



Envipco Holding NV

Interim Financial Report

Nine Months to

30 September 2015

Results

Unaudited

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NINE MONTHS RESULTS TO 30 SEPTEMBER 2015

Highlights

(in euro millions)	1 st Nine Months 2015	*1 st Nine Months 2014	Full Year to 31/12/2014
Continuing operations:			
Revenues	21.60	16.53	21.79
Gross profit	7.62	5.45	6.86
Gross profit %	35%	33%	31%
Operating profit/(loss) before one-time gain	0.62	(0.71)	(1.40)
Operating profit/(loss)	1.01	9.91	9.20
Net profit / (loss) after taxes after minority	0.71	8.46	8.03
**EBITDA	2.80	11.54	10.78
Earnings/(loss) per share (in euro)	0.20	2.35	2.23
Discontinued operations:			
- Net profit/(loss) before taxes (discontinued operations)	-	(3.36)	(3.49)
- Net profit / (loss) after taxes after minority (discontinued operations)	-	(3.36)	(3.41)
- **EBITDA (discontinued operations)	-	(1.99)	(1.58)
- Earnings/(loss) per share (in euro) (discontinued operations)	-	(0.93)	(0.95)
Cash and cash equivalents	0.63	7.74	1.78
Net working capital	6.59	11.25	7.73
Shareholders' equity	16.50	14.97	14.99

*Certain figures have been restated for comparative purposes

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

2015 First Nine Months Highlights – Consolidated Results

- Revenues for the first nine months increased 31% to €21.60m from €16.53m in 2014. Net of currency impact, revenues increased €1.55m or 8% compared to 2014.
- Gross profit for the nine months increased 40% to €7.62m from €5.45m in 2014.
- Gross profit margin improved to 35% from 33% in 2014.
- Operating profit before one-time gains improved 187% with a profit of €0.62m for the nine months compared to a loss of (€0.71m) for 2014.
- Operating profit for the nine months decreased to €1.01m from €9.91m in 2014. The 2015 results include a gain of €0.39m on a contract settlement and the 2014 results include a gain of €10.63m on a patent sale.
- EBITDA for the first nine months of 2015 increased to €2.80m from €0.96m excluding impact of the patent sale in 2014.
- Net working capital declined to €6.59m at 30 September 2015 compared to €7.73m at year end 2014. This decline results from the use of cash and short-term borrowings to finance new RVM leases. It is anticipated that €2.0m to €3.0m of these leases will be converted to long-term financing with the associated improvement in net working capital.
- As of 30 September 2015 there is €1.8m of unused credit facility available to our US subsidiary under the revolving facility from its lender.

Business Review

2015 Three and Nine Months Highlights – Segment Results

(in euro millions)	Q3			Q3 YTD		
	2015	2014	2014 Adj*	2015	2014	2014 Adj*
Revenues	8.63	6.43	7.65	21.60	16.53	20.05
North America	8.49	6.39	7.61	21.07	16.32	19.84
Europe	0.14	0.04	0.04	0.30	0.21	0.21
ROW	-	-	-	0.23	-	-
Gross profit	3.50	2.29	2.76	7.62	5.45	6.64
Gross profit in %	41%	36%	36%	35%	33%	33%
Operating expenses	2.41	2.00	2.34	7.00	6.16	7.25
Continued operations					**	**
EBITDA	2.00	0.76	0.96	2.80	0.96	1.35
EBITDA in %	23%	12%	13%	13%	6%	7%

*2014 actual restated at 2015 exchange rate, estimated
 **without one time gain

- Due to the significant currency fluctuation of the Euro compared to the USD, we have included a restated 2014* column above for comparison of 2015 to 2014 results. The following refers to comparison of the 2015 actuals to the restated 2014 results.
- North America revenues in the third quarter increased 12% to €8.49m from €7.61m in 2014. For the nine month period, North America revenues increased 6% to €21.07m from €19.84m in 2014. The revenue increase is almost entirely attributable to increased machine sales. RVM through-put revenues and service income increased by 4% for the nine months in 2015 compared to 2014. This revenue increase was however offset by a similar decline in commodity revenues for the nine month period.
- Europe revenues in the third quarter increased to €0.14m from €0.04m in 2014. For the nine month period, Europe revenues increased 43% to €0.30m from €0.21m in 2014. Europe revenues principally result from German compactor maintenance and initial RVM sales in Sweden.
- ROW revenues for the nine month period increased to €0.23m from €0 in 2014. ROW revenues principally result from RVM sales in Australia.
- Gross profit in the third quarter increased 27% to €3.50m from €2.76m in 2014. For the nine month period, gross profit increased 15% to €7.62m from €6.64m in 2014. Gross profit margin improved to 41% in third quarter from 36% in 2014. For the nine months, gross profit margin was 35% compared to 33% in 2014.
- Operating expenses for the nine months in 2015 declined to €7.00m from €7.25m in 2014.
- EBITDA for the nine months in 2015 improved 107% to €2.80m from €1.35m in 2014.
- Earlier during the year we announced the award of a new contract for about 600 RVMs for the US market. Unfortunately this retail chain went into a chapter 11 bankruptcy process during the 3rd quarter of 2015. While this is still ongoing, we have secured contracts for nearly 50% of RVMs with the new owners. The final number will not be known until the bankruptcy process is completed by year end.

Market Outlook:

Envipco has made significant investments in our market leading RVM platforms from the U48, to our low cost Flex, to our breakthrough bulk feed Quantum. Both Flex and Quantum are currently being launched in the Swedish market with great positive response. Success in the Swedish market will well position Envipco for expansion into Europe and ROW.

We are confident that our technology platforms, contracted market share gains and continued focus and execution will lead to sustained growth and profitability in the future in all market segments. We anticipate the 2015 full year net profit to exceed €1.0m. The Company has adequate bank facilities/credit lines in place, along with shareholders' support to fund our ongoing market development plans.

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 99% 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 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 30 September 2015.

	<u>Number of Shares</u>	<u>Shareholding</u> %	<u>Voting Rights</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
B.Santchurn/Univest 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	234,013	6.10	6.10
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 Interim Financial Statements 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 interim financial statements for the first nine months of the financial year ending 31 December 2015 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 interim directors' report for the first nine months of the financial year ending 31 December 2015 gives a true picture of:
 - a) the most important events which have occurred in the first nine months of the financial year in question and of the effect of those on the interim 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 three months of the financial year in question.

Bhajun G. Santchurn *W.S.*
CEO and Executive Board Member
On behalf of the Board of Directors

The report was approved by the Board of Directors on 16 November 2015.

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Interim Financial Statements

**Nine Months to
30 September 2015
Unaudited**

Consolidated Statement of comprehensive income

(in euro thousands)

	Note	Q3 2015	Q3 2014	Q3-YTD 2015	Q3-YTD 2014	Full Year 2014
Revenues		8,632	6,426	21,603	16,529	21,792
Cost of revenue		(4,690)	(3,826)	(12,753)	(9,821)	(13,651)
Leasing depreciation		(443)	(314)	(1,229)	(1,263)	(1,280)
Gross profit		3,499	2,286	7,621	5,445	6,861
Operating expenses		(2,406)	(1,999)	(7,002)	(6,158)	(8,294)
Other income/(expenses)	4	282	(39)	394	10,623	10,614
Operating result		1,375	248	1,013	9,910	9,181
Net financial items		(61)	98	(137)	(142)	(274)
Exchange gains/(losses)		(26)	(39)	(109)	(82)	(670)
Result before taxes		1,288	307	767	9,686	8,237
Income taxes		25	(12)	(55)	(1,225)	(205)
Net results		1,313	295	712	8,461	8,032
Net results from discontinued operations		-	(1,336)	-	(3,357)	(3,406)
Net results from total operations		1,313	(1,041)	712	5,104	4,626
Other comprehensive income						
Items that will be classified subsequently to profit and loss						
Exchange differences on translating foreign operations		(167)	799	802	888	1,412
Other movements		(3)	(160)	(3)	(20)	(21)
Cashflow hedges: Gains/(losses) recognised on hedging instrument		-	-	-	24	-
Total other comprehensive income		(170)	639	799	892	1,391
Total comprehensive income		1,143	(402)	1,511	5,996	6,017
Profit attributable to:						
Owners of the parent						
Profit/(loss) for the period from continuing operations		1,311	296	710	8,461	8,033
Profit/(loss) for the period from discontinued operations		-	(1,336)	-	(3,357)	(3,406)
		1,311	(1,040)	710	5,104	4,627
Non-controlling interests						
Profit/(loss) for the period from continuing operations		(2)	(1)	2	-	(1)
Profit/(loss) for the period from discontinued operations		-	-	-	-	-
		(2)	(1)	2	-	(1)
Total						
Profit/(loss) for the period from continuing operations		1,313	295	712	8,461	8,032
Profit/(loss) for the period from discontinued operations		-	(1,336)	-	(3,357)	(3,406)
		1,313	(1,041)	712	5,104	4,626
Total comprehensive income attributable to:						
Owners of the parent		1,145	(401)	1,509	5,996	6,018
Non-controlling interest		(2)	(1)	2	-	(1)
		1,143	(402)	1,511	5,996	6,017
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 period						
Basic (euro) - continuing operations		0.364	0.082	0.197	2.352	2.233
- discontinued operations		-	(0.371)	-	(0.933)	(0.947)
Fully diluted (euro) - continuing operations		0.364	0.082	0.197	2.352	2.233
- discontinued operations		-	(0.371)	-	(0.933)	(0.947)

*Certain figures have been restated for comparative purposes.

Consolidated balance sheet

(in euro thousands)

Note	At 30 September 2015 Unaudited	*At 30 September 2014 Unaudited	At 31 December 2014 Audited
Assets			
Non-current assets			
Intangible assets	4,186	3,387	3,635
Property, plant and equipment	9,165	6,964	6,056
Long term deposits	509	306	-
Deferred tax asset	907	804	839
Total non-current assets	14,767	11,461	10,530
Current assets			
Inventory	6,234	5,972	6,232
Trade and other receivables	10,217	7,894	6,337
Cash and cash equivalents	628	7,735	1,779
Total current assets	17,079	21,601	14,348
Assets of the discontinued operations	-	10,927	-
Total assets	31,846	43,989	24,878
Equity			
Share capital	1,919	1,919	1,919
Share premium	52,853	52,853	52,853
Retained earnings	(42,444)	(42,651)	(43,154)
Translation reserves	4,170	2,845	3,369
Total equity	16,498	14,966	14,987
Non-controlling interest	18	18	18
	16,516	14,984	15,005
Liabilities			
Non-current liabilities			
Borrowings	6 4,749	7,640	3,046
Other liabilities	91	88	209
Total non-current liabilities	4,840	7,728	3,255
Current liabilities			
Borrowings	6 519	650	466
Trade creditors	7,030	5,871	4,036
Accrued expenses	2,288	2,601	1,609
Provisions	250	196	123
Tax and social security	403	1,032	384
Total current liabilities	10,490	10,350	6,618
Liabilities of the discontinued operations	-	10,927	-
Total liabilities	15,330	29,005	9,873
Total equity and liabilities	31,846	43,989	24,878

*Certain figures have been restated for comparative purposes.

Consolidated cash flow statement

	Q3-YTD-2015 Unaudited	*Q3-YTD-2014 Unaudited	Full Year 2014 Audited
(in euro thousands)			
Cash flow (used in) / provided by operating activities			
Operating result	1,013	9,910	9,181
Interest received	35	180	15
Interest paid	(172)	(323)	(290)
Income taxes paid	(55)	(25)	(10)
Depreciation and amortisation	1,860	1,716	2,265
	2,681	11,458	11,161
Changes in trade and other receivables	(3,901)	(1,607)	392
Changes in inventories	492	233	234
Changes in provisions	199	-	(44)
Changes in trade and other payables	2,697	178	(462)
Discontinued operations	-	(3,102)	(3,151)
	(513)	(4,298)	(3,031)
Cash flow (used in)/ provided by operating activities	2,168	7,160	8,130
Cash flow (used in)/provided by investing activities			
Net investment in intangible fixed assets	(842)	(696)	(1,158)
Net investment in tangible fixed assets	(4,080)	(913)	(1,003)
Discontinued operations	-	430	430
Cash flow (used in)/ provided by investing activities	(4,922)	(1,179)	(1,731)
Cash flow (used in)/provided by financing Activities			
Changes in borrowings and capital lease obligations - gross	6,863	5,646	7,430
Changes in borrowings and capital lease obligations - repaid	(5,332)	(4,385)	(11,340)
Discontinued operations	-	(685)	(685)
Cash flow (used in)/ provided by financing activities	1,531	576	(4,595)
Net cash flow for the period	(1,223)	6,557	1,804
Foreign currency differences and other changes	72	413	42
	72	413	42
Changes in cash and cash equivalents, including bank overdrafts for the period	(1,151)	6,970	1846
Opening balance cash and cash equivalents	1,779	765	(67)
Closing balance cash and cash equivalents	628	7,735	1,779
The closing position consists of:			
Cash and cash equivalents	628	7,735	1,779
Bank overdraft	-	-	-
	628	7,735	1,779

*Certain figures have been restated for comparative purposes.

Consolidated statement of changes in equity

(in euro thousands)	Share capital	Share premium	Retained earnings	Translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	1,919	52,853	(47,779)	1,957	8,950	38	8,988
Changes in equity for 2014							
Net profit/(loss) for 9 months	-	-	5,104	-	5,104	-	5,104
Other comprehensive income for the period							
- Current translation adjustments	-	-	-	888	888	-	888
- Other movements	-	-	24	-	24	(20)	4
Total comprehensive income for the period	-	-	5,128	888	6,016	(20)	5,996
Balance at 30 September 2014	1,919	52,853	(42,651)	2,845	14,966	18	14,984
Balance at 1 January 2015	1,919	52,853	(43,154)	3,369	14,987	18	15,005
Changes in equity for 2015							
Net profit/(loss) for 9 months	-	-	710	-	710	2	712
Other comprehensive income for the period							
- Current translation adjustments	-	-	-	802	802	-	802
- Other movements	-	-	-	(1)	(1)	(2)	(3)
Total comprehensive income for the period	-	-	710	801	1,511	-	1,511
Balance at 30 September 2015	1,919	52,853	(42,444)	4,170	16,498	18	16,516

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 nine months ended 30 September 2015 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 2014, 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 2014.

- 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 2015.
- 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	Discontinued Operations	Holding Segment	Total
Nine Months Ended 30 September 2015				
Segment Results				
Revenue from external customers	21,603	-	-	21,603
Other income / (expenses)	394	-	-	394
Depreciation & amortisation	1,460	-	400	1,860
Net profit attributable to owners of the parent	1,684	-	(974)	710
Segment Assets - 30 September 2015	25,804	-	6,042	31,846
Nine Months Ended 30 Septemebr 2014*				
Segment Results				
Revenue from external customers	16,529	-	-	16,529
Other income / (expenses)	36	-	10,587	10,623
Depreciation & amortisation	1,305	-	411	1,716
Net profit attributable to owners of the parent	(221)	(3,357)	8,682	5,104
Segment Assets - 30 Septemebr 2014	27,978	10,927	5,084	43,989

*Certain figures have been restated for comparison purposes

4. Other income/(expenses)

Net other income in 2015 relates to the sale of an asset and a settlement amount totalling €0.39m. In 2014, sale of one of the patents by the Holding company in April 2014 resulted in a net profit of €10.63m.

5. Transactions with Related Parties

The US Subsidiary has entered into a rental agreement with one of its director's wife for her residence, to be used as a corporate house to accommodate visitors. The annual rent is \$60,000 and is considered to be at arm's length.

6. Borrowings – Third Parties

	9 months to 30 Sep 2015	9 months to 30 Sep 2014	12 months to 31 Dec 2014
	€'000	€'000	€'000
At beginning of period	3,512	6,896	6,896
New borrowings	6,863	5,769	8,904
Repayments	(5,332)	(5,001)	(12,827)
Reclassification	(46)	(18)	-
Translation effect	271	644	539
At end of period	<u>5,268</u>	<u>8,290</u>	<u>3,512</u>

7. Jointly controlled assets

Since the termination of the pilot in 2014, the Group has incurred additional final closing costs in the first nine months of 2015 of €0.04m (1st nine months 2014: €0.15m). The Group's share of the equity on 30 September 2015 amounted to €0.02m to recognise the 50% share of the remaining intangibles (reimagine trademark).

8. Consolidated cash flow

Group generated €2.17m cash from its operating activities in the first nine months of 2015 versus a €7.16m during the same period last year. Investments in tangible and intangible assets, from continued operations were €4.92m for the first nine months of 2015 compared to €1.61m in the same period last year. The 2015 outflows were funded by borrowings during the first nine months of 2015 (the net proceeds received from the sale of a patent of €10.63m were used to fund 2014 outflows). Net borrowings for continued operations were €1.53m for the first nine months of 2015 (1st nine months 2014: €1.26m). There is €1.8m of unused credit facility available as of 30 September 2015.

9. Post balance sheet events

Earlier during the year we announced the award of a new contract for about 600 RVMs for the US market. Unfortunately this retail chain went into a chapter 11 bankruptcy process during the 3rd quarter of 2015. While this is still ongoing, we have secured contracts for nearly 50% of RVMs with the new owners. The final number will not be known until the bankruptcy process is completed by year end.