

Airopack Half-Year Report 2018

- ***Production and revenue growth during the first half of 2018***
- ***22 million Planet Friendly Aerosols produced, an increase of 21% over first half of 2017***
- ***Operating income of EUR 14.8 million, an increase of 22% over first half of 2017***
- ***EBITDA loss of EUR 11.2 million due to ramping up the organization and production***
- ***Net loss of EUR 23.5 million, primarily due to increased amortization and financing costs***
- ***Business plan, substantial market opportunity and manufacturing platform confirmed by two independent global top 50 consulting companies***
- ***EBITDA targeted to turn positive on a monthly basis by late 2018***
- ***Refinancing process started***

Baar, 30 September 2018 – Airopack Technology Group AG (“Airopack”), manufacturer of Planet Friendly Aerosols, today announced its results over the first half of 2018. After the start-up of the new Waalwijk factory in 2017, the first half of 2018 was marked by a further ramp-up in production and building an organisation that is ready for future growth. In the second half of 2018, Airopack targets production to continue to grow, with more stable run rates. EBITDA is targeted to turn positive on a monthly basis by late 2018.

Airopack produces a safe, all-plastic pressurized Planet Friendly Aerosol powered purely by air that is environmental and planet friendly. It was developed by Airopack, which holds the relevant patents and is the sole producer of this unique Planet Friendly Aerosol worldwide.

Production volumes increased - filling equipment production capacity secured

In the first half of 2018, further progress was made with scaling up the organization, production volumes and sales. While still in the middle of its production ramp-up phase, Airopack produced a total of 22 million Airopack dispensers in the first half of 2018, reflecting a 21% volume increase over the same period of 2017. In February 2018, Airopack completed the acquisition of Scholle IPN Equipment which was renamed Airopack Equipment Solutions. With this acquisition, Airopack secured the production capacity that is required to meet strong customer demand for Airopack filling equipment, resulting from the growing demand for its Planet Friendly Aerosol.

Operating income increased

Operating income amounted to EUR 14.8 million, an increase of 22% over the first half of 2017. Various new customer launches in our Planet Friendly Aerosol, including Boldking foaming shave gel, hit the market. The launch for a new global customer with substantial projected sales volumes was delayed due to further validation work required for their specific product. Final validation is scheduled in October 2018 and Airopack is confident that all requirements will be met.

Result development

The scale-up of the organization and production capacity of Airopack’s Waalwijk factory had a clear impact on the results for the first half of 2018. Building a new Airopack organization that has grown from 64 employees per mid 2016 to 180 employees per mid 2018 has proven to be very challenging, also during the first half of 2018. Production run rates were not yet at the planned output levels and stability during the first half of 2018, but substantial improvements have been realized over the past two months. Airopack is now increasing its production run rates month by month. The Waalwijk factory started as a 1 shift

operation in January 2017, is operating with 4 shifts since August 2018 and the target is to operate 5 fully qualified shifts by late 2018.

The Airopack SG&A and factory overhead organization have been developed to support a higher production and sales run rate than the company currently operates at. As a result and despite the 22% increase of operating income, the EBITDA loss for the first half of 2018 was EUR 11.2 million, a 7% increase compared to the first half of 2017. During the first half of 2018, installed production capacity was increased to 150 million Airopack dispensers annually. Due to increased depreciation and amortization and high interest and financing-related costs on the increased debt to fund capital expenditures, the Scholle IPN Equipment acquisition and operational losses, the net loss for the first half of 2018 was EUR 23.5 million, a 21% increase compared to the first half of 2017.

Commercial Outlook

In the first half of 2018, Airopack has made further progress with multiple key prospective customers in the personal and home care markets in Europe, Asia and the United States by passing their stringent qualification tests for both the Airopack Planet Friendly Aerosol and the Waalwijk factory. Consequently, contract negotiations with these prospective customers, including indicative timing of market launches, volumes and prices, are now in more advanced stages. An announcement on a new global customer will be made separately soon.

Airopack's Board of Directors and Group Management remain confident that its medium-term goal of a run rate volume of 300 million Airopack dispensers annually can be achieved in the existing facilities by 2020, compared to the global aerosol market which is estimated at c. EUR 6.8 billion and grew by 7% p.a. since 2014. Historically, the aerosol components market has proven to be resilient to economic downturns. The global aerosol market is expected to grow at c. 5% p.a. in volume and at c. 7% p.a. in value to 2027 (source: Euromonitor 2018).

Airopack strengthens management team

Airopack is pleased to announce that its management team will be strengthened with Mr André de Oliveira who will be appointed as COO per 1 October 2018. Mr. de Oliveira has an impressive track record in leading new-to-the-world innovations start-up and ramp-up manufacturing sites for Pirelli and Tetra Pak.

Financial Outlook

Airopack targets production and sales volumes to continue to grow in the second half of 2018. Production run rates were not yet at the planned output levels and stability during the first half of 2018, but substantial improvements have been realized over the past two months. Airopack is now increasing its production run rates month by month. This should result in an ongoing improvement of results through better coverage of the fixed production and organizational cost base and improved operational efficiency. The resulting EBITDA improvements on a month by month basis will also improve the operational cash flow and liquidity position. Airopack targets to reach EBITDA break-even at a production and sales run rate of 100 million Airopack dispensers annually by late 2018.

Liquidity and Refinancing

The Board of Directors approved a EUR 10 million bridge loan maturing end of December 2018 from funds managed by affiliates of Apollo Global Management, LLC and another reputable investment firm in July 2018, which became available in full during July and August 2018.

Given Airopack's debt size, interest rates and actual liquidity position, discussions with its main lenders and two main shareholders have been initiated on a comprehensive refinancing solution that is in the best interest of the company and its shareholders. Airopack has mandated Greenhill to review and secure a broad range of comprehensive refinancing and additional liquidity solutions with Airopack's main shareholders, main lenders, as well as new parties. Term sheets and proposals for such refinancing and liquidity solutions have been received and discussions are at various stages of advancement. Airopack is fully focused to ensure funding and refinancing requirements are met in a timely manner and expects to make further announcements on the refinancing process in the coming weeks.

In the context of this refinancing process, Airopack engaged two global top 50 consulting companies to prepare commercial and operational due diligence reports. The report prepared by L.E.K. Consulting confirmed the addressable market size and opportunity for Airopack dispensers as well as our growth plan. The operational excellence in quality and manufacturing cost of our Waalwijk factory was confirmed by a report prepared by Alix Partners.

Going Concern Disclaimer

Accurate forecasting of expected revenues from customer projects remains difficult in the current phase of Airopack's development. However, as indicated in Airopack's Half-Year Report 2018 and customary when reporting results, a formal going concern statement has to be made in this context, pursuant to which the aforementioned conditions indicate the existence of a material uncertainty, which, when realized, could jeopardise the group's ability to continue as a going concern.

Financial highlights

	in TEUR <u>HY 2018</u> ¹	in TEUR <u>HY2017</u>
Consolidated income statement		
Operating Income	14'795	11'835
Operating expense	-25'959	-22'225
EBITDA	-11'164	-10'390
EBIT	-20'455	-17'712
Net result	-23'549	-19'533
Net result per share in EUR	-1.18	-1.06
Consolidated cash flow		
	-6'453	3'814

Consolidated balance sheet

Cash and cash equivalents	793	12'157
Shareholders' equity	-46'696	-16'336
Balance sheet total	135'539	98'292

¹ Including the Airofiller acquisition from February 2018 onwards

The Half-Year Report 2018 is available for download on the Airopack website (www.airopackgroup.com) under the link Investor relations - Reports (www.airopackgroup.com/en/investor-relations/reports).

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The Company

Airopack Technology Group AG is a leading developer and supplier of mechanical and pressure-controlled dispensing packaging technologies and systems for manufacturers and suppliers of cosmetics, body care, home care, pharmaceutical and food products.

The revolutionary and patented Airopack® technology offers a safe, all-plastic pressurized dispenser that is environmentally and planet friendly. Airopack Technology Group holds the patent and is worldwide the sole producer of this unique dispenser.

Airopack Technology Group operates an Airopack Ready to Fill manufacturing facility in Waalwijk, The Netherlands and a Full-Service Filling operation in Heist-op-den-Berg Belgium (Airosolutions) as well as a manufacturing plant for filling equipment in Houten, The Netherlands (Airofiller Equipment Solutions). The Global Research and Development Team, the Airopack Global Management and Customer Service Organisation are located in Waalwijk, The Netherlands.

The shares of the Company are listed on the Swiss Reporting Standard of the SIX Swiss Exchange since 2010 (Ticker: AIRN / ISIN: CH0242606942).

Disclaimer

This Ad Hoc Release / Press Release and accompanying Half-Year Report 2018 may contain certain forward-looking statements. In some cases forward looking statements can be identified by the use of terms such as "believes", "enables", "estimates", "anticipates", "projects", "expects", "intends", "may", "will", "seeks" or "should" or variations thereof, or by discussions of strategy, plans, objectives, goals, future events or intentions. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances.

Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward-looking statements. The success or achievement of various results, targets and objectives is dependent upon a multitude of factors, many of which are beyond the control of Airopack. No representations are made as to the accuracy of such statements or that such results, targets or objectives will be realized.

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