

Xebec Announces Fourth Quarter and Year-End 2016 Financial Results
Reports Positive EBITDA, Improving Gross Margins and Increasing Order Backlog in Q4/16

MONTREAL (QC), April 25, 2017 - Xebec Adsorption Inc. (TSXV: XBC) ("Xebec"), a global provider of gas generation, purification and filtration solutions announced today its 2016 fourth quarter and full year financial results.

- Significant increase of 102% in order backlog to \$11.5 million as of April 24, 2017. This indicates significant anticipated revenue growth for 2017.
- Revenues of \$3.3 million for the fourth quarter of 2016 compared to \$1.8 million in the third quarter of 2016, an increase of 83%. Revenues were at \$4.0 million for the same quarter in 2015.
- Revenues of \$9.6 million in fiscal 2016 compared to \$11.3 million for the same period in 2015, a 15% decrease.
- Positive EBITDA at \$0.01 million for the fourth quarter compared to \$(0.1) for the same quarter in 2015 and \$(0.5) for the third quarter in 2016.
- Reduced net loss to \$(0.1) million or \$(0.003) per share for the three month period ending December 31, 2016 compared to a net loss of \$(1.0) million or \$(0.02) per share for the same period in 2015.
- Reduced net loss to \$2.7 million or \$(0.07)/share in fiscal 2016 compared to a net loss of \$3.2 million or \$(0.08)/share for the same period in 2015.

Financial Highlights:

	Three months ended December 31,	% of Change	Twelve months ended December 31,	% of Change		
	2016 2015		2016 2015			
(In millions of dollars)	(unaudited)	(unaudited)	(audited)	(audited)		
Revenues	3.3	4.0	(17.5)%	9.6	11.3	(15.0)%
Gross margin	1.0	1.4	(28.6)%	2.2	2.8	(21.4)%
Gross margin as a percentage of revenues	30.6%	36.3%		22.6%	24.7%	
EBITDA*	0.01	(0.1)		(2.0)	(2.0)	
Net income (loss)	(0.1)	(1.0)		(2.7)	(3.2)	
Net income (loss) per share - basic (\$/share)	(0.003)	(0.02)		(0.07)	(0.08)	
Net income (loss) per share - diluted (\$/share)	(0.002)	(0.02)		(0.05)	(0.08)	
Weighted average number of shares	39,363,867	39,363,867		39,363,867	39,363,867	
			December 31,	December 31,		
As at:	2016	2015				
Total assets	5.6	7.1				
Total Long term Liabilities	4.5	4.2				
Equity	(5.2)	(2.9)				
			April 24,	May 30,		
As at:	2016	2015				
Back log	11.5	5.7				

* 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 \$ 3.3 million for the fourth quarter of 2016, a 17.5% decrease compared to \$4.0 million in the fourth quarter of 2015. This decrease is mainly explained by lower sales in the purification segment.

For the twelve-month period ended December 31, 2016, total revenues amounted to \$9.6 million compared to \$11.3 million for the corresponding period. This decrease of \$1.7 million is mainly due to lower sales in the purification segment which was partially offset by the increase of sales in the filtration segment.

Order Backlog

As of April 24, 2017, total order backlog stood at \$11.5 million, compared to \$5.7 million as at May 30, 2016.

Gross Margin

Xebec's gross margin as a % of revenues for the fourth quarter of 2016 amounted to 30.6% (\$1.0 million) compared to 36.3% (\$1.4 million), a 5.7% decrease compared to the same period in 2015. This decrease in % margin is due to lower absorption of fixed costs over a smaller revenue base.

For the twelve-month period ended December 31, 2016 the gross margin stood at 22.6%, down by 2.1% compared to the same period last year. Margins were mainly affected negatively by the overall lower sales which had a negative impact on the absorption of fixed production costs.

EBITDA and Net loss

The EBITDA for the fourth quarter of 2016 amounted to \$0.01 million compared to \$(0.1) million in the fourth quarter of 2015. This increase is mainly explained by the significant reduction of the selling and administrative expenses and the research and development expenses, partially offset by the reduction in sales and the lower foreign exchange gain.

For the twelve-month period ended December 31, 2016 the EBITDA amounted to \$(2.0) million, the same as in 2015, due to the following:

- The lower net loss of \$0.5 million - from \$(3.2) million in 2015 to \$(2.7) million in 2016;
- Higher finance cost of \$0.3 million;
- The impairment of intangible assets and goodwill recorded in 2015 of \$(0.7) million;
- Lower depreciation and amortization costs of \$(0.1) million.

The net loss for the fourth quarter of 2016 totaled \$(0.1) million, or \$(0.003) per share, compared to a net loss of \$(1.0) million, or \$(0.02) per share for the same 2015 period.

Net loss for the twelve-month period ended December 31, 2016 amounted to \$(2.7) million, or \$(0.07) per share, compared to a net loss of \$(3.2) million or \$(0.08) per share, for the same period in 2015. This variance is attributable to the following:

- Lower overall percentage of gross margin, 22.6% in 2016 compared to 24.7% in 2015, had a negative impact of \$(0.2) million. The reduction in sales from \$11.3 million in 2015 to \$9.6 million in 2016 had a negative impact of \$(0.4) million on the gross margin;
- Lower Research and Development cost, \$0.2 million;
- Lower Selling and Administrative expenses of \$0.9 million;
- Foreign exchange loss of \$(0.2) million compared to a gain of \$0.6 million in 2015 - a negative impact of \$(0.8) million;
- Conversion of shares issued by a subsidiary gain of \$(0.3) million compared to a loss of \$0.1 million in 2015 - a positive impact of \$0.4 million;

- Higher finance expenses, from \$0.2 million in 2015 to \$0.5 million in 2016, a negative impact of \$(0.3) million explained by the high usage of the line of credit and the issuance of the debentures in 2016;
- Impairment charge related to the Goodwill and Customer Relations for \$0.7 million in 2015 compared to \$ nil in 2016.

Selling and administrative expenses for the fourth quarter of 2016 decreased significantly by \$0.5 million to \$1.1 million from \$1.6 million due to lower staffing levels and the additional provision for contingencies recorded in the same period in 2015 of \$0.4 million.

For the twelve-month period ended December 31, 2016, the selling and administrative expenses decreased by \$0.9 million or 16.6% to \$4.3 million. The decrease is attributable to slightly lower staffing levels, partial reversal of litigation provisions as a result of settlements, and reversal of some other provisions no longer justified.

As of December 31, 2016, the Company had \$1.1 million cash on hand and working capital deficit of \$1.3 million.

2016 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 period ended December 31, 2016, are available on the Company's Website at www.xebecinc.com or on the SEDAR Website at www.sedar.com.

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.

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SOURCE: Xebec Adsorption Inc. For more information:

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