



## HALF-YEAR REPORT 2014



## KEY FIGURES

in TEUR  
HY 2014

in TEUR  
HY 2013

### Consolidated income statement

Net sales	3'411	344
EBITDA	-1'787	-2'296
EBIT	-2'773	-3'218
Net result	-2'982	-3'418
Net result per share in EUR	-0.23	-0.32

### Consolidated cash flow

265 3'731

### Consolidated balance sheet

Cash and cash equivalents	710	3'867
Shareholders' equity	7'360	11'650
Balance sheet total	23'191	22'299

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## PROFILE OF AIROPACK TECHNOLOGY GROUP



**AiroPack**  
New dispensing platform,  
driven by air



Acrosol?      Pump?

<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
<input checked="" type="checkbox"/> No	<input checked="" type="checkbox"/> No

**AiroPack Technology Group AG** is a leading provider of mechanical and pressure-controlled primary packaging technologies and dispensing systems for manufacturers and suppliers of cosmetics, body care, pharmaceutical and food products.

Its revolutionary and worldwide patented AiroPack<sup>®</sup> technology offers a safe, all-plastic pressurized dispenser that is environmental friendly: no inhalation risks, no harmful propellants and no unnecessary waste. Unlike other pressurized dispensers that use harmful propellants AiroPack<sup>®</sup> uses just normal compressed air which results in dispensing a formulation at constant pressure from start to finish.

AiroPack Technology Group owns and operates a PCD (Pressure Control Device) manufacturing site in Waalwijk (the Netherlands). Within the context of a joint venture (AiroLux AG) with Resilux ([www.resilux.com](http://www.resilux.com)), the Group operates a manufacturing facility in Glarus Nord (Switzerland), a full-service manufacturing facility in Heist-op-den-Berg (Belgium), a global R&D and customer service facility in Waalwijk (the Netherlands) and a sales office in Morristown NJ (United States of America).

With these state of the art, fully automated production plants worldwide, AiroPack Group offers customers Full-Service to quickly and easily launch customer products in AiroPack<sup>®</sup>.

Via the unique Full-Service offering AiroPack Group can mould, assemble, sleeve or label, fill and pack AiroPack<sup>®</sup> to customers' specifications. AiroPack Group serves worldwide manufacturers and suppliers of cosmetics, body care, pharmaceutical and food products.

The shares of the company are listed on the Domestic Standard of the SIX Swiss Exchange.  
(Ticker: AIRN / ISIN: CH0242606942)

# REPORT FROM THE BOARD OF DIRECTORS

## General

On 13 May 2014, the General Assembly of Shareholders of Airopack Technology Group AG (formerly named I.P.S. Innovative Packaging Solutions AG) has approved the proposal of the Board of Directors to convert the Company's bearer shares into registered shares with the same nominal value of CHF 5 each.

## Substantial sales ramp-up Airopack

In the first half of 2014, Airopack Technology Group's joint venture company Airolux shipped 6.7 million pieces of Airopack. This is roughly 10 times the volume shipped in the first half of 2013, and 5 times the annual volume shipped in 2013.

The main volumes were purchased by globally leading personal care company Procter & Gamble and the US based company Method Products, whereas smaller volumes were delivered to various customers including Elizabeth Arden (Ceramide), Nordictan and Remark Groep (for its brands Amando, Therme, Vogue and De Vergulde Hand). At the joint venture level the resulting net sales amounted to EUR 6.4 million.

At the consolidated level this translated into net sales of EUR 3.4 million, 10 times the net sales in the first half of 2013.

## Result development

The consolidated 2014 half-year income statement shows a net loss of EUR 3.0 million, an improvement of EUR 0.4 million compared to the first 6 months of 2013. At the joint venture level EBITDA break-even was achieved for the month of June 2014.

## Short term priorities

The volume ramp-up for Procter & Gamble and Method Products has pushed the full supply chain for Airopack to an increased level of professionalism.

At the same time, the higher activity level drives the operational processes for efficiency improvement.

## Prospects

Based on the current volume forecasts of the existing customers and the firm expectation that additional customer projects will start in the next months, the Board of Directors and Group Management are confident that at the joint venture level break-even can be achieved in the second half of 2014.

At the consolidated level, Group Management expects the second half of 2014 to show a significant result improvement compared to the first half of the year. The extent of the improvement will depend on the sales mix in the remaining months of the calendar year. In any case, Group Management is confident that the operational business of the Group will be profitable going forward.

As a consequence of the expected strong increase in sales volumes starting from the fourth quarter 2014 and onwards, Airopack Technology Group will expand its existing production capacity, and localize part of the production near site of a customer production facility in the United States of America during the course of 2015.

On top, the increased activity level will elevate the Group's working capital needs. To accommodate this, Airopack Technology Group's joint venture company Airolux has entered into a factoring arrangement. The Board of Directors is confident that the Group will be able to obtain sufficient financing to realize its business plan, despite the uncertainties that by nature arise from the current development phase of the Airopack Technology Group.

We look at the Group's future with the confidence that we can realize the enormous potential of the Airopack platform technology.

Baar, September 2014

**Alexander Vogel**  
Chairman of the  
Board of Directors

**Quint Kelders**  
CEO and Member of the  
Board of Directors

# FINANCIAL REVIEW

## Capital structure

### Issued capital

On 13 May 2014, the General Assembly of Shareholders has approved the proposal of the Board of Directors to convert the bearer shares of the Company into registered shares with the same nominal value of CHF 5 each.

In the first half of 2014, a total of 222'400 registered shares with a nominal value of CHF 5.00 each were issued from the conditional capital. These registered shares have been issued following the exercise of employee stock options at a strike price of CHF 8.25.

### Authorized capital

On 13 May 2014, the General Assembly of Shareholders has approved the proposal of the Board of Directors to issue new authorized capital up to a maximum of 1.6 million registered shares and a maximum aggregate amount of CHF 8.0 million at any time up to 13 May 2016.

### Conditional capital

On 13 May 2014, the General Assembly of Shareholders has approved the proposal of the Board of Directors to create new conditional capital up to CHF 10.0 million through the issuance of up to 2.0 million fully paid registered shares with a nominal value of CHF 5 each through the exercise of option rights which shall be granted to the key employees and members of the Board of Directors of the Company or Group companies according to a stock option plan as adopted by the Board of Directors.

In the first half of 2014, a total of 222'400 registered shares with a nominal value of CHF 5.00 each were issued from the conditional capital.

## Income statement

In the first half of 2014 the consolidated net loss amounted to EUR 3.0 million, on EBITDA level the loss amounted to EUR 1.8 million compared to an EBITDA loss of EUR 2.3 million in the comparable period of 2013.

The major positions of the half-year income statement 2014 can be explained as follows:

### Operating income

In the first half of 2014 the joint venture company Airolux realized a sales volume of 6.7 million pieces of Airopack which resulted in net sales of EUR 6.4 million. On a consolidated level this translated in net sales of EUR 3.4 million compared to a consolidated net sales of only EUR 0.3 million in the comparable period of 2013. Other income includes external development fees and revenues from pilot tooling delivered to customers.

### Raw material expense

Raw material expense consists of plastic parts purchased from third parties and external cost of purchased decorating materials and bulk formulations to fill Airopack.

### Personnel expense

Personnel expenses amounted to EUR 1.5 million, an increase of EUR 0.3 million compared to the first half of 2013 reflecting the increased activity levels.

### Other operating expense

Other operating expense were slightly higher than previous year and amounted to EUR 1.2 million, including EUR 0.1 million for charges for operations for the joint-venture Airolux. These charges primarily relate to the premises that Airolux rents from Resilux Schweiz AG. A detailed breakdown of other operating expense can be found on page 13 of the Half-Year Report.

### Depreciation / Amortization

Depreciation of tangible fixed assets amounted to EUR 0.6 million, a slight increase compared to the first half of 2013. Amortization of intangible assets remained stable at EUR 0.4 million. Amortization of the patent application for the Airopump-technology, that was acquired in May 2013, has not yet commenced.

## Balance sheet

The major assets of the Airopack Technology Group are machinery, molds and intellectual property. In the first half of 2014, a total of 222'400 registered shares were issued from the conditional capital at a strike price of CHF 8.25. As a result, the Group's equity was increased by EUR 1.5 million of which EUR 0.9 million share capital and EUR 0.6 million capital reserves.

## Liquidity

In the first half of 2014 the cash flow from operating activities amounted to negative EUR 1.9 million. On top of this, a net amount of EUR 0.1 million was invested in tangible fixed assets and EUR 0.5 million was used to fund the joint venture. The additional loans of EUR 1.2 million together with the EUR 1.5 million in cash generated by the exercise of stock options were more than sufficient to cover the negative cash flow of in total EUR 2.5 million.

As at 30 June 2014, the cash position of the Group amounted to EUR 0.7 million.

The Board of Directors and Group Management remain confident that the Airopack Technology Group will be able to obtain sufficient financing to realize its business plan.

Baar, September 2014

**Frans van der Vorst**  
CFO

# INFORMATION ON REGISTERED SHARES

Ticker: AIRN

ISIN Code: CH 024 260 694 2

As at 15 May 2014, the former I.P.S. Innovative Packaging Solutions AG was renamed to Airopack Technology Group AG. At the same time the bearer shares (Ticker: IPS / ISIN: CH 000 201 382 6) were converted to registered shares (Ticker: AIRN / ISIN: CH 024 260 694 2).

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>HY 2014</u>
Number of issued shares	8'987'571	8'987'571	9'882'571	12'706'163	<b>12'706'163</b>
Par value per share in CHF	5.00	5.00	5.00	5.00	<b>5.00</b>
Dividend payments / repayments of par value in CHF	0.00	0.00	0.00	0.00	<b>0.00</b>
Net result of the Group per share in CHF	-0.37	-0.46	-0.74	-0.66	<b>-0.29</b>
<b>Market prices (Closing prices Zürich)<sup>1</sup></b>					
Highest price in CHF	9.20	10.00	12.80	10.65	<b>10.50</b>
Lowest price in CHF	6.01	7.53	7.85	8.00	<b>8.12</b>
Closing price as at 31 December in CHF	8.10	9.17	10.00	8.80	
Market capitalization as at 31 December in million CHF	72.80	82.42	98.83	111.81	

<sup>1</sup> Source: [www.six-swiss-exchange.com](http://www.six-swiss-exchange.com)

## Investor Relations

Contact persons for the Financial Community are the CEO and the CFO.

# CONSOLIDATED INCOME STATEMENT

	Notes	in TEUR <u>1st Half 2014</u>	in TEUR <u>1st Half 2013</u>
Net sales		3'411	344
Other operating income		13	162
Profit from disposal of tangible fixed assets		-	-
Change in inventory of finished and semi finished goods		78	-183
<b>Operating income</b>		<b>3'502</b>	<b>323</b>
Raw material expense		-2'610	-286
Personnel expense		-1'524	-1'224
Other operating expense	2	-1'155	-1'109
<b>Operating expense</b>		<b>-5'289</b>	<b>-2'619</b>
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>		<b>-1'787</b>	<b>-2'296</b>
Depreciation of tangible fixed assets		-600	-533
Amortization of intangible assets		-386	-389
<b>Earnings before interest and taxes (EBIT)</b>		<b>-2'773</b>	<b>-3'218</b>
Financial result		-209	-200
<b>Earnings before taxes (EBT)</b>		<b>-2'982</b>	<b>-3'418</b>
Income taxes		-	-
<b>Net result</b>		<b>-2'982</b>	<b>-3'418</b>
Net result per share in EUR	3	-0.23	-0.32

# CONSOLIDATED BALANCE SHEET

Assets	Notes	in TEUR	in TEUR
		<u>30.06.2014</u>	<u>31.12.2013</u>
Cash and cash equivalents		710	443
Trade accounts receivable		2'148	650
Other receivables	4	664	557
Inventories	5	1'404	1'355
Prepayments and accrued income		294	172
<b>Current assets</b>		<b>5'220</b>	<b>3'177</b>
Other receivables	4	5'354	4'878
Tangible fixed assets	6	4'786	5'010
Intangible assets	7	7'831	8'186
<b>Non current assets</b>		<b>17'971</b>	<b>18'074</b>
<b>Total assets</b>		<b>23'191</b>	<b>21'251</b>
<b>Liabilities and shareholders' equity</b>			
Financial liabilities			
Bank overdrafts		412	406
Short term portion of financial liabilities		798	904
Trade accounts payable		4'587	3'094
Other current payables		335	140
Accrued liabilities and deferred income		300	249
<b>Current liabilities</b>		<b>6'432</b>	<b>4'793</b>
Financial liabilities*	8	9'317	7'603
Provisions	9	82	81
<b>Non current liabilities</b>		<b>9'399</b>	<b>7'684</b>
<b>Liabilities</b>		<b>15'831</b>	<b>12'477</b>
Share capital	10	49'476	48'566
Capital reserves	10	-20'385	-20'977
Cumulative translation adjustments		-197	-263
Accumulated losses		-21'534	-18'552
<b>Shareholders' equity</b>		<b>7'360</b>	<b>8'774</b>
<b>Total Liabilities and Shareholders' equity</b>		<b>23'191</b>	<b>21'251</b>
* thereof subordinated		4'975	4'933

# CONSOLIDATED CASH FLOW STATEMENT

	Notes	in TEUR 1st half 2014	in TEUR 1st half 2013
<b>Net result</b>		<b>-2'982</b>	<b>-3'418</b>
Depreciation, impairments and amortization		986	922
Profit from disposal of tangible fixed assets		-	-
Other positions with no impact on liquidity		105	150
<b>Operating cash flow</b>		<b>-1'891</b>	<b>-2'346</b>
Change in trade accounts receivable		-1'497	-407
Change in other receivables		-107	132
Change in inventories		-41	-27
Change in prepayments and accrued income		-65	-31
Change in trade accounts payable		1'474	395
Change in other current payables		195	-35
Paid income tax and received tax refunds (net)		-	-
Change in accrued liabilities and deferred income		49	355
<b>Cash flow from operating activities</b>		<b>-1'883</b>	<b>-1'964</b>
Tangible and intangible assets			
Investments		-83	-228
Disposals		-	-
Change in long term receivables from joint venture	4	-476	-845
<b>Cash flow from investing activities</b>		<b>-559</b>	<b>-1'073</b>
Change in current financial liabilities third parties		6	-21
Change in shareholder loan	8	619	1'763
Change in long-term financial liabilities		580	-40
Capital paid in at capital increase	10	1'502	5'066
<b>Cash flow from financing activities</b>		<b>2'707</b>	<b>6'768</b>
<b>Total Cash flow</b>		<b>265</b>	<b>3'731</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>443</b>	<b>138</b>
Total Cash flow		265	3'731
Impact of currency translation		2	-2
<b>Cash and cash equivalents as at 30 June</b>		<b>710</b>	<b>3'867</b>
Paid interest (included in Cash flow from operating activities)		-17	-42
Received interest payments (included in Cash flow from operating activities)		3	4

# SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

### General

Airopack Technology Group AG is a Swiss limited company, domiciled in Baar, and is the parent company of the Airopack Group.

### Basis of preparation

The consolidated financial statements comprise the unaudited half-year results of Airopack Technology Group AG and its Group companies for the period ending 30 June 2014. The half-year statements are prepared in compliance with the existing guidelines of Swiss GAAP ARR 12 (Swiss Accounting and Reporting Recommendations) for interim reporting. The half-year statements should be read in conjunction with the consolidated financial statements compiled for the financial year ending 31 December 2013 as they represent an update of the last complete financial statements. The consolidated half-year statements were approved by the Board of Directors on 23 September 2014. The half-year financial statements are prepared under the assumption of going concern.

The preparation of the half-year financial statements requires management to make estimates and other judgments that affect the reported amounts of assets and liabilities as well as the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

### Consolidated companies

The consolidated financial statements include the annual accounts of Airopack Technology Group AG as well as the Group companies in which Airopack Technology Group AG directly or indirectly holds 50% or more of the voting rights or has a controlling influence by contractual agreement (control principle). Investments of 50% where the Group does not hold sole management control (joint ventures) are consolidated using the quotal-method and investments between 20% and 49% (associated companies) are accounted for using the equity method. Minority holdings of less than 20% are carried in the balance sheet at acquisition cost less any adjustments for impairment required by generally accepted accounting principles.

### Changes to the Group of consolidated companies

#### Changes in 2014

As at 24 June 2014 Intelligent Packaging Systems Group SA was merged with IPS Patent AG. The newly merged company changed its name to Airopack Technology AG. As at 24 June 2014 Airopack Technology Group AG was merged with I.P.S. Remarketing Holding AG and Airopack Technology IP AG (formerly named I.P.S. IP AG). Both mergers took place to sanitize the legal structure and reduce the number of inactive legal entities in the Group.

#### Changes in 2013

No changes occurred during the period ending 30 June 2013.

### Consolidation principles

Capital has been consolidated using the purchase method. Assets and liabilities as well as expenses and income of the fully consolidated companies are included in their entirety; those of classical joint ventures with voting share of exactly 50% are included at 50%. Minority holdings in consolidated shareholders' equity and Group profit are shown separately. Companies and businesses acquired during the course of the year are re-valued on their acquisition date on the basis of uniform Group principles and consolidated from that date onwards. Any goodwill or negative goodwill remaining after this revaluation (the difference between the purchase price and the total shareholders' equity reported) is recognized under assets or liabilities and written off through the income statement over its useful life of which is usually five years. A provision in the amount of negative goodwill is written back over a maximum of five years. Companies sold during the year are excluded from the consolidated financial statements from the date of sale.

### Transactions with related parties

Parties (individuals or legal entities) are considered to be related if one party has the ability to directly or indirectly exercise significant influence on the other party (organisation) in making financial or operating decisions. Organisations that are controlled directly or indirectly by the same related parties are also considered to be related. In addition, members of the Board of Directors and the Group Management or close members of their families are also considered related parties.

According to the most recent information available to the Company, the major shareholder of Airopack Technology Group AG, Jan Kelders has ownership of 58.31% of the voting rights as at 30 June 2014 and therefore exercises control over the Airopack Technology Group.

# SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Foreign currencies translation

The Euro is the Group's reporting currency. Financial statements of consolidated companies in other currencies are translated as follows: current assets, fixed assets and liabilities at year-end rates (rate on balance sheet date); shareholders' equity at historical rates. The income statement and cash flow statement are translated at the average rate for the year. Any resulting exchange differences are recognized in shareholders' equity with no effect on the income statement. The foreign currency items contained in the individual financial statements of the consolidated companies are translated as follows: foreign currency transactions at the rate on the date of the transaction (current rate); foreign currency balances are translated at year-end using the year-end rate (rate on the balance sheet date). The resulting exchange differences are recognized in the income statement.

The foreign exchange rates shown below were used in compiling the consolidated financial statements.

### Currency exchange rates in EUR

Currency	Balance sheet		Income statement / Cash flow statement	
	<u>30.06.2014</u>	<u>31.12.2013</u>	<u>HY 2014</u>	<u>HY 2013</u>
CHF	0.8229	0.8159	0.8188	0.8133

## Income statement

The consolidated income statement of Airopack Technology Group has been prepared pursuant to the period-based costing method.

## Cash flow statement

Cash and cash equivalents are the basis for the cash flow statement. Cash flow from operating activities is calculated using the indirect method.

## Segment reporting

The Airopack Technology Group currently operates in one business segment.

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	in TEUR <u>HY 2014</u>	in TEUR <u>HY 2013</u>
<b>2. OTHER OPERATING EXPENSE</b>		
Research and development cost	-45	-117
Charges for operation of the production facility	-102	-127
Office rental and maintenance	-259	-216
Marketing and public relations	-232	-252
Audit, legal and consulting	-284	-157
Other operating cost	-233	-240
	<b>-1'155</b>	<b>-1'109</b>

### 3. EARNINGS PER SHARE

Earnings per share is calculated by dividing the Airopack Technology Group's net result for the half-year by the average number of shares outstanding (as registered at the "Handelsregister"). The exercise of stock options will not have a dilutive effect on the earnings per share.

	in TEUR <u>HY 2014</u>	in TEUR <u>HY 2013</u>
Net result for the period	-2'982	-3'418
Weighted average number of shares outstanding	12'706'163	10'615'769
<b>Basic earnings per share in EUR</b>	<b>-0.23</b>	<b>-0.32</b>

	in TEUR <u>30.06.2014</u>	in TEUR <u>31.12.2013</u>
<b>4. OTHER RECEIVABLES</b>		
Receivable from German Tax authorities	430	430
Value added tax receivables	223	215
Other receivables from third parties	327	227
Other receivables from joint venture	5'039	4'563
	<b>6'019</b>	<b>5'435</b>
Current (< 1 year)	664	557
Long-term (> 1 year)	5'355	4'878
	<b>6'019</b>	<b>5'435</b>

	in TEUR <u>30.06.2014</u>	in TEUR <u>31.12.2013</u>
<b>5. INVENTORIES</b>		
Raw materials and consumables	234	563
Semi-finished goods	827	486
Finished goods	343	306
	<b>1'404</b>	<b>1'355</b>

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. TANGIBLE FIXED ASSETS

Virtually all tangible fixed assets are used for the assembling and filling of Airopack. The recoverability of these values depends on future sales. As the Group Management believes in the realization of the business plan the valuation is based on the going concern principle. Should the business plan not be realized as expected, a significant value adjustment would be required. These conditions indicate the existence of a material uncertainty that may cause significant doubt about the valuation.

### 7. INTANGIBLE FIXED ASSETS

**Development costs and patents** with a total book value of EUR 7.6 million as at 30 June 2014, represent capitalized expenses for patents and external and internal development costs relating to the Airopack (EUR 4.3 million) and Airopump (EUR 3.3 million) technology. The development cost and patents are amortized over a period of ten years starting from the moment of operational use of the technology. As at 30 June 2014, the amortization of the capitalized expenses for the Airopump technology has not yet commenced. The recoverability of these values depends on future sales. As the Group Management believes in the realization of the business plan, the valuation is based on the going concern principle. Should the business plan not be realized as expected, a significant value adjustment would be required. These conditions indicate the existence of a material uncertainty that may cause significant doubt about the valuation.

**Goodwill** with a book value of EUR 0.2 million as at 30 June 2014, represents the premium on Airopack Technology Group AG in the reverse acquisition of 2010 which mainly consists of the value for the listing on the SIX Swiss Exchange. The goodwill is amortized over a period of five years.

The intangible assets are checked at the balance sheet date for signs of impairment losses. Group management conducts the **impairment test** by means of a Discounted Cash Flow calculation, applying a discount rate of between 9.1% and 10.7%, on the most recently updated version of its business plan. However, given the fact that Airopack Technology Group is currently still in the start-up phase several assumptions underlying the business plan cannot yet be validated by actual achieved results. In case Group Management's assumptions on timing of expected revenue's and/or expected EBIT-Margins would prove to be incorrect, a significant value adjustment would be required.

### 8. TRANSACTIONS WITH SHAREHOLDERS AND RELATED PARTIES

Compared to the consolidated financial statements as at 31 December 2013, no significant changes have occurred in the composition of the related parties or the nature of the transactions with related parties.

Balance sheet positions that have significantly changed compared to 31 December 2013 (reference is made to Note 20 of the consolidated financial statements 2013) are detailed below:

- **Jan Kelders**, Riederalp (Switzerland), major Shareholder of Airopack Technology Group AG and father of Quint Kelders (CEO Airopack Technology Group). According to the most recent information available to the Company, Jan Kelders has ownership of 58.31% of the voting rights as at 30 June 2014 and therefore exercises control over the Airopack Technology Group.

	in TEUR <u>30.06.2014</u>	in TEUR <u>31.12.2013</u>
<b>Shareholder loans</b>		
Balance as at 1 January	0	3'637
Conversion to capital	-	-4'864
Additional loan	619	1'306
Interest (3.75 %)	4	60
Exchange differences (loan is mainly denominated in CHF)	-	-139
<b>Balance as at balance sheet date</b>	<b>623</b>	<b>0</b>

- **Quint Kelders**, Vlijmen (Netherlands), CEO of Airopack Technology Group AG. According to the most recent information available to the Company, Quint Kelders has ownership of 0.6% of the voting rights as at 30 June 2014.

### Issued Capital

In the first half of 2014, Quint Kelders acquired 75'000 (0.6%) shares of the Company through the exercise of options allocated to him under the stock option plan.

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9. PROVISIONS

Provisions include provisions for pending legal matters and other matters where outflows of funds are likely. In all events, the likelihood of such events occurring has been assessed as being well above 50%. In the period under review there were no provisions for pension liabilities and no restructuring provisions. Tax provisions are included in the balance sheet position "tax liability".

### 10. CAPITAL STRUCTURE

#### Issued capital

On 13 May 2014, the General Assembly of Shareholders has approved the proposal of the Board of Directors to convert the bearer shares of the Company into registered shares with the same nominal value of CHF 5 each.

In the first half of 2014, a total of 222'400 registered shares with a nominal value of CHF 5.00 each were issued from the conditional capital. These registered shares have been issued following the exercise of employee stock options at a strike price of CHF 8.25.

#### Authorized capital

On 13 May 2014, the General Assembly of Shareholders has approved the proposal of the Board of Directors to issue new authorized capital up to a maximum of 1.6 million registered shares and a maximum aggregate amount of CHF 8.0 million at any time up to 13 May 2016.

#### Conditional capital

On 13 May 2014, the General Assembly of Shareholders has approved the proposal of the Board of Directors to create new conditional capital up to CHF 10.0 million through the issuance of up to 2.0 million fully paid registered shares with a nominal value of CHF 5 each through the exercise of option rights which shall be granted to the key employees and members of the Board of Directors of the Company or Group companies according to a stock option plan as adopted by the Board of Directors.

### 11. CONTINGENT ASSETS AND LIABILITIES

#### Earn-Out agreements

In case of positive future results of the sold Memory business, Airopack Technology Group participates in accordance with existing earn-out agreements. At the date of the financial statements, the Group had no other major contingent assets.

#### Residual liabilities from the "old COS business"

In the sales transactions of the old COS companies in 2010, Airopack Technology Group AG guaranteed nothing but the transfer of the unrestricted ownership in the respective companies. However, there might be a residual risk due to the possibility of a company that was sold becoming insolvent in the future. In such a case, an insolvency administrator could challenge payments made from the insolvent company to Airopack Technology Group before the insolvency. If payments were made according to an existing obligation, if the paying company had not been insolvent at the time of payment and if the payment was made at least twelve months before insolvency, the entrusted German lawyers consider this risk to be remote. The last payments from sold companies to Airopack Technology Group companies occurred at the end of 2009 and the beginning of 2010 with a total amount of EUR 2.7 million. Up until the date the 2014 half-year accounts were approved, none of the companies sold in 2010 filed insolvency.

# SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11. CONTINGENT ASSETS AND LIABILITIES (continued)

### **Pledge of future license and dividend payments**

In 2004, Airopack Technology Group acquired the IP of a part of the basis technology used in the Pressure Control Device of Airopack from a third party. The parties determined the purchase price according to the following earn-out model:

- 50.00% of the license income from the Airopack Business (without limitation in time)
- 33.33% of dividend payments from Airolux AG (without limitation in time)
- 33.33% of capital gains, should Airopack Technology Group sell its participation in Airolux AG (without limitation in time)

To safeguard the counterparty rights in the mentioned agreement, the transfer of the rights to the acquired base technology is subject to certain restrictions. Furthermore, the future license and dividend payments from Airolux AG to Airopack Technology Group are pledged to the seller of that base technology.

In March 2013, Airopack Technology Group has entered into an agreement with the former owner, pursuant to which Airopack Technology Group has been granted the option to settle the aforementioned purchase price for a fixed amount of EUR 25 million. The newly negotiated purchase price can be paid no later than 31 December 2018, whereby it has been agreed that, within the fixed period, a certain amount per Airopack sold is paid as an advance payment. In case Airopack Technology Group has not paid off the agreed fixed amount of EUR 25 million until 31 December 2018, the earn-out model as originally agreed between the parties will revive. In 2014, Airopack Technology Group has paid 12 TEUR as advance payment (relating to the second half-year 2013) and as at 30 June 2014 Airopack Technology Group has accrued a liability of 84 TEUR (relating to the first half-year 2014) payable in the third quarter 2014. The accrued amount is included in the balance sheet position "Accrued liabilities and deferred income".

### **Legal disputes**

Airopack Technology Group is involved in legal disputes in connection with ordinary operating activities. Although the outcome of these disputes cannot be predicted with certainty at present, Airopack Technology Group assumes that it will not have a major negative impact on business activity or the financial situation of the Group. Expected outgoing payments are provided for accordingly.

## 12. GOING CONCERN

The consolidated income statement shows a net loss of EUR 3.0 million for the first half of 2014 compared to a loss of EUR 3.4 million in the first 6 months of 2013. The result improvement of EUR 0.4 million reflects the increased absorption of the fixed organizational expenses. At the joint venture level EBITDA break-even was achieved for the month of June 2014.

Even in the current phase of Airopack Technology Group's development, having already highly improved operations, accurate forecasting of expected revenues from customer projects remains a moving target. However, the Board of Directors and the Group Management are confident that in the second half of 2014 the operational business of the Group will achieve break-even. As at 30 June 2014, the available cash amounted to EUR 0.7 million. The Board of Directors and Group management are confident that the Airopack Technology Group will be able to obtain sufficient financing to facilitate the growth of the Group and believes the Group is able to meet its targets over the next 12 months, even though unexpected events cannot be fully eliminated at this stage. Nevertheless, the aforementioned conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

## 13. EVENTS AFTER THE BALANCE SHEET DATE

From the accounting reference date until the consolidated financial statements were approved by the Board of Directors on 23 September 2014, the following major events occurred:

- In July 2014, Airopack Technology Group received EUR 0.3 million in new cash generated as a result of the exercise of stock options from the conditional capital.
- In September 2014, Airopack Technology Group received EUR 0.5 million in new cash from loans.

# CORPORATE CALENDAR AND ADDRESSES

## Corporate Calendar

<b>27 March 2015</b>	Financial Reporting 2014
<b>25 September 2015</b>	Half-year Reporting 2015

## Airopack Technology Group registered shares

<b>Exchange</b>	SIX Swiss Exchange Domestic Standard
<b>Ticker</b>	AIRN
<b>ISIN Code</b>	CH 024 260 694 2

## Important Web-links

**[www.airopackgroup.com](http://www.airopackgroup.com)**

Website of the Airopack Technology Group

**<http://www.airopackgroup.com/en/investor-relations/financial-news/>**

Ad-hoc-Information

**<http://www.airopackgroup.com/en/investor-relations/investor-relations-contact/>**

Registration in the mailing list

**[info@airopackgroup.com](mailto:info@airopackgroup.com)**

Contact address

## Investor Relations

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## Disclaimer

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