

# Leclanché's reports half-year results. Robust and growing order book driven by global demand for Energy Storage Solutions exceeds CHF 100 million

• Leclanché's combined order book now exceeds CHF 100 million • Delayed project financing and longer-than-expected ramp-up phase cause significant revenue deferrals • Purchase order of USD 57 million expected by year end for solar + storage project in St. Kitts and Nevis • One of the world's largest train manufacturers selects Leclanché as their preferred supplier for six years, with volumes expected to exceed 90 MWh for the first three years • Strong new orders in the e-Transport business and delivery of a major stationary energy storage project support the Company's strategy • Strategic reorganisation of the Company announced by the Board, with the three business units operating as standalone investible units from 2020

**YVERDON-LES-BAINS, Switzerland, September 26, 2019** – Leclanché SA (SIX: LECN), one of the world's leading energy storage companies, today announced half-year revenues of CHF 7.0 million for the six months ended 30 June 2019. The lower than expected revenues were as a result of delays in funding, significant revenue deferrals due to the delayed launch of the solar + storage project in St Kitts, licencing fees from Leclanché's JV in India and the delays in production caused by the Company's comprehensive review of its cell manufacturing processes. Full delivery of ongoing contracts is expected to strengthen revenues in H2 2019 and 2020.

Operating expenses (OPEX) including Cost of Goods Sold for the period under review amounted to CHF 35.6 million. The EBITDA loss for the period is CHF 28.6 million.

The half-year results are in contrast to what has been a period of strong operational achievements across all three business units of the Company: Stationary Storage, eTransport Solutions and Specialty Battery Systems. This has resulted in a significant operational momentum, with major industry-leading project wins confirming Leclanché's position as one of the world's leading vertically integrated energy storage solution providers. Firm orders booked and deliverables total CHF 100 million, and Leclanché continues to win business worldwide across all three business units.

At financial close, expected by November 2019, a major US infrastructure fund through a project company will confirm a purchase order to Leclanché for USD 57 million for the turnkey EPC contract in St Kitts and Nevis, subject to due diligence. The Company expects to recognise some of these revenues in the second half of 2019 and the majority in 2020.

**Robust and growing order book:** The combined order book, including the St. Kitts project **now exceeds CHF 100 million.**

<b>Business Unit</b> <i>All figures in CHF millions</i>	<b>Amount in the Order book for delivery in 2019-2020</b>	<b>Qualified Pipeline Projects, as of 2<sup>nd</sup> September 2019, for delivery in 2020-2023</b>
Stationary Storage	70	38
eTransport Solutions	45	123
Specialty Battery Systems	5	5
<b>Total</b>	<b>120</b>	<b>166</b>

**Cost reduction.** Much of our focus in electrochemistry R&D has been on cost reduction and we are on track to achieve a 55% cost reduction in cell production by 2020 through innovation and engineering. With the successful development of the 6-2-2 cathode and the introduction of the new G-NMC 55 Ah, 200 Wh cells,

Leclanché cells are amongst the best in the industry in terms of energy density.

**Precautionary quality and safety measures.** Following issues that have affected a major competitor, Leclanché took the precautionary and proactive measure of conducting a comprehensive review of its cell manufacturing processes to ensure that the highest standards of quality and safety are being met. Cell production had to be stopped for four weeks and resumed in the third week of August.

**Funding update.** In April 2019, the Company signed a working capital loan (WCL) of CHF 35 million with FEFAM<sup>[1]</sup>. In addition, the Company still has a significant amount of approximately CHF 34 million to be recovered by the end of the year, including the JV's licensing revenues in India, outstanding trade receivables and the partial financing of the stationary project in St Kitts and Nevis.

Moreover, we are working on additional financing facilities in the coming months that will strengthen the Company's capacity to fund its growth.

**Strategic reorganisation of the operating model of the Company.** After nearly four years of implementing the growth plan announced in 2015, the Board of Directors of the Company has decided to reorganise the operating model of the Company as the current business units have reached a critical size in terms of personnel, revenue and customer contracts.

The new business units will operate as standalone units with their own P&L from 2020. The Company intends to open the capital of these units to seek long-term strategic shareholders who would provide the growth capital and balance sheet support to fully develop the potential of these businesses. Existing shareholders will have the option of investing in these units on preferential terms, based on Fair Market Valuation (FMV).

## **Business update**

1. **The e-Transport Solutions Business**, which serves fleet commercial vehicles including marine vessels, trains, buses and taxis, operates within a rapidly growing market forecast to expand 37% annually to 6 GWh.

**Sustaining our leadership in e-Marine.** In the e-Marine business, the combined value of purchase orders for delivery in 2019-2021 exceeds CHF 35 million. These cover a large range of marine vessels including passenger ferries, and those used for cargo and oil and gas. Key projects confirmed for delivery include:

- **Yara**, Norway: "Yara Birkeland", the world's first electric, autonomous feeder vessel. 6.7 MWh Leclanché battery pack. Delivery in Q1 2020.
- **Grimaldi**, China/Italy: 3 ferries each with 5.1 MWh battery pack, delivery in 2020. Remaining 6 ferries to be delivered in 2020 and 2021.
- **Damen**, Canada/The Netherlands: 2 ferries with 1.9 and 4.6 MWh battery packs, delivery in December 2019. Vessels under construction.
- **Hyseas III**, Scotland: pack for the world's first hydrogen hybrid marine vessel. Delivery in 2019.
- **Wasaline**, Finland: recent contract win to supply 2.2 MWh battery pack. Project kick-off in 2020. Delivery in May 2021.
- **Awilco**, Singapore: Project 1 drilling platform under construction, 1.9 MWh battery pack, with 2 further projects due to be awarded by the end of 2019.

In addition to the above-mentioned purchase orders, the pipeline of e-Marine projects awarded to Leclanché that are under final negotiation or contracting process for delivery between 2020 and 2023, exceeds CHF 50 million.

**e-Commercial Vehicles business.** Leclanché has delivered battery packs for a range of electric vehicles including buses, trains, trucks, off-road and airport vehicles. Key projects include:

- **Ashok Leyland, India, through master supply agreement with Sun Mobility:** delivered battery

packs for 40 electric buses. Expected volume 60 MWh over the next three years.

- **Skoda Electric, Europe:** testing Leclanché modules during October. Pipeline of 25 MWh over the next three years.
- **One of the world's largest train manufacturers:** Selected as the preferred supplier for six years. Scheduled volume of projects exceed 93 MWh for first three years; and 180 MWh for the subsequent three years. An official announcement will be made in the next few weeks.
- **One of world's largest off-road vehicles manufacturers:** delivered battery packs for second generation fully electric excavators. Pipeline of 40 MWh in Europe and 40 MWh in India over the next three years.
- **Hydro (Germany):** aircraft tractor application, a 100% emission-free ground support vehicle. Leclanché battery packs to be exhibited in vehicle at Inter-Airport Europe in October 2019. Scheduled projects of 14 MWh over the next three years.
- **Hybrid electric truck in California USA:** delivered prototype packs. Long-term development programme with hydrogen fuel cells and Leclanché lithium titanate battery pack. Pipeline of 10 MWh over the next four years.

The expected value of the pipeline of projects in this business currently under pilot testing, certification, final negotiation or contracting process, with deliveries between 2020 and 2023, is more than CHF 115 million and exceeds 250 MWh.

2. **Nexcharge, Leclanché's joint venture with Exide Industries Limited in India,** is expected to be in operation by end of 2019. Nexcharge is currently in negotiations with large customers in India for electric buses and cars.
3. **The Stationary Storage business** focuses on renewable energy integration and grid stabilization, a market which is growing 48% annually to 4.2 GWh. Leclanché has continued to focus on software, engineering services and systems integration, which continue to underpin the growth of this business.

On 7<sup>th</sup> August 2019, the Company announced that it had signed an agreement with the state-owned St. Kitts Electric Company (SKELEC) to deliver the largest solar generation-plus-energy storage project ever to be built in the Caribbean. This 35.6 MW solar energy plant and 44.2 MWh battery storage facility, designed with Leclanché's state of the art Energy Management Software (EMS), marks the first time that a megawatt-scale solar energy system, stabilized by a lithium battery energy storage system, can be used to provide true "base load" power for a utility on a Caribbean island. It is also a replicable project for other facilities of the same type in an island environment. It will provide the residents of this Caribbean twin-island Federation with a reliable and renewable clean energy source with fixed cost savings compared to the current diesel-generated power system. The project will deliver the positive margin required by Leclanché.

4. **The Specialty Battery Systems Business** comprises custom-designed battery packs for robotics, defense and medical applications. Leclanché estimates its addressable market to be growing annually by 20% to 0.5 GWh. The company has delivered battery packs for customers placing a large number of orders including robotic Automated Guided Vehicles (AGV) for warehouse applications and robotics for submarines in both defense and civil applications. Key customers include Armasuisse, RUAG, Safran and ECA. The current order book with deliveries in 2020 and 2021 exceed CHF 10 million.
5. **Going forward.** The Company has a strong order book of more than CHF 100 million and is ramping up the delivery in all areas. The focus is on maximising revenues in 2019 and delivering a better 2020. Key dependencies for revenue recognition in 2019 include:
  - The Purchase orders for key systems for St. Kitts project have been placed. We are still waiting for delivery date confirmations from some suppliers;
  - We are working with our customers to reschedule deliveries to enable revenue recognition following the production stoppage during the Company's quality, health, environment and safety review.

Given these constraints, the Company will not provide any guidance for 2019 at this time.

## **Financial statements**

### **1. Profit & Loss Statement**

<i>All Figures in kCHF</i>	<b>30-Jun-19</b>	<b>30-Jun-18</b>
<b>Revenue</b>	<b>7,021</b>	<b>22,297</b>
Operating Expenses	35,607	44,038
	-	-
<b>EBITDA Loss</b>	<b>28,586</b>	<b>21,741</b>
	-407%	-98%
Operating Loss	31,371	23,199
Financial Income and Expense	2,234	1,993
Income Tax	-49	29
<b>Net Loss</b>	<b>33,654</b>	<b>25,163</b>

The excessive negative EBITDA loss in the first half of 2019 can be attributed largely to a low level of revenue which is stemming from deferred funding, adverse impact of production stop for safety reasons, delay in the launch of the project in St Kitts and in the recognition of the revenue of the Indian JV licensing fee.

Beyond the direct impact of the low revenue level, the EBITDA loss is mostly stemming from the increase in personnel expenses required to carry out ongoing projects in the two main business units and from the underutilization of the Willstätt plant, which we estimate at CHF 4.4 million, (CHF 3.8 million in H1-2018) reducing our "normalized" EBITDA loss to CHF 24.2 million.

The Company has recorded CHF 2.5m of financial expenses due to the interest on Leclanché's debt to FEFAM and CHF 2.8 million of depreciation, which are part of the 33.7m net loss of the reported period.

### **2. Balance Sheet**

The main changes reported in the Balance sheet compared to 31 December 2018 are the following:

- Adjustments on adoption of IFRS 16, which requires us to recognise in the balance sheet the operating lease commitments and the right to use the leased assets. Impact is circa CHF 6 million additional liability as well as an additional asset of the same amount;
- Acquisition of an Energy Management Software amounting to CHF 2.1 million;
- Reduction of contract assets receivable and cash, both amounting in total to CHF 8.8 million;
- Reduction of Company's debt by CHF 17 million;
- Share capital increase reflecting the CHF 36 million debt conversion into equity made in May 2019.

For further details please refer to our 2019 Semi-Annual Report accessible through the following link:  
<https://www.leclanche.com/investor-relations/financial-reports/>

Link to 26 September 2019 9:00 am CET Webcast: <https://webcasts.egs.com/leclanche20190926>

## **About Leclanché**

Headquartered in Switzerland, Leclanché SA is a leading provider of high-quality energy storage solutions designed to accelerate our progress towards a clean energy future. Leclanché's history and heritage is rooted in over 100 years of battery and energy storage innovation and the Company is a trusted provider of energy storage solutions globally. This coupled with the Company's culture of German engineering and Swiss precision and quality, continues to make Leclanché the partner of choice for both disruptors, established companies and governments who are pioneering positive changes in how energy is produced, distributed and consumed around the world. The energy transition is being driven primarily by changes in the management of our

electricity networks and the electrification of transport, and these two end markets form the backbone of our strategy and business model. Leclanché is at the heart of the convergence of the electrification of transport and the changes in the distribution network. Leclanché is the only listed pure play energy storage company in the world, organised along three business units: stationary storage solutions, e-Transport solutions and specialty batteries systems. Leclanché is listed on the Swiss Stock Exchange (SIX: LECN).

SIX Swiss Exchange: ticker symbol LECN | ISIN CH 011 030 311 9

## **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.

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[\[1\]](#) FEFAM means: AM INVESTMENT SCA, SICAV-SIF - Liquid Assets Sub-Fund, together with FINEXIS EQUITY FUND - Renewable Energy Sub-Fund, FINEXIS EQUITY FUND - Multi Asset Strategy Sub-Fund, FINEXIS EQUITY FUND - E Money Strategies Sub-Fund (also called Energy Storage Invest) and, all these funds being in aggregate the main shareholder of Leclanché, hereunder referred to as "FEFAM".

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