



# **Envipco Holding NV**

2018 Fourth Quarter & Full Year Results

Unaudited

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## FULL YEAR RESULTS TO 31 DECEMBER 2018

### Highlights

(in euro millions)

	Full Year to 31/12/2018	Full Year to 31/12/2017	% Change
<b>Continuing operations:</b>			
Revenues	35.38	34.05	+3.9
Gross profit	13.94	12.12	+15.0
Gross profit %	39.4	35.6	+380bps
Operating profit	2.19	0.83	+163.9
Net profit after taxes after minority	1.85	(2.54)	
*EBITDA	5.48	4.25	+28.9
Earnings per share (in euro)	0.47	(0.69)	+168.1
Cash and cash equivalents	4.11	1.79	+129.6
Net working capital	11.99	8.44	+42.1
Shareholders' equity	25.97	20.60	+26.1

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

### 2018 Full Year Highlights – Consolidated Results

- Revenues for the year 2018 increased by 3.9% to €35.38m from €34.05m in 2017. On a constant currency basis, revenues for the year 2018 increased by 8.2% compared to 2017.
- Gross profit for the year 2018 increased 15.0% to €13.94m from €12.12m in 2017. On a constant currency basis, gross profit increased by 19.8%. This improvement was largely 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 39.4% for the year 2018 compared to 35.6% in 2017, due to continued and improved efficiencies and sourcing.
- Operating profit for the year 2018 increased 163.9% to €2.19m from €0.83m in 2017. On a constant currency basis this improvement was 215.8% for 2018. The operating profit in 2018 was favorably impacted by the one-time settlement payment of €0.62m reported in Q2 of this year. The full year 2018 operating profit was negatively impacted by €0.48m new market development expense incurred in Europe during Q3 and Q4.
- EBITDA for the full year 2018 increased 28.9% to €5.48m from €4.25m in 2017. On a constant currency basis, the improvement for the full year 2018 over 2017 was 36.3%. Adjusting to exclude the one-time payment, but including new market development expense, the full year 2018 EBITDA would have been €4.86m representing a 20.9% improvement over 2017 on a constant currency basis.
- Net profit increased to €1.85m from a loss of €2.54m in 2017, which included tax expenses of €3.20m mainly due to changes in the company's deferred tax assets. Earnings per share improved 168.1% to €0.47 for the full year 2018 compared to earnings per share of €(0.69) in 2017.

- Shareholders' equity increased to €25.97m at 31/12/2018 compared to €20.60m at 31/12/2017 as a result of the full year 2018 earnings of €1.85m, a positive translation reserve of €0.82m and the net proceeds of the issuance of 260,000 new shares in October 2018.
- The company has improved its net working capital to €11.99m at 31/12/2018 and has adequate working capital with borrowing availability of approximately €1.96m 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 full year 2018 was €0.54m compared to €0.58m for 2017. The Company expects to continue to incur cost on this matter.

Gool Santchurn, the CEO of Envipco comments: "We are pleased with the full year 2018 results driven by strong performance of our North American business. Our European business is well positioned for growth in 2019 with our Greece order backlog and renewed Quantum orders based on success of the modular concept.

Furthermore, we also have significantly ramped market development activities in Europe as the prospects for new Deposit Return Systems (DRS) continues to move forward, especially in Scotland and the UK. The global growing commitment to preserve the environment is promoting legislation in multiple countries, arising in business opportunities for our company.

The latest EU plastics directive requires 77% recovery rate of plastic packaging entering the market of its member states with a mandatory 25% recycling content by 2025 with a higher target of 90% and 30% respectively by 2030. The EU has embraced DRS as the most effective way to meet the targets. There are over 20 EU member states actively considering such initiatives, which would more than quadruple the market size of RVMs needed for these new markets. Therefore market development activities will remain important over the next several years.

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."

## Business Review:

2018 Fourth Quarter and Full Year:

(in euro millions)	4th Quarter		Full Year	Full Year
	2018	2017	2018	2017
<b>Revenues</b>	<b>8.36</b>	<b>8.58</b>	<b>35.38</b>	<b>34.05</b>
North America	7.81	6.80	32.32	30.14
Europe	0.55	1.78	3.06	3.91
ROW	-	-	-	-
<b>Gross profit</b>	<b>3.37</b>	<b>3.24</b>	<b>13.94</b>	<b>12.12</b>
Gross profit in %	40%	38%	39%	36%
Operating expenses excluding new market development costs	3.36	2.97	11.93	11.30
New Market Development Costs	0.18	-	0.48	-
<b>Operating expenses</b>	<b>3.54</b>	<b>2.97</b>	<b>12.41</b>	<b>11.30</b>
Net profit/(loss) after taxes excluding one time gain	(0.19)	(2.95)	1.23	(2.54)
Net profit/(loss) after taxes	(0.19)	(2.95)	1.85	(2.54)
<b>EBIT</b>	<b>(0.12)</b>	<b>0.27</b>	<b>2.14</b>	<b>0.96</b>
EBIT Margin	-2%	-34%	5%	-7%
<b>EBITDA</b>	<b>0.96</b>	<b>1.02</b>	<b>5.48</b>	<b>4.25</b>
EBITDA Margin	11%	12%	15%	12%

RVM Operations:

- North America revenues for the full year 2018 increased 7.2% to €32.32m compared to €30.14m for 2017. In the fourth quarter of 2018, revenues increased by 14.9% to €7.81m compared to €6.80m in 2017. In local USD currency, North American Revenues increased 12.2% in 2018 compared to 2017. North America's program services revenues increased 10.3% for the full year 2018 over 2017 on higher container throughput in local currency. RVM sales for the full year 2018 were up 26.6% over 2017 in local currency.

North America operating profit (excluding the one-time settlement gain) in local currency, increased 57.4% for the full year 2018 over 2017 and increased 186.2% for the fourth quarter of 2018 over 2017. North America EBITDA (excluding the one-time settlement gain) in local currency, increased 28.5% for the full year 2018 over 2017.

The North America business continues to perform well with market share gains under long-term contracts, overall container volume increases, renewed RVM sales and sustained operational efficiencies. The company expects continued strong performance in 2019 albeit with some moderation in the growth of program services tied to container throughput volume.

- Europe revenues for the full year 2018 decreased 21.7% to €3.06m compared to €3.91m in 2017. For Q4 2018, revenues decreased 69.1% to €0.55m compared to €1.78m in Q4 2017. European RVM sales in Q4 2018 were down as expected compared to strong performance of Q3 2018 and also compared to a particularly strong Q4 2017.

Quantum sales to Sweden slowed for the first nine months of 2018 compared to 2017. This slowdown was partly 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. Two new Quantum installations in Sweden were completed in Q4 2018. Implementation of the Quantum modular concept has been a success both internally and from our customers' perspective. The company has good visibility on Sweden Quantum installations in 2019 with expectations of 25 plus units for the year.

We expect solid growth in the European market for 2019 considering our Greece and France order backlogs along with new Quantum sales momentum. Over the longer-term and tied to the prospects of new DRS markets, we expect significant growth in our European market.

- ROW revenue, which currently reflects the Australian market had no sales during 2018 and 2017. Our Australian distributor has been delayed in implementing RVM services to supplement current manual operations. The company expects RVM shipments to our distributor in the first half of 2019.

Operating expenses excluding new market development expense for the full year 2018 increased 5.6% to €11.93m compared to €11.30m in 2017.

Considering the sustained nature of market development expenses over the next several years, the company believes it is important to provide visibility in our financial reporting. Accordingly starting in Q3 2018, we have broken out New Market Development Costs. New market development costs incurred in Q3 and Q4 of 2018 were €0.48m. The Company has made significant commitments to ramp our market development efforts surrounding the potential for new DRS legislation in Europe. The majority of the costs incurred in Q3 and Q4 of 2018 were tied to activities in Scotland and the UK. In February 2019, the company launched a pilot of our Flex platform with several Scottish Grocer Federation (SGF) retailers. The company will open its Scotland office in early Q2 2019 in support of full sales and service operations.

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## *Market Outlook*

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 DRS legislation in a number of European markets.

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## *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 91% 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 €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 at 31 December 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	52.98	52.98
Gregory Garvey/EV Knot LLC	521,513	12.73	12.73
Douglas Poling/GD Env LLC	200,000	4.88	4.88
B.Santchurn/Univest Portfolio Inc	155,480	3.79	3.79
Otus Capital Management Ltd	247,727	6.05	6.05
Lazard Freres Gestion SAS	222,532	5.43	5.43

## *Post Balance Sheet Events*

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

Amersfoort, 28 February 2019  
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 Q4 2018	Unaudited Q4 2017	Unaudited Full Year 2018	Audited Full Year 2017
	Note			
Revenues	8,364	8,582	35,380	34,049
Cost of revenue	(4,464)	(5,140)	(19,415)	(19,743)
Leasing depreciation	(526)	(503)	(2,026)	(2,188)
<b>Gross profit</b>	<b>3,374</b>	<b>2,939</b>	<b>13,939</b>	<b>12,118</b>
Operating expenses	(3,536)	(2,603)	(12,405)	(11,297)
Other income - contract settlement			620	-
Other income/(expenses)	(4)	-	31	9
<b>Operating result</b>	<b>(150)</b>	<b>336</b>	<b>2,185</b>	<b>830</b>
Net financial items	(48)	(77)	(223)	(296)
Exchange gains/(losses)	32	(7)	(43)	128
<b>Result before taxes</b>	<b>(166)</b>	<b>252</b>	<b>1,919</b>	<b>662</b>
Income taxes	(20)	(3,136)	(65)	(3,201)
<b>Net results</b>	<b>(186)</b>	<b>(2,884)</b>	<b>1,854</b>	<b>(2,539)</b>
<b>Other comprehensive income</b>				
<b>Items that will be classified subsequently to profit and loss</b>				
Exchange differences on translating foreign operations	205	(261)	819	(2,279)
Treasury shares	-	-	-	-
Other movements	(8)	(3)	(10)	(7)
Total other comprehensive income	197	(264)	809	(2,286)
<b>Total comprehensive income</b>	<b>11</b>	<b>(3,148)</b>	<b>2,663</b>	<b>(4,825)</b>
<b>Profit attributable to:</b>				
<b>Owners of the parent</b>				
Profit for the period	(186)	(2,885)	1,848	(2,540)
	(186)	(2,885)	1,848	(2,540)
<b>Non-controlling interests</b>				
Profit for the period	-	1	6	1
	-	1	6	1
<b>Total</b>				
Profit for the period	(186)	(2,884)	1,854	(2,539)
	(186)	(2,884)	1,854	(2,539)
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	11	(3,149)	2,657	(4,826)
Non-controlling interest	-	1	6	1
	11	(3,148)	2,663	(4,825)
Number of shares used for calculation of EPS				
Basic and diluted	3,891,744	3,837,607	3,891,744	3,655,315
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the parent during the period				
Basic (euro)	(0.05)	(0.75)	0.47	(0.69)
Fully diluted (euro)	(0.05)	(0.75)	0.47	(0.69)

## Consolidated balance sheet

(in thousands of euros)

	Note	At 31 December 2018 Unaudited	At 31 December 2017 Audited
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		6,016	5,548
Property, plant and equipment		9,165	9,184
Long term deposits		241	72
Deferred tax asset		1,819	1,737
Total non-current assets		17,241	16,541
<b>Current assets</b>			
Inventory		8,525	7,044
Trade and other receivables		10,129	9,677
Cash and cash equivalents		4,107	1,788
Total current assets		22,761	18,509
<b>Total assets</b>		<b>40,002</b>	<b>35,050</b>
<b>Equity</b>			
Share capital		2,049	1,919
Share premium		57,403	54,822
Retained earnings		(37,318)	(39,157)
Translation reserves		3,838	3,019
Equity		25,972	20,603
Non-controlling interest		27	22
Total equity		25,999	20,625
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	6	3,014	4,142
Other liabilities		220	217
Total non-current liabilities		3,234	4,359
<b>Current liabilities</b>			
Borrowings	6	1,420	1,356
Trade creditors		5,991	6,236
Accrued expenses		2,823	1,755
Provisions		77	236
Tax and social security		458	483
Total current liabilities		10,769	10,066
Total liabilities		14,003	14,425
<b>Total equity and liabilities</b>		<b>40,002</b>	<b>35,050</b>

## Consolidated cash flow statement

(in thousands of euros)

	Full Year 2018 Unaudited	Full Year 2017 Audited
<b>Cash flow (used in) / provided by operating activities</b>		
Operating result	2,185	830
Depreciation and amortisation	3,364	3,287
Interest received	3	3
Interest paid	(226)	(299)
Changes in trade and other receivables	(269)	(320)
Changes in inventories	(583)	136
Changes in provisions	94	(31)
Changes in trade and other payables	135	(605)
Cash generated from operations	4,703	3,001
Income taxes paid	(65)	177
<b>Cash flow (used in)/ provided by operating activities</b>	4,638	3,178
<b>Cash flow (used in)/provided by investing activities</b>		
Net investment in intangible fixed assets	(1,488)	(1,142)
Net investment in tangible fixed assets	(2,307)	(2573)
<b>Cash flow (used in)/ provided by investing activities</b>	(3,795)	(3,715)
<b>Cash flow (used in)/provided by financing Activities</b>		
Proceed from sale of shares	2,711	1,969
Changes in borrowings and capital lease obligations - gross	-	3,548
Changes in borrowings and capital lease obligations - repaid	(1,298)	(4,447)
<b>Cash flow (used in)/ provided by financing activities</b>	1,413	1,070
<b>Net increase/(decrease) in cash and cash equivalents</b>	2,256	533
Opening balance cash and cash equivalents	1,788	1,416
Foreign currency differences on cash and cash equivalents	58	(134)
Foreign currency differences and other changes	5	(27)
Closing balance cash and cash equivalents	4,107	1,788
<b>The closing position consists of:</b>		
Cash and cash equivalents	4,107	1,788
	4,107	1,788

## Consolidated statement of changes in equity

(in thousands of euros)	Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interests	Total
<b>Balance at 1 January 2018</b>	<b>1,919</b>	<b>54,822</b>	<b>(39,157)</b>	<b>3,019</b>	<b>20,603</b>	<b>22</b>	<b>20,625</b>
Net result	-	-	1,848	-	1,848	6	1,854
Other comprehensive income for the year							
Currency translation adjustment	-	-	-	819	819	-	819
Total comprehensive income for the year	-	-	1,848	819	2,667	6	2,673
Other movements	-	-	(9)	-	(9)	(1)	(10)
Total recognised movements for the period ended 31 December 2018	-	-	1,839	819	2,658	5	2,663
New share subscription, net of expenses	130	2,581	-	-	2,711	-	2,711
<b>Balance at 31 December 2018</b>	<b>2,049</b>	<b>57,403</b>	<b>(37,318)</b>	<b>3,838</b>	<b>25,972</b>	<b>27</b>	<b>25,999</b>

(Figures in euro thousands)	Q4		FY Unaudited	FY Audited
	2018	2017		
<b>Opening Balance</b>	<b>23,277</b>	<b>22,317</b>	<b>20,625</b>	<b>23,481</b>
Net result	(186)	(2,884)	1,854	(2,539)
Currency translation adjustment	205	(261)	819	(2,279)
Total comprehensive income for the year	19	(3,145)	2,673	(4,818)
Other movements	(8)	(3)	(10)	(7)
Total recognised movements for the period ended	11	(3,148)	2,663	(4,825)
Sale of treasury shares	-	1,456	-	1,969
New share subscription	2,711	-	2,711	-
<b>Closing Balance</b>	<b>25,999</b>	<b>20,625</b>	<b>25,999</b>	<b>20,625</b>

## *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 twelve months ended 31 December 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.

- The company has implemented IFRS 15 from 1 January 2018 without any material impact on its financial statements.
- IFRS 16 replaces existing guidance on lessee accounting for leases. It requires lessees to bring most leases on balance sheet in a single lease accounting model, recognizing a right of use asset and a lease liability. The Company completed its initial assessment of the potential impact on its consolidated financial statements resulting from the application of IFRS 16. So far, the most significant impact identified is that the Company will recognize assets and liabilities for its operating leases of equipment and vehicles. In this respect, the Company identified no net material impact on its financial statements. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. The Company will adopt IFRS 16 in its consolidated financial statements for the year ending 31 December 2019 and intends to apply modified retrospectively.
- 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
<b>Full Year Ended 31 December 2018</b>			
<b>Segment Results</b>			
Revenue from external customers	35,380	-	<b>35,380</b>
Other income / (expenses)	651	-	<b>651</b>
Depreciation & amortisation	2,336	1,028	<b>3,364</b>
Net profit/(loss) attributable to owners of the parent	3,852	(2,004)	<b>1,848</b>
<b>Segment Assets - 31 December 2018</b>	<b>31,917</b>	<b>8,085</b>	<b>40,002</b>
<b>Full Year Ended 31 December 2017</b>			
<b>Segment Results</b>			
Revenue from external customers	34,049	-	<b>34,049</b>
Other income / (expenses)	9	-	<b>9</b>
Depreciation & amortisation	2,469	818	<b>3,287</b>
Net profit/(loss) attributable to owners of the parent	(1,080)	(1,460)	<b>(2,540)</b>
<b>Segment Assets - 31 December 2017</b>	<b>28,542</b>	<b>6,508</b>	<b>35,050</b>

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

Net other income for the full year of 2018 resulted in €0.65m (including contract settlement of €0.62m) and €0.009m for the full year of 2017.

#### 5. Transactions with Related Parties

There is a receivable of €0.68m due from a related party under common control by the majority shareholder.

#### 6. Borrowings – Third Parties

	12 months to 31 Dec 2018	12 months to 31 Dec 2017
	€'000	€'000
At beginning of period	5,498	7,238
New borrowings	-	3,548
Repayments	(1,271)	(4,447)
Translation effect	207	(841)
At end of period	<u>4,434</u>	<u>5,498</u>

#### 7. Consolidated cash flow

Group generated a positive €4.64m cash from its operating activities in 2018 versus €3.18m during 2017. Investments in tangible and intangible assets were €3.80m in 2018 (2017 - €3.72m). New share subscription generated net proceeds of €2.71m in 2018 compared with sale of treasury shares for €1.97m in 2017. Net repayments of debt were €1.30m during 2018 versus €0.90m compared to 2017.

#### 8. Post balance sheet events

There were no post balance sheet events.