



# **Envipco Holding NV**

## **Interim Financial Report**

**2016 First Half Year Results**

**Unaudited**

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## FIRST SIX MONTHS RESULTS TO 30 JUNE 2016

### Highlights

(in euro millions)

	1 <sup>st</sup> Half 2016	1 <sup>st</sup> Half 2015	% Change	Full Year to 31/12/2015
<b>Continuing operations:</b>				
Revenues	15.33	12.97	+18.2	29.63
Gross profit	5.46	4.16	+31.3	10.54
Gross profit %	35.6%	32.1%	+10.9	35.6%
Operating profit/(loss) before one-time gain*	0.77	(0.36)	+313.9	1.25
Operating profit/(loss)	0.77	(0.36)	+313.9	1.81
Net profit / (loss) after taxes after minority	0.63	(0.60)	+205.0	1.42
**EBITDA	2.32	0.80	+190.0	4.31
Earnings/(loss) per share (in euro)	0.18	(0.17)	+205.9	0.39
Cash and cash equivalents	(0.42)	2.69	-84.4	0.79
Shareholders' equity	18.00	15.36	+17.2	17.60

\*The results exclude the impact of one –time contract termination gain of €0.6m for full year 2015

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

### First Half 2016 Highlights – Consolidated Results

- Revenues for the first six months of 2016 increased 18.2% to €15.33m from €12.97m in 2015. There is negligible impact from currency translation with the average USD to EURO conversion rate of 1.12 in the first six months 2016 compared to 1.11 in 2015.
- Gross profit for the first six months of 2016 increased 31.3% to €5.46m from €4.16m in 2015.
- Gross profit margin improved to 35.6% for first half of 2016 from 32.1% in the first half of 2015 resulting from revenue increases combined with direct operating cost efficiencies.
- Net profit/(loss) for the first six months of 2016 improved to a profit of €0.63m from a loss of (€0.60m) in 2015.
- EBITDA for the first six months of 2016 improved 190.0% to €2.32m from €0.80m in 2015.
- Earnings per share improved to €0.18 for the first six months of 2016 compared to a loss per share of (€0.17) in 2015.
- Shareholders' equity of €18.00m at 30/6/2016 was negatively impacted by a translation reserve of €0.24m for the first half of 2016.
- In comparing the balance sheet at 30/6/2016 to 30/6/2015, the most notable change relates to our increased RVM lease portfolio approximately €2.70m.
- The company has adequate working capital at 30/6/2016 with borrowing availability of approximately €2.00m under its' financing arrangements.
- Swedish activities continue with launch of our revolutionary “Bulk Feed Quantum” and also introduction of our Flex RVM platform. Retailer sales activity combined with 2016 Q2 sales support our continued expectation of meaningful sales in the second half of 2016.

- Efforts continue with our Australian distributor in preparation for the deposit legislation passed by The Government of New South Wales (NSW). Our distributor is well positioned in this market and we expect sales in the second half of 2016 going into 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 has initiated actions against several potential infringers in the German market. Our application for a preliminary injunction against one of the Intellectual Property infringers was denied by the district court in Hamburg. The company intends to appeal this decision and shall be filing claims based on merits, against several infringers in Germany.

## *Business Review:*

### 2016 Second Quarter and Half Year Highlights:

(in euro millions)

	2nd Quarter		1st Half Year		Full year
	2016	2015	2016	2015	2015
<b>Revenues</b>	<b>8.57</b>	<b>7.56</b>	<b>15.33</b>	<b>12.97</b>	<b>29.63</b>
North America	7.72	7.53	14.00	12.58	28.80
Europe	0.85	0.03	1.33	0.16	0.60
ROW	-	-	-	0.23	0.23
<b>Gross profit</b>	<b>3.23</b>	<b>2.76</b>	<b>5.46</b>	<b>4.16</b>	<b>10.54</b>
Gross profit in %	38%	37%	36%	32%	36%
Operating expenses	2.26	2.21	4.70	4.64	9.40
Net profit /(loss) after taxes	0.88	0.45	0.63	(0.60)	1.42
<b>EBITDA</b>	<b>1.74</b>	<b>1.22</b>	<b>2.32</b>	<b>0.80</b>	<b>4.31</b>
EBITDA Margin	20%	16%	15%	6%	15%

### Second Quarter and First Half Year 2016 – RVM Operations:

- North America revenues for the first six months of 2016 increased by 11.3% to €14.00m from €12.58m in 2015. The increase is mostly attributable to lease, service and container throughput income that result from an additional 780 RVM placements in the first half 2016 over 2015. RVM machine sales for the first six months of 2016 were down by €0.27m compared to 2015. This decrease mainly results from delayed installations with one of our major customers. We expect this decrease to be recovered in the second half of 2016. The second quarter 2016 revenues of €7.72 increased by 2.5% compared to second quarter 2015. Revenue increases in our lease, service and container throughput income were largely offset by decreases in RVM machine sales in the second quarter 2016 compared to second quarter of 2015.

- Europe revenues for the first six months of 2016 increased substantially to €1.33m from €0.16m in 2015. This increase was tied to RVM sales activity in Sweden, Greece and France. Our Swedish activity continues to demonstrate strong consumer support for bulk feed technology resulting in increased retailer sales activity. For the first six months of 2016 we have also realised meaningful RVM sales in the Greek and French non-deposit markets through our distributors. We expect continued sales growth in the European markets for the second half of 2016.
  - ROW which currently reflects the Australian market was inactive during the first half of 2016 compared to €0.23m in 2015. With passage of the mandatory deposit law in New South Wales effective July 2017, we expect meaningful sales in the second half of 2016 through our proven distributor in this market.
  - Operating expenses of €4.70m for the first six months of 2016 are relatively flat with €4.64 in 2015. The company has previously invested in operating expenses in support of building the business. Revenue increases combined with stable operating expenses and efficiencies all result in significant improvements in gross profit margin, net profit and EBITDA.
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### *Market Outlook:*

Our investments in the most comprehensive and innovative RVM technology combined with our organizational investments well position the company for sustained market growth and increasing profitability. Demonstrated North America performance, successful entry into the Swedish market, passage of mandatory deposit legislation in Australia and a number of new non-deposit market opportunities all support a positive outlook for the business.

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

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### *Annual General Meeting:*

The annual general meeting of the shareholders was held on 28 June 2016 in Amsterdam. The minutes of the meeting can be viewed on our website at [www.envipco.com](http://www.envipco.com)

## *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.

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## Capital & Shareholding:

### *Authorised and Issued Share Capital*

The Company's authorised capital is €4,000,000 divided into 8,000,000 shares, each having a nominal value of €0.50. The issued share capital of the Company currently amounts to €1,918,803.50 divided into 3,837,607 Shares, each having a nominal value of €0.50.

### *Substantial Shareholders:*

The Group has been notified of, or is aware of the following 3% or more interest as at 30 June 2016.

	<u>Number of Shares</u>	<u>Shareholding</u>	<u>Voting Rights</u>
		<u>%</u>	<u>%</u>
Alexandre Bouri/Megatrade International SA (beneficially owned by Mr. Alexandre Bouri)	2,558,568	66.67	66.67
Gregory Garvey/EV Knot LLC	259,013	6.75	6.75
Douglas Poling/GD Env LLC	200,000	5.21	5.21
B.Santchurn/Uninvest Portfolio Inc	140,480	3.66	3.66
Stichting Employees Envipco Holding	240,000	6.25	6.25

*Directors' interest in the share capital of the Group is shown below:*

	<u>Number of Shares</u>	<u>Shareholding</u> %	<u>Voting Rights</u> %
Alexandre Bouri/Megatrade International SA	2,558,568	66.67	66.67
Gregory Garvey/EV Knot LLC	259,013	6.75	6.75
B.Santchurn/Univest Portfolio Inc	140,480	3.66	3.66
C.Crepet	6,456	0.17	0.17
David D'Addario	80,451	2.10	2.10
T.J.M. Stalenhoef	600	0.02	0.02

***Post balance sheet events:***

Please refer to Note 9 of the selected explanatory notes for further details.

***Executive Board Responsibility Statement:***

The company's members of the Executive Board hereby declare that, to the best of their knowledge:

1. The mid-year financial statements for the first half of the financial year ending 31 December 2016 give a true and fair view of the assets, liabilities, financial position and the profit / loss of the company and its consolidated entities;
2. The mid-year directors' report for the first half of the financial year ending 31 December 2016 gives a true picture of:
  - a) the most important events which have occurred in the first six months of the financial year in question and of the effect of those on the mid-year financial statements,
  - b) the most important transactions with related parties which were entered into during this period,
  - c) the main risks and uncertainties for the remaining six months of the financial year in question.

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Bhajun G. Santchurn W.S.  
CEO and Executive Board Member

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Christian Crepet W.S.  
Executive Board Member

The report was approved by the Board of Directors on 16 August 2016.

**Envipco Holding N.V.**

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## Consolidated Statement of comprehensive income

(in thousands of euros)		Unaudited Q2 2016	Unaudited Q2 2015	Unaudited Half Year 2016	Unaudited Half Year 2015	Audited Full Year 2015
	Note					
Revenues		8,572	7,560	15,334	12,970	29,635
Cost of revenue		(4,819)	(4,394)	(8,820)	(8,020)	(17,365)
Leasing depreciation		(531)	(411)	(1,053)	(786)	(1,734)
<b>Gross profit</b>		<b>3,222</b>	<b>2,755</b>	<b>5,461</b>	<b>4,164</b>	<b>10,536</b>
Operating expenses		(2,255)	(2,206)	(4,702)	(4,639)	(9,400)
Other income/(expenses)	(4)	12	(17)	10	111	118
- Contract settlement		-	-	-	-	560
<b>Operating result</b>		<b>979</b>	<b>532</b>	<b>769</b>	<b>(364)</b>	<b>1,814</b>
Net financial items		(69)	(64)	(103)	(76)	(199)
Exchange gains/(losses)		(6)	33	9	(83)	(133)
<b>Result before taxes</b>		<b>904</b>	<b>501</b>	<b>675</b>	<b>(523)</b>	<b>1,482</b>
Income taxes		(20)	(48)	(41)	(80)	(67)
<b>Net results</b>		<b>884</b>	<b>453</b>	<b>634</b>	<b>(603)</b>	<b>1,415</b>
<b>Other comprehensive income</b>						
<b>Items that will be classified subsequently to profit and loss</b>						
Exchange differences on translating foreign operations		280	(195)	(237)	970	1,196
Other movements		4	(1)	2	(1)	1
Total other comprehensive income		284	(196)	(235)	969	1,197
<b>Total comprehensive income</b>		<b>1,168</b>	<b>257</b>	<b>399</b>	<b>366</b>	<b>2,612</b>
<b>Profit attributable to:</b>						
<b>Owners of the parent</b>						
Profit/(loss) for the period		886	453	636	(602)	1,417
		886	453	636	(602)	1,417
<b>Non-controlling interests</b>						
Profit/(loss) for the period		(2)	-	(2)	(1)	(2)
		(2)	-	(2)	(1)	(2)
<b>Total</b>						
Profit/(loss) for the period		884	453	634	(603)	1,415
		884	453	634	(603)	1,415
<b>Total comprehensive income attributable to:</b>						
Owners of the parent		1,170	257	401	367	2,614
Non-controlling interest		(2)	-	(2)	(1)	(2)
		1,168	257	399	366	2,612
Number of shares used for calculation of EPS						
- Basic and diluted (euro)		3,597,607	3,597,607	3,597,607	3,597,607	3,597,607
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the year						
Basic (euro)		0.246	0.126	0.176	(0.168)	0.394
Fully diluted (euro)		0.246	0.126	0.176	(0.168)	0.394



## Consolidated balance sheet

(in thousands of euros)

Note	At 30 June 2016 Unaudited	At 30 June 2015 Unaudited	At 31 December 2015 Audited
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	4,564	4,033	4,308
Property, plant and equipment	10,094	7,132	9,864
Long term deposits	360	230	496
Deferred tax asset	918	919	936
<b>Total non-current assets</b>	<b>15,936</b>	<b>12,314</b>	<b>15,604</b>
<b>Current assets</b>			
Inventory	8,375	6,674	7,510
Trade and other receivables	10,942	8,762	8,840
Cash and cash equivalent	(42)	2,690	789
<b>Total current assets</b>	<b>19,275</b>	<b>18,126</b>	<b>17,139</b>
<b>Total assets</b>	<b>35,211</b>	<b>30,440</b>	<b>32,743</b>
<b>Equity</b>			
Share capital	1,919	1,919	1,919
Share premium	52,853	52,853	52,853
Retained earnings	(41,105)	(43,756)	(41,739)
Translation reserves	4,328	4,339	4,565
<b>Total equity</b>	<b>17,995</b>	<b>15,355</b>	<b>17,598</b>
Non-controlling interest	21	16	19
	<b>18,016</b>	<b>15,371</b>	<b>17,617</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	6,313	5,558	5,072
Other liabilities	213	73	120
<b>Total non-current liabilities</b>	<b>6,526</b>	<b>5,631</b>	<b>5,192</b>
<b>Current liabilities</b>			
Borrowings	863	520	541
Trade creditors	7,489	6,649	6,702
Accrued expenses	1,399	1,446	2,324
Provisions	368	368	119
Tax and social security	550	455	248
<b>Total non-current liabilities</b>	<b>10,669</b>	<b>9,438</b>	<b>9,934</b>
<b>Total liabilities</b>	<b>17,195</b>	<b>15,069</b>	<b>15,126</b>
<b>Total equity and liabilities</b>	<b>35,211</b>	<b>30,440</b>	<b>32,743</b>

## Consolidated cash flow statement

(in thousands of euros)

	1HY-2016 Unaudited	*1HY-2015 Unaudited	Full Year 2015 Audited
<b>Cash flow (used in) / provided by operating activities</b>			
Operating result	769	(364)	1,814
Interest received	31	35	35
Interest paid	(134)	(111)	(234)
Income taxes paid	(41)	(77)	(65)
Depreciation and amortisation	1,514	1,209	2,442
Other net income/(expenses)	-	(85)	-
	2,139	607	3,992
Changes in trade and other receivables	(2,132)	(2,149)	(2,267)
Changes in inventories	(1,002)	135	(572)
Changes in provisions	-	-	(3)
Changes in trade and other payables	650	1,967	2464
	(2,484)	(47)	(378)
<b>Cash flow (used in)/ provided by operating activities</b>	(345)	560	3,614
<b>Cash flow (used in)/provided by investing activities</b>			
Net investment in intangible fixed assets	(555)	(600)	(1,158)
Net investment in tangible fixed assets	(1,637)	(1,319)	(5,272)
Proceeds from sale of assets	-	-	344
<b>Cash flow (used in)/ provided by investing activities</b>	(2,192)	(1,919)	(6,086)
<b>Cash flow (used in)/provided by financing activities</b>			
Changes in borrowings and capital lease obligations			
- gross	5,237	5,827	8,545
Changes in borrowings and capital lease obligations			
- repaid	(3,538)	(3,622)	(7027)
<b>Cash flow (used in)/ provided by financing activities</b>	1,699	2,205	1,518
<b>Net cash flow for the period</b>	(838)	846	(954)
Foreign currency differences and other changes	7	65	(36)
	7	65	(36)
<b>Changes in cash and cash equivalents, including bank overdrafts for the period</b>	(831)	911	(990)
Opening balance cash and cash equivalents	789	1,779	1779
Closing balance cash and cash equivalents	(42)	2,690	789
<b>The closing position consists of:</b>			
Cash and cash equivalents	(42)	2,690	789
Bank overdraft	-	-	-
	(42)	2,690	789

\*Certain figures have been restated for comparison purposes

## 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
<b>Balance at 1 January 2016</b>	<b>1,919</b>	<b>52,853</b>	<b>(41,739)</b>	<b>4,565</b>	<b>17,598</b>	<b>19</b>	<b>17,617</b>
Net result	-	-	636	-	636	(2)	634
Currency translation adjustment	-	-	-	(237)	(237)	-	(237)
Other movements	-	-	(2)	-	(2)	4	2
Total recognised movements for the period ended 30 June 2016	-	-	634	(237)	397	2	399
<b>Balance at 30 June 2016</b>	<b>1,919</b>	<b>52,853</b>	<b>(41,105)</b>	<b>4,328</b>	<b>17,995</b>	<b>21</b>	<b>18,016</b>

<i>(Figures in euro thousands)</i>	Q2		HY		FY Audited
	2016	*2015	2016	*2015	2015
<b>Opening Balance</b>	<b>16,848</b>	<b>15,114</b>	<b>17,617</b>	<b>15,005</b>	<b>15,005</b>
Net result	884	453	634	(603)	1,415
Currency translation adjustment	280	(195)	(237)	970	1,196
Other movements	4	(1)	2	(1)	1
Total recognised movements for the period ended 30 June 2015	1,168	257	399	366	2,612
<b>Closing Balance</b>	<b>18,016</b>	<b>15,371</b>	<b>18,016</b>	<b>15,371</b>	<b>17,617</b>

\*Certain figures have been restated for comparison purposes

## *Selected Explanatory Notes*

### **1. General**

#### *Activities*

Envipco Holding N.V. is a public limited liability company incorporated in accordance with the laws of The Netherlands, with its registered address at Utrechtseweg 102, 3818 EP Amersfoort, The Netherlands.

Envipco Holding N.V. and Subsidiaries (“the Company” or “Envipco”) are engaged principally in Recycling in which it develops, manufactures, assembles, leases, sells, markets and services a line of “reverse vending machines” (RVMs) in the USA, Europe, Australia, Middle East and the Far East;

#### *Basis of preparation*

This consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with IAS 34 “interim financial reporting.” The consolidated interim financial information should always be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS as endorsed by the European Union.

All financial information is reported in thousands of euros unless stated otherwise.

### **2. Accounting policies**

Except as set out below, the accounting policies of these interim financial statements are consistent with the annual financial statements for the year ended 31 December 2015.

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.
- The annual impairment test on goodwill and intangible assets with indefinite life will be carried out in the second six-month period of this year. Consequently, any impairment losses will only be recognised in the annual financial statements over the fiscal year 2016.
- These unaudited statements have not been reviewed by our auditors.

### **3. Segment reporting**

In accordance with the provisions of IFRS 8, the segments are identified based on internal reporting. The senior management board has been identified as the chief operating decision-maker. The senior management board reviews internal reporting on a periodical basis. With the disposal of the plastics recycling segment, the only remaining segments are the RVM and Holding company functions segments:

- RVM Segment : The deposit market activities under this segment include operation of systems to redeem, collect, account for and processing of post consumer beverage containers in the legislated environment including other related activities like sale and lease of RVMs, container data handling, management and deposit clearing functions. The non-deposit market activities under this segment include sales and market development activities for the automated recovery of used beverage containers in non-legislated environments. All of the group's RVM related research and development activities are also included under this segment.
- Holding Segment: This comprises of all holding company activities including head office and corporate expenses.

<i>(Figures in euro thousands)</i>	RVM Segment	Holding Segment	Total
<b>Six Months Ended 30 June 2016</b>			
<b>Segment Results</b>			
Revenue from external customers	15,334	-	15,334
Other income / (expenses)	10	-	10
Depreciation & amortisation	1,231	283	1,514
Net profit attributable to owners of the parent	1,134	(498)	636
<b>Segment Assets - 30 June 2016</b>	29,933	5,278	35,211
<b>Six Months Ended 30 June 2015*</b>			
<b>Segment Results</b>			
Revenue from external customers	12,970	-	12,970
Other income / (expenses)	111	-	111
Depreciation & amortisation	944	265	1,209
Net profit attributable to owners of the parent	80	(682)	(602)
<b>Segment Assets - 30 June 2015</b>	23,702	6,738	30,440

\*Certain figures have been restated for comparison purposes

#### 4. Other income/(expenses)

Net other income for the first half year 2016 resulted in €0.01m. In 2015, sale of an asset resulted in a net other income of €0.11m.

#### 5. Transactions with Related Parties

There is a receivable of €0.50m due from a related party under common control by the majority shareholder.

## 6. Borrowings – Third Parties

	6 months to 30 June 2016	6 months to 30 June 2015	12 months to 31 December 2015
	€'000	€'000	€'000
At beginning of period	5,613	3,512	3,512
New borrowings	5,237	5,827	8,633
Repayments	(3,538)	(3,622)	(6,969)
Translation effect	(136)	361	437
At end of period	<u>7,176</u>	<u>6,078</u>	<u>5,613</u>

## 7. Jointly controlled assets

Since the termination of the pilot in 2014, the Group has incurred additional final closing costs in the first half of 2016 of €0m (1HY 2015 was €0.04m). The Group's share of the equity on 30 June 2016 amounted to €0.02m to recognise the 50% share of the remaining intangibles (reimagine trademark).

## 8. Consolidated cash flow

Group generated a negative €0.35m cash from its operating activities in the first half of 2016 versus a positive €0.56m during the same period last year. Investments in tangible and intangible assets were €2.19m for the first half of 2016 (1HY2015 - €1.92m). The 2016 outflows were funded by borrowings during the first half of 2016 similar to the 2015 outflows. Net borrowings were €1.70m for the first six months of 2016 (1HY2015 - €2.20m).

## 9. Post balance sheet events

There are no post balance sheet events.