



Envipco Holding N.V.

Interim Financial Report | Fourth Quarter & Twelve Months 2020

TABLE OF CONTENTS

Highlights	1
Business Segment Review	4
Market Outlook	5
Risks and Uncertainties	6
Capital & Shareholding	6
Consolidated Statement of Comprehensive Income	7
Consolidated Balance Sheet	8
Consolidated Cash Flow Statement	9
Consolidated Statement of Changes in Equity	10
Selected Explanatory Notes	11

2020 FOURTH QUARTER AND TWELVE MONTHS CONSOLIDATED RESULTS UNAUDITED

Highlights

in EUR millions	4Q 2020	4Q 2019	FY 2020	FY 2019
Revenues	8.04	8.69	30.82	36.25
Gross Profit	3.26	2.98	11.68	13.55
Gross profit %	40%	34%	38%	37%
Operating profit/(loss)	0.06	(2.44)	(1.40)	(2.58)
Net profit/(loss) after taxes after minority	0.32	(1.19)	(1.31)	(1.88)
EBITDA*	1.45	(0.90)	3.41	1.61
Earnings/(loss) per share in €	0.08	(0.29)	(0.32)	(0.46)
Shareholders' equity	21.34	24.35	21.34	24.35

*Earnings before interest, taxes, depreciation and amortisation

2020 Fourth Quarter – Consolidated Results:

- Continuing improvement in North America with reduced Covid 19 impact on container throughput volumes and recovery in RVM sales
- Strong performance in Europe/Sweden with 30% revenue growth
- Gross profit improvement to 40%
- Operating profit improvement to €0.06m from adjusted loss of €(1.44m) in 2019
- EBITDA improved to €1.45m from adjusted EBITDA of €0.10m in 2019

Overall revenue was down 7% in Q4 2020 to €8.04m from €8.69m in 2019. North America saw the revenue decline of 20% in the first 9 months 2020 improving to a 12% decline in Q4 2020 compared to 2019, showing a reduction of the Covid-19 impact. Europe, principally driven by Sweden had strong revenue growth of 30% in Q4 2020 to €1.27m from €0.98m in 2019.

Q4 2020 Gross profit of 40% was 600 basis points above last year's 34%, driven by increasing service revenues in Europe, lower depreciation and favorable product sales mix.

Operating profit improved in Q4 2020 to €0.06m from a loss of €(2.44m) in 2019. Excluding executive severance cost of €1.0m in Q4 2019, the adjusted Q4 2019 operating loss is €1.44m. Expense savings in Q4 2020 amounted to €1.03m, with the largest reductions being achieved through cost management €0.40m, lower market development expense €0.33m and lower travel cost €0.15m.

EBITDA improved in Q4 2020 to €1.45m from an adjusted EBITDA of €0.10m in 2019. The reported Q4 2019 EBITDA of €(0.90m) is adjusted to addback the executive severance cost.

2020 Full Year – Consolidated Results:

- Revenues decreased 15% to €30.82m for the year as effect of Covid 19, recovery well underway heading into 2021
- Operating profit/(loss) improvement for FY 2020 to €(1.40m) despite a 15% reduction in revenues
- EBITDA improved 31% to €3.41m from an adjusted EBITDA of €2.61m in 2019

2020 Full Year revenues decreased 15% to €30.82m from €36.25m in 2019. The North American business was down 18% on the year due to the Covid 19 impact and resulting mandatory and voluntary closures of container redemption facilities during Q2 and Q3. As reported above, North American revenues have improved with a decline of 12% in Q4. The European sales and service business model was less impacted by Covid 19 and accordingly was able to deliver revenue growth of 13% for 2020 compared to 2019.

Gross profit for FY 2020 decreased to €11.7m from €13.6m in 2019, principally as a result of lower container throughput revenues in the North America business. Gross profit margin for the year 2020 improved to 38% from 37% in 2019.

Despite a 15% reduction in revenues for 2020, the company was able to manage operating cost and deliver an operating loss for FY 2020 of €(1.40m) compared to an adjusted operating loss of €(1.58m) in 2019. The reported 2019 operating loss of €(2.58m) is adjusted for executive severance cost of €1.0m. Reductions in 2020 operating expenses of €1.85m compared to 2019 comprised of reduced IP litigation cost (€0.65m), reduced market development cost (€0.48m), reduced travel (€0.20m) and the remaining being cost management.

The Company's North America business obtained a Paycheck Protection Program (PPP) loan of €1.5m during Q2 of 2020. This loan is expected to be forgiven during 2021 as the company maintained all employees and operations during the 2020 period despite Covid 19 impacts. This loan roughly reflects the lost contribution the business suffered during 2020 as a result of Covid 19. While this loan is expected to be forgiven in 2021 and reflected as other Income, the costs were incurred during 2020. One way to look at the Company's 2020 overall performance would be to add back this loan forgiveness to the operating profit result. Such addback would show substantial improvement in operating profit for the year 2020 of €0.10m compared to an adjusted operating loss of €(1.58m) in 2019.

Net profit/(loss) after taxes after minority improved to a loss of €(1.31m) compared to a loss of €(1.88m) for 2019. The loss is favorably impacted by positive currency translations adjustments of €0.69m in 2020 compared to €0.08m in 2019, offset by taxation expense of €0.30m in 2020 compared to a positive deferred tax asset of €0.89m recognized in 2019.

CAPEX for the year 2020 was €4.4m, comprised of RVM Leases and PP&E of €2.7m and R&D and intangibles of €1.7m. For the year 2019, CAPEX was €3.4m, comprised of RVM leases and PP&E of €2.0m and R&D and intangibles of €1.4m. Total R&D expensed and capitalized was €2.8m for both 2020 and 2019. R&D amortization expense was €1.3m for 2020 and €1.4m for 2019.

For the year 2020, EBITDA improved 31% to €3.41m from an adjusted EBITDA of €2.61m in 2019. Reported 2019 EBITDA of €1.61m is adjusted for executive severance cost of €1.0m.

Financial Position:

- The Company generated a negative €0.06m cash flow from its operating activities for FY 2020 versus a positive €0.80m for FY 2019.
- The Company's bank financing drawn was €8.82m at yearend 2020 compared with €4.15m at yearend 2019 due to increased borrowings during 2020 and also includes a €1.5m loan received by the US subsidiary under the Paycheck Protection Program (PPP). Under the terms of the PPP, this €1.5m loan is expected to be forgiven during 2021 and will be recognized as other income. The company had unused borrowing facilities of €1.7m at yearend 2020. In Q4 2020 the Company renewed the existing bank facility until May 2022.
- Shareholders' equity at yearend 2020 decreased by €1.31m compared to yearend 2019 based on the 2020 net loss plus a negative translation reserve impact of €1.70m.

Other Highlights:

- Subsequent to 31 December 2020 the Company raised €8.1m by an issue of 507,521 new shares representing 12% of the then outstanding shares. This equity raise was accomplished in combination with a secondary listing at Oslo's Euronext Growth exchange and began trading 18 /2/2021. Envipco shares will continue to trade on our listing at Euronext Amsterdam.
- On February 8, 2021, the Company and DPG Deutsche Pfandsystem GmbH announced that they have executed a settlement agreement, that resolved all pending legal matters between the parties in Germany. As part of the agreement, DPG will make a onetime lump sum payment of € 1.85 million to Envipco and Envipco will withdraw the appeal against the revocation of the patent in suit and the related infringement actions. Both parties expressed their satisfaction with the agreement and each party looks forward to a renewed and cooperative future business relationship. The €1.85m payment net of settlement expenses of €0.10m will be reflected in Q1 2021 as other income.
- We maintain our market development activities in Scotland and UK at large, whilst respecting Covid-19 restrictions. The system administrator has been formed as a legal entity (Circularity Scotland Ltd.), whilst the final stages of appointment are completed. Envipco's UK management team continues to engage with the retailer community in more advanced pilot projects. As RVM specifications are finalized, we expect commercial processes to fully begin this summer in support of formally announced implementation per July 2022.
- The Company is expanding market development activities in a number of other coming DRS markets. As part of building our leadership team in Europe, the company had the pleasure in welcoming Fons Buurman, who joined Envipco as VP Business Development Europe late 2020 reporting to the CEO.

"2020 has been quite challenging with Covid 19, I believe we executed in a superior way and we have come through the year stronger as a company. I look forward to improved performance and especially delivering on our exciting growth opportunities in Europe. I wish to thank our customers, employees, shareholders and all stakeholders for their support to the business in 2020 and we look forward to an exciting future together." **Simon Bolton, CEO**

Business Segment Review

in EUR millions	4th Quarter		Full Year	
	2020	2019	2020	2019
Revenues	8.04	8.69	30.82	36.25
North America	6.77	7.71	26.75	32.65
Europe	1.27	0.98	4.07	3.60
ROW	-	-	-	-
Gross Profit	3.26	2.99	11.68	13.55
Gross Profit in %	40%	34%	38%	37%
Operating expenses				
Excluding new market development costs	3.01	4.91	12.16	14.73
New market development costs	0.19	0.52	0.92	1.40
Operating expenses	3.20	5.43	13.08	16.13
Operating profit/(loss)	0.06	(2.44)	(1.40)	(2.58)

Business Segments Q4 & Twelve Months 2020:

North America

The North America business was adversely impacted by Covid 19 during 2020. A significant portion of our revenue is dependent on container throughput revenue. With the closure of container redemption facilities during the spring and summer, our throughput revenue declined by 17% for the year to €24.11m from €29.01m in 2019. As the Covid impact has lessened with reopening of redemption facilities, our Q4 throughput revenue was down 14% to €5.91m from €6.86m in Q4 2019. Included in our throughput revenues is our Sortafter program based in New York City for manual container redemption servicing the restaurant, bar and small shops. This segment of the business has been especially hard hit in 2020 with the near closure of all restaurant and bars in New York City. The Sortafter revenues for the year 2020 declined 65% to €0.89m from €2.51m in 2019. Some improvement in Sortafter revenue has come in Q4 2020. Isolating the impact of the Sortafter program, our core RVM throughput revenues would have been down 12% for the year 2020 and down 10% in Q4 2020 compared to 2019.

North America RVM sales decreased 28% in 2020 to €2.64m from €3.65m for 2019. Covid 19 had a direct impact on delays in a number of store renovations planned for the year. We have seen a recovery in Q4 2020 with RVM sales of €0.86m compared to €0.85m in 2019.

EBITDA for North America declined 17% for the year 2020 to €5.64m from an adjusted EBITDA of €6.83m in 2019. Actual 2019 EBITDA of €5.83m is adjusted to addback executive severance of €1.0m. As discussed earlier, the impact of Covid 19 was largely covered by the PPP €1.5m loan which is expected to be forgiven in 2021. Adding back this forgiveness to the 2020 period the cost was incurred in, would increase North America 2020 EBITDA to €7.14m.

Outlook for North America 2021 includes full recovery from Covid 19 in our container throughput and RVM sales businesses.

Europe

The European RVM sales and service business recovered well from the Covid 19 impact during the year 2020. European revenue for the year 2020 increased 13% to €4.07m from €3.60m in 2019. For Q4 2020, revenue increased 30% to €1.27m from €0.98m in Q4 2019. Sweden performed well in 2020 with revenues of €3.88m compared to €3.05m in 2019, by sustaining Quantum installation momentum and more than doubling its service revenues. Our other existing non-deposit European markets of France and Greece were more heavily impacted by Covid 19 and had limited revenues of €0.19 in 2020 compared to €0.55m in 2019.

EBITDA for the year 2020 of the European business improved to a negative €(0.50m), excluding €0.92m of market development expense compared to a negative EBITDA of €(1.36m), excluding €1.40m of market development expense.

Outlook for Europe in 2021 includes continued strong performance in our Swedish business and meaningful orders from our Scotland investment as preparations are made for the launch of the DRS scheme in July 2022. We also expect revenue from renewed activities in our non-deposit markets along with other DRS markets we are actively engaged with.

ROW

We had no revenue during 2020 or 2019 in our ROW activities which principally includes Australia. The outlook for ROW is improving with the confirmed RVM shipment of €0.40m in Q1 2021 and the expectation for follow-on orders during 2021. Expansion of the Australian DRS to other states and territories is expected to follow a more traditional RVM investment structure.

Market Outlook

Overall market outlook for our North America and European businesses is improving as we continue to manage through the Covid-19 impact. We are confident in our strategy, the investments we are making and our ability to execute to deliver strong growth and improved financial performance in the future.

Most recently February 2021, the company has successfully completed an equity offering to strengthen the company's balance sheet. We have adequate financial resources and financing to execute on our 2021 plans going into 2022. The company expects sustained performance and delivery on growth targets will assure the company has ample financing and equity opportunities to fund future growth.

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, the majority of the Group revenue is generated in USD, which can be subject to significant currency fluctuations that may have a negative or positive impact on the Group results.
- Non-availability of lines of credit or cash to continue to fund projects under development stage may impact long term viability of the Group.
- Covid-19: The Company has managed and continues to manage the challenges of Covid19. Future developments and the timing of full recovery from Covid-19 could mean continuing negative impact on company operations.

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 per 31/12/2020 amounted to €2,048,803.50 divided into 4,097,607 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 of 31 December 2020.

	Number of Shares	Shareholding %	Voting Rights %
Alexandre Bouri/Megatrade International SA	2,168,068	52.91	52.91
Gregory Garvey	555,779	13.56	13.56
Otus Capital Management Ltd	247,727	6.05	6.05
Lazard Freres Gestion SAS	222,532	5.43	5.43
Douglas Poling/GD Env LLC	200,000	4.88	4.88
B. Santchurn/Univest Portfolio Inc.	155,480	3.79	3.79

Amersfoort, March 1st, 2021
Board of Directors
Envipco Holding N.V.

Simon Bolton
CEO and Executive Board Member

Consolidated Statement of Comprehensive Income

in EUR thousands	Note	Q4 2020	Q4 2019	FY 2020	FY 2019
Revenues		8,036	8,692	30,815	36,251
Cost of revenue		(4,780)	(5,707)	(19,132)	(22,699)
Gross Profit		3,256	2,985	11,683	13,552
Selling and distribution expenses		(211)	(170)	(1,071)	(1,074)
General and administrative expenses		(2,589)	(4,795)	(10,834)	(13,762)
Research and development expenses		(416)	(470)	(1,204)	(1,323)
Other income /(expenses)		19	7	30	26
Operating Results		59	(2,443)	(1,396)	(2,581)
Financial expense		(52)	(121)	(333)	(273)
Financial income		428	140	723	93
Net finance (cost) and or income		376	19	390	(180)
Results before tax		435	(2,424)	(1,006)	(2,761)
Income taxes		(113)	1,239	(297)	882
Net Results		322	(1,185)	(1,303)	(1,879)
<i>Other comprehensive income</i>					
<i>Items that will be reclassified subsequently to profit and loss</i>					
Exchange differences on translating foreign operations		(903)	(812)	(1,703)	265
Total other comprehensive income		(903)	(812)	(1,703)	265
Total comprehensive income		(581)	(1,997)	(3,006)	(1,614)
Profit attributable to:					
Owners of the parent					
Profit/(loss) for the period		319	(1,186)	(1,305)	(1,883)
Non-controlling interests					
Profit/(loss) for the period		3	1	2	4
Total					
Profit/(loss) for the period		322	(1,185)	(1,303)	(1,879)
Total comprehensive income attributable to:					
Owners of the parent		(584)	(1,998)	(3,008)	(1,619)
Non-controlling interests		3	1	2	5
		(581)	(1,997)	(3,006)	(1,614)
Number of weighted average (exclude treasury shares) shares used for calculations of EPS		4,097,607	4,097,607	4,097,607	4,097,607
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the period					
- Basic (euro)		0.08	(0.29)	(0.32)	(0.46)
- Fully diluted (euro)		0.08	(0.29)	(0.32)	(0.46)

Consolidated Balance Sheet

in EUR thousands	Note	FY 2020	FY 2019
ASSETS			
Non-current assets			
Intangible assets		6,693	6,160
Property, plant and equipment		8,973	9,668
Financial assets		115	208
Deferred tax assets		2,695	2,934
Total non-current assets		18,476	18,970
Current assets			
Inventory		8,826	10,341
Trade and other receivables		10,628	9,960
Cash and cash equivalents		1,067	675
Total current assets		20,521	20,976
Total assets		38,997	39,946
EQUITY			
Share capital		2,049	2,049
Share premium		51,085	51,703
Translation reserves		2,390	4,093
Legal reserves		6,318	5,700
Retained earnings		(40,497)	(39,192)
Equity attributable to owners of the parent		21,345	24,353
Non-controlling interests		34	32
Total equity		21,379	24,385
Liabilities			
Non-current liabilities			
Borrowings	(5)	7,271	2,975
Lease commitments		365	366
Other liabilities		120	120
Total non-current liabilities		7,756	3,461
Current liabilities			
Borrowings	(5)	1,554	1,171
Trade creditors		4,943	6,569
Accrued expenses		2,221	3,440
Provisions		338	314
Lease commitments		309	388
Tax and social security		497	218
Total current liabilities		9,862	12,100
Total liabilities		17,618	15,561
Total equity and liabilities		38,997	39,946

Consolidated Cash Flow Statement

in EUR thousands	Note	FY 2020	FY 2019
Cashflow from operating activities			
Operating results		(1,396)	(2,581)
Adjustment for:			
Amortisation		1,040	1,187
Depreciation		3,045	2,488
Changes in trade and other receivables		(1,208)	61
Changes in inventories		482	(1,418)
Changes in provisions		-	244
Changes in trade and other payables		(1,425)	1,312
Changes in other liabilities		-	(100)
Cash generated from operations		538	1,193
Interest received and paid		(299)	(189)
Income taxes (payment)/refund		(297)	(199)
Net cash flow from operating activities	(6)	(58)	805
Investing activities			
Investment in intangible fixed assets		(1,682)	(1,386)
Investments in property, plant & equipment		(2,687)	(1,982)
Net cash flow used in investing activities	(6)	(4,369)	(3,368)
Financial activities			
Changes in borrowings – proceeds		8,807	1,072
Changes in borrowings – repayments		(3,428)	(1,450)
Changes in lease commitments		(505)	(527)
Net cash flow from financing activities	(6)	4,874	(905)
Net increase/(decrease) in cash and cash equivalents			
		447	(3,468)
Opening position		675	4,107
Foreign currency differences on cash and cash equivalents		(55)	36
Closing position		1,067	675
The closing position consists of:			
Cash and cash equivalents		1,067	675
Total closing balance in cash and cash equivalents		1,067	675

Consolidated Statement of Changes in Equity

in EUR thousands	Share Capital	Share Premium	Translation Reserve	Legal Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
Balance at 1 January 2020	2,049	51,703	4,093	5,700	(39,192)	24,353	32	24,385
Net profit/(loss) for the period	-	-	-	-	(1,305)	(1,305)	2	(1,303)
Other comprehensive income								
- Currency translation adjustment	-	-	(1,703)	-	-	(1,703)	-	(1,703)
Total comprehensive income for the period ended 31 December 2020	-	-	(1,703)	-	(1,305)	(3,008)	2	(3,006)
Legal reserve		(618)		618		-		-
Balance at 31 December 2020	2,049	51,085	2,390	6,318	(40,497)	21,345	34	21,379

	Q4 2020	Q4 2019	FY 2020	FY 2019
Opening Balance	21,960	26,382	24,385	25,999
Net profit/(loss) for the period	322	(1,185)	(1,303)	(1,879)
Other comprehensive income:				
- Currency translation adjustment	(903)	(812)	(1,703)	265
Total comprehensive income for the period	(581)	(1,997)	(3,006)	(1,614)
Closing Balance	21,379	24,385	21,379	24,385

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) mainly in the USA and Europe.

Basis of Preparation

The consolidated interim financial information for the twelve months ended 31 December 2020 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 2019, 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 2019.

- 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 2020. Consequently, any impairment losses will only be recognised in the annual financial statements over the fiscal year 2020.
- These 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.

- 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 EUR thousands

	RVM Segment	Holding Segment	Total
Segment Results – 31 December 2020			
Revenue from external customers	30,815	-	30,815
Other income/(expenses)	30	-	30
Depreciation & amortisation	3,045	1,040	4,085
Net profit attributable to owners of the parent	557	(1,862)	(1,305)
Segment Assets – 31 December 2020	31,652	7,345	38,997
Segment Results – 31 December 2019			
Revenue from external customers	36,251	-	36,251
Other income/(expenses)	26	-	26
Depreciation & amortisation	2,488	1,187	3,675
Net profit attributable to owners of the parent	739	(2,622)	(1,883)
Segment Assets – 31 December 2019	33,086	6,860	39,946

4. Transactions with Related Parties

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

5. Borrowings – Third Parties

in EUR thousands	12 months to 31 Dec 2020	12 months to 31 Dec 2019
At beginning of period	4,146	4,434
Additions	8,807	1,072
Repayments	(3,428)	(1,450)
Translation effect	(700)	90
At end of period	8,825	4,146

6. Consolidated Cash Flow

The group generated a negative €0.06m cash from its operating activities for the year 2020 versus a positive €0.80m for the same period in 2019. Investments in tangible and intangible assets were €4.37m for the year 2020 (2019 - €3.37m). Net borrowings in 2020 amounted to €5.38m compared to net repayment of €0.38m 2019.