



# ANNUAL REPORT 2014



## KEY FIGURES

in TEUR  
2014

in TEUR  
2013

### Consolidated income statement

Net sales	7'210	954
EBITDA	-3'474	-4'035
EBIT	-5'453	-5'907
Net result	-6'050	-6'244
Net result per share in EUR	-0.47	-0.54

<b>Consolidated cash flow</b>	<b>508</b>	<b>307</b>
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### Consolidated balance sheet

Cash and cash equivalents	956	443
Shareholders' equity	4'767	8'774
Balance sheet total	24'722	21'251

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



Acrosol?      Pump?

Yes       Yes

No       No

## PROFILE OF AIROPACK TECHNOLOGY GROUP

**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® 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® uses just normal compressed air which results in dispensing a formulation at constant pressure from start to finish.

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 PCD manufacturing site, global R&D and customer service facility in Waalwijk (the Netherlands) and a sales office in Pendergrass, GA (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®.

Via the unique Full-Service offering Airopack Group can mould, assemble, sleeve or label, fill and pack Airopack® 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 2014, Airopack Technology Group's joint venture company Airolux produced and delivered 17.9 million pieces of Airopack, compared to 1.4 million pieces in 2013.

The majority of the volume was shipped to the globally leading personal care company Procter & Gamble for their shave care brand Gillette Fusion Proglide. On top of volumes shipped to other existing customers like Method Products and Elizabeth Arden, Airopack Group was able to add various new renowned consumer brands such as Aproz, Acure Organics and HAND Chemistry to its sales portfolio in 2014.

On the consolidated level the net sales amounted to EUR 7.2 million, compared to EUR 1.0 million in 2013.

## Result development

The 2014 consolidated income statement shows a net loss of EUR 6.1 million. The consolidated gross profit of EUR 3.2 million, including an incidental income of EUR 1.5 million from the intergroup transfer of the ready to sell concept, was not sufficient to cover the fixed organizational expenses. Even though the consolidated EBITDA showed a significant improvement compared to 2013, this was largely off-set by increased depreciation and financing cost.

## Further production ramp-up

In view of the contracted and expected increase in sales volumes, Airopack Group will increase its production capacity to 80 million Airopack dispensers per year in 2015 and plans a further increase to 160 million dispensers per year in 2016.

On top of investments necessary to manufacture (empty) ready to fill Airopack dispensers a substantial amount will be invested in the full-service operation, including formulation development, bulk production, filling, decoration and logistics. With the full-service approach Airopack Group is establishing a unique concept in the dispenser market.

It is the expectation of the Group Management that the geographical spread of the sales volume will continue to show a strong concentration in the United States of America. Therefore a localization of production to the United States of America is envisioned for early 2016.

The required capital expenditure for production equipment together with the related working capital needs as per the joint venture business plan 2015-2016 are estimated at approximately EUR 25.6 million, and are fully covered by funding provided by joint venture partner Resilux. Where possible, Airolux will procure external financing such as leasing and factoring.

## Prospects

Based on the contracted and expected increase in sales volumes, the Board of Directors and Group Management expect its 2017 consolidated sales to range between EUR 110 million and EUR 130 million with a consolidated EBIT-margin of between 13% and 15%.

For 2015, the Board of Directors and Group Management are confident that the operational business of the Group will rapidly move towards break-even, resulting in a substantial result improvement compared to 2014.

We would like to thank everyone at Airopack Technology Group for their great efforts in contributing to yet another year of progress for the Group. On behalf of our Board of Directors we would especially like to thank our shareholders for their loyalty to our Company. We hope to count on your continued support.

Baar, March 2015

**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 2014, a total of 282'900 shares with a nominal value of CHF 5.00 each were issued from the conditional capital. These shares have been issued following the exercise of 282'900 share options.

### 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 April 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 share option rights which shall be granted to the key employees and members of the Board of Directors of the Company or its Group companies according to a share option plan as adopted by the Board of Directors.

In 2014, a total of 282'900 shares with a nominal value of CHF 5.00 each were issued from the conditional capital. As at 31 December 2014, the remaining conditional capital consisted of 1'717'100 shares.

## Income statement

In 2014, the consolidated net loss amounted to EUR 6.1 million. On EBITDA level the loss amounted to EUR 3.5 million, compared to a loss of EUR 4.0 million in 2013. The major positions of the income statement 2014 can be explained as follows:

### Operating income

The joint venture company Airolux realized a sales volume of 17.9 million pieces of Airopack which resulted in consolidated net sales of EUR 7.2 million, compared to EUR 1.0 million in the previous year. In 2014, an income of EUR 0.1 million (2013: EUR 0.3 million) was created by increased inventory of finished goods to fulfil orders placed by the customer. Other income includes external development fees and revenues from pilot tooling delivered to customers. In 2014 an incidental operating income of EUR 1.5 million was realized from the intergroup transfer of the ready to sell concept.

### 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 3.0 million, an increase of EUR 0.6 million compared to 2013 mainly as a result of investments made in sales, customer service, R&D and laboratory staff employed by the joint venture Airolux to support the ramp-up of numerous customer projects.

### Other operating expense

Mainly as a result of an incidental consulting expense of EUR 1.0 million, other operating expense increased to EUR 3.7 million. A detailed breakdown of other operating expense can be found on page 34 of the Annual Report.

### Depreciation / Amortization

Depreciation of tangible fixed assets amounted to EUR 1.2 million compared to EUR 1.1 million in 2013. Amortization of intangible assets remained unchanged at EUR 0.8 million.

# FINANCIAL REVIEW

## Balance sheet

The major assets of the Airopack Group are machinery, molds and intellectual property.

As the future value of the Business would represent self-created goodwill, it is not recognized in the consolidated accounts which explains why the consolidated equity of the Group as at 31 December 2014 is EUR 4.8 million, whereas the equity of the parent company, Airopack Technology Group AG is EUR 63.1 million (CHF 75.8 million).

In 2014, 282'900 shares were issued from the conditional capital. As a result, the Group's equity was increased by EUR 1.9 million of which EUR 1.2 million share capital at nominal value, and EUR 0.7 million capital reserves.

## Liquidity

The cash flow from operating activities amounted to negative EUR 5.9 million. On top, EUR 1.2 million was used to fund the joint venture and EUR 0.4 was paid on new tangible assets. The resulting negative cash flow of in total EUR 7.4 million was financed by additional loans of EUR 6.0 million and EUR 1.9 million generated by the shares issued from the conditional capital. At 31 December 2014, the cash position of the Group amounted to EUR 1.0 million.

Baar, March 2015

**Frans van der Vorst**  
CFO

# CORPORATE GOVERNANCE

Airopack Technology Group is fully committed to good corporate governance and aims to provide all stakeholders with the greatest transparency possible. The Company adheres to the standards of the directive on information relating to Corporate Governance by SIX Swiss Exchange, if applicable and significant to Airopack Technology Group.

## 1. Group structure and shareholders

### 1.1 Group structure

#### 1.1.1 Operational Group Structure

Airopack Technology Group AG (hereinafter “The Company”) is a holding company organised in accordance with Swiss law and holds all companies belonging to the Airopack Group either directly or indirectly. The entire Group is operationally managed by the Group Management. Airopack Group currently is active in one business segment.

#### 1.1.2 Listed companies

Airopack Technology Group AG with statutory seat in Baar, Switzerland, is the only listed company of the Airopack Group. The registered shares of Airopack Technology Group AG, are listed on SIX Swiss Exchange (Ticker: AIRN / ISIN: CH 024 260 694 2). The market capitalisation of the Company as at 31 December 2014 amounted to EUR 83.7 million (CHF 100.7 million).

#### 1.1.3 Non-listed companies

All investments in subsidiaries and associates are listed on page 45 of the Annual Report together with the information on location, share capital and the size of the equity interest.

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.

### 1.2 Significant shareholders

The Company is aware of the following shareholders, who according to Article 20 SESTA held more than 3% of the voting rights based on the share capital registered in the commercial register as at 31 December 2014:

Jan Kelders, Riederalp (Switzerland)	59.25%
Balfidor Fondsleitung AG, Basel (Switzerland)	4.52%

The individual disclosure reports that were published during the year under review can be found on the web page of the Disclosure Office of SIX Swiss Exchange ([http://www.six-swiss-exchange.com/shares/companies/major\\_shareholders\\_en](http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en)).

### 1.3 Cross-shareholdings

As at 31 December 2014, no cross-shareholdings exist with other companies.

## 2. Capital structure

### 2.1 Capital as at 31 December 2014

	Number of shares	Par value per share in CHF	Total in CHF
Ordinary share capital	12'989'063	5.00	64'945'315
Authorized share capital (until 13 May 2016)	1'600'000	5.00	8'000'000
Conditional share capital	1'717'100	5.00	8'585'500



# CORPORATE GOVERNANCE

## 2.2 Authorized share capital and conditional share capital

### Authorized share 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 April 2016.

The Board of Directors is authorized to limit or exclude subscription rights of shareholders and to allocate them to third parties if the new shares are to be used for the acquisition of companies, parts of companies, equity stakes or the financing of such transactions, to enable a participation of strategic partners or investors or for the fast and flexible raising of equity capital through a placement of shares that would be difficult to implement with subscription rights.

### Conditional share 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 share option rights which shall be granted to the key employees and members of the Board of Directors of the Company or its Group companies according to a share option plan as adopted by the Board of Directors.

## 2.3 Changes in share capital over the past three financial years

	Number of shares	Par value per share in CHF	Total in CHF
<b>As at 31 December 2011</b>	<b>8'987'571</b>	<b>5.00</b>	<b>44'937'855</b>
Capital increase 23 March 2012	895'000	5.00	4'475'000
<b>As at 31 December 2012</b>	<b>9'882'571</b>	<b>5.00</b>	<b>49'412'855</b>
Capital increase 15 May 2013	2'823'592	5.00	14'117'960
<b>As at 31 December 2013</b>	<b>12'706'163</b>	<b>5.00</b>	<b>63'530'815</b>
Capital increase from conditional capital	282'900	5.00	1'414'500
<b>As at 31 December 2014</b>	<b>12'989'063</b>	<b>5.00</b>	<b>64'945'315</b>

## 2.4 Shares and participation certificates

### Ordinary share capital

As at 31 December 2014, the share capital of Airopack Technology Group AG amounted to a total of 12'989'063 registered shares (31.12.2013: 12'706'163). The issued registered shares are fully paid in. Each registered share carries one vote at the Annual General Meeting. There are no shares affording preferential voting rights.

### Participation certificates

The Company has no participation certificates outstanding.

## 2.5 Dividend-right certificates

The Company has no dividend-right certificates outstanding.

## 2.6 Limitations on transferability and nominee registrations

### Limitations on transferability

There are no limits on the transferability of the registered shares.

# CORPORATE GOVERNANCE

## Nominee registrations

The Articles of Association of the Company include the following registration limits:

- Acquirers of registered shares are entered into the share register upon request as shareholders with voting rights provided that they expressly declare that they have acquired these registered shares on their own behalf and for their own account.
- The Board of Directors may enter nominees with up to a maximum of 3% of the registered share capital as recorded in the commercial register with voting rights in the share register. In accordance with this regulation, nominees are persons who do not expressly declare in the share register entry that they hold the shares for their own account and with whom the Board of Directors has entered into an agreement to this effect.
- Beyond this limit the Board of Directors can enter registered shares of nominees with voting rights in the share register, if the nominee in question states the name, address and shareholdings of those persons for whose account it holds 0.5% or more of the registered share capital as recorded in the commercial register.
- Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships (especially syndicates) which act in concert with intent to evade the entry restrictions are considered as one shareholder or nominee.
- The entry restrictions also apply to registered shares that were purchased or acquired through the exercising of advance subscription rights, options or conversion rights.

## 2.7 Convertible bonds and share option rights

### Convertible bonds

As at 31 December 2014 there are no convertible bonds outstanding.

### Share option rights

In 2011 an option program for the members of the Board of Directors, Group Management and key employees was launched. As at 31 December 2014 a total of 704'658 (31.12.2013: 975'058) share option rights were allocated as per the table below corresponding to 5.546% of the outstanding ordinary share capital of the Company as at 31 December 2014 (capital registered in the commercial register). Detailed information regarding share option rights held by members of the Board of Directors and the Group Management can be found on page 52 of the Annual Report.

#### Outstanding options as at 31 December 2014

Number of options	Excercise price in CHF	Ratio	Vesting period	Excercise period
76'677	8.25	1 : 1	2 years	07.09.2013 - 06.09.2015
123'531	9.10	1 : 1	2 years	23.05.2014 - 22.05.2016
38'150	9.10	1 : 1	2 years	04.07.2014 - 03.07.2016
21'800	9.10	1 : 1	2 years	24.09.2014 - 23.09.2016
54'500	9.00	1 : 1	2 years	19.02.2015 - 18.02.2017
390'000	9.00	1 : 1	2 years	09.12.2015 - 08.12.2017

For the options granted before May 2013 the exercise price and number of options allocated have been adjusted to compensate for the dilution resulting from the capital increase of 15 May 2013.

# CORPORATE GOVERNANCE

## 3. Board of Directors

### 3.1 Members of the Board of Directors

### 3.2 Other activities and vested interests



**Dr. Alexander Vogel**, Swiss Citizen, Born 1964

Chairman of the Board of Directors (non-executive)  
Chairman of the Nomination & Compensation Committee  
Member since 29 June 2010, elected until the 2015 Annual General Meeting

#### Education and qualification

Dr. iur., University of St. Gallen, admitted to the Swiss and New York Bar

#### Present position

Since 2000: Partner of meyerlustenberger | lachenal Attorneys at Law with specialization in the areas: Corporate Law, Mergers & Acquisitions, Capital Markets and Finance, Head of the M&A/Corporate Department of the firm, Member of the Steering Committee of the firm.

#### Previous positions

Associate with Mayer, Brown & Platt, Chicago (1994)  
Associate with meyerlustenberger (1992-1999)

#### Other activities and vested interests

Board member of various Swiss Companies, of which the following are the most essential: Meyer Burger Technology AG, Allreal Finanz AG and Müller Steinag Gruppe.

No further mandates for Board memberships or consulting activities for important Swiss or foreign organisations.

No significant official functions or political offices

No significant business relationship with the Company or any of its subsidiaries.

No member of management of the Company or any of its subsidiaries in the three fiscal years preceding the year under review.



**Quint Kelders**, Citizen of the Netherlands, Born 1974

Executive Member of the Board of Directors  
Member since 29 June 2010, elected until the 2015 Annual General Meeting

#### Education and qualification

Bachelor Business Administration, The University of Hull, Greenwich University (Hull/London UK)  
Business Degree, IVA University Driebergen (NL)  
Technical Degree, Technical College Waalwijk / Gilze (NL)

#### Present position

Chief Executive Officer (CEO) of Airopack Technology Group AG  
President of the Board of Directors of AiroLux AG, Bilten.

#### Previous positions

Top Management functions with Meadwestvaco Corporation (MWV), Richmond, USA (2007-2010)

CEO and major shareholder of Keltec Dispensing Systems, NL (1997-2007)

Global Sales & Marketing Director of Heesen Yachts B.V., Oss, NL and Heesen Continental Yachts B.V., Fort Lauderdale, USA (2000-2006)

Assistant to the Managing Directors of Ganahl AG, Volketswil, Switzerland (1997)

#### Other activities and vested interests

Board Member of different group companies of Airopack Technology Group.

Member of the Board of Directors of the following companies: Q-Invest B.V., ROQ Investments in Innovations B.V., Jan Kelders Beheer B.V.

No further mandates for Board memberships or consulting activities for important Swiss or foreign organisations.

No significant official functions or political offices

## CORPORATE GOVERNANCE



**Daniel Gutenberg**, Swiss Citizen, Born 1966

Member of the Board of Directors (non-executive)  
Member of the Audit Committee  
Member since 12 May 2005, elected until the 2015 Annual General Meeting

### Education and qualification

Engineer in high frequency technology with a master's degree of CPLN Neuchâtel, Switzerland.

### Present position

General Partner of VI Partners AG, a Swiss venture capital company.

### Previous positions

1991 – 2001 Founder, Managing Director and sole shareholder of Gutenberg Communication Systems AG  
Until 2001: Member of the Executive Board and Country Manager of Telindus.

### Other activities and vested interests

Financier, coach and consultant of several start-up companies mainly in technical fields. In the context of those activities, he has been elected in several Boards of Directors, of which the following are the most essential: SonicEmotion AG and Gonnado AG. Furthermore, he is President of the Schweizer Technion Gesellschaft.

No further mandates for Board memberships or consulting activities for important Swiss or foreign organisations.  
No significant official functions or political offices

No significant business relationship with the Company or any of its subsidiaries.

No member of management of the Company or any of its subsidiaries in the three fiscal years preceding the year under review.



**Benno Zehnder**, Swiss Citizen, Born 1955

Member of the Board of Directors (non-executive)  
Chairman of the Audit Committee  
Member of the Nomination & Compensation Committee  
Member since 29 June 2010, elected until the 2015 Annual General Meeting

### Education and qualification

Certified accountant/controller, Business apprenticeship, advanced education in Merger & Acquisitions

### Present position

Co-founder and partner of ZSP Consulting AG, Baar (Switzerland) with specialization in the following fields: Business and strategic consulting, consulting of start-up companies and family offices, real estate projects.

### Previous positions

CFO Pelikan-Group, Zug and Project Manager Metro International AG, Baar (1991-1994)  
Controller and Project Manager Metro International AG, Baar (1988-1991)

### Other activities and vested interests

Board Member of different group companies of Airopack Technology Group.

Board member of various Swiss Companies, of which the following are the most essential: Sensile Holding AG, Verenhof AG.

No further mandates for Board memberships or consulting activities for important Swiss or foreign organisations.  
No significant official functions or political offices

No significant business relationship with the Company or any of its subsidiaries.

No member of management of the Company or any of its subsidiaries in the three fiscal years preceding the year under review.

## CORPORATE GOVERNANCE



**John McKernan**, US Citizen, Born 1959

Member of the Board of Directors (non-executive)  
Member since 24 May 2012, elected until the 2015 Annual General Meeting

### **Education and qualification**

Master of Plastics Engineering, University of Lowell, U.S.A.

### **Present position**

President and CEO of Peninsula Packaging, California, U.S.A.

### **Previous positions**

President and CEO of York Label (2009-2011)

President of MeadWestvaco Calmar (1996-2009)

Vice President Sales & Marketing of Setco (1985-1996)

### **Other activities and vested interests**

No further mandates for Board memberships or consulting activities for important Swiss or foreign organisations.

No significant official functions or political offices.

No significant business relationship with the Company or any of its subsidiaries.

No member of management of the Company or any of its subsidiaries in the three fiscal years preceding the year under review.

### **3.3 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para. 1 point 1 of the Ordinance against Excessive Compensation at stock exchange listed companies (OaEC)**

In compliance with the OaEC, the following limits on the number of mandates permissible to Board members apply:

- 5 mandates at listed companies;
- 20 mandates at other legal entities against compensation;
- 10 mandates without compensation.

### **3.4 Election and term of office**

The Board of Directors, which according to the Articles of Association comprises of at least three members, currently has five members. Quint Kelders is the only executive member. The other four members are non-executive members. The members of the Board of Directors are elected by the General Meeting for a term up to and including the next Annual General Meeting, on completion of which they can be re-elected. At the General Meeting of 13 May 2014, Nicolas Mathys resigned from the Board of Directors.

### **3.5 Internal organisational structure**

The General Meeting elects the Chairman of the Board. The Board appoints a Secretary. As at 31 December 2014 the Board is organized as follows:

Dr. Alexander Vogel, Chairman, non-executive

Quint Kelders (CEO), Member, executive

Daniel Gutenberg, Member, non-executive

Benno Zehnder, Member, non-executive

John McKernan, Member, non-executive

The Chairman convenes a meeting of the Board of Directors as often as the Group's business requires, but at least four times a year. The meetings are chaired by the Chairman who also sets the agenda. Each member of the Board of Directors can request the convocation of a meeting and the inclusion of an item in the agenda. Minutes are taken of the discussions and resolutions at the meetings. The Board of Directors convenes for ordinary half-day meetings.

In the calendar year 2014, the Board held 8 meetings, of which 6 via telephone conference. The Board meetings usually lasted around 4 hours, telephone conferences around 1 hour.

## CORPORATE GOVERNANCE

Two committees were set up to support the Board of Directors: the Audit Committee and the Nomination & Compensation Committee. The committees meet regularly and are required to prepare minutes of their meetings and recommendations for perusal at the meetings of the Board of Directors. The committees notify the full Board of Directors of important matters immediately.

### **Audit Committee**

The Audit Committee's primary task is to maintain a comprehensive and efficient auditing system for Airopack Technology Group AG and the Airopack Group. The committee also approves the focal points of the audits and reviews the audit results, accounting principles and financial control mechanisms. The Audit Committee's decisions are subject to approval by the full Board of Directors. The members of the Audit Committee are the Board members Benno Zehnder (Chairman) and Daniel Gutenber. The CFO usually attends all meetings as well as representatives of the external auditors, as required. Two meetings were held in 2014, both of which were attended by the external auditor and one of which was conveyed in the absence of the CFO.

### **Nomination & Compensation Committee**

The Nomination & Compensation Committee comprises of at least two members. The members of the Nomination & Compensation Committee – which need to be Board Members - are elected by the General Meeting for a term up to and including the next Annual General Meeting, on completion of which they can be re-elected.

The Nomination & Compensation Committee submits proposals to the full Board of Directors concerning the total compensation of the members of the Board of Directors and Group Management. The General Meeting approves the total compensation of the members of the Board of Directors and Group Management.

Details of the Airopack Group's remuneration policy can be found in the Remuneration Report on pages 19 to 23. The members of the Nomination & Compensation Committee are the Board members Dr. Alexander Vogel (Chairman) and Benno Zehnder. Two meetings were held in 2014.

### **3.6 Definition of areas of responsibility**

The duties of the Board of Directors are defined in the Swiss Code of Obligations, the Articles of Association and the Organizational Regulations. The primary duties of the Board of Directors are:

- Strategic direction and management of the Airopack Technology Group;
- Determining the organization;
- Determining the accounting framework as well as the principals for planning, policy and controls;
- Appointing and dismissing members of Group Management and other key executives as well as determining authorised signatories;
- Supervision on Group Management;
- Preparing the Annual Report and the Annual Shareholders' Meeting and executing the passed resolutions;
- Informing the competent court in case of over-indebtedness;
- Deciding on increase of the capital of the Company and the resulting changes in the Articles of Association;
- Deciding on capital increases and the resulting changes in the Articles of Association.

The Board of Directors delegates all management duties to the Group Management to the extent permitted by law and by the Articles of Association. The Organizational Regulations contain detailed rules for the delegation of competencies. The remit of the Board of Directors covers decisions on the acquisition and sale of shareholdings, strategic partnerships, and investments not included in the budget or exceeding a certain significance threshold.

### **3.7 Information and control instruments vis-à-vis Group Management**

The CEO and the CFO inform the Board of Directors about current business performance and key projects at each board meeting. On a monthly basis the CFO prepares a consolidated income statement and provides it with respective comments and key information on the liquidity status and major risk positions to the Board of Directors. All members of the Board of Directors may request to see any information relevant to the Company. Group risk analyses are conducted on a regular basis by the Audit Committee. The main risks are analysed at least once a year at the Board of Directors level. For further information regarding risk management please refer to Note 10 of the financial statements on page 53 of the Annual Report.

# CORPORATE GOVERNANCE

## 4.0 Group Management

### 4.1 Members of Group Management

#### 4.2 Other activities and vested interests

The CEO and CFO are elected by the Board of Directors at the recommendation of the Nomination & Compensation Committee. The members of Group Management also have positions in the Board of Directors of Airopack Technology Group's subsidiaries. In 2014 the Group Management remained unchanged.



**Quint Kelders**, Citizen of the Netherlands, Born 1974

Chief Executive Officer (CEO) and Executive Member of the Board of Directors  
CEO since 29 June 2010

#### Education and qualification

Bachelor Business Administration, The University of Hull, Greenwich University (Hull/London UK)  
Business Degree, IVA University Driebergen (NL)  
Technical Degree, Technical College Waalwijk / Gilze (NL)

#### Present position

Chief Executive Officer (CEO) of Airopack Technology Group AG  
President of the Board of Directors of Airolux AG, Bilten.

#### Previous positions

Top Management functions with Meadwestvaco Corporation (MWV), Richmond, USA (2007-2010)  
CEO and major shareholder of Keltec Dispensing Systems, NL (1997-2007)  
Global Sales & Marketing Director of Heesen Yachts B.V., Oss, NL and Heesen Continental Yachts B.V., Fort Lauderdale, USA (2000-2006)  
Assistant to the Managing Directors of Ganahl AG, Volketswil, Switzerland (1997)

#### Other activities and vested interests

Board Member of different group companies of Airopack Technology Group.  
Member of the Board of Directors of the following companies: Q-Invest B.V., ROQ Investments in Innovations B.V., Jan Kelders Beheer B.V.  
No further mandates for Board memberships or consulting activities for important Swiss or foreign organisations.  
No significant official functions or political offices.



**Frans van der Vorst**, Citizen of the Netherlands, Born 1967

Chief Financial Officer (CFO)  
CFO since 1 February 2011

#### Education and qualification

Master's degree in Business Economics from Tilburg University (NL)

#### Present position

Chief Financial Officer (CFO) of Airopack Technology Group AG

#### Previous positions

Senior Corporate Finance Consultant at Witlox Van den Boomen (2009-2011)  
Financial Director of Keltec Dispensing Systems / Meadwestvaco (2006-2009)  
Finance Manager of Brabantia (1996-2006)  
Controller of Van Geel Legrand (1990-1996)

#### Other activities and vested interests

Board Member of different group companies of Airopack Technology Group.  
No further mandates for Board memberships or consulting activities for important Swiss or foreign organisations.  
No significant official functions or political offices.

# CORPORATE GOVERNANCE

## **4.3 Rules in the Articles of Association on the number of permitted activities pursuant to Art. 12 para. 1 point 1 of the Ordinance against Excessive Compensation at stock exchange listed companies (OaEC)**

In compliance with the OaEC, the following limits on the number of mandates permissible to members of Group Management apply:

- 1 mandate at listed companies;
- 1 mandate at other legal entities against compensation;
- 2 mandates without compensation.

Acceptance by members of the Group Management of mandates outside the Airopack Technology Group needs prior approval of the Board.

## **4.4 Management Contracts**

As at 31 December 2014 and during the reportable period, there have been no management contracts between the Group and companies or persons entrusted with management tasks.

## **5.0 Compensations, shareholdings and loans**

Detailed information to compensation, shareholdings and loans to active and former members of the Board of Directors and of the Group Management is included in the Remuneration Report on pages 19 to 23 and in Note 9 to the Financial Statements on page 52 of the Annual Report).

## **6.0 Shareholders' participation rights**

### **6.1 Voting rights restrictions and representation**

Each registered share is entitled to one vote. A shareholder may be represented at the General Meeting of Shareholders by a person with written power of attorney, who does not need to be a shareholder.

### **6.2 Quorums required by the Articles of Association**

Provided there are no mandatory legal provisions to the contrary, the General Meeting of Shareholders drafts its resolutions and performs its votes on the basis of the absolute majority of the voting rights represented. In case an absolute majority is not reached in the first ballot, a relative majority is required in a second ballot. As a general rule, an open ballot is used. A secret ballot is held at the request of the Chairman, or if one or more shareholders representing a total of at least 10 percent of the voting right request this.

### **6.3 Convocation of the General Meeting of Shareholders**

The General Meeting of Shareholders is held annually, at the latest six months after the end of the fiscal year. It is convened by the Board of Directors. The invitation, together with the agenda and the motions, must be published at least twenty days before the meeting is to be held. One or more shareholders who, together, represent at least 10 percent of the share capital may demand the Board of Directors to call a General Meeting.

### **6.4 Inclusion of items on the agenda**

As per Art. 699 para. 3 Swiss Code of Obligations (CO), shareholders representing shares with a total par value of at least CHF 1 million, or at least 10 percent of the share capital, may request an item for discussion to be placed on the agenda.

### **6.5 Entries in the share register**

No entries will be made in the share register for a period of 30 days prior to a General Meeting of Shareholders.



# CORPORATE GOVERNANCE

## 7. Changes of control and defence measures

### 7.1 Duty to make an offer

The legal threshold of 33 1/3% of the voting rights as per Art. 32 BEHG, which obliges to make a takeover offer to the public stockholders is revoked in article 5bis ("opting out clause") of the Company's articles of association (as per the decision of the shareholders at the meeting on 7 May 2009).

### 7.2 Clauses on changes of control

There are no clauses on changes of control in favour of the members of the Board of Directors, Group Management or other employees.

## 8. Auditors

### 8.1 Duration of the mandate and term of office of the lead auditor

BDO AG, Zurich, have been the statutory auditors for Airopack Technology Group AG since 2007. The statutory auditors are elected by the Annual General Meeting of Shareholders for a period of one year. The lead auditor is René Füglistner, Swiss Certified Accountant. He has been responsible for this auditing mandate since 2011.

### 8.2 Auditing fees

In 2014, BDO AG as statutory auditors received audit fees for their services in the amount of CHF 140k (2013: CHF 101k).

### 8.3 Additional fees

In 2014, BDO AG received fees for preparing tax returns and tax compliance in the amount of CHF 5k (2013: CHF 25k).

### 8.4 Information instruments pertaining to the external audit

The Board of Directors' Audit Committee assesses the performance, invoicing and independence of the external auditors and provides the Board of Directors with corresponding recommendations. The auditors provide Group Management and the Audit Committee with regular reports that set out the results of their work and recommendations. The Audit Committee annually reviews the scope of the external audit, the audit plans and the relevant procedures, and discusses the audit reports with the external auditors. The external auditors attended two meetings of the Audit Committee in 2014.

# CORPORATE GOVERNANCE

## 9. Information policy

Airopack Technology Group AG provides current and potential investors and the general public with extensive information about the Company, its strategy and business development. The Company also publishes all share price relevant facts on its website in accordance with the requirements of the guidelines on ad-hoc public disclosure. The Company's website also offers an electronic information tool that enables shareholders and other interested parties to be added to an electronic distribution list (<http://www.airopackgroup.com/en/investor-relations/investor-relations-contact/>) The aim is to provide rapid, real-time and transparent information about important Company developments. Airopack Technology Group AG publishes a consolidated income statement and balance sheet every six months. Shareholders are given information on the Group's business performance at the General Meeting, via the half-year report and, if necessary, through additional channels.

The Company's official publication organ is the Swiss Commercial Gazette.

### Corporate Calendar

<b>28 May 2015</b>	Annual General Meeting of Shareholders 2015
<b>25 September 2015</b>	Half year report 2015
<b>25 March 2016</b>	Financial reporting 2015

### 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

# REMUNERATION REPORT

This Remuneration Report provides information on the remuneration system and the compensation paid to the members of the Board of Directors and of the Group Management of Airopack Technology Group AG for the fiscal year 2014. The content and amount of information provided is in line with the provisions of the new "Ordinance against Excessive Compensation at stock exchange listed companies" (OaEC), which was issued by the Federal Council and has become effective as of 1 January 2014, as well as the Directive Corporate Governance (DCG) issued by SIX Swiss Exchange.

This Remuneration Report was approved by the Board of Directors on 19 March 2015.

## Remuneration Principles

Airopack Group offers all of its employees a compensation system that is competitive, performance oriented and aligned to sustainable value creation. The compensation is based on the following principles:

- Attract highly qualified and motivated employees, specialists and executives;
- Fair and competitive compensation that fosters entrepreneurial behavior;
- Total compensation that aligns the Company's long-term strategy and the interests of employees, Group Management, Board of Directors and shareholders;
- Performance oriented compensation to support the short-term and long-term corporate targets;
- Share option program for selected key employees, which allows financial participation in the mid-term and long-term development of the value of Airopack Technology Group shares.

## Share option program as long-term incentive

In 2011 an option program for the members of the Board of Directors and the Group Management as well as for other selected key employees was launched. Each option entitles the holder to buy one share in Airopack Technology Group AG at a fixed exercise price. The Board of Directors determines the individual participants of the plan at its own discretion. Options may only be allocated to employees with an employment contract of indefinite term and in positions not under notice, and to serving members of the Board of Directors, who have not submitted their resignation.

Each participant receives an individual letter, stipulating the number of share options being allocated, the exercise price, the exercise and vesting period as well as any other necessary modalities.

Options allocated under the plan expire four years after the issue date and are subject to a vesting period of two years, during which period the options cannot be exercised. Options expire without compensation in case the employment is terminated during the vesting period.

## Nomination and Compensation Committee

The General Meeting of Shareholders appoints the members of the Nomination & Compensation Committee. The Nomination & Compensation Committee is in charge of the process for the selection of new members of the Board of Directors and the application process for new members of the Board of Directors and the Group Management. The Nomination & Compensation Committee submits proposals to the full Board of Directors concerning the total compensation of the members of the Board of Directors and Group Management. The General Meeting approves the total compensation of the members of the Board of Directors and Group Management.

In addition, the Committee is responsible for the inspection, proposal and monitoring of the implementation of the share option plan.

## Compensation to the members of the Board of Directors

### Compensation for Board responsibilities

The compensation of the members of the Board of Directors is based on the exposure and responsibilities of each individual member (Board of Directors: Chairman, Member).

The total compensation includes the following elements:

- Fixed Board of Directors fee (generally paid in cash)
- Grant of share options as long-term incentive (share option program)
- Applicable social security costs

The compensation structure with a fixed Board of Directors' fee and a certain amount of share options granted as long-term incentive ensures the focus of the Board of Directors on the long-term success of the Company.

The Nomination & Compensation Committee submits proposals to the full Board of Directors concerning the total compensation of the members of the Board of Directors. The General Meeting approves the total compensation of the members of the Board of Directors.

As of 2013 all non-executive Members of the Board of Directors have opted to receive their total compensation in share option rights only until the Company reaches break even.

# REMUNERATION REPORT

## **Compensation for executive functions**

One member of the Board of Directors, Quint Kelders, was in an executive function within the Airopack Group during fiscal year 2014. The total compensation of Quint Kelders is summarized under Group Management. Please refer to the information in the section "Compensation to the members of the Group Management" of the Remuneration Report.

## **Total compensation to the members of the Board of Directors**

The table with details to the compensation of the members of the Board of Directors in conjunction with Article 14 OaEC is included on the last page of this Remuneration Report (page 22 of the Annual Report).

## **Compensation to the members of the Group Management**

The compensation for the members of the Group Management includes a fixed portion (yearly base salary, compensation in kind), a variable component (long-term incentive plans) as well as social benefits. The variable incentive component enables a participation in Airopack Technology Group and ensures the focus of the Group Management on mid- and long-term value creation of the Company. It also ensures the focus on shareholders' interests. The Nomination & Compensation Committee submits proposals to the full Board of Directors concerning the total compensation of the members of the Group Management. The General Meeting approves the total compensation of the members of the Group Management.

When discussing the compensation of the CEO (who is also a member of the Board of Directors), the CEO is not included in the discussion. Neither external consultants nor particular surveys were used.

## **Base salary**

The members of the Group Management receive an annual base salary that reflects the position and responsibilities of each member. The base salary is usually fixed at the beginning of the year and will usually not be changed during the reporting period.

## **Short-term incentive – Variable, performance related component (bonus)**

Currently no target bonus is defined for members of the Group Management.

## **Long-term incentive – Share option based compensation**

The Board of Directors grants share options as a long-term incentive to the members of the Group Management as well as to other key employees. This enables the retaining of employees and reinforces the focus on the mid- to long-term success of the Company. The amount of shares options allocated during a fiscal year is proposed by the Nomination & Compensation Committee, discussed by the Board of directors and finally approved by the General Meeting.

## **Share allocations in the year under review**

No shares were allocated to members of the Board of Directors or members of Group Management and affiliated persons in the year under review.

## **Compensation in kind and social benefits**

Compensation in kind includes the payment for private use of a company car. The members of the Group Management are, like all employees with domicile in the Netherlands insured for social securities in the Netherlands. The compensation for social benefits contains the applicable Dutch governmental social security payments. No contributions are paid by the Company to any pension fund for the members of the Group Management.

## **Total compensation to the members of the Group Management**

The table with details to the compensation of the members of the Group Management in conjunction with Article 14 OaEC is included on the last page of this Remuneration Report (page 22 of the Annual Report).

# REMUNERATION REPORT

## Benefits, contractual terms on leaving the Company

Neither the members of the Board of Directors nor the members of the Group Management have any contracts with specific severance payments or contracts with particularly long termination terms (contracts with the members of the Group Management have a termination terms of six months).

## Loans to members of the Board of Directors or the Group Management

As at 31 December 2014, Airopack Technology Group had not granted loans to nor acted as guarantor for any (former) members of the Board of Directors or to/for any members of Group Management or to/for any related party.

## Compensation to former members of the Board of Directors and Group Management

No fees, salaries, credits, bonuses or non-cash benefits were paid to former members of the Board of Directors or Group Management in the year under review.

## Compensation, loans and credits to related persons

Persons related to current and former members of the Board of Directors, persons related to current and former members of the Group Management and persons related to current and former members of the advisory board are considered to be related persons.

In the fiscal year 2014, the Company did not pay any non-market standard compensation to related persons.

As at 31 December 2014, the Company has no outstanding loans nor credits granted at non-market conditions to related persons.

## Additional fees and remuneration

No additional fees or remuneration were paid out.

## Participations in the Company

As at 31 December 2014, the members of the Board of Directors and the Group Management held a total participation of 5.60% of the outstanding registered share capital. This participation includes registered shares purchased as well as share options allocated in conjunction with the share option program. For detailed information we refer to Note 9 to the Financial Statements of Airopack Technology Group AG (page 52 of the Annual Report).

# REMUNERATION REPORT

	Period	Fixed cash compensation	Option based compensation <sup>2</sup>	Social security contributions	Benefits in kind <sup>3</sup>	in TCHF Total compensation
<b>Compensation 2014</b>						
<b>Board of Directors</b>						
Alexander Vogel, Chairman	full year	-	120	-	-	120
Quint Kelders, Member	full year	total compensation shown under Group Management				
Daniel Gutenberg, Member	full year	-	80	-	-	80
Nicolas Mathys, Member <sup>1</sup>	01-05.14	-	-	-	-	0
John McKernan, Member	full year	-	80	-	-	80
Benno Zehnder, Member	full year	-	80	-	-	80
<b>Total Board of Directors</b>		<b>0</b>	<b>360</b>	<b>0</b>	<b>0</b>	<b>360</b>
<b>Group Management</b>						
Quint Kelders, CEO	full year	288	150	12	19 <sup>3</sup>	469
Frans van der Vorst, CFO	full year	246	130	12	10 <sup>3</sup>	398
<b>Total Board of Directors and Group Management</b>		<b>534</b>	<b>640</b>	<b>24</b>	<b>29</b>	<b>1'227</b>

## Compensation 2013

<b>Board of Directors</b>						
Alexander Vogel, Chairman	full year	-	120	-	-	120
Quint Kelders, Member	full year	total compensation shown under Group Management				
Daniel Gutenberg, Member	full year	-	80	-	-	80
Nicolas Mathys, Member	full year	-	80	-	-	80
John McKernan, Member	full year	-	80	-	-	80
Benno Zehnder, Member	full year	-	80	-	-	80
<b>Total Board of Directors</b>		<b>0</b>	<b>440</b>	<b>0</b>	<b>0</b>	<b>440</b>
<b>Group Management</b>						
Quint Kelders, CEO	full year	291	150	11	19 <sup>3</sup>	471
Frans van der Vorst, CFO	full year	246	130	10	10 <sup>3</sup>	396
<b>Total Board of Directors and Group Management</b>		<b>537</b>	<b>720</b>	<b>21</b>	<b>29</b>	<b>1'307</b>

<sup>1</sup> Nicolas Mathys resigned from the Board of Directors in the General Assembly of 13 May 2014.

<sup>2</sup> In calculating total compensation, share options are valued using the Black Scholes model. For the 2014 compensation, the share options at the time of allocation are valued at CHF 2.70 (2013 compensation: CHF 2.00).

<sup>3</sup> Benefits in kind relates to private use of company car are calculated at 9.6% of the purchase price of the car.

## Other compensations paid to actual and former Board members and to parties affiliated to them

	in TCHF 2014	in TCHF 2013
• <b>meyerlustenberger   lachenal Rechtsanwälte</b> , Baar (Switzerland) Board member Dr. Alexander Vogel is a partner of meyerlustenberger   lachenal Rechtsanwälte Legal and notary costs	5	90
• <b>ZSP Consulting AG</b> , Baar (Switzerland) Board member Benno Zehnder is a partner of ZSP Consulting AG Office rent Baar	54	80

# REPORT OF THE STATUTORY AUDITOR

Report of the Statutory Auditor to the General Meeting of Airopack Technology Group AG, Baar

## **Report of the Statutory Auditor on the Remuneration Report**

As statutory auditor, we have audited the accompanying Remuneration Report (pages 19 to 22) dated 19 March 2015 of Airopack Technology Group AG for the year ended 31 December 2014.

### *Responsibility of the Board of Directors*

The Board of Directors is responsible for the preparation and overall fair presentation of the Remuneration Report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the accompanying Remuneration Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion, the Remuneration Report for the year ended 31 December 2014 of Airopack Technology Group AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Zürich, 19 March 2015

BDO AG

René Füglister

Manuela Brühlmann

Auditor in charge

Licensed Audit Expert

Licensed Audit Expert



## FINANCIAL STATEMENTS 2014





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## INFORMATION ON REGISTERED SHARES

Ticker: AIRN

ISIN Code: CH 024 260 694 2

As at 13 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>2014</u>
Number of issued shares <sup>1</sup>	8'987'571	8'987'571	9'882'571	12'706'163	12'989'063
Par value per share in CHF	5.00	5.00	5.00	5.00	5.00
Dividend payments / repayments of par value in CHF	0.00	0.00	0.00	0.00	0.00
Net result of the Group per share in CHF	-0.37	-0.46	-0.74	-0.66	-0.57
<b>Market prices (Closing prices Zürich)<sup>2</sup></b>					
Highest price (CHF)	9.20	10.00	12.80	10.65	10.50
Lowest price (CHF)	6.01	7.53	7.85	8.00	7.50
Closing price as at 31 December (CHF)	8.10	9.17	10.00	8.80	7.75
Market capitalization as at 31 December (million CHF)	72.80	82.42	98.83	111.81	100.67

<sup>1</sup> As at 31 December 2014, 12'706'163 are registered in the commercial register

<sup>2</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>2014</u>	in TEUR <u>2013</u>
Net sales	4	7'210	954
Other operating income	6	1'711	419
Change in inventory of finished and semi-finished goods		75	298
<b>Operating income</b>		<b>8'996</b>	<b>1'671</b>
Raw material expense		-5'817	-1'088
Personnel expense	5	-2'990	-2'365
Other operating expense	6	-3'663	-2'253
<b>Operating expense</b>		<b>-12'470</b>	<b>-5'706</b>
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>		<b>-3'474</b>	<b>-4'035</b>
Depreciation of tangible fixed assets	12	-1'199	-1'095
Amortization of intangible assets	13	-780	-777
<b>Earnings before interest and taxes (EBIT)</b>		<b>-5'453</b>	<b>-5'907</b>
Financial result	7	-597	-337
<b>Earnings before taxes (EBT)</b>		<b>-6'050</b>	<b>-6'244</b>
Income taxes	8	-	-
<b>Net result</b>		<b>-6'050</b>	<b>-6'244</b>
Net result per share in EUR	9	-0.47	-0.54

# CONSOLIDATED BALANCE SHEET

Assets	Notes	in TEUR	in TEUR
		<u>31.12.2014</u>	<u>31.12.2013</u>
Cash and cash equivalents		956	443
Trade accounts receivable		2'686	650
Other receivables	10	518	557
Inventories	11	1'565	1'355
Prepayments and accrued income		93	172
<b>Current assets</b>		<b>5'818</b>	<b>3'177</b>
Other receivables	10	7'482	4'878
Tangible fixed assets	12	3'882	5'010
Intangible assets	13	7'540	8'186
<b>Non current assets</b>		<b>18'904</b>	<b>18'074</b>
<b>Total assets</b>		<b>24'722</b>	<b>21'251</b>
<b>Liabilities and shareholders' equity</b>			
Financial liabilities			
Bank overdrafts	16	422	406
Short term portion of financial liabilities	16	1'363	904
Trade accounts payable	14	1'894	3'094
Other current payables	15	94	140
Accrued liabilities and deferred income		1'412	249
<b>Current liabilities</b>		<b>5'185</b>	<b>4'793</b>
Financial liabilities*	16	14'687	7'603
Provisions	17	83	81
<b>Non current liabilities</b>		<b>14'770</b>	<b>7'684</b>
<b>Liabilities</b>		<b>19'955</b>	<b>12'477</b>
Share capital	18	49'726	48'566
Capital reserves	18	-20'234	-20'977
Cumulative translation adjustments		-123	-263
Accumulated losses		-24'602	-18'552
<b>Shareholders' equity</b>		<b>4'767</b>	<b>8'774</b>
<b>Total Liabilities and Shareholders' equity</b>		<b>24'722</b>	<b>21'251</b>
* thereof subordinated		9'875	4'933

## CONSOLIDATED CASH FLOW STATEMENT

	Notes	in TEUR <u>2014</u>	in TEUR <u>2013</u>
<b>Net result</b>		<b>-6'050</b>	<b>-6'244</b>
Depreciation, impairments and amortization		1'979	1'872
Other positions with no impact on liquidity		-1'278	220
<b>Operating cash flow</b>		<b>-5'349</b>	<b>-4'152</b>
Change in trade accounts receivable		-2'033	-588
Change in other receivables		41	-70
Change in inventories		-193	-804
Change in prepayments and accrued income		289	-25
Change in trade accounts payable		125	1'896
Change in other current payables		-46	86
Paid income tax and received tax refunds (net)		118	118
Change in accrued liabilities and deferred income		1'159	-78
<b>Cash flow from operating activities</b>		<b>-5'889</b>	<b>-3'617</b>
Tangible and intangible assets			
Investments		-378	-1'176
Disposals		45	60
Outflow from long term receivables from joint venture	10	-1'204	-3'088
<b>Cash flow from investing activities</b>		<b>-1'537</b>	<b>-4'204</b>
Inflow / (Outflow) from current financial liabilities third parties		15	-14
Inflow from shareholder loan		2'375	1'767
Inflow from long-term financial liabilities		3'649	1'370
Inflow from capital increase	18	1'895	5'005
<b>Cash flow from financing activities</b>		<b>7'934</b>	<b>8'128</b>
<b>Total Cash flow</b>		<b>508</b>	<b>307</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>443</b>	<b>138</b>
Total Cash flow		508	307
Impact of currency translation		5	-1
<b>Cash and cash equivalents as at 31 December</b>		<b>956</b>	<b>443</b>
Paid interest (included in Cash flow from operating activities)		-30	-59
Received interest payments (included in Cash flow from operating activities)		8	7

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital		Capital reserves			Accumulated exchange differences	Accumulated losses	Total Equity
	Number of shares	in TEUR	Capital reserves parent company (premium)	Other Capital reserves	Total Capital reserve			
			in TEUR	in TEUR	in TEUR	in TEUR	in TEUR	in TEUR
<b>Shareholders' equity at 31 Dec. 2012</b>	<b>9'882'571</b>	<b>37'251</b>	<b>9'796</b>	<b>-33'396</b>	<b>-23'600</b>	<b>-547</b>	<b>-12'309</b>	<b>795</b>
Capital increase 15 May 2013	2'823'592	11'315	3'395	-	3'395	-	-	14'710
Equity transaction cost	-	-	-772	-	-772	-	-	-772
Net result of the period	-	-	-	-	-	-	-6'244	-6'244
Exchange differences	-	-	-	-	-	285	-	285
<b>Shareholders' equity at 31 Dec. 2013</b>	<b>12'706'163</b>	<b>48'566</b>	<b>12'419</b>	<b>-33'396</b>	<b>-20'977</b>	<b>-262</b>	<b>-18'553</b>	<b>8'774</b>
Capital increase from option exercise	282'900	1'160	736	-	736	-	-	1'895
Equity transaction cost	-	-	8	-	8	-	-	8
Net result of the period	-	-	-	-	-	-	-6'050	-6'050
Exchange differences	-	-	-	-	-	140	-	140
<b>Shareholders' equity at 31 Dec. 2014</b>	<b>12'989'063</b>	<b>49'726</b>	<b>13'162</b>	<b>-33'396</b>	<b>-20'234</b>	<b>-122</b>	<b>-24'603</b>	<b>4'767</b>

The share capital of Airopack Technology Group AG is held in Swiss Franc (CHF) and converted to Euro at historical rates. All shares issued as at 31 December 2014 are entitled to dividends and voting rights in relation to their par value at the meeting of shareholders.

### 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 2014, a total of 282'900 registered shares with a nominal value of CHF 5 each were issued from the conditional capital. These registered shares have been issued following the exercise of employee share options at strike prices of CHF 6.50 (12'500 shares) and CHF 8.25 (270'400 shares).

### 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 share 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 share option plan as adopted by the Board of Directors.

### Authorized and conditional capital

	in TEUR	in TEUR
	<u>31.12.2014</u>	<u>31.12.2013</u>
Authorized capital: registered shares at CHF 5 par value	6'653	3'983
Conditional capital: registered shares at CHF 5 par value	7'140	5'507
	<u>13'794</u>	<u>9'490</u>

# 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 are based on the annual accounts of Airopack Technology Group AG and its Group companies for the year ending 31 December 2014, prepared on an uniform basis. The Group prepares its accounts in compliance with the existing guidelines of Swiss GAAP ARR (Swiss Accounting and Reporting Recommendations) using the historical cost principle. The consolidated financial statements are based on economic values and present a true and fair view of the Company's assets, financial position and results of operations and are in accordance with Swiss law. The annual financial statements are prepared under the assumption of going concern.

The preparation of 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. The consolidated companies are listed in Note 26 to the consolidated financial statements.

### 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 simplify the legal structure and reduce the number of inactive legal entities in the Group.

#### Changes in 2013

On 10 September 2013 Airopack NV was incorporated as a 100% participation of Airolux AG, Bilten (Switzerland). Airopack NV is proportionally consolidated at 50%.

### 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.

As per the most recent information available to the Company, the major shareholder of Airopack Technology Group AG, Jan Kelders has ownership of 59.25% of the voting rights and therefore exercises control over the Group.

# 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>31.12.2014</u>	<u>31.12.2013</u>	<u>2014</u>	<u>2013</u>
CHF	0.8317	0.8159	0.8232	0.8126

## 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

Airopack Technology Group currently operates in one business segment. Therefore, segment reporting is only performed according to geographic areas (see: Note 4).

## 2. SIGNIFICANT ACCOUNTING AND VALUATION POLICIES

### Income statement

#### Net sales and revenue recognition

Airopack Technology Group records invoiced amounts for the sale of goods and services, net of sales taxes, discounts, rebates and return of goods, as net sales. Intercompany sales are eliminated on consolidation.

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, which is usually on delivery to third parties. Revenue from services is generally recognized in the period the services are provided.

#### Research and development

Research costs are expensed as incurred. Development costs are capitalized only if the identifiable asset is commercially and technically feasible, can be completed, its costs can be measured reliably and will generate probable future economic benefits. Such capitalized intangibles are recognized at cost less accumulated amortization and impairment adjustments. Amortization starts when the capitalized asset is taken into use. These assets are amortized over their estimated useful life applying the straight line method.

#### Impairment of assets

The value of non-current assets is assessed on the balance sheet date for signs of impairment. If there is evidence of any lasting reduction in value, the realizable value is calculated (impairment test). If the book value exceeds the realizable value, the difference is recognized in the income statement.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Balance sheet

### Cash and cash equivalents

Cash and cash equivalents include cash, balances in postal giro and bank accounts, and term deposits with a residual term of less than three months. They are valued at their nominal value.

### Trade accounts receivable / Other receivables

These receivables are valued at their nominal values. Any value adjustments required are made when appropriate. Items with a residual term of up to one year are presented as current assets. Items with a residual term of more than one year are presented as noncurrent assets.

### Inventories

Goods manufactured by the Group itself, merchandise and other stocks of goods such as raw materials, packaging materials, etc., are valued at the lower of average cost and net selling price. Discounts are treated as reductions in purchase value. Intercompany profits are eliminated on consolidation.

### Tangible assets

Tangible assets are valued at purchase cost less any depreciation required by generally accepted accounting principles. Company produced additions to plant and equipment are only capitalized if they are clearly identifiable and the costs reliably determinable, and they bring a measurable benefit to the Company over the course of several years.

Depreciation is charged on a straight line basis over the economic life of the fixed asset. The useful lives of assets have been determined as follows:

- Machinery and assembly lines	7 - 10 years
- Molds	3 - 5 years
- Other tangible assets	2 - 5 years

### Intangible assets

This item includes patents, capitalized development costs and goodwill from the reverse acquisition. Intangible assets are capitalized if they are clearly identifiable and the costs reliably determinable and they bring a measurable benefit to the Company over the course of several years. Intangible assets are valued at purchase cost less amortization.

Amortization is charged on a straight line basis over the expected useful life.

Goodwill is amortized over a period of five years.

Patents and capitalized development cost are amortized over a period of ten years.

### Deferred taxes

The accrual of deferred income taxes is based on a balance-sheet oriented approach and essentially takes all future income tax effects into account. The deferred income tax to be accrued annually is calculated on the basis of the future tax rate valid on the balance sheet date for the tax subject in question. Deferred tax credit for loss carry-forwards is only established to the extent to which it is likely that future earnings with which loss carry-forwards can be offset will be available. As at the balance sheet date, no such deferred tax credit was capitalized.

### Payables

Payables include current and noncurrent liabilities, as well as accruals and deferrals at par values.

### Provisions

A provision is a potential future obligation arising from an event which occurs before the balance sheet date. A provision is recorded when it is judged probable that a liability has been incurred and the amount can be reliably estimated.

Provisions are adjusted periodically as assessments change or additional information becomes available.

### Pension benefit obligations

Employees and former employees receive various employee benefits and old age pensions which are provided in accordance with the laws of the countries in question.

Airopack Technology Group AG is a member of a collective occupational pension foundation.

Airopack Technology Group B.V., Airopack NV and Airopack Competence Centre B.V. provide a defined contribution pension plan to all its employees.

Airolux AG provides a fully insured occupational pension plan to its employees.

All pension plans mentioned above are financed by both employer and employee contributions.

With regard to the application of Swiss GAAP ARR 16 "Employee benefit obligations" we refer to Note 19 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Contingent liabilities

A contingent liability is recognized when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or when there is a present obligation that cannot be recognized as a liability because it is not probable that an outflow of resources will be required, alternatively because the amount of the obligation cannot be measured with sufficient reliability.

## 3. FINANCIAL RISK MANAGEMENT

Airopack Technology Group applies a central risk assessment system which covers both strategic and operational risks. The Board of Directors of Airopack Technology Group AG conducts a review, at least once a year, of whether the risk governance and reduction measures in place are adequate for the Group's needs. Ongoing monitoring of the risks is the responsibility of the Group management. Accounting and financial reporting risks are monitored and reduced through a suitable internal control system. The Group's activities expose it to a variety of financial risks: market risks, credit risks and liquidity risks. The Group's financial risk management program focuses on reducing financial risks with the potential to adversely affect its financial performance. Financial risk management is carried out by the CFO of the Group in close cooperation with the Group companies.

	in TEUR <u>2014</u>	in TEUR <u>2013</u>
<b>4. SEGMENT REPORTING</b>		
<b>Geographical segments</b>		
<b>Net sales to third parties</b>		
Europe	1'193	737
Middle East and Africa	-	-18
North America	6'017	235
Asia/Pacific	-	-
Latin America/Rest of the world	-	-
	<u>7'210</u>	<u>954</u>
	in TEUR	in TEUR
<b>5. PERSONNEL EXPENSE</b>	<u>2014</u>	<u>2013</u>
Salaries	-2'563	-1'936
Social security expense	-328	-327
Other personnel expense	-99	-102
	<u>-2'990</u>	<u>-2'365</u>
	in TEUR	in TEUR
<b>6. OTHER OPERATING INCOME AND EXPENSE</b>	<u>2014</u>	<u>2013</u>
<b>INCOME</b>		
Other operating income	211	419
Revenue from intergroup transfer of ready to sell concept	1'500	-
	<u>1'711</u>	<u>419</u>
<b>EXPENSE</b>		
Research and development cost	-187	-236
Charges for operation of the production facility	-199	-294
Office rental and maintenance	-656	-442
Marketing and public relations	-418	-459
Audit, legal and consulting	-728	-352
Other operating cost	-514	-470
Incidental consulting expense	-961	-
	<u>-3'663</u>	<u>-2'253</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	in TEUR	in TEUR
<b>7. FINANCIAL RESULT</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Interest income	25	28
Other financial income	0	0
<b>Financial income</b>	<b>25</b>	<b>28</b>
Interest expense third parties	-243	-228
Interest expense related parties	20	-72
Other financial expense	-203	-6
<b>Financial expense</b>	<b>-472</b>	<b>-306</b>
<b>Financial result (net)</b>	<b>-447</b>	<b>-278</b>
Exchange (loss) / gain	-150	-59
<b>Total Financial result</b>	<b>-597</b>	<b>-337</b>

	in TEUR	in TEUR
<b>8. INCOME TAXES</b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Current income taxes	-	-
Change in deferred taxes	-	-
	<b>0</b>	<b>0</b>

For the periods under review there have been no deferred tax assets or liabilities.

Deferred tax assets from tax loss carry-forwards not yet used are recognized when it is likely that the tax advantage will be used in the foreseeable future. The existing corporate and financing structure severely limits or makes impossible the use of existing tax loss carry-forwards in the future. This fact and taking into consideration possible tax-relevant developments in earnings of individual subsidiaries have led to the conclusion that utilization of tax loss carry-forwards in the foreseeable future cannot be expected with a sufficient degree of probability and that thus the conditions for capitalizing any deferred tax assets are not met. The gross values of unused tax loss carry-forwards which have not been capitalized expire as follows:

<b>Expiry of unused tax loss carry-forwards</b>	in TEUR		in TEUR	
	tax loss carryforwards	<b><u>31.12.2014</u></b> theoretical tax assets (not capitalized)	tax loss carryforwards	<b><u>31.12.2013</u></b> theoretical tax assets (not capitalized)
within five years	10'322	939	11'547	1'084
over five years	16'810	2'393	12'914	1'968
	<b>27'132</b>	<b>3'332</b>	<b>24'461</b>	<b>3'052</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9. EARNINGS PER SHARE

Earnings per share are calculated by dividing the Airopack Technology Group's net result for the year by the weighted average number of shares outstanding. The exercise of stock options does not have a dilutive effect on the earnings per share.

	in TEUR	in TEUR
	<u>2014</u>	<u>2013</u>
Net result for the year	-6'050	-6'244
Weighted average number of shares outstanding	12'905'802	11'669'557
<b>Basic earnings per share in EUR</b>	<b>-0.47</b>	<b>-0.54</b>

	in TEUR	in TEUR
	<u>31.12.2014</u>	<u>31.12.2013</u>
<b>10. OTHER RECEIVABLES</b>		
Receivable from German Tax authorities <sup>1</sup>	329	430
Value added tax receivables	393	215
Other receivables from third parties	11	227
Other receivables from joint venture	7'267	4'563
	<b>8'000</b>	<b>5'435</b>
Current (< 1 year)	518	557
Long-term (> 1 year)	7'482	4'878
	<b>8'000</b>	<b>5'435</b>

<sup>1</sup> This receivable represents corporate tax receivables from the German Tax authorities which have been assigned to Airopack Technology Group AG by former COS Group companies. The receivables are paid out by the German Tax authorities in 10 annual installments from 2008 to 2017. The amount shown is the net present value of the remaining installments, discounted at a discount rate of 4.2%.

	in TEUR	in TEUR
	<u>31.12.2014</u>	<u>31.12.2013</u>
<b>Receivable from German Tax authorities</b>		
<b>Net present value at 1 January</b>	<b>430</b>	<b>527</b>
Receipt of annual installment	-118	-118
Interest accrual	17	21
<b>Net present value at 31 December</b>	<b>329</b>	<b>430</b>

	in TEUR	in TEUR
	<u>31.12.2014</u>	<u>31.12.2013</u>
<b>11. INVENTORIES</b>		
Raw materials and consumables	950	563
Semi-finished goods	136	486
Finished goods	479	306
	<b>1'565</b>	<b>1'355</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. TANGIBLE FIXED ASSETS

in TEUR

	Machinery & assembly lines	Molds	Other tangible assets	Total
<b>Purchase value at 1.1.2013</b>	<b>3'726</b>	<b>1'701</b>	<b>692</b>	<b>6'119</b>
Transfer within group of consolidated companies <sup>1</sup>	-375	375	-542	-542
Reclassifications	-466	13	453	0
Additions	701	112	604	1'417
Disposals	-71	-	-29	-100
Exchange differences	-31	-18	-6	-55
<b>Purchase value at 31.12.2013</b>	<b>3'484</b>	<b>2'183</b>	<b>1'172</b>	<b>6'839</b>
Transfer within group of consolidated companies <sup>1</sup>	-106	-458	-344	-908
Reclassifications	-	-	-	0
Additions	220	74	221	515
Disposals	-183	-	-37	-220
Exchange differences	41	12	8	61
<b>Purchase value at 31.12.2014</b>	<b>3'456</b>	<b>1'811</b>	<b>1'020</b>	<b>6'287</b>
<b>Accumulated depreciation at 1.1.2013</b>	<b>-393</b>	<b>-311</b>	<b>-168</b>	<b>-872</b>
Transfer within group of consolidated companies <sup>1</sup>	140	-147	100	93
Ordinary depreciation	-522	-337	-236	-1'095
Disposals	20	-	20	40
Exchange differences	1	3	1	5
<b>Accumulated depreciation at 31.12.2013</b>	<b>-754</b>	<b>-792</b>	<b>-283</b>	<b>-1'829</b>
Transfer within group of consolidated companies <sup>1</sup>	36	256	107	399
Ordinary depreciation	-575	-437	-187	-1'199
Disposals	217	-	26	243
Exchange differences	-11	-5	-3	-19
<b>Accumulated depreciation at 31.12.2014</b>	<b>-1'087</b>	<b>-978</b>	<b>-340</b>	<b>-2'405</b>
Net book value at 1 January 2013	3'333	1'390	524	5'247
Net book value at 31 December 2013	2'730	1'391	889	5'010
<b>Net book value at 31 December 2014</b>	<b>2'369</b>	<b>833</b>	<b>680</b>	<b>3'882</b>

<sup>1</sup> These amounts arise from the fact that assets have been transferred from group companies that are consolidated at 100% to group companies that are consolidated at 50% and vice versa.

	Notes	in TEUR 31.12.2014	in TEUR 31.12.2013
Fire insurance values		6'326	7'438
Assets pledged to secure a financial liability	16	206	839
Assets included in financial lease	16	1'549	1'575

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. INTANGIBLE ASSETS

in TEUR

	Development cost	Patents	Goodwill	Total
<b>Purchase value at 1.1.2013</b>	<b>5'085</b>	<b>721</b>	<b>940</b>	<b>6'746</b>
Additions	-	3'250	-	3'250
Disposals	-	-	-	0
Exchange differences	-4	13	-	9
<b>Purchase value at 31.12.2013</b>	<b>5'081</b>	<b>3'984</b>	<b>940</b>	<b>10'005</b>
Additions	67	-	-	67
Disposals	-	-	-	0
Exchange differences	6	63	-	69
<b>Purchase value at 31.12.2014</b>	<b>5'154</b>	<b>4'047</b>	<b>940</b>	<b>10'141</b>
<b>Accumulated amortization at 1.1.2013</b>	<b>-506</b>	<b>-83</b>	<b>-454</b>	<b>-1'043</b>
Ordinary amortization	-506	-83	-188	-777
Disposals	-	-	-	0
Exchange differences	1	-	-	1
<b>Accumulated amortization at 31.12.2013</b>	<b>-1'011</b>	<b>-166</b>	<b>-642</b>	<b>-1'819</b>
Ordinary amortization	-509	-83	-188	-780
Disposals	-	-	-	0
Exchange differences	-2	-	-	-2
<b>Accumulated amortization at 31.12.2014</b>	<b>-1'522</b>	<b>-249</b>	<b>-830</b>	<b>-2'601</b>
Net book value at 1 January 2013	4'579	638	486	5'703
Net book value at 31 December 2013	4'070	3'818	298	8'186
<b>Net book value at 31 December 2014</b>	<b>3'632</b>	<b>3'798</b>	<b>110</b>	<b>7'540</b>

**Development costs and patents** represent capitalized expenses for patents and patent applications as well as external and internal development costs relating to the Airopack (EUR 4.1 million) and Airoppump (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. 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** represents the premium on Airopack Technology Group AG in the reverse acquisition 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 late start-up phase several assumptions underlying the business plan cannot yet be fully 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE ACCOUNTS PAYABLE	Notes	in TEUR	in TEUR
		<u>31.12.2014</u>	<u>31.12.2013</u>
To third parties		1'894	3'094
To related parties	20	0	0
		<b>1'894</b>	<b>3'094</b>

15. OTHER CURRENT PAYABLES	Notes	in TEUR	in TEUR
		<u>31.12.2014</u>	<u>31.12.2013</u>
To third parties		94	140
To related parties	20	0	0
		<b>94</b>	<b>140</b>

16. FINANCIAL LIABILITIES	in TEUR	in TEUR
	<u>31.12.2014</u>	<u>31.12.2013</u>
<b>Bank overdrafts</b>		
Bank overdraft <sup>1</sup>	422	406

Financial liabilities			in TEUR	Average interest rate
	Current	Non-current	Total	
	Residual term up to one year	Residual term 1 to 5 years		
<b>2014</b>				
Loan from third parties <sup>2</sup>	906	11'486	12'392	3.6%
Loan from shareholders	-	2'401	2'401	3.8%
Financial lease obligations	458	800	1'258	3.1%
	<b>1'364</b>	<b>14'687</b>	<b>16'051</b>	<b>3.6%</b>
<b>2013</b>				
Loan from third parties <sup>2</sup>	509	6'598	7'107	2.8%
Loan from shareholders	-	-	0	3.8%
Financial lease obligations	395	1'005	1'400	2.8%
	<b>904</b>	<b>7'603</b>	<b>8'507</b>	<b>2.8%</b>

<sup>1</sup> Thereof TEUR 400 (31.12.2013: TEUR 400) secured with a personal bank guarantee from the major shareholder (see Note 20).

<sup>2</sup> Thereof subordinated EUR 9.9 million (31.12.2013: EUR 4.9 million) to all other current and future liabilities.

To secure loans of EUR 0.2 million (31.12.2013: EUR 0.7 million) within this position, machinery with a carrying amount of EUR 0.2 million (31.12.2013: EUR 0.8 million) has been pledged (see Note 12).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17. PROVISIONS in TEUR

### Other provisions

**As at 1 January 2013** **83**

Created 0

Released (income statement) 0

Utilized 0

Exchange differences -2

**As at 31 December 2013** **81**

Created 0

Released (income statement) 0

Utilized 0

Exchange differences 2

**As at 31 December 2014** **83**

<b>Term of provisions</b>	<u>in TEUR</u> <u>31.12.2014</u>	<u>in TEUR</u> <u>31.12.2013</u>
Current provisions (< 1 year)	0	0
Long-term provisions (> 1 year)	83	81
	<b>83</b>	<b>81</b>

Other 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 periods under review there existed no provisions for pension liabilities and no restructuring provisions. Tax provisions are included in the balance sheet position "tax liability".

## 18. 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 2014, a total of 282'900 registered shares with a nominal value of CHF 5 each were issued from the conditional capital. These shares have been issued following the exercise of 282'900 share options.

### 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 share 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 share option plan as adopted by the Board of Directors.

<b>Authorized and conditional capital</b>	<u>in TEUR</u> <u>31.12.2014</u>	<u>in TEUR</u> <u>31.12.2013</u>
Authorized capital: registered shares at CHF 5 par value	6'653	3'983
Conditional capital: registered shares at CHF 5 par value	7'140	5'507
	<b>13'794</b>	<b>9'490</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19. PENSION BENEFIT OBLIGATIONS

Economic benefit / economic obligation	Excess / insufficient cover as per Swiss GAAP ARR 26	in TEUR	
		Economic benefit / obligation for the Group	
	<u>31.12.2014</u>	<u>31.12.2014</u>	<u>31.12.2013</u>
Pension schemes without excess/insufficient cover	-	-	-
Pension schemes with insufficient cover	-	-	-
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

Economic benefit / economic obligation and pension expense	Change vs. prior year / taken to the income statement in the FY	Contributions limited to the period	Pension expenses (included in personnel expense)	
			<u>2014</u>	<u>2013</u>
Pension schemes without excess/insufficient cover	-	108	108	81
Pension schemes with insufficient cover	-	-	-	2
	<b>0</b>	<b>108</b>	<b>108</b>	<b>83</b>

### 20. TRANSACTIONS WITH SHAREHOLDERS AND RELATED PARTIES

Transactions and balances between Airopack Technology Group and related parties can be summarized as follows:

#### Transactions with shareholders and with parties controlled by shareholders

- **Jan Kelders**, Riederalp (Switzerland), major Shareholder of Airopack Technology Group AG and father of Quint Kelders (CEO Airopack Technology Group). As per the most recent information available to the Company, Jan Kelders has ownership of 59.25% of the voting rights and therefore exercises control over the Group.

Expense	in TEUR	
	<u>2014</u>	<u>2013</u>
Interest expense (not paid out but accrued to the shareholders loan)	-26	-60
Rental expense (office premises of Airopack Technology Group B.V.)	-78	-78
<b>Shareholder loans</b>		
Balance as at 1 January	0	3'637
Conversion to capital	-	-4'864
Additional loan	2'375	1'306
Interest (3.75 %)	26	60
Exchange differences (loan is mainly denominated in CHF)	-	-139
<b>Balance as at 31 December</b>	<b>2'401</b>	<b>0</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>Off Balance Sheet positions:</b>	in TEUR <u>2014</u>	in TEUR <u>2013</u>
Rental liabilities (office premises of Airopack Technology Group B.V.)		
- due within one year	19	80
- due between one and five years	0	20
<b>Total</b>	<u>19</u>	<u>100</u>
Personal guarantee by Jan Kelders for a bank overdraft facility of an Airopack Technology Group company	400	400

### Transactions with members of the Board of Directors and Group Management

#### Remuneration of the members of the Board of Directors and Group Management

Remuneration in cash	440	438
Social security contributions	19	17
Benefits in kind	24	24
	<u>483</u>	<u>479</u>

### Options

In 2011, an option program for the members of the Board of Directors and the Group Management was launched. Each option entitles the holder to buy one registered share in Airopack Technology Group AG at a fixed exercise price. Options allocated under the plan expire four years after the issue date and are subject to a vesting period of two years, during which period the options cannot be exercised. Options expire without compensation in case the employment is terminated during the vesting period. As at 31 December 2014 a total of 583'792 (31.12.2013: 854'192) share option rights in the Company were allocated to the members of the Board of Directors and the Group Management and affiliated persons living in the same household. For further details we refer to page 52 of the Annual Report.

<b>Transactions with other related parties</b>	in TEUR <u>2014</u>	in TEUR <u>2013</u>
• <b>meyerlustenberger   lachenal Rechtsanwälte</b> , Baar (Switzerland)		
Board member Dr. Alexander Vogel is a partner of meyerlustenberger   lachenal Rechtsanwälte		
Legal and notary costs	4	73
• <b>ZSP Consulting AG</b> , Baar (Switzerland)		
Board member Benno Zehnder is a partner of ZSP Consulting AG		
Office rent Baar	44	65

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21. OFF-BALANCE SHEET LEASING / RENTAL LIABILITIES

### Operating leases and rent commitments

As at below mentioned dates, future operating lease payments not recorded in the balance sheet amounted to:

Due within	in TEUR	in TEUR
	<u>31.12.2014</u>	<u>31.12.2013</u>
one year	402	448
one to five years	757	1'067
more than five years	0	0
	<u>1'159</u> <sup>1</sup>	<u>1'515</u>

<sup>1</sup> thereof related party: EUR 19k (31.12.2013: EUR 100k), see Note 20.

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

Currency forward contracts are used to hedge currency exposures. As at 31 December 2014, USD/EUR forward contracts with a contract volume of EUR 1.0 million (31.12.2013: EUR 0.0 million) were outstanding.

All forward contracts were realized in the first quarter of 2015, with the last one being realized on 13 March 2015. There have been no other derivative financial instruments.

## 23. CONTINGENT LIABILITIES

### Pledge of future license and dividend payments

In 2004, Airopack Technology Group acquired IP of 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 it 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 96 TEUR (2013: 15k) as advance payment and as at 31 December 2014 Airopack Technology Group has accrued a liability of 140 TEUR (relating to the second half-year 2014) payable in the first quarter 2015. The accrued amount is included in the balance sheet position "Accrued liabilities and deferred income".

### Legal disputes

Airopack 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 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.

### Performance guarantees

Airopack Technology Group AG has issued performance guarantees of EUR 1.7 million and EUR 0.8 million respectively towards Credit Suisse, for the due performance by Airolux AG of its obligations under its financial lease agreements with Credit Suisse. As at 31 December 2014 the outstanding obligations of Airolux AG under said agreements amounted to EUR 1.6 million and EUR 0.4 million respectively. The consolidated outstanding obligations are included in the balance sheet position "Financial liabilities" (see Note 16).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24. GOING CONCERN

The 2014 consolidated income statement shows a net loss of EUR 6.1 million. The consolidated gross profit of EUR 1.7 million was not sufficient to cover the fixed organizational expenses. As at 31 December 2014, the available cash amounted to EUR 1.0 million. In February and March 2015 the Group received cash inflows of in total EUR 0.7 million as a result of the exercise of share options from the conditional capital. In order to secure the Group's liquidity and the planned investments, the Board of Directors is preparing a capital increase of EUR 8.5 million which is planned for April 2015. Furthermore, the capital expenditure for production equipment together with the working capital requirements as per the joint venture business plan 2015-2016 are covered by funding of EUR 25.6 million provided by joint venture partner Resilux. Despite the fact that accurate forecasting of expected revenues from customer projects remains difficult in the current phase of Airopack Technology Group's development, the Board of Directors and the Group Management are confident that the Group is able to meet its targets over the next 12 months. 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.

### 25. EVENTS AFTER THE BALANCE SHEET DATE

From the accounting reference date until the consolidated financial statements were approved by the Board of Directors on 19 March 2015, the following major events occurred:

- Due to the fact that the Swiss National Bank (SNB) discontinued the minimum exchange rate, the EUR/CHF exchange rate as at 15 January 2015 has strongly decreased. As at the date the consolidated financial statements were approved by the Board of Directors the exchange rate is significantly below the rate as at 31 December 2014. Based on an analyses, Group Management has concluded that using the exchange rate as at the date the consolidated financial statements were approved by the Board of Directors, would not have a material impact on the 2014 consolidated financial statements.
- On 28 January 2015, Airopack Technology Group entered into several financing agreements with its joint venture partner Resilux, causing Resilux to provide funding of EUR 25.6 million to the joint venture company Airolux for its business plan 2015-2016.
- Airopack Technology Group received EUR 0.7 million in cash generated as a result of the exercise of share options from the conditional capital.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 26. CONSOLIDATED COMPANIES

Company name	Statutory seat	Function	Currency	Capital	Capital share <sup>1</sup>	Capital share <sup>1</sup>
					<u>31.12.2014</u>	<u>31.12.2013</u>
Airopack Technology Group AG (formerly: I.P.S. Innovative Packaging Solutions AG)	Baar (CH)	Holding	CHF	64'945'315	100%	100%
Airopack Technology Group B.V. (formerly: I.P.S. Research and Development B.V.)	Hertogenbosch (NL)	Research & Development	EUR	5'900'000	100%	100%
Airolux AG	Bilten (CH)	Production & Trade	CHF	100'000	50%	50%
Airopack Competence Centre B.V.	Vlijmen (NL)	Support	EUR	18'000	50%	50%
Airopack NV	Wetteren (B)	Production & Trade	EUR	61'500	50%	50%
I.P.S. Holding B.V.	Vlijmen (NL)	Holding	EUR	5'900'000	100%	100%
I.P.S. B.V.	Vlijmen (NL)	Holding	EUR	5'900'000	100%	100%
Airopack Technology AG (formerly: Intelligent Packaging Systems Group SA)	Baar (CH)	Inactive	CHF	100'000	100%	100%

<sup>1</sup> share in capital, voting power and quote of consolidation is identical

# REPORT OF THE STATUTORY AUDITOR

Report of the Statutory Auditor to the General Meeting of Airopack Technology Group AG, Baar

## Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements (pages 24 to 45) of Airopack Technology Group AG, which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated statement of income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

### *Emphasis of Matter*

We draw attention to Note 24 to the consolidated financial statements which indicates that Airopack Technology Group incurred a net loss of EUR 6.1 million during the year ended 31 December 2014 and, as at that date, the available cash amounts to EUR 1.0 million. In February and March 2015 the Group received cash inflows of in total EUR 0.7 million as a result of the exercise of share options from the conditional capital. In order to secure the Group's liquidity and the planned investments, the Board of Directors is preparing a capital increase of EUR 8.5 million which is planned for April 2015. Furthermore, the Group secured EUR 25.6 million funding for the business plan 2015-2016 of its joint venture company Airolux AG. However, in case the Group would not be able to meet its targets over the next 12 months, the Group's ability to continue as a going concern could be compromised. The consolidated financial statements do not include any adjustment that might result from the outcome from this material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

We draw attention to Note 12 and Note 13 to the consolidated financial statements which indicate that the valuation of tangible and intangible assets is depending on the Group's ability to meet the budgeted revenues and cash flows over the next 12 months. If the expected cash flows cannot be generated, the value of the tangible and intangible fixed assets might be impaired and would impact the financial situation of the Group. The consolidated financial statements do not include any adjustment that might result from the outcome from this material uncertainty. Our opinion is not qualified in respect of this matter.

## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zürich, 19 March 2015

BDO AG

René Füglistner                      Manuela Brühlmann

Auditor in charge  
Licensed Audit Expert              Licensed Audit Expert

# INCOME STATEMENT

	Notes	in TCHF <u>2014</u>	in TCHF <u>2013</u>
<b>Income</b>			
Income from participations	1	6	48
Interest and other financial income		549	358
Income from charging management services to group companies		-	-
		<b>555</b>	<b>406</b>
<b>Expense</b>			
Expenses relating to participations	2	-3	-7
Personnel expense		-731	-613
Administration expense		-513	-408
Incidental consulting expense		-1'167	-
Interest and other financial expense		-423	-137
Taxes		0	0
		<b>-2'837</b>	<b>-1'165</b>
<b>Net result</b>		<b>-2'282</b>	<b>-759</b>

## BALANCE SHEET

<b>Assets</b>	<b>Notes</b>	in TCHF	in TCHF
		<u>31.12.2014</u>	<u>31.12.2013</u>
Cash and cash equivalents		356	404
Other current receivables			
from third parties		151	187
from major shareholder		-	-
from group companies		18'623	14'596
<b>Current assets</b>		<b>19'130</b>	<b>15'187</b>
Tangible fixed assets		0	4
Intangible fixed assets	3	4'000	4'000
Other long term receivables from third parties		263	405
Other long term receivables from joint venture		0	22
Loans to group companies		0	1'378
Participations	4	57'000	57'000
<b>Non current assets</b>		<b>61'263</b>	<b>62'809</b>
<b>Total assets</b>		<b>80'393</b>	<b>77'996</b>
<b>Liabilities and Shareholders' equity</b>			
Payables to group companies		326	1'738
Other short term liabilities		319	250
Accrued expenses and deferred income		925	111
<b>Current liabilities</b>		<b>1'570</b>	<b>2'099</b>
Loan from shareholders		2'887	0
Provisions	5	100	100
<b>Non-current liabilities</b>		<b>2'987</b>	<b>100</b>
<b>Liabilities</b>		<b>4'557</b>	<b>2'199</b>
Share capital	6	64'945	63'531
Legal reserves			
Capital contribution reserve		16'846	15'939
General reserve		450	450
Accumulated losses	7	-6'405	-4'123
<b>Shareholders' equity</b>		<b>75'836</b>	<b>75'797</b>
<b>Total Liabilities and Shareholders' equity</b>		<b>80'393</b>	<b>77'996</b>



## NOTES TO THE FINANCIAL STATEMENTS

	in TCHF	in TCHF
	<u>2014</u>	<u>2013</u>
<b>1. INCOME FROM PARTICIPATIONS</b>		
Valuation adjustment of receivables and loans	6	48
Valuation adjustment of participations	-	-
	<u>6</u>	<u>48</u>

### 2. EXPENSES RELATING TO PARTICIPATIONS

Valuation adjustment of receivables and loans	-3	-7
Valuation adjustment of participations	-	-
	<u>-3</u>	<u>-7</u>

### 3. INTANGIBLE FIXED ASSETS

This represents the value of patent application for the Airoump technology acquired in the course of the capital increase in May 2013. The value will be amortized over a period of ten years starting from the moment of operational use of the technology. Amortization has not yet commenced. The recoverability of this value 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.

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 9.5% and 10.7%, on the most recently updated version of the business plan. However, given the fact that Airopack Group is currently still in the late start-up phase several assumptions underlying the business plan cannot yet be fully 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.

### 4. PARTICIPATIONS

	<u>1.1.2014</u>	Valuation adjustments	Legal Merger <sup>1</sup>	Other	in TCHF <u>31.12.2014</u>
Purchase value	57'220	-	-220	-	57'000
Valuation adjustment	-220	-	220	-	0
<b>Book value</b>	<b>57'000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>57'000</b>
		Valuation adjustments	Legal Merger	Other	in TCHF <u>31.12.2013</u>
Purchase value	57'220	-	-	-	57'220
Valuation adjustment	-220	-	-	-	-220
<b>Book value</b>	<b>57'000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>57'000</b>

<sup>1</sup> 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).

On 12 August 2010, the Company acquired 100% of the shares of I.P.S. Holding B.V. at a purchase price of CHF 57.0 million. As at the date of the acquisition, this valuation was based on the business plan of Airopack Technology Group and has been confirmed by a valuation report from Ernst & Young.

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.

The valuation of the participations is 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 9.1%, on the most recently updated version of its business plan. However, given the fact that Airopack Group is currently still in the late start-up phase, several assumptions underlying the business plan cannot yet be fully 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. PARTICIPATIONS (CONTINUED)

Company name	Statutory seat	Function	Currency	Capital	Capital share <sup>1</sup>	Capital share <sup>1</sup>
					<u>31.12.2014</u>	<u>31.12.2013</u>
Airopack Technology Group B.V. (formerly: I.P.S. Research and Development B.V.)	Hertogenbosch (NL)	Research & Development	EUR	5'900'000	100%	100%
Airolux AG	Bilten (CH)	Production & Trade	CHF	100'000	50%	50%
Airopack Competence Centre B.V.	Vlijmen (NL)	Support	EUR	18'000	50%	50%
Airopack NV	Wetteren (B)	Production & Trade	EUR	61'500	50%	50%
I.P.S. Holding B.V.	Vlijmen (NL)	Holding	EUR	5'900'000	100%	100%
I.P.S. B.V.	Vlijmen (NL)	Holding	EUR	5'900'000	100%	100%
Airopack Technology AG (formerly: Intelligent Packaging Systems Group SA)	Baar (CH)	Inactive	CHF	100'000	100%	100%

<sup>1</sup> share in capital and voting power is identical

5. PROVISIONS	in TCHF <u>31.12.2014</u>	in TCHF <u>31.12.2013</u>
Taxes	-	-
Litigation risks	100	100
	<b>100</b>	<b>100</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 6. SHARE CAPITAL

12'989'063 registered shares (31.12.2013: 12'706'163 shares) at CHF 5 par value	<b>64'945</b>	63'531
<b>Authorized capital</b> <sup>1</sup> (1'600'000 shares at CHF 5 par value; 31.12.2013: 976'408 shares)	<b>8'000</b>	4'882
<b>Conditional capital</b> <sup>2</sup> (1'717'100 shares at CHF 5 par value; 31.12.2013: 1'350'000 shares)	<b>8'586</b>	6'750

<sup>1</sup> 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.

<sup>2</sup> 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.

<b>Major Shareholders</b> <sup>3</sup>	<u><b>31.12.2014</b></u>	<u><b>31.12.2013</b></u>
Jan Kelders, Riederalp (Switzerland)	59.25%	59.25%
Balfidor Fondsleitung AG, Basel (Switzerland)	4.52%	3.13%

<sup>3</sup> Percentages as per most recent information available to the Company

<b>7. CHANGES IN SHARE CAPITAL</b>	in TCHF <u><b>31.12.2014</b></u>	in TCHF <u><b>31.12.2013</b></u>
Share capital at 1 January	63'531	49'413
Legal reserves at 1 January		
General reserves	450	343
Capital contribution reserve	15'939	12'775
Retained earnings at 1 January	-4'123	-3'364
<b>Total shareholders capital at 1 January</b>	<u><b>75'797</b></u>	<u><b>59'167</b></u>
Capital increase at par value	1'414	14'118
Capital increase agio	907	3'271
Annual result	-2'282	-759
<b>Shareholders capital at 31 December</b>	<u><b>75'836</b></u>	<u><b>75'797</b></u>
thereof Share capital	64'945	63'531
thereof General reserves	450	450
thereof Capital contribution reserve	16'846	15'939
thereof Accumulated losses	-6'405	-4'123

## 8. CONTINGENT LIABILITIES

### Sight accounts

Sight accounts with banks might be used according to their General Terms of Business to secure outstanding loan facilities.

### Performance guarantees

Airopack Technology Group AG has issued performance guarantees of CHF 2.1 million and CHF 0.9 million respectively towards Credit Suisse, for the due performance by Airolux AG of its obligations under its financial lease agreements with Credit Suisse. As at 31 December 2014 the outstanding obligations of Airolux AG under said agreements amounted to CHF 1.9 million and CHF 0.5 million respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## 9. PARTICIPATIONS IN THE COMPANY

### Participations in the company through shares and share option rights held by the members of the Board of Directors and the Group Management in conjunction with Article 663c Swiss Code of Obligations

Name	31.12.2014			31.12.2013	
	Registered shares <sup>1</sup>	Options allocated <sup>1</sup>	Total participation (in % of outstanding shares) <sup>2</sup>	Registered shares <sup>1</sup>	Options allocated <sup>1</sup>
<b>Board of Directors</b>					
Alexander Vogel, Chairman	12'500	132'665	1.12%	0	132'665
Quint Kelders, Member	see Group Management			see Group Management	
Daniel Gutenberg, Member	56'500	94'500	1.16%	56'500	94'500
John McKernan, Member	0	61'800	0.48%	0	61'800
Benno Zehnder, Member	0	61'800	0.48%	0	94'500
<b>Group Management</b>					
Quint Kelders, CEO and Member of the Board	75'000	129'500	1.57%	0	310'386
Frans van der Vorst, CFO	0	103'527	0.80%	0	160'341
<b>Total Board of Directors and Group Management</b>	<b>144'000</b>	<b>583'792</b>	<b>5.60%</b>	<b>56'500</b>	<b>854'192</b>

<sup>1</sup> These figures include shares and options held by related parties of these persons but not those of the major shareholder.

<sup>2</sup> Total participation in accordance with the regulations of SESTA, showing the participation (including options) as a percentage of the number of outstanding registered shares as at 31 December 2014.

#### Detail of options

The options were granted free of charge and are non-transferable. Each option entitles the holder to buy one registered share in Airopack Technology Group AG at a fixed exercise price. Options allocated under the plan expire four years after the issue date and are subject to a vesting period of two years, during which period the options cannot be exercised. Options expire without compensation in case the employment is terminated during the vesting period.

Details of total options held by the members of the Board of Directors and the Group Management as at 31 December 2014:

Number of options	Excercise price in CHF	Ratio	Vesting period	Excercise period	
76'677	8.25	1 : 1	2 years	07.09.2013	- 06.09.2015
94'465	9.10	1 : 1	2 years	23.05.2014	- 22.05.2016
38'150	9.10	1 : 1	2 years	04.07.2014	- 03.07.2016
54'500	9.00	1 : 1	2 years	19.02.2015	- 18.02.2017
320'000	9.00	1 : 1	2 years	09.12.2015	- 08.12.2017

# NOTES TO THE FINANCIAL STATEMENTS

## 10. RISK MANAGEMENT

### Organization of the risk management

As part of its duty to manage the Company, the Board of Directors has issued guidelines on risk management and assigned the Group management to perform a risk assessment at least once a year. The Company has established a risk-management system which allows the early detection and analysis of risks as well as the adoption of necessary counter measures.

### Principles of risk management

The Board of Directors and the Group management have determined the general principles of risk management. This includes setting guidelines for the systematic recording and evaluation of the risks as well as their prioritization and the assessment of the influences on the Company and the initiation of measures to avoid or minimize risks.

### Risk analysis

The systematically recorded, analyzed and prioritized risks have been summarized in a probabilistic risk matrix. As at 31 December 2014, the liquidity risk is deemed to be the major risk which could, in principle, threaten the existence of the Company. In order to secure the Group's liquidity and the planned investments, the Board of Directors is preparing a capital increase of CHF 9.0 million which is planned for April 2015. On top, the Group has secured funding of EUR 25.6 million for its joint venture company Airolux AG. Given the firm belief that the Group will be able to meet its targets over the next 12 months, the Board of Directors does not have any doubt regarding the going concern of the Company for the foreseeable future. Nevertheless, the aforementioned conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

### Risk reporting

Within the Company, regular reporting on existing risks as well as on risk management has been established. Through this reporting, the Board of Directors is informed about major risk exposures. The risk management as such has been reviewed in the meeting of the Board of Directors held on 19 March 2015. In this meeting all essential risks were discussed and where necessary measures were agreed upon.

## 11. GOING CONCERN

Airopack Technology Group AG incurred a net loss of CHF 2.3 million in 2014. As at 31 December 2014, the available cash amounted to CHF 0.4 million. In February and March 2015 the Company received cash inflows of in total CHF 0.8 million as a result of the exercise of share options from the conditional capital. In order to secure the Group's liquidity and fund the planned investments, the Board of Directors is preparing a capital increase of CHF 9.0 million which is planned for April 2015. Furthermore, the capital expenditure for production equipment together with the working capital requirements as per the joint venture business plan 2015-2016 are covered by funding of EUR 25.6 million provided by joint venture partner Resilux. Despite the fact that accurate forecasting of expected revenues from customer projects remains difficult in the current phase of Airopack Technology Group's development, the Board of Directors and the Group Management are confident that the Group is able to meet its targets over the next 12 months. Nevertheless, the aforementioned conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

## 12. EVENTS AFTER THE BALANCE SHEET DATE

From the accounting reference date until the financial statements were approved by the Board of Directors on 19 March 2015, the following major events occurred:

- Due to the fact that the Swiss National Bank (SNB) discontinued the minimum exchange rate, the EUR/CHF exchange rate as at 15 January 2015 has strongly decreased. As at the date the financial statements were approved by the Board of Directors the exchange rate is significantly below the rate as at 31 December 2014. In case this event would be taken into account in the 2014 financial statements, using the exchange rate at the date the financial statements were approved by the Board of Directors, the 2014 net result would have been CHF 1.9 million worse. Given the fact that the reason for the exchange rate decreases arose after the balance sheet date, this result is not included in the 2014 financial statements in line with the accounting principles under Swiss Law.
- On 28 January 2015, Airopack Technology Group AG entered into several financing agreements with its joint venture partner Resilux, causing Resilux to provide funding of EUR 25.6 million to the joint venture company Airolux for its business plan 2015-2016.
- Airopack Technology Group AG received CHF 0.8 million in cash generated as a result of the exercise of share options from the conditional capital.

## PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

<b>Retained earnings / (Accumulated losses)</b>	<b>in TCHF 31.12.2014</b>	<b>in TCHF 31.12.2013</b>
<b>Retained earnings as at 1 January</b>	<b>-4'123</b>	<b>-3'364</b>
Net result	<u>-2'282</u>	<u>-759</u>
<b>(Accumulated losses) / Retained earnings as at 31 December</b>	<b>-6'405</b>	<b>-4'123</b>

The Board of Directors proposes to carry forward the accumulated deficit of 6'405 TCHF to the new account.

# REPORT OF THE STATUTORY AUDITOR

Report of the Statutory Auditor to the General Meeting of Airopack Technology Group AG, Baar

## Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements (pages 47 to 54) of Airopack Technology Group AG, which comprise the balance sheet as at 31 December 2014, and the income statement and notes for the year then ended.

### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of these financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

### *Emphasis of Matter*

We draw attention to Note 11 to the financial statements which indicates that Airopack Technology Group AG incurred a net loss of CHF 2.3 million during the year ended 31 December 2014 and, as at that date, the Company's available cash amounts to CHF 0.4 million. In February and March 2015 the Company received cash inflows of in total CHF 0.8 million as a result of the exercise of share options from the conditional capital. In order to secure the Group's liquidity and the planned investments, the Board of Directors is preparing a capital increase of CHF 9.0 million which is planned for April 2015. Furthermore, the Group secured EUR 25.6 million funding for the business plan 2015-2016 of its joint venture company Airolux AG. However, in case Airopack Technology Group would not be able to meet its targets over the next 12 months, the Company's ability to continue as a going concern could be compromised. The financial statements do not include any adjustment that might result from the outcome from this material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

We draw attention to Note 3 and Note 4 to the financial statements which indicates that the valuation of the participations and intangible assets is depending on the subsidiaries ability to continue as a going concern which includes meeting the budgeted revenues and cash flows over the next 12 months. If the expected cash flows cannot be generated, the value of the participations and intangible assets might be impaired and would impact the financial situation of the company. The financial statements do not include any adjustment that might result from the outcome from this material uncertainty.

Our opinion is not qualified in respect of this matter.

## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Zürich, 19 March 2015

BDO AG

René Füglister

Manuela Brühlmann

Auditor in charge

Licensed Audit Expert

Licensed Audit Expert

# CORPORATE CALENDAR AND ADDRESSES

## Corporate Calendar

<b>28 May 2015</b>	General meeting of shareholders 2015
<b>25 September 2015</b>	Half year report 2015
<b>25 March 2016</b>	Financial 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

<b>CEO</b>	Quint Kelders
<b>CFO</b>	Frans van der Vorst

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## Disclaimer

This report contains future related statements which offer no guarantee with regard to future performance.

These statements are made on the basis of management's views and assumptions regarding future events and business performance at the time the statements are made. They are subject to risks and uncertainties including, but not limited to, future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside the company's control.

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