Leclanché

**Press Release**

# Leclanché announces 2013 Financial Results and provides an update on its Turnaround Plan

- **Home energy storage product launch scheduled for end of Q1 2014**
- **Expansion in the stationary industrial and grid electricity storage markets in Q2 2014**
- **Possible US co-operation with Precept portfolio company, Oak Ridge Energy Technologies Inc (OKME)**
- **Precept provides a support letter to meet growth requirements**
- **Publication of Annual Report 2013**

**Yverdon-les-Bains, Switzerland, March 5, 2014 -** Leclanché S.A. (SIX Swiss Exchange: LECN), specialized in the production of large-format lithium-ion cells and energy storage solutions, today announces its annual results for the year ended 31 December 2013, which are in line with guidance previously given. Consolidated revenues for the fiscal year 2013 were CHF14.9million, down by 7.6% compared with the previous year. Also in line with Leclanché's 2013 guidance, the EBITDA loss for the year was below CHF(10.0)million at CHF(9.7)million compared with a loss of CHF(12.8)million in 2012, which represents a reduction of losses of 24.5%.

The Company is broadly in line with its Turnaround Plan and has also embarked on an international expansion of its offering through several distributorship/agency agreements, which was not previously contemplated. There remains however significant execution risk and management believes that it is necessary to strengthen the liquidity position of the Company as it launches its stationary products and ramps up production. The Company is pleased to report that Precept Fund Management SPC acting on behalf of Precept Segregated Portfolio ("Precept" or "Lender"), with whom it had negotiated a CHF17million Convertible Loan and Investment Agreement on July 8th 2013 (the "Loan Agreement") continues to be very supportive and has agreed to provide a Letter of Support, confirming its willingness to continue to fully support the Company and that it will take such steps as are within its powers at least until 31 March 2015 to facilitate the provision of additional funding as reasonably requested by the Board of the Company showing need of such funding. Any additional funding shall be on terms and conditions similar to the Loan Agreement (particularly at the same conversion rate and the same maturity date) and acceptable to the parties.

The Company and Oak Ridge Energy Technologies Inc., (OKME) ("Oak Ridge") Precept's US battery industry portfolio company, have commenced a discussion regarding a strategic alliance and technology exchange agreement, in particular regarding the US application by Oak Ridge of the Company's safety separator technology and the grid storage units. Should such a joint cooperation be implemented and lead to the expected results, the companies could also explore the additional synergies in order to gain scale and greater traction in the market. Steve Barber, Chairman and Chief Investment Officer of Precept Asset Management Limited, the investment manager of Precept says: "Precept believes strongly that there is a significant opportunity at present in the battery sector for the creation of a global platform which offers diversified technologies and products to cater for the demanding needs of the energy storage, transportation and military markets. We want our two battery industry portfolio companies, Leclanché and Oak Ridge, to participate at the forefront of that opportunity”.

**Annual Results**

Consolidated revenues for the fiscal year 2013 were CHF14.9million, down by 7.6% compared with the previous year. Revenues from the Portable Business were CHF8.9million (2012: CHF8.7million), up 1.7% over 2012. Revenues from the Distribution Business were CHF3.3million (2012: CHF3.7million), a reduction of 9.7% over 2012, which is attributable to the First Half of 2013. Management in this business unit was changed in the Second Half of 2013 and revenues in this period were up 2.1% over the same period last year. Revenues in the Stationary Business were CHF2.6million (2012: CHF3.7million). Most of the revenues in 2013 and 2012 came from grant funded projects and the reduction of 30.5% in the year is largely attributable to the timing of these projects. During the Second Half of 2013, a sales management organization was put in place for the Stationary Business and the Company is on target to announce the launch of its Home Storage product later in the First Quarter 2014. The Industrial Product range is also on target for launch during the First Half of 2014.

In line with Leclanché 2013 guidance, the EBITDA loss for the year was below CHF(10.0)million at CHF(9.7)million compared with a loss of CHF(12.8)million in 2012, which represents a reduction of losses by 24.5%. The Portable Business generated an EBITDA profit of CHF1.1million (2012: Loss CHF(0.2)million), representing an improved profitability of CHF1.3million. The Distribution Business showed a small EBITDA loss of CHF(0.1)million (2012: Profit CHF0.6million). The Stationary Business recorded an EBITDA loss of CHF(4.7) million (2012: CHF(8.8)million), representing a loss reduction of 46%. Group central costs at an EBITDA level were CHF(5.9)million (2012: CHF(4.5)million), mainly attributable to higher legal and professional expenditure associated with the restructuring of the business.

The net loss for the year was CHF(13.6)million (2012: Loss CHF(14.9)million), a reduction of 9.1%, in spite of higher depreciation charges associated with the main production facility in Germany and higher finance charges associated with the capital that was raised.

The earnings per share is a loss of CHF(1.69), compared to a loss of CHF(2.82) in 2012, due to the lower net income loss and the higher weighted number of shares in issue resulting from the conversion of the Precept Loan.

Available cash and undrawn facilities at December 31, 2013 were CHF6.3million (2012: CHF3.9million).

**Annual Report 2013 and Annual Shareholders Meeting**

Leclanché published today its Annual Report 2013, which can be downloaded on the company’s web site. The company’s Annual Shareholders Meeting will take place in Yverdon on April 3, 2014.

**Update on Turnaround Plan**

The Turnaround Plan announced on March 5, 2013 had five main objectives:

**1. Strengthen the management team**

This is now complete. Leclanché’s executive committee is made up of seven senior managers, including the Chief Executive, Deputy Chief Executive, Chief Financial Officer, Chief Technical Officer, Head of Portable Business and Systems Development, Head of Stationary Sales and Marketing and General Manager of Distribution Business. In addition, the Company has built enhanced sales capability in all three businesses and related support functions and strengthened the Finance and back office functions.

**2. Increase contribution from the Portable and Distribution business units**

The EBITDA contribution from the Portable Business increased by CHF1.3million turning a loss of CHF(0.2)million in 2012 to a profit of CHF1.1million this year. 2013 was an exceptional year and delivered results in excess of the Company's expectations. Corrective action was taken in its Distribution Business by replacing the management of that business. The first impact has been to stop the erosion in revenues and a number of large contracts were won in the second half of the year. The next stage will be to focus on the business profitability.

**3. Apply stronger focus in "go-to-market" processes**

Leclanché streamlined the responsibilities for the development of the Home Storage systems product under the direction of Mr Fabrizio Marzolini to leverage the integration capabilities within his group and added to this significant resource in program management and software application. Leclanché is pleased to say that the Home Storage product, which will be referred to as the Ti-Box, is in beta test sites at the moment and provided these tests are positive, the Company would expect to announce the commercial launch of this product at the end of the First Quarter 2014.

The Industrial product, to be referred to as Ti-Rack or Ti-Container, as appropriate, is being developed in collaboration with an external partner and is scheduled for commercial launch towards the end of the First Half 2014. In its interim results Leclanché indicated that it was looking to adopt a third party graphite based industrial product to complete its product portfolio. The Company expected to do this by January 1, 2014 but due to certain delays beyond its control, it was unable to meet this objective. Leclanché is however expecting to complete its evaluation during the First Half 2014.

Leclanché also indicated on August 21, 2013 that it is working on a high voltage large format cell. The company said at the time that it is too early to provide any commitment as to if and when this product will be incorporated into commercial production. The development program continues to progress well, but no commitments can be made at this stage.

**4. Focus on building sales channels and seek to establish strategic alliances**

Leclanché initiated a deliberate recruitment program to build and enhance its sales and sales support capability and also signed three distributorship/agency agreements with companies in Saudi Arabia for the GCC territory, Slovenia for a number of Eastern European and Baltic territories and Italy. The Company intends to expand this network as and where it sees a viable opportunity to do so.

**5. Reduce costs by streamlining the organisation**

Although a number of measures have been taken to streamline the organisation, the Company is being managed for growth with ambitious targets being set for commercial development.

Whilst management will aim to always operate as efficiently as possible, current operating cost levels are unlikely to be substantially reduced further, as this is incompatible with business expansion.

**Preparation for Conversion of Precept Loan**

The Company is currently taking all preparatory steps to enable the full conversion of the remaining outstanding convertible loan granted by Precept into ordinary shares of the Company, if possible, before 31 March 2014.

**Outlook**

Leclanché objective remains to achieve EBITDA break-even by 2015, subject to successful implementation of the Turnaround Plan, including the timely launch of products and commercial success. As it enters this market in earnest in 2014, Leclanché is both aware of the significant execution risk within the Stationary business, but also encouraged by the extent and number of opportunities that it is engaged in.

The Board is firmly of the view that it is necessary, based on its current business plan, to secure additional financing to meet its working capital requirement and for this reason the Company has obtained a Letter of Support from Precept confirming its willingness to continue to fully support Leclanché and that it will take such steps as are within its powers at least until 31 March 2015 to facilitate the provision of additional funding as reasonably requested by the Board of the Company showing need of such funding. Any additional funding shall be on terms and conditions similar to the Loan Agreement (particularly at the same conversion rate and the same maturity date) and acceptable to the parties.

Leclanché's current cash flow does not support a commercial credit line and given the difficulties the company experienced in trying to raise capital in the public equity market last year, it is fortunate in benefiting from the continued support of its leading institutional investor.

**Analyst and investor meeting**

Leclanché S.A. will discuss its full-year 2013 financial results and achievements during an analyst and investor meeting taking place today, Tuesday, March 5th, 2014 at the Steigenberger Bellerive au Lac, Utoquai 47, 8008 Zürich.

In addition, a live audio webcast of the meeting will be accessible on the Leclanché web site: www.leclanché.com. A replay of this teleconference will be made available one hour after the conference.

Analysts and media wishing to ask questions during the conference are invited to call at 14:15 CET (13:15 GMT/ 9:15 EST) using the following conference-ID: 4666562 and dial-in numbers:

- Europe: +41 (0) 22 592 73 12
- UK: +44-207-153-2027
- USA: +1-480-629-9673

Live and replay link: http://leclanche050314-live.audio-webcast.com

**About Leclanché**

Leclanché's strategy is to become one of the leading lithium-ion cell producers and solution providers for energy storage systems in Europe. Its strategic priorities are to develop and market energy storage products for home, industrial markets and grid applications and to grow its existing businesses of developing portable energy storage systems for military, medical and industrial applications. It also includes providing a range of professional energy storage systems to a diversified customer base. Through participation in research consortia focusing on hybrid and E-mobility applications, Leclanché is positioned to take advantage of new market opportunities.

Through a unique, patented ceramic separator technology and focus on lithium-titanate technology, Leclanché manufactures large-format lithium-ion cells, optimized for safety and cycle-life, in a fully automated production process. The newly installed production line will have an annual capacity of one million cells or 76 MWh.

Leclanché was founded in 1909 in Yverdon-les-Bains. Through the integration of a spin-off from the Fraunhofer-Gesellschaft in 2006, the company evolved from a traditional battery manufacturer to become a leading developer and manufacturer of lithium-ion cells in Europe. Leclanché currently employs more than 100 staff and is listed on the SIX Swiss Exchange (LECN). The company has its headquarters in Yverdon-les-Bains (Switzerland) and production facilities in Willstätt (Germany).

www.leclanche.eu


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**Disclaimer**

This press release contains certain forward-looking statements relating to Leclanché's business, which can be identified by terminology such as "strategic", "proposes", "to introduce", "will", "planned", "expected", "commitment", "expects", "set", "preparing", "plans", "estimates", "aims", "would", "potential", "awaiting", "estimated", "proposal", or similar expressions, or by expressed or implied discussions regarding the ramp up of Leclanché's production capacity, potential applications for existing products, or regarding potential future revenues from any such products, or potential future sales or earnings of Leclanché or any of its business units. You should not place undue reliance on these statements. Such forward-looking statements reflect the current views of Leclanché regarding future events, and involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. There can be no guarantee that Leclanché's products will achieve any particular revenue levels. Nor can there be any guarantee that Leclanché, or any of the business units, will achieve any particular financial results.

**Consolidated income statement for the year ended December 31, 2013**

| | 31.12.2013 | 31.12.2012 |
|---|---|---|
| | KCHF | KCHF |
| Sales of goods and services | 12'306.8 | 12'907.0 |
| Other income | 2'591.5 | 3'222.8 |
| **Total income** | 14'898.3 | 16'129.8 |
| Raw materials and consumables used | -7'587.0 | -10'283.7 |
| Personnel costs | -9'443.8 | -10'765.0 |
| Other operating expenses | -7’517.7 | -7’859.9 |
| **EBITDA** | **-9’650.2** | **-12’778.8** |
| Depreciation and amortization expense | -2’444.5 | -1'909.0 |
| **Operating Loss** | **-12’094.7** | **-14’687.8** |
| Finance costs | -1’460.6 | -235.2 |
| Finance income | 1.2 | 7.5 |
| **Loss before tax for the year** | -13’554.1 | -14'915.4 |
| Income tax | - | - |
| **Loss for the year** | -13’554.1 | -14'915.4 |
| Earnings per share (CHF) | | |
| - basic | -1.69 | -2.82 |
| - diluted | -1.69 | -2.82 |

## Consolidated balance sheet at December 31, 2013

| | 31.12.2013 | 31.12.2012 |
|---|---|---|
| | KCHF | KCHF |
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant equipment | 34’886.3 | 33'932.4 |
| Intangible assets | 4’785.1 | 4'397.1 |
| Other financial assets | 248.4 | 249.9 |
| | 39’919.8 | 38'579.5 |
| **Current assets** | | |
| Inventories | 4'568.1 | 4'710.6 |
| Trade and other receivables | 3’651.1 | 4'917.6 |
| Cash and cash equivalents | 3’060.4 | 3'936.2 |
| | 11’279.6 | 13'564.4 |
| TOTAL ASSETS | 51’199.4 | 52'143.8 |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to equity holders of the parent** | | |
| Share capital | 28’220.8 | 28'150.7 |
| Share premium | 56’833.8 | 47'178.0 |
| Accumulated value for share-based payment | 1’677.3 | 983.8 |
| Other reserves | 8’632.2 | 8’632.2 |
| Translation reserve | -1’645.8 | -2'280.3 |
| Equity component of convertible loan and warrants | 5’216.3 | - |
| Actuarial loss on post-employment benefit obligations | -12’658.4 | -14'176.5 |
| Accumulated losses | -47’053.2 | -33’499.1 |
| **Total Equity** | 39’222.9 | 34'988.8 |
| **Non-current liabilities** | | |
| Provisions | 100.0 | 70.0 |
| Defined benefit pension liability | 3’840.2 | 5'268.3 |
| Convertible Loan | 4’136.3 | |
| | 8’076.5 | 5'338.3 |
| **Current liabilities** | | |
| Provisions | 100.0 | 130.0 |
| Borrowings | - | 6'243.4 |
| Trade and other payables | 3’800.0 | 5'443.3 |
| | 3’900.0 | 11'816.7 |
| **Total Liabilities** | 11’976.5 | 17'155.0 |
| TOTAL EQUITY AND LIABILITIES | 51’199.4 | 52'143.8 |

## Consolidated statement of cash flows for the year ended December 31, 2013

| | 31.12.2013 | 31.12.2012 |
|---|---|---|
| | KCHF | KCHF |
| **Operating activities** | | |
| Loss before tax | -13'554.1 | -14'915.4 |
| Non cash adjustments: | | |
| Depreciation of property, plant and equipment | 1'649.6 | 1'122.3 |
| Amortization of intangible assets | 793.2 | 786.7 |
| Non-realized foreign exchange differences | 479.7 | -335.5 |
| Recognized expense for stock option plan | 693.6 | 427.0 |
| Interest expense | 1'460.6 | 234.7 |
| Interest income | -1.2 | -7.5 |
| Movement in provisions | 50.0 | 90.0 |
| Employer's contribution to defined benefit plan | -362.9 | -374.4 |
| Pension cost | 452.9 | 336.3 |
| Working capital adjustments: | | |
| In/Decrease in trade and other receivables | -1'266.5 | -824.8 |
| In/Decrease in inventories | 142.5 | -493.0 |
| In/Decrease in trade and other payables | -1'643.3 | 506.1 |
| **Net cash flows used in operating activities** | -8'572.8 | -13'447.5 |
| **Investing activities** | | |
| Purchase of property, plant and equipment | -2'626.8 | -17'494.9 |
| Investment in other financial assets | -1.5 | 0.5 |
| Capitalized development expenses | -1'221.6 | -565.4 |
| Interest received | 1.2 | 7.5 |
| **Net cash used in investing activities** | -3'848.7 | -18'052.3 |
| **Financing activities** | | |
| Net proceeds from share capital increase | 2'808.9 | 23'171.4 |
| Net proceeds from warrants exercised | - | 3'612.8 |
| Net proceeds from convertible loan | 8'786.9 | - |
| Net proceeds from borrowings | - | 6'038.5 |
| Interest paid | - | -29.9 |
| **Net cash from/ (used in) financing activities** | 11'595.8 | 32'792.8 |
| **Increase / Decrease in cash and cash equivalent** | -825.7 | 1'293.0 |
| Cash and cash equivalent at 1 January | 3'936.2 | 2'617.2 |
| Cash and cash equivalent at 31 December | 3'060.4 | 3'936.2 |
| Effect of exchange rate changes | 50.1 | -25.9 |
| **Variation** | -825.7 | 1'293.1 |