company is continuing IP enforcement activities related to its' German patent that covers a method for how container security labels are created and interpreted. Legal cost for the nine months 2018 was €0.5m compared to €0.4m for the nine months 2017. The Company expects to continue to incur cost on this matter.

Gool Santchurn, the CEO of Envipco comments: "We are pleased with nine month results of 2018 based on the strength of our North American business combined with renewed sales in the European market."

The company has significantly ramped market development activities as the prospects for new container deposit systems (CDS) continues to move forward, especially in Scotland and the UK. Considering the sustained nature of these market development expenses over the next several years; the company believes it is important to provide visibility in our financial reporting and accordingly with this quarter we have broken out New Market Development Costs in our Business Review section of the report.

The EU has recently enacted legislation requiring 90% recovery rate of packaging entering the market of its member states with a mandatory 35% recycling content on all packaging by 2025. Envipco believes that there is no other cost-effective way other than introduction of Deposit Refund Schemes, to meet this target. Several EU member states are considering such initiatives.

As part of financing our European expansion and the necessary market development costs; the shareholders approved a resolution authorizing issuance of up to 20% of the outstanding shares at the Shareholders General Meeting on 26 June 2018. The company raised funding of €2.86m in October 2018 by placing 260,000 shares.

Business Review:

2018 Third Quarter and Nine Months:

(in euro millions)	3rd Quarter		Nine Months		Full Year
	2018	2017	2018	2017	2017
Revenues	11.59	8.66	27.02	25.47	34.05
North America	9.99	8.05	24.51	23.34	30.14
Europe	1.60	0.61	2.51	2.13	3.91
ROW	-	-	-	-	-
Gross profit	4.67	3.28	10.56	9.18	12.12
Gross profit in %	40%	38%	39%	36%	36%
Operating expenses excluding new market development costs	2.84	2.42	8.57	8.63	11.30
New market development costs	0.30	-	0.30	-	-
Operating expenses	3.14	2.42	8.87	8.63	11.30
Net profit after taxes excluding one time gain*	1.45	0.81	1.41	0.41	(2.54)
Net profit after taxes	1.45	0.81	2.03	0.41	(2.54)
EBIT	1.53	0.90	2.26	0.70	1.37
EBIT Margin	13%	10%	8%	3%	4%
EBITDA	2.29	1.67	4.53	3.24	4.25
EBITDA Margin	20%	19%	17%	13%	12%

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

RVM Operations:

- North America revenues for the first nine months of 2018 increased to €24.51m compared to €23.34m for the first nine months of 2017. In the third quarter of 2018, revenues increased by 24.1% to €9.99m compared to €8.05m in 2017. The 2018 results in local USD currency were stronger with an increase of 12.8% for the nine month period and 29.0% for the third quarter compared to 2017. North America's program services revenues increased 11.6% for the 2018 nine month period over 2017 on higher container throughput in local currency. The program services increase was particularly strong in Q3 2018 at 22.3% over 2017 in local currency. RVM sales for the 2018 nine month period were up 21.4% over 2017 in local currency. RVM sales for Q3 2018 were up 69.7% over 2017 in local currency.

North America operating profit (excluding the one-time settlement gain) in local currency, increased 46.4% for the 2018 nine period over 2017 and increased 53.7% for 2018 Q3 over 2017. North America EBITDA (excluding the one-time settlement gain) in local currency, increased 22.9% for the 2018 nine month period over 2017 and increased 38.4% for 2018 Q3 over 2017.

The North America business continues to perform well with market share gains under long-term contracts, overall container volumes increases, renewed RVM sales and sustained operational efficiencies. One additional Quantum RVM was sold in Michigan during Q3 2018 and several additional opportunities have been identified. Quantum is certainly a longer sales cycle and is most actively considered around store renovations. Quantum has the potential to replace 10-15 % of the existing RVMs over time. More

importantly though, it demonstrates our technology leadership and is instrumental in sustaining and building customer relationships for the long-term.

The company expects continued strong execution in the North America market over the short and medium term. The most significant upside opportunity is tied to market share gains and new RVM machine sales in existing markets. We do however expect 2018 growth in container throughput and associated program services revenue to moderate going forward.

- Europe revenues for the first nine months of 2018 increased 17.8% to €2.51m compared to €2.13m in 2017. For Q3 2018, revenues increased 162.3% to €1.60m compared to €0.61m in Q3 2017. European RVM sales regained momentum in Q3 2018 with 90 RVM sales to Greece and 26 RVM sales to France. Delivery of the 90 RVMs to Greece was part of an announced order from our distributor in August 2018. Our Greece distributor earlier won a tender process for 300 RVMs over the next 3 years.

Quantum sales to Sweden have slowed down for the first nine months of 2018 compared to 2017. This slowdown was somewhat intentional as the engineering and manufacturing processes to move to a total modular concept were being implemented in our German manufacturing facility. The modular concept provides for more flexible configurations, increased material bin storage options, improved transport and installation handling and enhanced service capabilities. Most importantly though, Quantum can now be easily adapted to all markets. Our largest Swedish customer, Returpak most recently completed a comprehensive review and sign-off of the new modular Quantum platform. Quantum installations in Sweden are expected to accelerate in the coming quarters.

In the medium term, we expect continued growth in our established existing markets of Sweden, France and Greece. Off the strong Q3 2018 European performance, we do expect some moderation in Q4 2018 performance and also compared to Q4 2017. Over the long-term and tied to the prospects of new CDS markets, we expect significant growth in our European market.

- ROW revenue, which currently reflects the Australian market had no sales in the first nine months of 2018 or for the first nine months of 2017. Our Australian distributor has successfully won a tender to provide 43 Container Refund Points (CRP) in the State of Queensland. There has been some delay tied to planning and zoning approvals required for automated redemption sites. As this process progresses, we expect shipment of our initial RVM order in early 2019.
- Operating expenses excluding new market development expense for the first nine months of 2018 was €8.57m compared to €8.63m in 2017. On a constant currency basis, the operating expenses excluding new market development increased 4.5% in 2018 over 2017 for the nine month period. For the Q3 2018 period, operating expenses excluding new market development increased 21.0% over Q3 2017 on a constant currency basis. This increase was largely driven by higher engineering and support costs in our German operation during the quarter based on limited production. We expect this increase to moderate as German production of the modular Quantum platform picks up.

- New market development costs incurred were €0.30m in Q3 2018. The company has made significant commitments to ramp our market development efforts surrounding the potential for new CDS legislation in Europe. Considering the significance of the costs and the sustained nature, we will be reporting these investments separately under New Market Development Costs as noted above. The majority of the costs in the quarter were incurred in Scotland and the UK along with some costs in Greece to establish a local presence.

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 our established European markets of Sweden, Greece and France and most importantly the significant potential for growth tied to the medium term potential of new CDS legislation in several European markets.

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 96% 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 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)	2,171,068	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

In October, subsequent to the private placement Otus Capital Management and Lazard Freres Gestion increased their shareholdings to 6.05% and 5.43% respectively.

Post Balance Sheet Events

Please refer to Note 8 of the Interim Financial Statements for further details.

Amersfoort, 19 November 2018
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 2018	Unaudited Q3 2017	Unaudited Q3-YTD 2018	Unaudited Q3-YTD 2017	Audited Full Year 2017
	Note					
Revenues		11,589	8,656	27,015	25,467	34,049
Cost of revenue		(6,399)	(4,863)	(14,951)	(14,603)	(19,743)
Leasing depreciation		(515)	(519)	(1,500)	(1,685)	(2,188)
Gross profit		4,675	3,274	10,564	9,179	12,118
Operating expenses		(3,138)	(2,425)	(8,870)	(8,626)	(11,297)
Other income - contract settlement	(4)			627		-
Other income/(expenses)	(4)	13	3	12	3	9
Operating result		1,550	852	2,333	556	830
Net financial items		(58)	(73)	(175)	(219)	(296)
Exchange gains/(losses)		(18)	49	(74)	139	128
Result before taxes		1,474	828	2,084	476	662
Income taxes		(20)	(19)	(45)	(65)	(3,201)
Net results		1,454	809	2,039	411	(2,539)
Other comprehensive income						
Items that will be classified subsequently to profit and loss						
Exchange differences on translating foreign operations		186	(569)	614	(2,083)	(2,279)
Treasury shares		-	513	-	513	-
Other movements		-	(4)	(1)	(5)	(7)
Total other comprehensive income		186	(60)	613	(1,575)	(2,286)
Total comprehensive income		1,640	749	2,652	(1,164)	(4,825)
Profit attributable to:						
Owners of the parent						
Profit for the period		1,451	808	2,034	411	(2,540)
		1,451	808	2,034	411	(2,540)
Non-controlling interests						
Profit for the period		3	(1)	5	(2)	1
		3	(1)	5	(2)	1
Total						
Profit for the period		1,454	807	2,039	409	(2,539)
		1,454	807	2,039	409	(2,539)
Total comprehensive income attributable to:						
Owners of the parent		1,637	750	2,647	(1,162)	(4,826)
Non-controlling interest		3	(1)	5	(2)	1
		1,640	749	2,652	(1,164)	(4,825)
Number of shares used for calculation of EPS						
Basic and diluted		3,837,607	3,657,936	3,837,607	3,657,936	3,655,315
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the period						
Basic (euro)		0.38	0.22	0.53	0.11	(0.69)
Fully diluted (euro)		0.38	0.22	0.53	0.11	(0.69)

Consolidated balance sheet

(in thousands of euros)

Note	At 30 September 2018 Unaudited	At 30 September 2017 Unaudited	At 31 December 2017 Audited
Assets			
Non-current assets			
Intangible assets	6,191	5,406	5,548
Property, plant and equipment	9,309	9,383	9,184
Long term deposits	334	437	72
Deferred tax asset	1,793	4,720	1,737
Total non-current assets	17,627	19,946	16,541
Current assets			
Inventory	7,674	8,030	7,044
Trade and other receivables	12,303	10,977	9,677
Cash and cash equivalents	1,442	395	1,788
Total current assets	21,419	19,402	18,509
Total assets	39,046	39,348	35,050
Equity			
Share capital	1,919	1,919	1,919
Share premium	54,822	53,366	54,822
Retained earnings	(37,123)	(36,209)	(39,157)
Translation reserves	3,633	3,215	3,019
Equity	23,251	22,291	20,603
Non-controlling interest	26	26	22
Total equity	23,277	22,317	20,625
Liabilities			
Non-current liabilities			
Borrowings	6 3,241	4,653	4,142
Other liabilities	220	219	217
Total non-current liabilities	3,461	4,872	4,359
Current liabilities			
Borrowings	6 1,398	1,501	1,356
Trade creditors	8,493	8,064	6,236
Accrued expenses	1,888	1,992	1,755
Provisions	105	241	236
Tax and social security	424	361	483
Total current liabilities	12,308	12,159	10,066
Total liabilities	15,769	17,031	14,425
Total equity and liabilities	39,046	39,348	35,050

Consolidated cash flow statement

(in thousands of euros)

	Q3-YTD 2018 Unaudited	Q3-YTD 2017 Unaudited	Full Year 2017 Audited
Cash flow (used in) / provided by operating activities			
Operating result	2,333	556	830
Depreciation and amortisation	2,271	2,547	3,287
Interest received	1	3	3
Interest paid	(176)	(228)	(299)
Changes in trade and other receivables	(2,587)	(2,105)	(320)
Changes in inventories	(366)	(1,053)	136
Changes in provisions	(131)	(26)	(31)
Changes in trade and other payables	2,303	2,132	(605)
Cash generated from operations	3,648	1,826	3,001
Income taxes paid	(45)	(67)	177
Cash flow (used in)/ provided by operating activities	3,603	1,759	3,178
Cash flow (used in)/provided by investing activities			
Net investment in intangible fixed assets	(1,178)	(1,032)	(1,142)
Net investment in tangible fixed assets	(1,795)	(1,354)	(2573)
Cash flow (used in)/ provided by investing activities	(2,973)	(2,386)	(3,715)
Cash flow (used in)/provided by financing Activities			
Proceed from sale of shares			1,969
Changes in borrowings and capital lease obligations - gross		3,598	3,548
Changes in borrowings and capital lease obligations - repaid	(1,009)	(3,943)	(4,447)
Cash flow (used in)/ provided by financing activities	(1,009)	(345)	1,070
Net increase/(decrease) in cash and cash equivalents	(379)	(972)	533
Opening balance cash and cash equivalents	1,788	1,416	1,416
Foreign currency differences on cash and cash equivalents	(8)	32	(134)
Foreign currency differences and other changes	41	(81)	(27)
Closing balance cash and cash equivalents	1,442	395	1,788
The closing position consists of:			
Cash and cash equivalents	1,442	395	1,788
	1,442	395	1,788

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	-	-	2,034	-	2,034	5	2,039
Other comprehensive income for the year	-	-	-	-	-	-	-
Currency translation adjustment	-	-	-	614	614	-	614
Total comprehensive income for the year	-	-	2,034	614	2,648	5	2,653
Treasury shares	-	-	-	-	0	-	0
Other movements	-	-	-	-	0	(1)	(1)
Total recognised movements for the period ended 30 September 2018	-	-	2,034	614	2,648	4	2,652
Balance at 30 September 2018	1,919	54,822	(37,123)	3,633	23,251	26	23,277

<i>(Figures in euro thousands)</i>	Q3		Q3-YTD		FY Audited
	2018	2017	2018	2017	2017
	Opening Balance	21,637	21,568	20,625	23,481
Net result	1,454	807	2,039	411	(2,539)
Currency translation adjustment	186	(569)	614	(2,083)	(2,279)
Other comprehensive income	-	-	-	-	(7)
Total comprehensive income for the year	1,640	238	2,653	(1,672)	(4,825)
Treasury shares	-	513	-	513	-
Other movements	-	(2)	(1)	(5)	-
Total recognised movements for the period ended	1,640	749	2,652	(1,164)	(4,825)
Sale of treasury shares	-	-	-	-	1,969
Closing Balance	23,277	22,317	23,277	22,317	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 nine months ended 30 September 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 at the end 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. 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
Nine Months Ended 30 September 2018			
Segment Results			
Revenue from external customers	27,015	-	27,015
Other income / (expenses)	639	-	639
Depreciation & amortisation	1,730	541	2,271
Net profit/(loss) attributable to owners of the parent	3,244	(1,210)	2,034
Segment Assets - 30 September 2018	32,127	6,919	39,046
Nine Months Ended 30 September 2017			
Segment Results			
Revenue from external customers	25,467	-	25,467
Other income / (expenses)	3	-	3
Depreciation & amortisation	1,918	629	2,547
Net profit/(loss) attributable to owners of the parent	1,603	(1,194)	409
Segment Assets - 30 September 2017	33,214	6,134	39,348

4. Other income/(expenses)

Net other income for the first nine months of 2018 resulted in €0.64m (including contract settlement of €0.62m) and €0.003m for the first nine months of 2017.

5. Transactions with Related Parties

There is a receivable of €0.63m due from a related party under common control by the majority shareholder.

6. Borrowings – Third Parties

	9 months to 30 Sep 2018	9 months to 30 Sep 2017	12 months to 31 Dec 2017
	€'000	€'000	€'000
At beginning of period	5,498	7,238	7,238
New borrowings	-	3,598	3,548
Repayments	(1,009)	(3,943)	(4,447)
Translation effect	150	(739)	(841)
At end of period	<u>4,639</u>	<u>6,154</u>	<u>5,498</u>

7. Consolidated cash flow

Group generated a positive €3.60m cash from its operating activities in the first nine months of 2018 versus €1.76m during the same period last year. Investments in tangible and intangible assets were €2.97m for the first nine months of 2018 (first nine months of 2017 - €2.39m). Net repayments were €1.01m for the first nine months of 2018 versus €0.35m in the same period last year.

8. Post balance sheet events

The company issued 260,000 new shares in October 2018 via Private Placement at €11 per share raising €2.86m.