

A123 Posts \$82.9M 2Q Loss, Gets Financing Deal

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The Associated Press

WALTHAM, Mass. (AP) — A123 Systems Inc. said Wednesday that while its operations continue to bleed cash, it has reached an agreement with a Chinese auto parts maker for an investment of up to \$450 million that will help the struggling electric vehicle maker stay afloat.

A123 said that the proposed deal with Wanxiang Group Corp. would give it needed financial stability, as well as boost its access to Chinese markets. A123 shares jumped in premarket trading.

"Today's announcement is the first step toward solidifying a strategic agreement that we believe would remove the uncertainty regarding A123's financial situation," David Vieau, the company's CEO said in a statement.

A123 has struggled for much of this year amid a costly recall of defective battery packs. The company, which went public in 2009 and has yet to post a quarterly profit, has seen its shares tumble in the years since to a fraction of their \$13.50 initial public offering price.

The Waltham, Mass.-based company warned in May that it continued to post significant losses and might not be able to stay in business unless it was able to secure more financing. A123 said at that time that it was trying to raise additional money to fund its operations and looking at other "strategic alternatives."

For the second quarter, A123 posted a loss of \$82.9 million, or 56 cents per share, and compared with a loss of \$55.4 million, or 44 cents per share, in the same quarter last year. Revenue tumbled 53 percent to \$17 million from \$36.4 million.

The results were worse than Wall Street expected. Analysts polled by FactSet expected a loss of 42 cents per share on \$23 million in revenue.

Under the terms of the proposed deal with Wanxiang, the Chinese company would provide A123 with up to \$75 million in initial debt financing, with an initial credit extension of \$25 million and another \$50 million to be funded after certain closing conditions are met. It would then buy \$200 million of A123's senior secured debt.

Wanxiang also could invest up to an additional \$175 million, if it exercises warrants that would be issued in connection with the debt for cash, A123 said.

A123 shares rose 9 cents, or 19 percent, to 56 cents in premarket trading. Since the beginning of this year, the shares have lost about 71 percent of their value.

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