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**Press Release**

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## **Leclanché SA reports first half-year 2014 financial results**

- **Consolidated revenues of CHF 5.6 million**
- **EBITDA for H1 2014: CHF -7.6 million**
- **New Chief Executive Officer as of June 1<sup>st</sup> 2014**
- **Successful launch of energy storage products**
- **Orders/shortlisting for greater than 1 MWh industrial storage solutions**
- **Tight liquidity, launch of a new financing round in cooperation with its major shareholders**
- **Publication of Interim Report**

**Yverdon-les-Bains, Switzerland, 4 September 2014** - Leclanché S.A. (SIX Swiss Exchange: LECN), specializing in the production of large-format lithium-ion cells and energy storage solutions, announced today its unaudited financial results for the first half-year 2014. Total consolidated revenues reached CHF 5.6 million for the six months ended 30 June 2014, a 29.8% decrease from CHF 8.4 million in the same period last year. This decrease in revenues directly led to an increased EBITDA loss amounting to CHF -7.58 million for the period, compared to CHF -4.95 million in 2013. This loss also reflects an increase in personnel costs to intensify marketing and selling activities linked the launch of Leclanché's home and industrial energy storage solutions. Due to higher depreciation and amortization costs, the net loss amounted to CHF -10.8 million versus CHF - 6.5 million in 2013.

The increased loss recorded during the period reflects largely lower revenues from Leclanché's stationary business as the home storage and the new generation of industrial energy storage products were only launched respectively in March and July 2014. This loss also reflects the investment made by the company to implement its strategic plan around four main objectives:

- (a) Continued implementation of the turnaround plan, leading to a long term growth strategy;
- (b) Commercial ramp up of its mass production line in its factory in Germany;
- (c) Launch of Leclanché's home storage product in Europe and launch of a range of industrial storage products in the second half of the year;
- (d) Continued development of channels to market and growing a sales pipeline for these products

### **A new growth plan**

A number of significant milestones were recorded in this respect so far this year. This includes an increase in commercial orders in particular in the stationary business, including an industrial storage solution for a research project conducted by Leclanché S.A. at the Ecole Polytechnique Federale de Lausanne (EPFL). The company also signed an agreement with Saint-Gobain to co-develop an enhanced separator material leveraging Leclanché's current technology and patents.

Under the leadership of its new CEO appointed 1 June 2014, Anil Srivastava, Leclanché is introducing a new growth plan that will position the company as a complete Battery System Provider, significantly increasing Leclanché's addressable market and with the ability to address the full spectrum of power-intensive and energy-intensive applications.

### **Tight liquidity**

The company is still operating under tight liquidity conditions. The Board is therefore firmly of the view that it is necessary, based on its current business plan, to secure additional medium-term financing to meet its working capital requirements and the capital required to scale the business operations as envisaged by the new growth strategy.

Since June 30, 2014, the company has received an additional financing of CHF 1.6 million under the convertible loan agreement already announced with Oakridge. There is a further kCHF 400 receivable under this loan agreement.

Under the current letter of support from Precept, valid until March 2015, Leclanche has so far received CHF 4.6 million under the convertible loan agreement with Oakridge. However, we have a short-term need to translate the intent of the support letter into formal agreements against which Leclanché can draw down further funds to satisfy the company's working capital requirements for at least the next twelve months and until EBITDA breakeven is achieved.

Leclanché is therefore in active discussion with its major shareholders to secure this commitment and extend the current Letter of Support at least until 31 March 2016. Further, Precept, as the major shareholder, has given its agreement to co-operate with Leclanché to diversify its financing base, in order to further satisfy working capital and growth capital requirements, and to work with the Company on its fund raising efforts on a reasonable efforts basis.

### **Strategic outlook**

The market for large scale energy storage applications in Europe and other key regions is developing strongly and Leclanché is participating in this growth. This market is evolving at a rapid pace not just in Europe, but in North America and Asia as well. In particular the company notes the following trends and key drivers:

- The return on investment proposition ("ROI") is clear and compelling for photovoltaic (PV) and diesel-coupled Battery Energy Storage Systems (BESS). Leclanché's recent shortlisting for an island storage solution will provide the company with an important reference for expanding such packaged solutions in selected markets worldwide
- The addressable market for grid-coupled BESS providing ancillary services such as frequency and voltage regulation, where Leclanché's technology is particularly well suited, is a multi-billion market. However it must be noted that the contracting structure and remuneration policy for such services is still evolving in key markets such as Germany, the UK and California in the USA. Market reports indicate this market will be in a commercial procurement phase within two years
- The electrified transport and industrial machinery sectors also exhibit compelling ROI business cases. The new growth strategy envisages the introduction of high energy-density chemistries which will enable the company to address this large growth market.

- International expansion remains a top priority for the company. Leclanché will continue to pursue its current Joint Development Agreement with Oakridge, and other strategic alliances, to establish a strong go-to-market and delivery partnership in the US and Canada. Leclanché also continue to work with Precept in their pursuit of a Battery Industry Consolidation Platform.

### **Guidance**

Leclanché's objective remains to achieve EBITDA break-even before the end of 2015, subject to a successful completion of the turnaround plan and the successful implementation of the new growth strategy. The company is scaling up its operations, particularly in sales and delivery. It is encouraged by the extent and number of opportunities it is engaged in, but is also aware of the significant execution risk this carries.

### **Key achievements and events in 2014**

- In February 2014, after several months of test running and validation, the company commenced volume production of A4 cells at its state-of-art factory in Willstaett, Germany.
- The process of water-based coating of electrodes in volume production was successfully implemented during this period, which Leclanché believes is a unique industry achievement.
- Leclanché's new Head of Production started in January 2014. By June 30, with sufficient cells produced to fulfil expected orders in H2 2014, the company entered a period of holiday shutdown. Production has now been restarted and will be maintained at a level to produce the cells needed for delivery in H1 2015.
- Leclanché has developed a world leading ceramic safety separator, which is a key element of the cell construction as it forms a strong barrier between the anode and cathode materials that are the two main active components of a cell. 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 commenced.
- Developing sales channels: the company has made significant progress for its energy storage products including the recruitment and training of a significant number of PV installers in Europe for home storage systems and large systems integrators for industrial storage. Leclanché is in active discussions to expand this network into the USA, Canada and the Middle East.
- With the initial phase of the turnaround plan successfully implemented, in June the Board of directors appointed Mr Anil Srivastava as the new Chief Executive Officer. In addition to discharging the normal duties of chief executive, the Board has asked M. Srivastava to deliver a new growth plan providing improved market offer and a path to sustainable profitability.
- Pilot order received by the portable business for off-grid street lighting solution using Leclanché's Titanate A4 cells.

### **Financial overview half year 2014**

While revenues from the distribution business remained stable, those from the stationary business declined significantly, pending the launch of Leclanché's home and industrial storage products. The

launch of these products took place respectively in March and July 2014. With a large long term contract drawing to a close, revenues from the portable business declined accordingly in the first half of 2014. EBITDA from the portable unit was slightly negative during the period under review at CHF – 0.2 million. EBITDA for the distribution business showed a positive contribution of CHF 0.1 million, while the loss from the stationary business was CHF – 3.2 million due to lower grant revenues and higher direct costs.

In the first six months of 2014, the company operated under tight liquidity conditions. Available cash and undrawn facilities at 30 June 2014 were CHF 564k (2013: CHF 3.06million). In addition, the Convertible Loan from Oakridge has been increased by a further CHF 2 million in August 2014, of which CHF 400k is currently awaited from Oakridge.

### Leclanché S.A. Consolidated Figures for the 1<sup>st</sup> half-year 2014

in million CHF [IFRS]	2014 1 <sup>st</sup> half-year	2013 1 <sup>st</sup> half-year
Revenue	5.55	7.91
EBITDA	-7.58	-4.95
EBIT	-10.21	-5.88
Profit / (Loss)	-10.82	-6.52

#### Publication of interim results

Leclanché SA published today its Interim Report 2014, which is available in pdf format on the company's web site: <http://www.leclanche.eu/page/financial-reports>

#### Analyst and investor call

Leclanché S.A. will discuss its first half-year 2014 financial results during a live audio webcast taking place Thursday, September 4, 2014 at 11:00 AM CET.

The audio webcast, including the slides, will be accessible on the Leclanché web site and by using the following link: <http://leclanche040914-live.audio-webcast.com> (ID: leclanche0914)

A replay of this teleconference will be made available one hour after the conference.

Analysts and investors wishing to ask questions during the webcast should use the following conference-ID: 559 08 92 and the dial-in number: +41(0)44 800 9658

#### 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](http://www.leclanche.eu)

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**Disclaimer**

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