Press Releases

Leclanché announces strategic company reorganization along with an Industrial Partnership Agreement with Eneris Group aiming at creating a leading European battery partnership

Eneris Group to make direct investments totaling up to CHF 95 million in two manufacturing JVs and a Technology License Agreement

- *Eneris to provide up to CHF 42 million in working capital loans and make investments in excess of CHF 53 million in a major capacity expansion programme in newly established Joint Ventures with majority ownership;*
- *Leclanché grants a license to Eneris for further development and access to larger scale industrialization;*
- *Material reduction for Leclanché in cash intensity of the business: reduced Operating and Capital expenses;*
- *Worldwide business wins with combined order book exceeding CHF 90 million for delivery over years 2020 to 2021- excluding the St. Kitts project;*
- *Establishing a Build-Own-Operate (BOO) projects business line for selected stationary projects with a long-term Power Purchase Agreement (PPA) and/or Offtake Agreement with local customers;*
- *Leclanché shall retain all customer contracts unchanged;*
- *New Leclanché pivots to a green tech software and systems integration company using the competitive products manufactured at giga-scale in partnership with Eneris group*

YVERDON-LES-BAINS, Switzerland, June 2, 2020 /PRNewswire/ -- Leclanché SA (SIX: LECN), one of the world's leading energy storage companies, today announced a strategic reorganization which will convert the company into a market oriented, research-driven, software and systems integration company with expanded production and R&D capabilities based on a partnership agreement with Eneris Group, a leading European cleantech player operating out of Poland, "the factory of Europe" and a key participant in the EU "Important Project for Common European Interest on batteries" programme.

Stefan Mueller, Chairman of the Board, said: *"We are pleased with the comprehensive Strategic partnership agreements signed with Eneris Group. This can be a truly transformational partnership to create a market leader. We thank all our shareholders for their significant and patient investments since late 2006 in developing our Energy Storage Business based on in-house Lithium Cells and Systems. Our time has now come.*

We are embarking on a strategic reorganization while recognizing the challenging current economic conditions due to COVID-19. The Board of Directors of the Company has decided to reorganize Leclanché's operating model as the current Business Units have reached a critical size in terms of personnel, revenue and customer contracts. The Board is of the firm view that the Company has solid fundamentals to deliver profitable growth based on a strong global order book, advances in proprietary high capacity cells and the adoption of a highly profitable build-own-operate model for our Stationary Business Unit.

The Board believes that the partnership with Eneris Group enables the Company to secure the funding and resources that will help the Company achieve its goal of becoming one of the full value chain energy storage market leaders.

On behalf of the Board, I would like to sincerely thank Mr. Artur Dela, Founder and CEO of Eneris Group, for his trust in Leclanché. We are looking forward to his entrepreneurial leadership and drive to support the success of both Companies.

I would also like to thank and congratulate Anil Srivastava, CEO of Leclanché, for securing the industrial investment partnership with Eneris Group. We are confident that he and his management team will expeditiously implement the strategic reorganization."

Artur Dela, Chairman of Eneris Group, said: *"The mission of Eneris is 'clean air, soil and water, innovation protecting the environment.' The challenge of this century is to protect the planet. To protect the environment, we need to change our energy paradigm. The European "Green Deal" confirms this clear direction to our industries, scientists and financiers. Energy transition is our focus and energy storage is key to it, as demonstrated by our participation in EUs ICPEI program and now partnership with Leclanché.*

The market needs adequate batteries for stationary energy storage to be associated with renewable energy sources and, in association with fuel cells, for eTransportation: buses, trucks, vessels, locomotives, heavy-duty machines, etc.

Leclanché has them. A 111-year old start-up, Leclanché is a pioneer in new generation batteries and a visionary focus on cleaner and more performant systems with no harmful liquids, higher energy density and more charging cycles. It has an important growth potential. The market demand for its products far exceeds its current manufacturing capacity, while its current advanced know-how needs to be further financed.

I am persuaded that various cooperation models and integration are key to succeeding in any new industry, and in particular, in sectors like energy storage which is highly competitive and capital intensive for R&D, large scale industrialisation and commercialization. Eneris's industrial base and its participation in the IPCEI consortium, together with Leclanché's know-how, will accelerate and reinforce our common development.

I am pleased Leclanché has accepted our proposal to join forces and I would like to personally thank the Board for its confidence and the management team led by Anil Srivastava for the hard work in completing a complex and far-reaching transaction in record time during this turbulent period."

A Shareholder Letter, dated 2nd of June, 2020, provides additional information from the company and is available here.

Strategic Reorganization: New Capital-Light Operating Model for Production

Anil Srivastava, CEO of Leclanché, said: *"The transformational partnership agreement with Eneris will lift a tremendous capital burden off Leclanché's shoulders while guaranteeing production capacity. The JVs to be created will produce Leclanché technologies and Leclanché-branded products. They will be majority owned by Eneris with a minority stake held by Leclanché with key reserve matters and approval rights. The Joint Ventures with Eneris shall manufacture products based on Leclanché technologies with capacity reservation for Leclanché based on mutually agreed-upon business plans with Eneris."*

Industrial Partnership Agreement with Eneris Group

The Company's Board has negotiated and accepted an investment offer from Eneris. Eneris is a company of the Eneris Group, a leading European Cleantech player. On this basis, the Company and Eneris have signed three interrelated agreements ("Agreements"): a Loan Agreement and a Technology License Agreement – both in force since 28th of May 2020, and an Industrial Cooperation Agreement to be effective as soon as the JVs will be formed. Through the agreements, the Company shall secure funding and resources to ensure long-term profitable growth.

Key features of this agreement include:

1. Eneris will provide Leclanché with working capital financing of up to CHF 42 million to fully fund the business plan through June 2021;

2. Licensing of Leclanché's technology to Eneris against payment of a royalty fee of up to CHF 32 million, according to an agreed-upon payment schedule. This licensing is non-exclusive on a right to use basis, with the freedom to carry out future developments. The licensing is applicable worldwide excluding the Republic of India;

3. Creation of two manufacturing Joint Ventures ("**JV**") in which Eneris will hold the majority of the share capital thanks to an investment in excess of CHF 53 million for a major capacity expansion programme: one in Germany for the production of cells and the other in Switzerland and Poland for the assembly of modules. A third is being considered for France. We expect these JVs to be formed over a period of time, in consultation with the relevant workers council and in accordance with applicable laws. About 135 production employees will be transferred to the JVs;

4. Leclanché will sign a production offtake agreement with Eneris in which Eneris will reserve the required production capacity for Leclanché in the coming years;

5. Leclanché will retain full ownership of its technology and will continue to invest in Research & Development (R&D) activities for cells, modules and Battery Management Systems (BMS).

Anil Srivastava, CEO of Leclanché, said: *"This transaction provides a number of critical benefits for Leclanché including avoiding Capex investments of up to CHF 53 million in 2020, and a further CHF 60 million in 2022 for increased cell production. The Company will realize a reduction of approximately 20% in Operating Expenses. Additionally, the transfer of production activities to the JVs will result in substantial reduction of working capital needs related to production. The agreement enables the Company to maintain access to the large production capacity, nearly 1 GWh by Q1 2022 and up to 2.4 GWh by end 2024, needed to deliver contractual commitments for large eTransport customers with multi-year Master Supply Agreements such as Kongsberg Maritime and Bombardier. This shall super-charge our ability to win new customers who require access to large-volume deliveries.*

Lastly, and most importantly, the strategic partnership with Eneris is materially non-dilutive to current shareholders."

Phased implementation and funding plan by Eneris Group

Prior to the signing of the agreements with Eneris, the full Board made a determination to ensure that the agreement was in the best interest of the Company and all its shareholders. A Valuation Analysis of the new Leclanché resulting from the transaction with Eneris Group was conducted by an Independent Director of the Board. The full Board reviewed this analysis and arrived at a very clear and unanimous view that the agreement with Eneris is highly value accretive for the Company and is in the best interest of all its shareholders. On this basis, the Board of Directors approved all three agreements underpinning the overall transaction with Eneris Group.

The Board has sought and secured reasonable proof-of-funds from Eneris Group that underpins its confidence that the Group has the means to make the investments delineated under the agreements between the Companies. A phased implementation plan in line with Eneris' funding schedule gives the Company the ability to manage the risk prudently.

Build-Own-Operate Model Impacts Company's Revenue in 2019-2020 and EBITDA Positive Timeline

To launch the highly profitable and selective Build-Own-Operate (BOO) business line, theSt. Kitts project has been moved from a traditional turnkey EPC contract to a BOO contract. While Leclanché will still build the project as an EPC contractor, IFRS accounting rules prevent any revenue recognition as an EPC contractor under the BOO model. This accounting requirement shall lead to a reduction of more than CHF 40 million revenue in 2019- although not lost revenue. This technical shift shall be more than offset with a revenue recognition of circa CHF 9 million average revenue per year and a positive EBITDA of more than CHF 5 million per year for a period of 20 years under the signed Power Purchase Agreement with SKELEC, the St. Kitts Electrical Utility. In addition, future projects will add their own recurring EBITDA.

The Company has already secured a Construction Loan of CHF 46 million for the St. Kitts project from a large Infrastructure Fund in New York and aims to start the Construction of this project at the earliest possible point after COVID-19 related travel restrictions are eased.

The Company plans to create a separate holding company, the "BOO HoldCo," where Leclanché S.A. shall retain a controlling majority stake. The shift to the BOO model underpins long-term profitability for the Company, the shift of the revenue due to technical accounting rules mentioned above shall also move EBITDA positive results to the year 2022. It is important to reiterate that the addition of the BOO model will add profitable growth for 20 years and further strengthen the assets in the balance sheet of the Company and make it less dependent on annual fluctuations of project revenues.

Path to Becoming a Global Market Leader

Anil Srivastava, CEO of Leclanché, said: "*We are excited about the comprehensive Industrial Cooperation Agreement signed with Eneris Group. Though the agreements shall be implemented progressively, upon meeting certain conditions, the Company remains confident to successfully implement all the agreements. Nevertheless, the Company has put in place reasonable safeguards to mitigate the risks resulting from any unlikely event of major variations to the agreement.This can truly be a transformational partnership to create a global market leader. We reiterate that the strategic reorganization underway shall:*

- *Set the Company on course to deliver sustainable and profitable growth for years to come;*
- *The new Leclanché shall pivot increasingly towards more software and systems integration using the competitive products manufactured-at-scale in partnership with Eneris Group;*
- *We have secured substantial fresh capital and access to large production capacity with minimal dilution for all shareholders of Leclanché S.A.;*
- *With all of the above, we have increased our ability to serve all our customers better; and win new ones at an accelerated pace to become a market leader."*

About Eneris Group
Eneris Group is a private company dedicated to Innovation protecting the environment: "clean air, soil and water" promoting circular economy, a holistic approach and a vertical integration in the field of waste, water, energy and energy storage. It is primarily operating and developing utilities in Poland and participating in the energy transition, while its cleantech scope is pan-European. Together with its affiliates (Eneris Polbatt, Eneris Batteries & Recycling, etc.), Eneris is implementing a series of ventures and projects focusing on batteries. Its batteries portfolio is supported by European authorities and the Polish government in the framework of the European Battery Alliance and "Important Project for Common European Interest on Batteries" (IPCEI) programs, including strategic projects in terms of R&D and industrialization of the whole value chain inclusive of advanced materials, cells with improved performance and new types of cells, battery pack and module configuration, repurposing and recycling, etc. Eneris' strategy includes R&D and manufacturing plants in Poland, Germany and France.

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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