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Xebec Announces 2015 Fourth Quarter And Year-end Financial Results

MONTREAL (QC), April 28, 2016 - **Xebec Adsorption Inc. (TSXV: XBC)** ("Xebec"), a provider of gas purification and filtration solutions for the natural gas, field gas, biogas, helium, oxygen, nitrogen and hydrogen markets, announced today its 2015 fourth quarter operating results.

- Revenues of \$4.0 million in the fourth quarter 2015 compared to \$3.9 million for the same period in 2014, a 2.7% increase in the period.
- Negative EBITDA of \$0.1 million in the fourth quarter compared to a positive EBITDA of \$0.6 million for the same period in 2014.
- Revenues of \$11.3 million in fiscal 2015 compared to \$14.4 million for the same period in 2014, a 21% decrease for the year.
- Net loss of \$3.2 million or (\$0.08)/share in fiscal 2015 compared to a net loss of \$0.8 million or \$(0.02)/share for the same period in 2014. In 2015, this includes impairment charge on goodwill and other intangibles for \$0.7 million.

Financial Highlights:

	Three months ended		% of Change	Twelve months ended		% of Change
	2015	2014		2015	2014	
(In millions of dollars)	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Revenues	4.0	3.9	2.7%	11.3	14.4	-21.0%
Gross margin	1.5	1.6	-10.4%	2.8	4.9	-42.5%
Gross margin as a percentage of revenues	36.3%	41.5%		24.7%	34.0%	
EBITDA*	(0.1)	0.6		(2.0)	(0.4)	
Net income (loss)	(1.0)	0.4		(3.2)	(0.8)	
Net income (loss) per share - basic (\$/share)	(0.02)	0.01		(0.08)	(0.02)	
Net income (loss) per share - diluted (\$/share)	(0.02)	0.01		(0.08)	(0.02)	
Weighted average number of shares	39,363,867	39,363,867		39,363,867	39,363,867	
As at:				December 31, 2015	December 31, 2014	
Total assets				7.1	7.4	
Non current liabilities				4.2	0.3	
Equity				(3.0)	0.9	
As at:				April 28, 2016	April 29, 2015	
Back log				6.6	6.1	

* EBITDA is a non-IFRS financial measure and the Company defines it as earnings from operations excluding financial charges, taxes, foreign exchange loss (gain) and amortization.

Financial Results

Revenues

Xebec posted revenues of \$4.0 million for the fourth quarter of 2015, a 2.7 % increase compared to \$3.9 million in the fourth quarter of 2014. The increase is explained by higher sales in the Natural Gas Dryer segment, Gas Purification segment, and Air Dryer segment by respectively \$0.2 million, \$0.1 million and \$0.1 million, offset by decreased sales in the Engineering Services segment in 2015.

For the twelve-month period ended December 31, 2015, total revenues amounted to \$11.3 million compared to \$14.4 million for the corresponding period in 2014. This decrease of \$3.1 million is mainly due to lower sales in the Natural Gas Dryer segment, Gas Purification segment and Associated Gas segment by respectively \$(0.8) million, \$(1.4) million, and \$(0.9) million.

Order Backlog

As of April 28, 2016, total order backlog stood at \$6.6 million, compared to \$6.1 million as at April 29, 2015. Increase in the backlog is explained by more orders in the compressed gas filtration segment.

Gross profit margin

The gross profit margin percentage for the fourth quarter of 2015 stood at 36.3%; down by 5.2% compared to 41.5% for the fourth quarter of 2014. Excluding a reversal of a provision of \$0.3 million in the fourth quarter 2014, the gross profit margin percentage is up by 3.5%.

For the twelve-month period ended December 31, 2015 the operating profit margin as a percent to revenue stood at 24.7%, down by 9.3% compared to the same period last year. Margins were mainly affected by the completion of a biogas project with a weak gross margin in Q2 2015 and overall lower sales which had a negative impact on the absorption of fixed production costs.

EBITDA and Net Income

The negative EBITDA for the fourth quarter of 2015 amounted to \$(0.1) million compared to a positive EBITDA of \$0.6 million in the fourth quarter of 2014. This reduction of the EBITDA is mainly attributable to the decrease of \$0.1 million in gross margin, and an increase of provision for contingencies by \$0.4 million.

For the twelve-month period ended December 31, 2015, negative EBITDA amounted to \$(2.0) million compared to \$(0.4) million for the same period in 2014. This variance vs. prior year is explained by the following items:

- Overall weaker sales combined with a lower gross margin %, resulting in a significant drop in gross margin of \$(2.1) million
- Higher research and development costs and provisions of \$(0.1) million and \$(0.4) million respectively. They were only partly offset by lower selling and administrative costs (excluding provisions) of \$0.7 million
- Foreign exchange gain of \$0.3 million.

Net loss for the fourth quarter of 2015 totaled \$(1.0) million, or \$(0.02) per share, compared to a net income of \$0.4 million, or \$0.01 per share for the same period in 2014. This loss is mainly attributable to the following:

- a lower overall gross margin (\$0.1) million
- an increase of the provision for contingencies \$(0.4) million
- impairment charge for the Company's goodwill and customer relations intangibles (\$0.7) million.

Net loss for the twelve-month period ended December 31, 2015 amounted to \$(3.2) million, or \$(0.08) per share, compared to a net loss of \$0.8 million or \$(0.02) per share, for the same period in 2014. This higher loss is attributable to the following:

- lower overall gross margin percentage, 24.7% in 2015 compared to 34% in 2014. In value, the gross margin decreased by \$2.1 million
- higher research and development cost of \$0.1 million
- an increase of provisions of \$0.4 million
- an impairment charge related to intangibles of \$0.7 million
- these charges were partly offset by lower selling and administrative costs (excluding provisions), of \$0.7 million and higher foreign exchange gain of \$0.3 million.

Selling and administrative expenses for the fourth quarter of 2015 increased by \$0.5 million or 43.6% to \$1.6 million. This increase is mainly explained by additional provision for contingencies of \$0.4 million.

For the twelve-month period ended December 31, 2015 the selling and administrative expenses decreased by \$0.3 million or 5.9% to \$5.2 million. The decrease is attributable to the implementation of cost control measures such as reduction of salaries, travel and IT cost for \$0.7 million, partly offset by additional provision of \$0.4 million for contingencies.

As of December 31, 2015, the Company had \$2.7 million of cash on hand, \$0.4 million of bank loan and \$4.3 million of debt outstanding, of which \$0.2 million is due within one year.

Xebec 2015 year-end Financial Statements and Management's Discussion and Analysis include further information on the Company.

2015 Fourth Quarter Financial Statements and Management's Discussion and Analysis

The complete audited financial statements, notes to financial statements and the Management's Discussion and Analysis for the fiscal year ended December 31, 2015, are available on the Company's Website at www.xebecinc.com and on the SEDAR Website at www.sedar.com.

About Xebec Adsorption Inc.

Xebec Adsorption Inc. is a global provider of clean energy solutions to corporations and governments looking to reduce their carbon footprints. With more than 1,500 customers worldwide, Xebec designs, engineers and manufactures innovative products that transform raw gases into marketable sources of clean energy. Xebec's strategy is focused on establishing leadership positions in markets where demand for renewable energy through gas purification and generation, natural gas dehydration, and filtration is growing. Headquartered in Montreal (QC), Xebec is a global company with two manufacturing facilities in Montreal and Shanghai, as well as a sales office in Houston Texas (USA) and distribution network in North America, Europe, and Asia. Xebec trades on the TSX Venture Exchange under the symbol XBC. For additional information on the company, its products and services, please visit the Xebec web site at www.xebecinc.com.

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SOURCE Xebec Adsorption Inc.

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