AIROPACK® Technology Group

Ad-hoc release / Press Release

Airopack reports Financial Year 2018 results and restates the consolidated financial statements for the first half of 2018

- ***In 2018, net sales decreased by 12.1% to EUR 18.9 million***
- ***EBITDA deteriorated by EUR 8.0 million compared to 2017 and came to EUR -29.0 million***
- ***Net loss of EUR 57.8 million related to lagging sales, high amount of overhead including exceptional cost of EUR 3.0 million, and increased investments in organisation and production capacity***
- ***The H1 2018 financials as reported on 30 September 2018 are restated after internal investigations of the financial statements and past management practices as disclosed in the ad-hoc press release dated 16 January 2019***
- ***As of 18 March 2019, all operating activities of Airopack Technology Group AG were carved out to the major lenders***
- ***Airopack Technology Group AG under definitive composition moratorium since 5 June 2019 as reported in the ad-hoc press release dated 6 June 2019***
- ***The company's statutory auditor BDO has issued a disclaimer of opinion in its audit letter on the consolidated accounts***

Baar, 1 July 2019 – Airopack Technology Group AG ("Airopack"), today announced its results for full year 2018.
The net sales for the year 2018 decreased by 12.1% compared to the previous year, totaling EUR 18.9 million. This is a direct result of the stagnating sales of Airopack units. The operating results deteriorated sharply against the 2017 results, with EBITDA decreasing by EUR 8.0 million. Lagging sales, high level of overhead including exceptional cost of EUR 3.0 million and investments in ramping up production capacity explain the negative EBITDA of EUR -29.0 million. The capacity increase led to increased charges for depreciation (2018: EUR -7.1 million), which, combined with the cost for amortization (2018: EUR -14.4 million) and interest costs (2018: EUR -12.0 million), resulted in a net loss of EUR 57.8 million.

Full Year – Key Figures

	in TEUR 2018	in TEUR 2017
Consolidated income statement		
Net sales	18'885	21'484
EBITDA	-28'963	-21'000
EBIT	-53'420	-35'873
Net result	-57'778	-40'098
Net result per share in EUR	-2.90	-2.11
Consolidated balance sheet		
Cash and cash equivalents	10'981	7'196
Shareholders' equity	-86'803	-23'211
Balance sheet total	141'677	127'588

The company's statutory auditor BDO has issued a disclaimer of opinion in its audit letter on the consolidated accounts. A disclaimer of opinion means that BDO cannot give an opinion on the annual accounts as a whole due to lack of audit evidence (uncertainties during the audit) on one or more parts of the annual accounts. This has possible significant impact on the annual accounts 2018.

The full 2018 annual report is available for download on the Airopack website (www.airopackgroup.com) under the link – investor relations – reports (www.airopackgroup.com/en/investor-relations/reports).

Events after closing date

Review of financial statements and past management practices

The new management team under the lead of the Chairman of the Board of Directors took over on 1 December 2018 and initiated an investigation and review of Airopack's financial statements and past management practices. Due to certain findings by this management team, Airopack retained PricewaterhouseCoopers Ltd. ("PwC").

PwC found that revenues in 2018 had been overestimated by former management, including the first half-year period. In addition, former management had entered into previously undisclosed liabilities, such as buy-back commitments towards customers.

PwC's work has identified and corroborated with the new management's view of a range of financial misreporting by the former management team, including:

- Revenue recorded without valid purchase orders or similar requests from customers
- Work in progress recorded without valid purchase orders
- Revenue recorded without recognising provisions for buy-back clauses or discounts offered as part of negotiations
- Revenue recognised without reasonable assurance that payment would be made by customers

The new Management therefore needed to consider the required accounting entries to address these issues and also needed to take into account additional financial implications of any adjustments made, in accordance with Swiss GAAP FER, including: provisions, stock value write downs, buy-back transportation costs, debtor write offs, foreign exchange risk and tax implications.

Data and security

In addition to PwC's financial review, they have undertaken significant work to investigate the IT environment, and provided new management with recommendations on how to gain control of this environment and to secure the company's electronic records.

PwC has secured 1,004 Gigabytes ("GB") of data, processed 131 GB and reviewed 2,980 emails and other electronic documentation to provide evidence to support the financial review, and to provide further information and evidence for new management as they sought to understand and stabilise the business.

1. Moratorium

The major lenders did not waive the events of default under the Facilities Agreement which were continuing since 31 January 2019. On this basis, on Saturday, 9 February 2019, the major lenders accelerated the loans outstanding under the Facilities Agreement. The acceleration notice included a demand for repayment of the loans from Airopack under the guarantee given by it. On 11 February 2019, Airopack was served with a notice that the major lenders initiated steps to enforce the pledges and other security interests granted by members of the Airopack Group. On 12 February 2019, the Cantonal Court of Zug granted Airopack's request for a provisional composition moratorium of an initial duration of two months and a provisional administrator was appointed. This provisional composition moratorium was extended for an additional two months on 10 April 2019 and on 5 June 2019, the Cantonal Court of Zug granted a definitive composition moratorium for four months until 14 October 2019 (may be extended) and a definitive administrator was appointed.

2. IPS B.V. carve-out

The Dutch court granted permission for the enforcement of the pledge over the shares in Airopack's indirect Dutch subsidiary I.P.S. B.V., as requested by the major lenders on 8 March 2019. Subsequently, on 18 March 2019 Airopack Technology Group AG and its direct subsidiary I.P.S. Holding B.V. were separated from the operating subsidiaries of Airopack Group. Based on the valuation of the operating subsidiaries as approved by the Dutch court, the pledgor I.P.S. Holding B.V. did not receive any proceeds from the enforcement and guarantee liabilities remain outstanding towards the major lenders by Airopack Technology Group AG and I.P.S. Holding B.V.

Due to the separation of the operating companies from Airopack, the chairman of the Board of Directors of Airopack assumes all relevant management responsibilities of the company. Jean-Baptiste Lucas remains CEO and Andre de Oliveira remains COO of the operating companies that meanwhile have been taken over by the major lender. Emmanuel Walter CFO ad interim, will resign from the company after the finalization of the Annual Report 2018.

Restatement of the consolidated financial statements for the first half of 2018

Based on the report from the investigation performed by PwC, management has analysed the consolidated financials for the first half of 2018, as reported on 30 September 2018, and has come to the conclusion that the consolidated financials need to be restated.

Operating income restated downwards by EUR 2.2 million as sales were reported which were subject to buy-back clause, consignment stock adjustments and adjustments due to revenues without customer orders that were not taken into account (in the ad-hoc press release dated 16 January 2019 it was expected that revenues need to be adjusted downward in the range of approx. EUR 4 million to EUR 5 million). The operating expenses have been restated downwards by EUR 1.1 million, mainly related to a correction in cost of sales related to the restatement of net sales.

The restatements have a negative impact on the reported EBITDA of EUR 1.2 million and a negative impact on the net result of EUR 2.8 million.

Half- Year – Key Figures

	in TEUR HY 2018 1) Restated Unaudited	in TEUR HY 2018 1	in TEUR HY 2017
Consolidated income statement			
Operating Income	12’558	14'795	11'835
Operating expense	-24’903	-25'959	-22'225
EBITDA	-12’344	-11'164	-10'390
EBIT	-22’498	-20'455	-17'712
Net result	-26’309	-23'549	-19'533
Net result per share in EUR	-1.32	-1.18	-1.06
Consolidated cash flow	-6’453	-6'453	3'814
Consolidated balance sheet			
Cash and cash equivalents	793	793	12'157
Shareholders' equity	-52’197	-46'696	-16'336
Balance sheet total	134’475	135'539	98'292

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