



Envipco Holding NV

Interim Financial Report

1st Quarter 2016

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2016 Q1 RESULTS UNAUDITED

Highlights

(in euro millions)	Quarter to 31/03/2016	% Change	Quarter to 31/03/2015	Full Year 31/12/2015
Continuing operations:				
Revenues	6.76	25.0	5.41	29.63
Gross profit	2.23	60.4	1.39	10.54
Gross profit %	33.00%	28.8	25.69%	35.55%
Operating profit/(loss)	-0.21	76.4	-0.89	1.81
Net profit / (loss) after taxes after minority	-0.25	76.4	-1.06	1.42
EBITDA*	0.58	238.1	-0.42	4.31
Earnings/(loss) per share (in euro)	-0.07	75.9	-0.29	0.39
Shareholders' equity	16.83	12.1	15.01	17.60

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

2016 First Three Months Highlights – Consolidated Results:

- Revenues for the first three months of 2016 increased 25.0% to €6.76m from €5.41m in 2015. There is negligible impact from foreign exchange with the average USD to EURO conversion rate of 1.113 in Q1 2016 compared to 1.127 in 2015.
- Gross profit for the first three months of 2016 increased 60.4% to €2.23m from €1.39m in 2015.
- Gross profit margin improved to 33.0% in Q1 2016 from 25.6% in Q1 2015 resulting from revenue increases combined with direct operating cost efficiencies.
- Net loss for the first three months of 2016 reduced to (€0.25m) from a loss of (€1.06m) in 2015.
- EBITDA for the first three months of 2016 improved 238.1% to a positive €0.58m from a negative result of (€0.42m) in 2015.
- Shareholders' equity at 31/03/2016 was negatively impacted by translation reserve of €0.52m for the quarter.
- In comparing the balance sheet at 31/03/2016 to 31/03/2015, there have been substantial changes in the cash, borrowings and property, plant and equipment due to increased investment in RVM lease portfolio at 31/03/2016 compared to 2015. Overall lease portfolio investment increased by approximately €3.0m.
- The company has adequate working capital at 31/03/2016 with unused borrowing availability of approximately €3.4m under its' financing arrangements.
- Swedish activities continue with the launch of our revolutionary "Bulk Feed Quantum" in the market. Overwhelming positive consumer response to bulk feed container handling combined with increasing retailer interest; supports expectation of meaningful sales in the second half of 2016.
- The Government of New South Wales (NSW) in Australia formally passed mandatory deposit legislation in May 2016 to take effect from July 1, 2017 that includes provision for RVM container handling. Our Australian distributor is well positioned in this market and we expect sales in the second half of 2016 going into 2017 in preparation for this new law.
- On 28 April 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 is currently evaluating various approaches for enforcement against potential infringers in the German market.

Business Review- Segments:

(in euro millions)	1st Quarter		Full Year
	2016	2015	2015
Revenues	6.76	5.41	29.63
North America	6.28	5.06	28.80
Europe	0.48	0.12	0.60
ROW	-	0.23	0.23
Gross profit	2.23	1.39	10.54
Gross profit in %	33%	26%	36%
Operating expenses	2.44	2.41	9.40
Net profit /(loss) after taxes	(0.25)	(1.06)	1.42
EBITDA*	0.58	(0.42)	4.31
EBITDA Margin	9%	-8%	15%
EPS**	€ (0.07)	€ (0.29)	€ 0.39
* Earnings Before Interest, Taxes, Depreciation & Amortisation			
** Earnings Per Share			

2016 First Three Months Highlights – Segment Results:

- North America revenues for the first three months of 2016 increased by 24.1% to €6.28m from €5.06m in 2015. The increase is mostly attributable to lease, service and container throughput income that result from an additional 700 RVM placements in Q1 2016 over Q1 2015. RVM machine sales in Q1 2016 were roughly in line with Q1 2015.
- Europe revenues for the first three months of 2016 increased by 300% to €0.48m from €0.12m in 2015. The majority of the revenue increase was tied to RVM sales in Greece and Sweden in Q1 2016 compared to Q1 2015. Revenues in Germany declined to €0.024m in Q1 2016 from €0.12m in 2015 on reduced compactor sales.
- ROW which currently reflects the Australian market, was zero in Q1 2016 compared to €0.23m in Q1 2015. With passage of the mandatory deposit law in New South Wales effective July 2017, we expect meaningful sales as from second half of 2016.
- Operating expenses of €2.44m for the first three months of 2016 are relatively flat with €2.41m in 2015. The company has previously invested in operating expenses in support of building the business. This investment is now being validated by demonstrated revenue growth combined with stable operating expenses.

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.

Annual General Meeting:

The annual general meeting of the shareholders is scheduled for 28 June 2016 in Amsterdam. Notice of the meeting and the agenda have been posted on our website at www.envipco.com

Capital & Shareholding:

Authorised and Issued Share Capital

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

Substantial Shareholders:

The Group has been notified of, or is aware of the following 3% or more interest as at 31 March 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	234,013	6.10	6.10
Douglas Poling/GD Env LLC	200,000	5.21	5.21
Univest Portfolio Inc	140,480	3.66	3.66
Stichting Employees Envipco Holding	240,000	6.25	6.25

Risks and Uncertainties:

- Legislation driven growth: Our RVM business, which is mainly dependent on deposit laws can have significant negative impact, if such laws are repealed or curtailed significantly.
- Major RVM customers going out of business may also have a significant negative impact, although unlikely due to the diversity of our customer base.
- The Group may be at risk from competition.
- At present, majority of the group revenue is generated in United States Dollar, which can be subject to significant fluctuations that may have a negative or positive impact on the group results depending upon whether it is a favorable or an unfavorable change.
- Non-availability of lines of credit or cash to continue to fund projects under development stage may impact long term viability of the Group.

Amersfoort, 25 May 2016
Board of Directors
Envipco Holding N.V.

Bhajun Santchurn
CEO & Executive Board Member

Consolidated statement of comprehensive income

(in thousands of Euro)

	Note	Q1-2016	Q1-2015	Full Year 2015
Revenues		6,761	5,410	29,635
Cost of revenue		(4,007)	(3,649)	(17,365)
Leasing depreciation		(522)	(375)	(1,734)
Gross profit		2,232	1,386	10,536
Selling expenses		(293)	(170)	(898)
General and administrative expenses		(2,149)	(2,239)	(8,502)
- Miscellaneous income/(expenses)	(4)	-	128	118
- Contract settlement income		-	-	560
Operating result		(210)	(895)	1,814
Financial expense		(61)	(47)	(234)
Financial income		27	35	35
Exchange gains/(losses)		14	(115)	(133)
Result before tax		(230)	(1,022)	1,482
Income taxes		(20)	(33)	(67)
		(20)	(33)	(67)
Net results from continuing operations		(250)	(1,055)	1,415
Other comprehensive income				
Items that will be classified subsequently to profit and loss				
Exchange differences on translating foreign operations		(517)	1,164	1,196
Other movements		(2)	-	1
Total other comprehensive income		(519)	1,164	1,197
Other comprehensive income		(769)	109	2,612
Profit attributable to:				
Owners of the parent				
Profit/(loss) for the period from continuing operations		(769)	108	1,417
		(769)	108	1,417
Non-controlling interests				
Profit/(loss) for the period from continuing operations		-	1	(2)
		-	1	(2)
Total				
Profit/(loss) for the period from continuing operations		(769)	109	1,415
		(769)	109	1,415
Total comprehensive income attributable to:				
Owners of the parent		(769)	108	2,614
Non-controlling interest		-	1	(2)
		(769)	109	2,612
Number of shares used for calculation of EPS				
- Basic (euro)		3,597,607	3,597,607	3,597,607
- Diluted (euro)		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) - continuing operations		(0.069)	(0.293)	0.394
Fully diluted (euro) - continuing operations		(0.069)	(0.293)	0.394

Consolidated balance sheet

(in thousands of Euro)

	Notes	Q1-2016	Q1-2015	Full Year 2015
ASSETS				
Fixed assets				
Intangible fixed assets, net of amortisation		4,287	3,691	4,308
Property, plant and equipment		9,626	6,528	9,864
Other non-current assets		354	266	496
Deferred tax assets		898	940	936
		15,165	11,425	15,604
Current assets				
Inventory		8,296	7,079	7,510
Trade and other receivables		7,435	5,753	8,840
Cash and cash equivalents		268	3,298	789
Total current assets		15,999	16,130	17,139
Total assets		31,164	27,555	32,743
EQUITY AND LIABILITIES				
Equity				
Share capital		1,919	1,919	1,919
Share premium		52,853	52,853	52,853
Retained earnings		(41,989)	(44,209)	(41,739)
Translation reserve		4,047	4,532	4,565
Total equity		16,830	15,095	17,598
Non-controlling interest		18	19	19
		16,848	15,114	17,617
Liabilities				
Non-current liabilities				
Borrowings	(6)	5,173	4,988	5,072
Other liabilities		211	209	120
Total non-current liabilities		5,384	5,197	5,192
Current liabilities				
Borrowings	(6)	841	527	541
Trade creditors		5,505	4,143	6,702
Accrued expenses		1,810	2,129	2,324
Provisions		379	250	119
Tax and social security		397	195	248
Total current liabilities		8,932	7,244	9,934
Total liabilities		14,316	12,441	15,126
		31,164	27,555	32,743

Consolidated cash flow statement

(in thousands of Euro)

	Note	Q1 2016	Q1 2015	Full Year 2015
Cashflow (used in) / provided by operating activities				
Operating result		(210)	(895)	1,814
Interest received		27	35	35
Interest paid		(61)	(47)	(234)
Income taxes (paid) / repaid		(20)	(33)	(65)
Depreciation and amortisation		748	589	2,442
		484	(351)	3,992
Changes in trade and other receivables		1,222	1,005	(2,267)
Changes in inventories		(1,094)	(119)	(572)
Changes in provisions		21	247	(3)
Changes in trade and other payables		(744)	(318)	2,464
		(595)	815	(378)
Cashflow (used in) / provided by operating activities		(111)	464	3,614
Cashflow (used in) / provided by investing activities				
Net investment in intangible assets		(137)	(105)	(1,158)
Net investment in tangible assets		(934)	(489)	(5,272)
Proceeds from sale of assets		-	-	344
Cashflow (used in) / provided by investing activities		(1,071)	(594)	(6,086)
Cashflow (used in) / provided by financing activities				
Changes in borrowings and capital lease obligations - gross		4,314	3,227	8,545
Changes in borrowings and capital lease obligations - repaid		(3,671)	(1,645)	(7,027)
Cashflow (used in) / provided by financing activities		643	1,582	1,518
Net cashflow for the period		(539)	1,452	(954)
Foreign currency differences and other changes		18	67	(36)
		18	67	(36)
Changes in cash and cash equivalents, net of bank overdrafts for the period		(521)	1,519	(990)
Opening balance cash and cash equivalents		789	1,779	1,779
Closing balance cash and cash equivalents		268	3,298	789
The closing position consists of:				
Cash and cash equivalents		268	3,298	789
		268	3,298	789

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 2016	1,919	52,853	(41,739)	4,565	17,598	19
Net result	-	-	(250)	-	(250)	-	(250)
Currency translation adjustment	-	-	-	(517)	(517)	-	(517)
Other movements	-	-	-	(1)	(1)	(1)	(2)
Total recognised movements for the period ended 31 March 2016	-	-	(250)	(518)	(768)	(1)	(769)
Balance at 31 March 2016	1,919	52,853	(41,989)	4,047	16,830	18	16,848

<i>(Figures in euro thousands)</i>	Q1		Full Year
	2016	2015	2015
Opening Balance	17,617	15,005	15,005
Net result	(250)	(1,055)	1,415
Currency translation adjustment	(517)	1,164	1,196
Other movements	(2)	0	1
Total recognised movements for the period ended	(769)	109	2,612
Closing Balance	16,848	15,114	17,617

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

The consolidated interim financial information for the first quarter ended 31 March 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 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 2016. Consequently, any impairment losses will only be recognised in the annual financial statements over the fiscal year 2016.
- These unaudited interim financial statements have not been reviewed by our auditors.

3. Segment reporting

In accordance with the provisions of IFRS 8, the segments are identified based on internal reporting. The senior management board has been identified as the chief operating decision-maker. The senior management board reviews internal reporting on a periodical basis. The Group’s two segments are the RVM and Holding company functions segments:

- RVM Segment : The deposit market activities under this segment include operation of systems to redeem, collect, account for and processing of post consumer beverage containers in the legislated environment including other related activities like sale and lease of RVMs, container data handling, management and deposit clearing functions. The non-deposit market activities

under this segment include sales and market development activities for the automated recovery of used beverage containers in non-legislated environments. All of the group's RVM related research and development activities are also included under this segment.

- Holding Segment: This comprises of all holding company activities including head office and corporate expenses.

<i>(Figures in euro thousands)</i>	RVM Segment	Holding Segment	Total
Quarter Ended 31 March 2016			
Segment Results			
Revenue from external customers	6,761	-	6,761
Other income / (expenses)	0	-	0
Depreciation & amortisation	606	142	748
Net profit attributable to owners of the parent	(71)	(179)	(250)
Segment Assets - 31 March 2016	26,084	5,080	31,164
Quarter Ended 31 March 2015			
Segment Results			
Revenue from external customers	5,410	-	5,410
Other income / (expenses)	128	-	128
Depreciation & amortisation	439	150	589
Net profit attributable to owners of the parent	(950)	(105)	(1,055)
Segment Assets - 31 March 2015	20,912	6,643	27,555

4. Miscellaneous income/(expenses)

Net profit from the sale of an asset for the First Quarter 2015 resulted in €0.13m.

5. Transactions with related parties

There is a loan receivable of €0.33m due from an affiliate under common control. An amount of €0.09m is payable to the majority shareholder.

6. Borrowings – third parties

	3 months to 31 March 2016	3 months to 31 March 2015
	€'000	€'000
At beginning of period	5,612	3,512
New borrowings	3,731	2,751
Repayments	(3,061)	(1,226)
Translation effect	(268)	478
At end of period	<u>6,014</u>	<u>5,515</u>

7. Consolidated cash flow

Group used €0.11m cash in its operating activities for the First Quarter 2016 versus a positive €0.46m for the same period in 2015. Investments in tangible and intangible assets were €1.07m for the First Quarter 2016 (Q1-2015 - €0.59m). Net borrowings were €0.64m for the First Quarter 2016 (Q1-2015 net borrowings - €1.58m).
