

Xebec Announces 4Q and Full Year 2018 Financial Results

MONTREAL (QC), April 17, 2019 - Xebec Adsorption Inc. (TSXV: XBC) (OTC: XEBEF) (FRANKFURT: XB6) ("Xebec"), a global provider of clean energy solutions announces its 2018 fourth quarter and full year financial results. A new accounting policy method regarding revenue recognition – IFRS15 – has been applied. As a result, the financial statements reflect the impact of the change, with and without the IFRS15 Standard.

Financial Highlights:

| | Three months ended December 31, | | Twelve months ended December 31, | | | |
|---|------------------------------------|-------------|----------------------------------|--------------------|-------------------|------------|
| | 2018 | 2017 | As Reported FY 2018 | | FY 2017 | |
| <i>(In millions of dollars)</i> | (unaudited) | (unaudited) | (audited) | Without IFRS 15 | Impact IFRS 15 | (audited) |
| Revenues | 2.2 | 3.3 | 20.2 | 25.6 | 5.4 | 14.7 |
| Gross profit | 0.04 | 1.02 | 5.69 | 7.98 | 2.29 | 5.77 |
| Gross profit as a percentage of revenues | 2% | 31% | 28% | 31% | 42% | 39% |
| EBITDA* | (2.0) | (0.2) | (1.01) | 1.28 | 2.3 | 1.4 |
| Net income (loss) | (2.5) | (0.9) | (2.9) | (0.6) | 2.3 | 0.1 |
| Net income (loss) per share - basic (\$/share) | (0.06) | (0.02) | (0.07) | (0.014) | 0.054 | 0.002 |
| Weighted average number of shares | 42,737,000 | 40,562,060 | 42,737,000 | | | 40,562,060 |
| As at: | | | Dec 31, 2018 | | Dec 31, 2017 | |
| Total assets | | | 15.1 | | 8.3 | |
| Total Liabilities | | | 15.7 | | 12.7 | |
| Equity | | | (0.6) | | (4.4) | |
| As at: | | | April 16, 2019 | | May 28, 2018 | |
| Back log | | | 78.3 | | 66.1 | |

* 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. It is presented without the stock-based compensation expense.

Financial Results

Application of new IFRS 15 accounting standard: under IFRS 15, revenue recognition as a percent of completion requires a cancellation clause that stipulates that the company is entitled to cost, margin and profit. This clause is present in Xebec's North American and European contracts but a recent audit of seven (7) contracts from Xebec China worth approximately \$5.44 million revealed that the contract language did not meet the updated cancellation clause requirements of IFRS 15. As a result, the Company will need to complete the projects and hand over title before it recognizes revenue. Completion for all 7 projects will occur within the first three quarters of 2019.

- **Revenues** of \$ 2.2 million for the fourth quarter of 2018 (\$7.6 million without IFRS15 change) compared to \$3.3 million for the same period in 2017, a 33% decrease (130% increase without IFRS15 change). For the twelve-month period ended December 31, 2018 total revenues amount to \$20.2 million (\$25.6 million without IFRS15 change) compared to \$14.7 million for the corresponding period, an increase of 37% (74% increase without IFRS15 change).
- **Gross profit** of \$0.04 million or 2% of revenues for the fourth quarter of 2018 (\$2.3 million or 30% of revenues without IFRS15 change) compared to \$1.02 million for the same quarter in 2017, a 96% decrease compared to the same period in 2017. For the twelve-month period ended December 31, 2018, gross profit of \$5.7 million or

28% (\$7.9 million for the twelve-months period without IFRS15 change) compared to \$5.8 million for the same period in 2017, a 0.1% decrease compared to the same period in 2017.

- **Net loss** of \$2.5 million or \$0.06 per share for the three-month period ending December 31, 2018 (net loss of \$0.2 million without IFRS15 change) compared to a net loss of \$0.9 million or \$0.02 per share for the same period in 2017, a deterioration of \$1.6 million. For the twelve-month period ended December 31, 2018 the net loss is \$2.9 million or \$(0.07) per share (net loss of \$0.6 million without IFRS15 change) compared to a net profit of \$0.1 million or \$0.002 per share for the same period in 2017, a deterioration of \$3.0 million.
- **Negative EBITDA** of \$2.0 million for the three-month period ending December 31, 2018 (positive \$0.3 million without IFRS15) compared to a negative EBITDA of \$0.2 million for the same period in 2017. For the twelve-month period ended December 31, 2018 the EBITDA is negative \$1.0 million (positive \$1.3 million without IFRS15 change) compared to a positive EBITDA of \$1.4 million for the same period in 2017. The revenue recognition change is the main contributor.
- **Backlog** increased by \$12.2 million, from \$66.1 million at May 28, 2018 to \$78.3 million at April 16, 2019.
- **Selling and administrative expenses** increase by \$0.7 million in the fourth quarter of 2018 compared to the same quarter of 2017. For the twelve-month period ended December 31, 2018 SG&A increased by \$2.0 million compared to the same period of 2017. Intensive efforts to scale up resources and investments are being made to support the anticipated rapid growth of the Company.

As at December 31, 2018, the Company had \$2.4 million of cash on hand and working capital improved to \$5.3 million for a current ratio of 1.6:1 compared with a working capital of \$1.8 million and a 1.3:1 ratio in December 31, 2017.

Current Market Conditions and Guidance for 2019

The market conditions for renewable natural gas and hydrogen purification equipment remain strong across all our operating geographies. We expect significant revenue growth both in our European and Chinese subsidiaries, as well as strong growth in our North American business for 2019. Our guidance for 2019 is based on current order backlog, plus future orders we expect to book in the first 9 months of 2019. We expect revenue growth for 2019 of at least 125%, leading to revenues of CDN\$ 45.0 million+, and earnings per share (EPS) are expected to be in the range of \$0.10 to \$0.13.

Organizational scale-up is one of the important activities for 2019 in order to assure future growth of the company.

Systems - Clean Technology

Our Clean Technology segment continues to outperform expectations and our quote activity has significantly strengthened compared to prior years. We regard quote activity as an early indicator for future order activity. Our current quote log exceeds \$540 million, and our order backlog is over \$78 million. Xebec is emerging as a worldwide leader in biogas upgrading technology. We maintain our forecast that the Systems - Clean Technology segment will grow 130% to 150% in 2019, generating revenues of \$33 million to \$35 million.

Service and Support – Industrial Air & Gas Products

Xebec continues to pursue organic and inorganic growth opportunities in this segment and expects to double revenues from \$6.1 million in 2018 to \$12 million in 2019. GM has been lower than anticipated in 2018 at 33%, mainly due to low margin OEM sales, but Xebec has taken steps to bring the gross margins back in line with historical data at around 40%.

The first acquisition, Compressed Air International (CAI) in Ontario, closed on January 1st, 2019, and Xebec is currently working on its next two acquisitions. Xebec expects to close the second acquisition by mid-year and the third acquisition toward the end of 2019.

Infrastructure – Renewable Gas Generation

Xebec is actively working on the establishment of its renewable gas generation business. Our intent is to build, own, and operate (BOO) quality renewable gas infrastructure assets in Canada, and to sell renewable natural gas

to obligated parties and other third party off-takers. Xebec hopes to announce its first project within Q2/19. No revenue or costs have yet been recorded.

2018 Fourth Quarter Financial Statements and Management's Discussion and Analysis

The complete financial statements, notes to financial statements and Management's Discussion and Analysis for the three-month and twelve-month periods ended December 31, 2018, are available on the Company's Website at www.xebecinc.com and on the SEDAR Website at www.sedar.com.

For more information:

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About Xebec Adsorption Inc.

Xebec Adsorption Inc. is a global provider of gas generation, purification and filtration solutions for the industrial, energy and renewables marketplace. Its customers range from small to multi-national corporations and governments looking to reduce their carbon footprints. Headquartered in Montreal (QC), Xebec designs, engineers and manufactures innovative and transformative products, and has more than 1,500 customers worldwide. With two manufacturing facilities in Montreal and Shanghai, as well as a sales 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, visit Xebec at xebecinc.com.

Cautionary Statement

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