



For Immediate Release

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Chinese Regulatory Action Leads to XALT Energy Slowdown

MIDLAND, Mich. — New Chinese government regulations on vehicle battery manufacturers will halt a significant portion of XALT Energy's battery cell production and lead to employee layoffs at the Midland facility.

In accordance with "Vehicle Power Battery Industry Standards and Conditions," China's Ministry of Industry and Information Technology (MIIT) has created a list of manufacturers eligible to receive incentives for producing batteries used in electric vehicles. These incentives are essential to compete in the Chinese market. While some reports indicate that the final list will not be completed until July, the current list of approved suppliers contains only Chinese companies. As a United States manufacturer, XALT Energy is not included on the approved list; several other major global battery suppliers are not included, either.

As a producer of battery cells for two key customers in China — an electric passenger bus manufacturer and an electric motor and drivetrain manufacturer — this new policy has a tremendous adverse impact on XALT's business.

The abrupt policy shift was a surprise to XALT, says Board Chairman Dennis Townsend. "For more than a year, we have been ramping up for the production of battery cells for China," he says. "Our Chinese business would have had us operating at 100-percent capacity by mid-2017."

"We are working with our Chinese customers and officials in both the U.S and China to become an approved supplier. At this time, we do not know if it will be possible for a manufacturing company with a plant outside of China to achieve certification and, if so, how long that process will take."

In the meantime, Townsend says, "one China customer has made a short-term commitment to continue to purchase a small number of XALT cells but is unable to support any long-term

commitment. As a result of this disappointing event, XALT is forced to make a reduction in our workforce. This will be effective Wednesday, June 1 and will affect approximately 100 employees.”

The new standards developed by MIIT are also expected to impact all other importers of lithium battery manufacturers to China.

Some industry observers have suggested this new policy is a move to protect Chinese-based manufacturers, while others say it is a move to foster greater quality and faster innovation by blocking some of the poorer performers from among China’s 100-plus battery manufacturers.

Townsend says the new policy “was a surprise to us and is extremely disruptive to our business. The working relationship with our Chinese customers has been excellent and is focused on producing a product of the highest quality.”

“We will do all we can to preserve those relationships, and continue to be a contributor to the growth of both the electric vehicle market and the economy of the Great Lakes Bay Region and Michigan.”

XALT Energy is an innovator in energy storage technologies based on the advanced lithium ion chemistry that has been a market leader for more than 5 years. It is capable of handling virtually any energy storage need, anywhere in the world, from a highly automated advanced production facility in Midland, Michigan.

XALT Energy’s focus is on growing demand for high-tech storage solutions in marine, commercial transportation, grid and stationary, industrial motive and automotive transportation applications.

For more information, visit XALTEnergy.com.