

Press release

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## **Leclanché announces its Financial Results for 2014 and presents the progress of its Turnaround Plan**

- First phase of the Turnaround plan completed and - thanks to new shareholders - long term Growth Plan is under implementation
- Results not positive yet, but clear ambitions and corresponding investments
- With Younicos, a ground-breaking project announced this morning : The world's first megawatt-scale storage system for renewable energies, which sets new world standards
- Success of major projects with Ecole Polytechnique Fédérale de Lausanne and Saint-Gobain
- Innovation and launch of new products
- New organization
- Leclanché now well profiled in markets with huge potential
- Annual Report 2014 published today

**Yverdon-les-Bains, Switzerland, April 10, 2015** - Leclanché SA (SIX Swiss Exchange: LECN),

specialized in the production of large-format lithium-ion cells and energy storage solutions, announces today its annual results for the year ending 31 December 2014. Consolidated revenues for the fiscal year 2014 were CHF 10.78 million, down by 27.6% compared with the previous year; the EBITDA loss for the year amounts to CHF (16.92) million compared with a loss of CHF (9.65) million in 2013.

As stated in the September 4, 2014 Interim Report, Leclanché's results are not yet positive; this position has been mainly driven by:

1. Tight liquidity, which affected its ability to improve its operations and financial performance for a large part of the year;

2. Measures to scale operations, particularly in Sales and Solutions Delivery, in line with the ambitious targets set for commercial development and the objective to achieve sustainable profitability for the company by addressing the emerging growth markets for our BESS solutions.

The progress made in continuing to re-set the business clearly confirms the path toward achieving Leclanché's ambitions, not least the arrival of new shareholders and a 9% increase of the workforce, which is needed to support the new Growth Plan.

Today's announcement of the new ground breaking Mega-watts scale storage Systems project confirms that the Company has made substantial progress to deliver growth.

2014 has been both an exciting and challenging period, during which Leclanché has been heavily focused on its four main objectives:

1. Continued implementation of the Turnaround Plan, leading to a long term Growth Plan;
2. Commercial ramp-up of the mass production line at the company's factory in Germany;
3. Launch of the home-storage product in Europe, and the launch of a range of industrial storage products in the second half of the year;
4. Continued development of channels to market and setting up of sale pipelines for these products.

Based on Leclanché's strong business plan, and the need to diversify the company's financing, the Board has been focused on securing additional medium-term financing both to meet its working capital requirements and to provide the additional capital required to improve business operations in line with the growth strategy.

At the EGM on January 5, 2015, shareholders approved the introduction of two facilities under a new convertible loan from Recharge ApS:

1. Facility A – CHF 13 million of working capital funding,

2. Facility B – CHF 8 million of growth funding, to be drawn for the first phases approved under the new growth strategy.

The CHF 5 million convertible loan of Oakridge was also acquired by Recharge APS on January 21, 2015. Under the terms of that loan, a partial conversion to equity was effected, increasing the equity of the company by CHF 3.7 million and simultaneously reducing debt. CHF 5.6 million has so far been drawn under Facility A and the first CHF 0.8 million has been drawn under Facility B to fund the implementation of initiatives under the new Growth Plan.

### **Key Events and developments**

In February 2014, after many months of test running and validation, Leclanché started volume production of A4 cells at its state-of-the-art factory in Willstaett, Germany. The Company's process of water-based coating of electrodes in volume production was successfully implemented during this period - a unique achievement in the industry - significantly reducing pollution compared to the conventional solvent-based coating process.

Leclanché has also developed a world-leading ceramic safety separator, which is a key element of the cell construction forming a strong barrier between the anode and cathode, the two main active components of cells. In June 2014 the Company entered into an agreement with Saint-Gobain to co-develop an enhanced separator material, leveraging Leclanché's current technology and patents. As a part of the agreement, Leclanché will outsource the manufacture of the existing separator to Saint-Gobain and work on this has begun.

Leclanché will ultimately benefit from a licence fee on potential 3<sup>rd</sup> party sales of the separator by St Gobain into large volume markets such as automotive and aviation, where the safety separator is a critical component.

In June, once the initial phase of the Turnaround Plan was successfully implemented, the Board appointed Mr Anil Srivastava as the new Chief Executive. In addition to

his normal duties of chief executive, the Board has asked Anil – Bloomberg New Energy Finance ‘Energy Manager of the Year’ in 2010 & 2012 – to deliver a Growth Plan which will improve Leclanché’s market offer and plot a path to sustainable profitability.

The Growth Plan now positions the company as a complete Battery Systems Provider, significantly increasing the company’s addressable market and allowing the Company to cover the full spectrum of power-intensive and energy-intensive applications, whilst profiling Leclanché as the only player with full in-house technologies.

This will require:

- a) Acquisition or licensing of Battery Module designs and best-in-class Battery Management Systems software, widely known as BMS.
- b) Addition of high energy-density lithium-ion chemistries such as LFP or graphite/NMC, coupled with Leclanché’s world-leading Titanate chemistry to address power-intensive applications
- c) Provision of packaged Energy Storage Solutions for electricity markets, focused on Diesel-coupled systems, PV-coupled systems and Grid-coupled ancillary services
- d) Provision of packaged solutions for Electrified Transport and Industrial Machinery sectors, such as buses, marine systems and materials handling equipment.

Good progress has already been made in building sales channels and Leclanché is pleased to report two major successes: an order of 500kWh, worth around CHF 2 million, from the Ecole Polytechnique Fédérale de Lausanne (EPFL) for a full grid-coupled ESS, and shortlisting for 400kWh, for an island storage solution incorporating PV and diesel coupling. The EPFL contract is a joint project with Romande Energie to build a Utility-scale grid-coupled Storage solution that facilitates the grid stabilization needs for better integration of increasing levels of Renewables Energy generation.

Leclanché is in active discussions to expand its sales channels' network into the USA, Canada, Chile, India and the Middle East.

With increasingly strict environmental regulation, the Company also has a significant opportunity to license its unique capability for water-based coating of anodes and cathodes in volume production.

### **Continued Research & Development**

During the second semester 2014, the Italian utility ENEL performed intensive tests on the Company's battery energy storage system based on Titanate-cells. The tests confirm that the Leclanché solution meets the standard for grid ancillary service application. This is a valuable achievement as ENEL has one of the most demanding requirements for these services.

Having completed the De-Lion project, a grant-funded project through which Leclanché pioneered the use of water based technology in its coating process for both anode and cathode, it has now successfully implemented it in volume production. Apart from making a positive environmental contribution, this provides the Company with enhanced cell stability and performance. Leclanché is also participating in Batteries 2020, which is an EU-funded project aimed at enhancing the lifetime and energy-density of lithium-ion batteries used in electric vehicles.

Leclanché is also a consortium member of the Ambassador project, which is an EU-funded project to study, develop and experiment with systems and tools that aim to optimise district energy usage and manage energy flows by predicting and matching energy consumption and energy production.

Leclanché's industry-leading cells have been independently tested by the Hochschule Landshut, a University of Applied Sciences, and found to have "enormous cycling stability and capacity retention" at 100% depth of discharge. Copies of the report are available on the Company's website.

Available market reports indicate continuous reduction in Average Selling Price (“ASP”) in the coming years. The Company has therefore launched an aggressive cost reduction program for raw materials procurement together with related cell development. Initial results indicate that significant cost savings can be achieved during the first half of 2015, and beyond.

As previously reported, Leclanché is also working on a high voltage cell, which might allow the increase of the capacity of its standard cell, significantly reducing cost per kilowatt hour. The test results are encouraging and the development program continues to progress well, but it is still too early to make any commitment as to if and when the Company would be in a position to launch such a cell on the market.

### **New Organization**

Notwithstanding the difficulties of the second half of 2014, Leclanché has been preparing the Organization to carry out the 2015 Operating and Growth Plans of the Company. Effective from Jan 2015, the Company is organized around three commercial Business Units, an Engineering Business Unit (BU) and a Technology and Industrial team:

- **Stationary Storage Systems BU** sells and supports customers requiring Storage solutions coupled with Distributed Power Generation like PV Solar/Wind/Diesel Gensets and Grid Ancillary Services.
- **Speciality Battery Systems BU** will combine current Portable and Distribution businesses to bring even greater focus to deliver Customized Battery Systems to its Customers.
- **Mobile Storage Systems BU** sells and supports customers requiring Storage solutions for mass transport networks like hybrid/ full electric fleet of Bus/ Trams/ Trains/ Ferries; and Industrial Machineries like Automated Guided Vehicles (AGVs) etc.

- **System Engineering and Delivery BU** is responsible for Design, Project implementation and Services for all commercial Business Units.
- **Technology and Industrial Team** is responsible for group-wide R & D and Production functions.

Leclanché now has a top-class International leadership team with a good blend of existing personnel and new recruitments.

## Financial Results

### Key Figures

(in mCHF)

(IFRS)

31/12/2014 31/12/2013

Revenue	10,78	14,90
EBITDA	-16,92	-9,65
EBIT	-22,44	-12,09
Loss for the year	-25,73	-13,55
Equity	22,92	39,22
<i>Equity % of Assets</i>	<i>54,6%</i>	<i>76,6%</i>
Earning per share[CHF]	-1,33	-1,69
Number of Employees [FTE]	114	105

Overall financial performance of the Company was seriously affected by the tight liquidity situation causing loss of business in the second half of 2014 and preventing fulfilment of Orders with short-term deliveries. Accordingly, consolidated revenues for the year to December 2014 were CHF 10.79 million, down by 27.6% compared with the previous year, as a result of these factors and also as a result of reduced grant revenues in the Stationary Business.

Revenues from the Portable Business were CHF 6.75 million (2013: CHF 8.88 million), down by 24% compared with the previous year mainly as a result of one large long-term contract drawing to a close during 2014. This Business unit was particularly affected by the Liquidity situation. The Portable business has recruited new sales personnel during the period and is successfully diversifying into new sectors such as medical systems and transport with a view to replacing this lost revenue over the course of the next 12 months.

Revenues from the Distribution Business were CHF 3.27 million (2013: CHF 3.33 million), marginally reduced from last year but with the prospect of some increase during 2015 as a result of the recent addition of a number of significant new customers.

Revenues in the Stationary Business were just CHF 0.63 million (2013: CHF 2.60 million). Most of the revenues in 2013 came from grant-funded projects. After his arrival, the new CEO restructured the Sales Organization with nearly half the team replaced. Significant progress for Stationary orders and revenues is now envisaged.

The Portable Business generated an EBITDA loss of CHF (0.80) million (2013: EBITDA CHF 1.11 million) as a result of reduced revenues and the increased cost from new sales personnel. The Distribution Business showed a small EBITDA of CHF 0.03 million (2013: EBITDA loss CHF (0.10) million).

The Stationary Business recorded an EBITDA loss of CHF (9.35) million (2013: EBITDA loss CHF (4.74) million), mainly due to the reduction in grant revenues and the reorganisation and ramp up of sales as well as marketing activity and personnel during 2014.

Group central costs at the EBITDA level were CHF (6.80) million (2013: CHF (5.92) million), an increase of 15%, mainly attributable to the organisational and operational restructuring needed to deliver business expansion.

The net loss for the year was CHF (25.73) million (2013: loss CHF (13.55) million), an increase of CHF 12.18 million, as a result of an increased EBITDA loss described above the commencement of depreciation charges associated with the main production facility in Germany and a one-off, non cash, deferred tax charge of CHF 1.38 million, arising under the requirement of IFRS, in connection with the elimination of carry-forward tax losses in Germany and resulting from the recent financial restructuring of the group.

The earnings per share are a loss of CHF (1.33), compared to a loss of CHF (1.69) in 2013, due to the higher weighted number of shares in issue when compared to the previous year.

Whilst the Company's management is determined to operate as efficiently as possible, current operating cost levels are unlikely to be substantially reduced further, as this is incompatible with business expansion. The new Growth Plan implies significant scaling of operations in sales as well as solution deliveries and incorporates an efficient organisational structure to deliver increased productivity per person.

### **Outlook**

While the road ahead still presents many challenges, Leclanché is now well positioned to register commercial success, thanks to the actions already launched under the Growth Plan; the Company now has the financial means and the stability needed to fulfil its ambitious strategy.

The Company is well underway to complete its compelling product offer in the industry and to emerge as the unique provider of optimized BESS for Power, Energy and blended Hybrid applications. It has already begun industrial production of the new Energy Cell based on Graphite NMC chemistries. For this Leclanché is acquiring proven automotive-grade Electrodes from a partner and producing cells using its well-established industrial process in its factory in Germany, as well as leveraging its industry leading Safety Separator.

The market for large-scale energy storage solutions for both Electricity and Mass Transport Segments is evolving at a rapid pace not just in Europe, but in North America, South America and Asia as well. This market has clearly entered into the early stage of Commercial Procurements.

In this field, Leclanché is well positioned on four key market drivers:

- Its offer and its Return on Investment proposition (“ROI”) for PV Solar and diesel-coupled ESS are clear and compelling. In addition to the Island solution for which it has been short-listed in 2014, Leclanché is also actively engaged in another Island solution where its BESS will couple with both Wind and Solar parks to significantly reduce Diesel consumption. These will provide the company with an important reference for expanding similar packaged solutions in selected markets worldwide.
- The addressable market for grid-coupled ESS providing ancillary services such as frequency and voltage regulation, where Leclanché’s technology is particularly well suited, is a multi-billion dollar market. The contracting structure and remuneration policy for such services is still evolving in key markets, but market reports indicate this market will be in a commercial procurement phase within two years.
- Following its success with the EPFL project, the Company is now engaged in a large BESS project for Frequency regulation services in Europe. It is at the front end of the Engineering and Design (FEED) stage of this project and has launched its initial marketing to potential investors.
- The company has also validated its offer and its Return on Investment (“ROI”) for Electrified Transport and Industrial Machinery sectors, which is particularly well-suited for fleets of Electric Buses or specialized heavy transport vehicles.

International expansion remains a top priority for Leclanché which continues to pursue strategic alliances to establish a strong go-to-market and delivery partnership in selected markets around the world. Its priority remains the US, Chile, China, India and South Africa.

The company anticipates that, subject to the successful completion of the Turnaround Plan and successful implementation of the Growth Plan, funding under Facility A will satisfy the company’s working capital requirements for at least the next twelve months and until the achievement of Adjusted EBITDA breakeven (defined as

EBITDA breakeven excluding any non-cash items and as further adjusted to exclude the negative effects of any growth initiatives and activities which are separately funded under Facility B or otherwise).

Notwithstanding the above, as operations are scaled, particularly in Sales and Delivery, the Company is aware of the significant execution risk this carries, and continues to explore options to raise further growth capital alongside the existing Facility A and Facility B, as envisaged by the agenda approved by shareholders at the Extraordinary General Meeting of 5 January 2015.

Available cash and undrawn facilities at 31 December 2014 were CHF 537K (2013: CHF3,060K). In addition, CHF 6.4 million has been drawn subsequently under the Convertible Loans from Recharge ApS.

#### **Publication of interim results**

Leclanché SA published today its Annual Report which is available in pdf format on the Company Web site : [www.leclanche.eu/page/financial-reports](http://www.leclanche.eu/page/financial-reports).

#### **Analyst and investor Webcast**

A live audio webcast of the meeting will be accessible on the Leclanché web site: [www.leclanche.ch](http://www.leclanche.ch)

A replay of this teleconference will be made available one hour after the conference, on the Leclanché web site.

#### **AUDIO WEBCAST Live**

Live and replay link: <http://leclanche100415-live.audio-webcast.com>

Analyst and investors wishing to ask questions during the conference are invited to call at 14:15 CET (13:15 GMT/ 8:15 EST) using one of the following dial-in numbers:

Switzerland: +41 (0)44 580.72.14

United Kingdom: +44 (0)20 34.27.19.00  
United States of America: +16 46 254.33.64  
Germany: +49 (0)69 22.22.10.626

Confirmation Code: 9322919

### **About Leclanché**

Established in 1909 Leclanché has been a reliable partner for battery storage technologies. Founded in the tradition of Georges Leclanché, the inventor of the dry cell battery, Leclanché today has a rich portfolio of Energy Storage Systems that include Specialized Customer-specific Battery Systems to industry leading lithium-ion solutions.

Through the integration of a spin-off of the German Fraunhofer Institute in 2006 the company evolved from a traditional battery producer into one of the first developers and manufacturers of lithium-ion cells in Europe.

Leclanché's Storage Solutions are optimized for various applications, in particular for the integration of renewable energy, diesel fuel reduction, electricity grid-connected ancillary services, peak power shaving for heavy industries but also for heavy duty transportation in buses, trams, trains or maritime vessels.

Leclanché products are characterized by a very high cycle stability (cells with titanate anode) and long service life. Thanks to our patented separator technology, which is a core element of lithium ion cells with titanate anode, Leclanché is able to make cells with very good safety characteristics in automated production. Leclanché operates a fully automated plant for the production of large format lithium-ion cells at an annual maximum capacity of up to 175MWh or up to one million cells.

In addition, Leclanché offers a number of specialized battery systems through its Portable Business Unit, such as customer-specific energy storage systems for military and medical applications. Leclanché also distributes primary and secondary

batteries and accessories of other producers.

Leclanché, which is quoted on the Swiss stock exchange (SIX:LECN), has a wide range of storage products for homes, small offices, large industries, electricity grids, hybridization for mass transport systems like fleet of buses, trams etc.

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