Letter to our Shareholders – 2nd June 2020

Dear Shareholders,

We hope that you and your loved ones are safe and well under these unprecedented difficult times.

The purpose of this letter is to present to you the **strategic reorganization of the operating model** of your Company on the lines of our communication to you during the announcement of Interim Results in late September 2019.

Recap

The Company has solid business fundamentals

The Board is of the firm view that the Company – even though further restructuring steps are required to overcome the current balance sheet situation – has the potential to deliver profitable growth based on the following considerations:

1) Your Company continues to win business worldwide. The combined order book, excluding the St. Kitts project (see more below), now exceeds CHF 90 million for delivery over the years 2020 to 2021.
2) The Company is already producing cells using high capacity cathode material NMC 622 in 2019. With the introduction of the new G-NMC 60Ah cells, 210 Wh/kg and 420 Wh/liter, in production from April of this year, Leclanché has secured its position among the best in the industry in terms of energy density and cycle lifetime. These new cells, combined with next-generation M3 Modules to be operational in early 2021, have reduced the cost per kWh by more than 25% over 2018-2019 pricing levels.
3) After reviewing the return on investments made in the Stationary Storage business for past years, the Company has made a profound decision to create a Build-Own-Operate ("**BOO**") Projects business line for selected stationary projects which have long-term Power Purchase Agreements ("**PPA"**) and/or Offtake Agreements with local customers. This change has reduced 2019 results but shall add material positive EBITDA to the Company's financial results for many years from operations of the PPA Projects.
4) Our in-house technologies now have a proven operational track record in the field:
   a. ***as of April 2020, our systems have completed more than 36,000 kilometers of marine run time and more than 700,000 kilometers of road runtime with an average uptime of more than 99%;***
   b. ***more than 57 GWh of energy throughput in battery-based energy storage systems designed and commissioned by the Company with an average uptime of 98%.***

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Strategic reorganization of the operating model of the Company

After implementing the Growth plan announced in 2015, the Board has decided to reorganize the Company's operating model as the current Business Units have reached a critical-size in terms of personnel, revenue and customer contracts and given the further funding needs of the Company. The Board had originally envisaged the reorganization on the lines of the Business Units being carved out to operate as stand-alone entities with their own P & L from the year 2020, as announced on 26th September 2019 together with the 2019 Interim Results. The intent was to open the capital of these entities to seek long-term strategic shareholders who would provide the growth capital and balance sheet support needed for these units to grow to their full potential; and with all Business Units remaining majority owned by Leclanché S.A. with continued listing on the SIX stock exchange.

The Company was determined to take all possible efforts to secure full funding of the long-term business plan before launching the reorganization. We are pleased to report that the successful implementation of the cooperation with a new strategic investor, will provide access to the required funding, though progressive. Based on this new cooperation, a different operating model is being implemented than originally envisaged, as described below.

The strategic reorganization being implemented now in partnership with Eneris

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: the first two, namely a Loan Agreement and a Technology License Agreement, are already in force as of 28th May 2020. The third, an Industrial Cooperation Agreement, is expected to take effect by 30th June 2020 upon Eneris providing confirmation of the full funding for the Joint Ventures described below. Eneris has undertaken to make a significant industrial investment which includes a direct investment totalling up to CHF 95 million in support of Leclanché's business; additionally providing access to large scale manufacturing from its future Poland factory which would be built with an investment of more than 105 million CHF by Eneris and expected to be commissioned in the year 2024.

Key features of the agreements with Eneris include:

1) Eneris commits to provide Leclanché with working capital financing of up to CHF 42 million to fully fund the business plan through June 2021. The first CHF 21 million is committed with a disbursement through four equal monthly tranches starting from May 2020 and the second installment of CHF 21 million to be discussed and agreed upon by October 2020;
2) Envisaged creation of two manufacturing Joint Ventures ("**JV**"), one in Germany for the production of cells and the other in Switzerland and Poland for the assembly of modules. Eneris shall acquire a majority of the share capital in each JV upon making progressive investments of CHF 53 million for a capacity expansion programme – CHF 48 million into the German JV and CHF 5 million in the Swiss/Polish JV respectively. We expect these JVs to be formed within six months in consultation with the relevant workers council and in accordance with the applicable laws;
3) Licensing of Leclanché's technology to Eneris against payment of a royalty fee of up to CHF 32 million. 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;

4) Leclanché plans to sign a production offtake agreement with Eneris in which JV 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).

***The favourable consequences of the successful implementation of the agreements for Leclanché include*:**

1) Meeting the short and medium term working capital funding required by the Company;

2) Avoiding Capex investment of up to CHF 53 million in 2020, and a further CHF 60 million in 2022. The Company shall still maintain access to the large production capacity needed to deliver contractual commitments for large eTransport customers with signed multi-year Master Supply Agreements such as Kongsberg Maritime and Bombardier and ensure future production capacity essential to win new large volume customers in the pipeline;

3) Reduction of approximately 20% in Operating Expenses (Opex) for the Company translating into a lower cash burn rate through the transfer of circa 135 employees to the Eneris-Leclanché Production JVs;

4) Substantial reduction of working capital needs thanks to the transfer of production activities to the JVs;

5) Important investment that is materially non-dilutive to the current shareholders.

Key structural aspects of the successful implementation of the strategic partnership with Eneris include:

1) Creating Full-Value Chain Energy Storage market leader in partnership with Eneris:

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.

2) Strategic Reorganization: new capital-light Operating Model for production

a. Carving out production assets in Germany and Switzerland into Joint Ventures (JV) with Eneris: JVs to be created which shall exclusively produce Leclanché technologies and Leclanché-branded products;

b. About 135 production-related employees transferred to the JVs;

c. Exclusive right granted to Eneris for European-based manufacturing for a period of five years, unless agreed-upon mutually.

3) New Leclanché shall retain

a. Intellectual Property (IP) ownership;

b. All Customer relationships and all customer contracts;

c. For eTransport Business Unit: Battery Pack and Rack Design, Engineering, Delivery, Installation, Commissioning and After-Sales Services;

d. For Stationary Business Unit:

   i. EPC/M[1]: Rack and Container Design, Engineering, EMS Software and Systems Integration for Turnkey Delivery, Installation, Commissioning and After-Sales Services;
   ii. All Build-Own-Operate (BOO) projects including the St. Kitts project.

e. For Specialty Business Unit: all current operations remain unchanged including Battery Pack Design, Engineering, Production, Delivery, Installation, Commissioning and After-Sales Services.

Strategic Reorganization- underpinning profitable growth

1) Grant of non-exclusive right-to-use Leclanché IP and Knowhow to Eneris against a fee:

a. An upfront cash payment of CHF 22 Million plus a CHF 5 Million royalty payment; or

b. A Royalty fee of 3% of the JVs revenue capped at CHF 32 Million.

2) Solidifying EBITDA positive results going forward:

a. Accelerated growth due to the increased production capacity in the JVs: nearly 1 GWh capacity planned in Germany by Q1 2022 and a further 1.4 GWh by end-2024 in Poland;

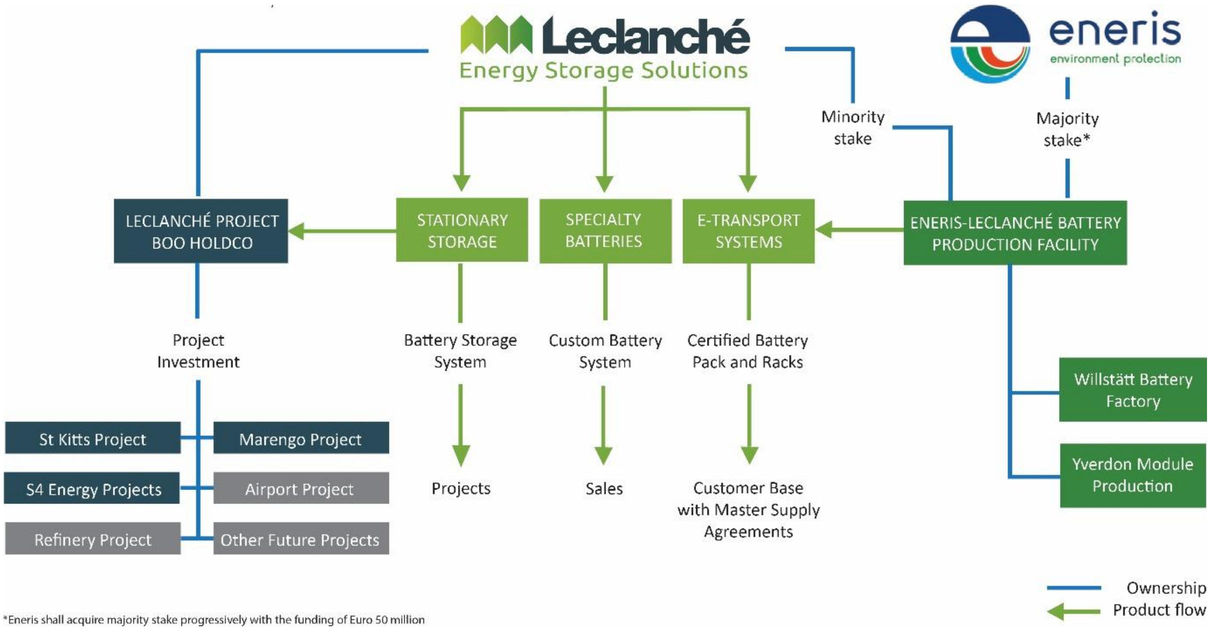
b. An order book of more than CHF 90 million, excluding the St. Kitts project, to be delivered in 2020-2021;

c. Current reduced cost-base for Cells and Modules set to deliver positive Gross Margin from 2021 when the production goes into three shifts of continuous production, expected from Q4 2020;

d. The St. Kitts project, and a few other projects, identified under BOO are expected to add circa CHF 8 million of positive EBITDA every year from 2022 onward.

[1] EPC/M: Engineering, Procurement and Construction/ Management

Leclanché new Operating Model Organization



*Eneris shall acquire majority stake progressively with the funding of Euro 50 million

Risk mitigation plan for the new operating model

1) Ensuring that the agreement with Eneris is in the best interest of the Company and all its shareholders

An Independent Director of the Board conducted a Valuation Analysis of the new Leclanché resulting from the transaction with Eneris. The full Board review of the analysis has led to a very clear and unanimous view that the agreement with Eneris is highly value-accretive for the Company and it is in the best interest of all its shareholders. On this basis, the Board of Directors has approved all three agreements underpinning the overall transaction with Eneris.

2) Retaining competitive advantage of full technology ownership

We believe this advantage shall remain intact and will get reinforced further due to

- Leclanché still owns all its IP and Knowhow. The Company shall license its technologies to Eneris on a non-exclusive, right-to-use basis;
- The Joint Ventures with Eneris shall manufacture products based on Leclanché technologies with capacity reservation for Leclanché based on a mutually agreed-upon business plan with Eneris;
- Expected access to three times increased production capacity by Q1 2022; and a further two to three times additional capacity by end 2024.

3) Impact on 2019 and 2020 financial results due to the change in the Operating model

Revenue movement in the Stationary Business Unit:

To launch the highly profitable selective BOO business line, the St. Kitts project has been moved from a traditional turnkey EPC contract to a Build-Own-Operate ("**BOO**") model. 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 has led to a reduction of more than CHF 40 million revenue in 2019. 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, St. Kitt's Electrical Utility. Other projects will follow each year adding recurrent 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.

EBITDA positive timeline movement for the Company:
While the shift to a BOO model reinforces long-term profitability for the Company, the change in revenue due to technical accounting rules mentioned above shall also move the EBITDA-positive results to the year 2022. It is important to reiterate that the addition of the BOO model shall add profitable growth for 20 years, further strengthen the assets in the balance sheet of the Company and make it less dependent on annual variations of revenues from projects.

4) BOO model requires access to large infrastructure capital in first two years

The Company plans to create a separate holding company, the "**BOO HoldCo**," where Leclanché S.A. shall retain a controlling majority stake. The Company is already engaged in advanced discussions to raise capital with certain large infrastructure funds which would become co-investment partners in the BOO HoldCo, as well as in its underlying projects. This is effectively an Independent Power Producer Platform, which the Company intends to brand separately over time.

With the expected leverage, the equity investment by Leclanché for current projects is expected to be around CHF 50 million over the next two years. This equity investment is expected to yield an Internal Rate of Return ("**IRR**") of more than 12%. Refinancing and/or a partial sale of its interest after the Commercial Operations Date ("**COD**") will allow the Company to redeploy the cash proceeds into new projects without further increasing the overall capital investment levels.

5) Phased funding plan by Eneris

The Board has sought reasonable proof-of-funds from Eneris that underpins our confidence that the Eneris 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 Leclanché the ability to manage the risk prudently.

The formation of the Manufacturing Joint Ventures is conditional to

a. The Industrial Cooperation Agreement coming into full effect upon payment of the last tranche of CHF 21 million loan by August 2020. The Company retains the option to pursue negotiation with other parties, but not sign any agreement, until such time;
b. Eneris confirming funds and/or places purchase orders for expansion of the Production Capacity for Cells in Willstätt, Germany; and Module Capacity in Switzerland and Poland;
c. Definitive documentation, including Shareholder Agreements, for the Joint Venture Companies.

Going forward

We are excited about the comprehensive Industrial Cooperation Agreement signed with Eneris. Though agreements shall be implemented progressively, upon meeting certain conditions, the Company remains confident of a successful implementation of all the agreements. Nevertheless, the Company has put in place reasonable safeguards to mitigate the risk resulting from any unlikely event of major changes to the agreements. This is truly a transformational partnership to create a market leader. We thank 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 come now. We reiterate that the strategic reorganization underway shall

a) Set the Company on a course to deliver sustainable profitable growth for years to come using the competitive products manufactured-at-scale in partnership with Eneris;
b) The new Leclanché shall pivot increasingly towards research & development of next-generation battery technologies (such as Solid State/ Sodium-Ion) and towards green tech software and systems integration;
c) We have secured substantial fresh capital, and access to large production capacity, with minimal dilution for all shareholders of Leclanché S.A.;
d) 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.

We would like to conclude by expressing our thanks to all our employees, and to our shareholders, for their support during this period. We look forward to continuing to build Leclanché's future with them and with you all.

Sincerely,

Stefan Mueller
Chairman of the Board

Anil Srivastava
Hauptgeschäftsführer

Disclaimer

This letter 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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