Leclanché
Energy Storage Solutions

# Leclanché Group

## 2016 Interim Report

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## LETTER TO OUR SHAREHOLDERS

Dear Shareholders,

During this period, we continued to focus on executing the Growth Plan we presented to you during the Annual General Meeting (AGM) held on 4 May 2016. We are happy to report excellent progress in positioning the Company to deliver strong growth in 2016-2018 and beyond, which we believe will deliver significant shareholder value going forward.

We continue to see an increasing number of opportunities in the market specifically around large-scale energy storage solutions for grid-scale electricity, commercial and industrial customers, and mass eTransport segments. As the world moves increasingly towards decentralised energy generation, the role of energy storage is going to become critical to the design and maintenance of stable energy grids. We are positioning Leclanché as one of the leaders in this growing field, and our activities are focused specifically with this in mind.

**In particular, we have achieved a number of significant objectives outlined in our Growth Plan, including:**

- A 30-fold increase in confirmed projects with the Company securing 145 MWh of Energy Storage Systems (ESS) business, comprising of 75 MWh of confirmed projects and a further qualified pipeline of 70 MWh projects. This portfolio of projects in diversified geographies sets the foundation for the Company's long-term growth.
- A newly established industry leading partnership with Swiss Green Electricity Management SA (Swiss GEM) to systematically finance our projects around the world on a <right-of-first-offer> basis, working with co-investors. This partnership will be vital in developing a project footprint in different market niches as we further develop our track record.
- Improved supply chain to deliver record volumes of up to 45 MWh of ESS in 2016, up from 5 MWh in 2015. This near tenfold increase allows us to scale up in the future by either using our own batteries or those of third party suppliers.
- Development of a fully functional, vertically integrated organisation to deliver our ESS solutions from project conception to delivery. We are one of a relatively few companies able to offer the complete suite of project components including Battery Systems, Power Conversion Systems and Energy Management Software. This allows us to capture a greater percentage of gross margin, and the ability to deliver whole projects that will become a key competitive advantage over time.
- Completion of working reference projects in each our addressable markets to demonstrate battery reliability and track record. We have achieved this milestone within 18-months of the launch of the Growth Plan.

**Taken together your Company has delivered significant growth in the first half of the year. We are growing at above market rates in a fast evolving industry. We have seen a growth in revenue of 65% year-over-year, and a record order in-take of 75MWh for delivery from Q4 2016 through 1H 2017.**

We expect that full year 2016 revenues will be approximately CHF 28 million, which represents a 55% increase over 2015.

We see no reason to change our belief that Leclanché will achieve EBITDA breakeven in 2018 or sooner, and confirm as communicated during the AGM held on 4 May 2016 that the breakeven-volume is approximately 100 MWh of delivery and commissioning on an annualised basis.

As communicated at the AGM the Company is relying on an ongoing capital raise in order to finance its growth. We have welcomed six new institutions to the Shareholder Register in the first half of the year, and we are now undertaking a second financing to fully fund the Company's business plan by the end of 2016.

The successful completion of this year's financing is critical to the Company's future success, as we are positioned at an inflection point to execute on our growth plan, and to manage a broader and more stable project pipeline from a position of financial strength rather than being reliant on individual projects. This is exemplified by the fact that a delay in financial closing of our IESO Canada project has meant that we cannot now complete the deliveries and commissioning of the second phase of this project in 2H 2016 as we had previously planned, and that the revenue relating to this phase of the project will now be recognised in Q1 2017. Consequently, the Company will book revenues of CHF 8 million less than forecast in 2016 notwithstanding that no business has been lost or cancelled. This accounts in part for the difference between the 55% revenue to be achieved in 2016 and the 100% growth previously disclosed to the market.

In addition, we suffered a fire accident in part of our battery cell production facility in Germany. We are happy to report that no one was injured and we recovered production within a few weeks. This downtime required us to increase purchases from third parties. In retrospect we believe that this fire validates our strategic decision to move towards battery agnostic system integration, either using our own or third party batteries depending on individual project parameters.

Completing the process of becoming a fully integrated service company will allow us to require relatively less capital to operate, and should increase our returns on capital employed. The current fund raise should be seen as part of this transition towards a lean service provider, and not one in a series of capital calls necessary to fund a series of highly capital intensive energy projects.

We believe that following our current capital raise the future growth of the Company will become less reliant on requiring further capital to fund growth as financial institutions gain confidence in energy storage technology as a financeable asset, and as the technology becomes more mainstream. We are already seeing signs of this as financial institutions are taking an interest in providing finance to the Graciosa renewable energy integration project in the Azores to which we supplied Engineering Procurement and Construction (EPC) services. Equally we do not want to become stranded as solely a battery manufacturer which will face decreasing margins as battery technology improves and price per kWh installed decreases.

**The Company's executive management is particularly focused on**:

- Completing the capital raising, as announced during the AGM, by end of the year to fully fund its business plan. This is a crucial requirement to sustain our growth.
- Significantly strengthening project finance solutions with Swiss GEM, and with other project investors. Leclanché has a rich portfolio of projects that are permitted, well-engineered and have industry leading risk-adjusted returns.
- Instituting a significant industrial ramp-up by enhancing in-house software and systems integration capabilities to profitably deliver large projects on a turnkey basis.
- Establishing presence in key countries where ESS procurements are happening. We now have an operational presence in both North America and soon in India, thus making Leclanché a true global company.

**Key Events and Achievements in 1H 2016**

**Funding Update**

*The growth plan of the Company has been strongly endorsed by two major investors* ACE & Company and Jade Crest Limited through establishment of a medium-term facility of CHF 20 million. By 17 June 2016, the full CHF 20 million had been drawn to support working capital requirements.

*Company's balance sheet has strengthened very significantly*. On 21 June 2016, Recharge A/S (formally Recharge ApS) and Bruellan, two of Leclanché's key shareholders, completed the conversion of their entire loan facilities into shares of Leclanché SA. Recharge finalised its conversion of the entire CHF 27.2 million convertible loan (based on the convertible loan agreement dated 7th December 2014) and the note agreement dated 16 December 2015 (the Mandatory Convertible Notes). Furthermore, Bruellan converted its CHF 1.2 million

Mandatory Convertible Notes ("MCN"). Therefore, the entire MCN was converted into Leclanché shares six months ahead of the due date of 15 December 2016.

*Shareholder base has been diversified and enriched* through addition of four new institutional shareholders as part of the new capital raise.

*Access to off-balance sheet non-recourse project finance which will, overtime, reduce equity based funding needs.* On 14 July 2016, Leclanché signed a comprehensive Term Sheet with Swiss Green Electricity Management SA (Swiss GEM). Under this Term Sheet, Swiss GEM has a <right-of-first-offer> for Leclanché ESS projects. Swiss GEM has recently signed a Letter of Intent to acquire one of Leclanché projects in the US PJM market, one of the largest electricity markets in North America. Further details about this partnership will be announced very shortly.

*New growth capital raised on 16 August 2016*. The Company successfully completed the first tranche of the capital raise including CHF 11.1 million of new equity issuance and a conversion of CHF 4.1 million of the convertible loan by ACE & Company and Jade Crest Limited. The existing shareholders Bright Cap SICAV SA and Recharge A/S made further investments in the Company as part of the first tranche of the capital raise. This is the first tranche of CHF 50 million to CHF 70 million capital raise announced during the 4 May 2016 AGM.

We would like to record our appreciation for the active participation of the new shareholder members of the board, representative of ACE & Company, Mr. Adam Said, and representative of three investment funds, Mr. David Ishag. We are grateful for their tangible financial support which is already helping the Company to accelerate its Growth plans.

**Commercial**

1. **Utility-scale generation and micro grid applications - forecast to grow 48% annually to 4.2 GWh[1]**
   a) In January 2016, we announced securing one of the largest grid ancillary services projects in the world. The IESO project, a 120 MW / 53 MWh Energy Storage Solution, is under construction. We are on track to commission the first site by Q4 2016 to allow testing by the local distribution utility.
   b) In June 2016, Leclanché was selected by GlidePath, based in Chicago USA, as the turnkey EPC contractor for a 20 MW / 10 MWh project, with an option to add an additional 20 MW / 10 MWh project. Based on the Letter of Intent, we are currently firming up the EPC contract. We will make an announcement about this contract in due course.
   c) The Company has submitted bids around the world for more than 100 MWh worth of additional projects.

2. **Commercial & industrial battery systems (including smart cities street lighting, residential energy storage, telecoms, medical, defence and other specialty applications) forecast to grow 48% annually to 11.3 GWh[1]**
   a) In our primary cells distribution business, the Swiss army (ArmaSuisse) has again put its trust in the Company committing to a CHF 0.5 million deal for 5 years. Internationally, ITESA, the French Alarm business leader, signed a deal of EUR 0.2 million per year for lithium batteries.
   b) The Specialised Battery Systems (SBS) business, core of our commercial & industrial business, won significant contracts in this period.
      - 2 major projects won to supply battery packs for Automated Guided Vehicles (AGVs) used in respective warehouses of two global multinational companies.
      - 2 big tenders of CHF 2 million and CHF 3 million with ArmaSuisse on the development of Ni-Mh batteries for radio telecommunication systems.
      - A 5-year contract has been signed with ECA, a submarine and terrestrial drone manufacturer, for EUR 0.4 million annually.

[1] Source: Navigant Research, April 2016

3. **eTransport (including buses, ferries, forklifts, trains and industrial material handling) – forecast to grow 37% annually to 6 GWh[1]**
   - In May 2016, we announced the launch of the first 100-percent electric ferry, BB Green, in Latvia. We supplied a 200 kWh LTO energy storage system enabling it to operate at high speed for over 30 minutes with a 14 nautical mile (26 km) range. At each stop, it benefits from ultra-fast charging for 15-20 minutes. This makes BB Green the "the world's fastest electric commuter vessel" – perfect for commuting on inland waterways from the outer suburbs to the city centre.
   - Our LTO cells-based module is undergoing quality certification testing in Beijing, China. Upon successful testing, it will open access to the electric bus market in China, in addition to other applications requiring fast charge and/ or long life energy storage system.

**We are very pleased to report that your Company has achieved a major milestone in that we now have working reference projects in all of our addressable markets. We have achieved this milestone within 18-months of the launch of the Growth Plan.**

### Organisational Update

The team to execute the growth plan is now substantially in place. The Company has attained a critical mass with headcount of 163 personnel, compared to 105 in 1H 2015. This overall addition, as already reported during the AGM, has provided a critical mass for the Company to implement its software and systems integration model. The increase is predominantly in the areas of systems engineering and sales & marketing, including the personnel joining the Company through mergers and acquisitions announced in the year 2015. As the projects reach commercial operation in 2017, thanks to this investment, the Company will realise high-margin revenue associated with Engineering, Procurement and Construction (EPC) turnkey contracts.

The team in Belgium, which joined the Company following the acquisition of Trineuron, is now fully integrated into our organisation. Belgium now serves as our systems R&D hub and leads the Company's low-voltage mobility solutions such as forklift trucks/ AGVs etc.

In April 2016, your company opened Leclanché's first North American operation. Its objective is to leverage our landmark win in Canada and built strategic partnerships to further capitalise on the fast growing US and Canadian energy storage market.

We also launched business development initiatives in Asia and are building your company around regional centres.

### Project delivery Ramp-up

The first half of the year 2016 saw the start of cells production for the IESO project. The production was running in a two-shift operation. We managed to resume production within a few weeks after the fire accident in part of the German cells production facility, though at a slightly lower volume.

On the system integration side, the first half of 2016 has been predominately focused on design and engineering of IESO project, projects in the US PJM market, UK National Grid and electric bus certification system in China. The IESO project is fully designed with all necessary permits secured.

The Company is increasingly positioned to drive repeat unit sales business as a result of the prototyping projects that it is undertaking in eTransport.

### Sustainable profitability and better use of capital

As the operating model of the Company is increasingly pivoted towards software and systems integration, the executive management and Board of Directors have embarked on a dual strategy to achieve better margins and better use of capital through a combination of the following:

*Material Procurement Cost Reduction in the upstream business:*

a) The Company will increasingly source, rather than manufacture in-house, high energy density cells by taking advantage of the increasing supply of high quality and competitively priced graphite NMC cells from best-in-breed suppliers. The in-house production capacity will be primarily used for production of industry-leading lithium titanate oxide (LTO) cells.

b) Early 2017, the Company will start in-house module assembly and testing which will further improve margins.

c) A key strategic development is that the Company is actively seeking to reduce capital intensity in the business by exploring strategic partnership/ joint venture for cell manufacturing. This could include IP licensing agreements.

*Continuous Innovation:*

a) Our cells R&D programs are focused on increasing energy (Wh) throughput of both battery cells type, while retaining the high safety of Leclanché cells. We aim to achieve a 20% cost improvement over the next 12 months.

b) Systems R&D is developing a next-generation energy storage system architecture which can quickly integrate various enabling upstream technologies such as new battery chemistries, fuel cells etc. We aim to deliver an industrial scale solution using multiple energy storage system technologies in 2H 2017.

c) Systems R&D is developing a cloud-based asset operations software pack for managing both stationary energy storage system and transport fleet such as electric bus, ferries and charging infrastructure.

**Financial Results for the half-year to June**

The financial results in the first half of the year do not yet reflect the positive impact of large deliveries that are scheduled in Q4 2016. In fact, they represent the negative impact of all procurements and manufacturing-related expenses made in support of the deliveries scheduled in Q4 2016 and beyond.

Key Figures

| **(in million CHF)**<br>**(IFRS)** | **30.06.2016**<br>Unaudited | **30.06.2015**<br>Unaudited |
|---|---|---|
| Revenue | 5.77 | 3.49 |
| EBITDA | -12.92 | -8.94 |
| EBIT | -15.58 | -10.95 |
| Loss for the period | -17.34 | -11.09 |
| Earning per share [CHF] | -0.45 | -0.45 |
| Number of Employees [FTE] | 163 | 105 |

Notwithstanding the new funding available from ACE & Company and Jade Crest Limited from January 2016 that has allowed us to launch production of cells and outsourcing of module assembly at full capacity, hence the increase of inventory by CHF 4.3 million vs. June 2015, the overall financial performance of the Company was still adversely affected by the tight liquidity that has been experienced during the second half of 2015 and the first half of 2016.

Work to rebuild customer and supplier confidence, while contributing to new project wins and a growing sales pipeline, did translate into new business during the first half of 2016, with CHF 5.77 million consolidated revenues for this period, up 65% (CHF 2.28 million) compared with the previous period.

The delay in financial close of the IESO Canada project forced us to defer 10 MWh of shipments to late Q4 2016 and Q1 2017. The consequent delay in commissioning the second phase of the IESO Canada project results in approximately CHF 8 million less in 2016 revenues. Once again, we would like to emphasise that no business has been lost or cancelled and that we fully expect these revenues to be recognised in 2017.

*Breakdown of revenue by segment*

Revenues from the Speciality Battery Systems ("SBS") Business, formed from the combination of the business units previously called Portable and Distribution, were CHF 2.97 million for the half-year (2015: CHF 3.23 million), down by CHF 0.26 million compared with the previous year, mainly as a result of one large long-term contract ending during 2015 and not yet being offset by revenues from new business contracted in the first half of 2016.

SBS is successfully diversifying into new applications such as Automated Guided Vehicles ("AGVs"), submarine and terrestrial drones where the lithium-ion titanate (LTO) technology is increasingly getting traction. Two contracts signed with the Swiss Army of CHF 2 and 3 million respectively with deliveries in 2016 and 2017 will more than offset the lost business in 2015.

A significant development is that two major consumer goods companies have selected our LTO solution to power their forklift truck fleets in their warehousing operations across the globe. These contracts with large global companies validate the investment Leclanché has made in its LTO technology and underline the differentiated fast charge/fast discharge performance of our solution. As a result, we expect further substantial volume contracts in this segment.

Revenues in the Stationary Storage Systems Business were CHF 2.52 million for the half-year (2015: CHF 0.26 million), with deliveries under major recent project wins such as IESO Ontario, including CHF 0.79 million of engineering services (EPC).

Revenues in the Mobility Business were CHF 0.27 million stemming mostly from the sale of a set of LTO cells to a Chinese bus maker who has entered into a final round of quality certification testing with Leclanché batteries in China. Should the results of this round be positive, it could translate into orders seeking to power up to 400 buses every year from 2017.

*Breakdown of EBITDA loss by segment*

In line with reduced revenues, the Speciality Battery Systems Business generated an EBITDA loss for the half-year of CHF (1.81) million (2014: EBITDA loss CHF (0.69) million), as a result of reduced revenues and the increased cost from new sales personnel and the integration of the Trineuron acquisition in July 2015.

The Stationary Storage Systems Business recorded an EBITDA loss of CHF (5.52) million (2014: EBITDA loss CHF (3.95) million). This was mainly as a result of the costs absorbed under the development programme for IESO and other North America projects and further costs from the reorganisation and ramp-up of sales & marketing activities and personnel which has continued during 2016. These expenses have not yet been offset by revenues from higher margin products to be recognised in the second half of the year.

The Mobility Business recorded an EBITDA loss of CHF (1.11) million for the half-year, reflecting the personnel and operating costs of this division but limited revenues from project wins such as the Electric Ferry that will be recognised in the second half of 2016 and first quarter of 2017.

Group central costs at the EBITDA level were CHF (4.48) million for the half-year (2015: CHF (3.27) million), an increase of CHF 1.21 million. This was mainly attributable to the organisational and operational restructuring needed to deliver business expansion under the Growth Plan which, although incorporated within an efficient organisational structure to deliver increased productivity per person, has inevitably increased costs. A 55% increase in personnel has enabled the Company to secure Engineering, Procurement and Construction (EPC) turnkey contracts in large projects.

The net loss for the half-year was CHF (17.34) million (2015: net loss CHF (11.09) million), an increase CHF 6.25 million, as a result of an increased Group EBITDA losses described above, together with an increase in finance costs of CHF 0.33 million, resulting from higher levels of convertible loans. As mentioned above, the delay in financing of the IESO project was a major factor for the loss. The project was planned to be funded by a Mezzanine facility until the final tests could be performed by the customer, the local utility company, to confirm a long-term off-take agreement. However, the Mezzanine facility provider unexpectedly decided not to pursue the project. The project continues to be funded by the shareholders of the project Special Purpose Vehicle (SPV). With the signing of strategic partnership with Swiss GEM, as reported above, we are confident to address financing of this and other projects which Leclanché has secured as an EPC contractor.

The earnings per share for the half-year is a loss of CHF (0.45), identical to that of 2015, despite a higher loss, however compensated by a higher weighted number of shares in issue when compared to the previous half-year.

Although the 1H 2016 financials do not reflect all the positive developments that have happened on the commercial front, we remain confident that the planned revenues for Q4 2016 will substantially improve the 2016 Company’s results and will confirm that the breakeven target set at the 2016 AGM should be achieved in 2018 or sooner.

**Outlook**

A significant industrial and organisational ramp-up is underway in the first half of the year, as reported above, your management team has increased its focus to:

- Completing the capital raise by end 2016 to fully fund the business plan.
- Reducing capital intensity in the business by exploring strategic partnership/joint venture for cell manufacturing and/or implementing IP licencing agreements.
- Executing the 2H 2016 and 2017 pipeline.
- Staffing regional sales and customer support organisations in key markets, in particular Canada, China, India and the U.S.
- Building an efficient worldwide project delivery organisation, with regional engineering, procurement and construction (EPC) teams.
- Mitigation of the execution risk associated with delivery of large projects.

We are confident that our order book and project pipeline will increase further during the second half of the year.

We remain confident to deliver 30 MWh or more of energy storage solutions this year (lower than the planned 45 MWh, but up from 5 MWh in 2015), despite losing almost one quarter’s worth of production, delivery installation and commissioning time. We are confident that the Company will deliver much improved financial results for the full year 2016, including:

a) 50% to 55% year-over-year growth in Revenue
b) Increase the order backlog target for the year 2017 to 85 MWh, from 75 MWh announced during the last AGM. This will help the Company accelerate the EBITDA breakeven, still expected in 2018 or sooner depending on order intakes and Company’s project financing capability. Further details shall be provided in due course as the qualified pipeline converts into confirmed projects.

We anticipate that, subject to timely payments from the IESO project in Canada and Swiss GEM project in the US PJM market, current funding level and facilities in place will satisfy the Company’s working capital requirements for the year 2016. We would like to highlight the critical importance of the capital raise completion up to the required CHF 50 million equity (CHF 39 million following the recent funding).

As reported earlier, subject to the availability of funds, we intend to carry out selected M&A and/or strategic alliances to complement our vertically integrated offering, in particular in energy management system software and large-scale chargers for the eTransport sector.

Key Risks and Mitigation:

- **Large capital raise mentioned above is crucial** to step up the investment in all key areas, in particular R&D, production volume increase, project engineering and management and sales & marketing. We are also exploring complementary sources of capital, in particular off-balance sheet, non-recourse project finance and corporate debt facilities.
- **Project financing remains an important requirement** to convert the projects to revenue. Our strategic partnership with Swiss GEM, in addition to the ongoing discussions with other project investors, shall be of great help to secure project finance. Swiss GEM's provision of cornerstone equity investment to the projects is a crucial element to accelerate the non-recourse project finance. As mentioned above, Swiss GEM has already signed a letter of intent to acquire one of Leclanché's projects in the US. Swiss GEM is currently reviewing other projects in the Company's portfolio.
- **A large-scale industrial ramp-up is well underway.** After registering industry-leading commercial success in the year 2015 and in the first half of 2016 (as reported above), we are mitigating the execution risk associated with delivery of such large projects by ramping up the production, securing additional capacity from third-parties and adding well-trained engineers in the areas of installation, commissioning and after-sales-support for operations and maintenance of the asset. That said, the execution risk remains high.

We remain very confident of the growth opportunity Leclanché has and our ability to execute the Growth Plan that we have outlined. 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,

**Jim Atack**
Chairman of the Board

**Anil Srivastava**
Chief Executive Officer

# Leclanché Group

## Interim condensed consolidated financial statements 2016 (unaudited)

## Condensed consolidated income statements for the period ended 30 June 2016 and 2015 (unaudited)

| | Notes | 30/06/2016 | 30/06/2015 |
|---|---|---|---|
| | | kCHF | kCHF |
| Sales of goods and services | | 5'727.9 | 3'405.5 |
| Other income | | 38.2 | 88.2 |
| **Total income** | | 5'766.1 | 3'493.7 |
| Raw materials and consumables used | | -4'303.0 | -2'626.4 |
| Personnel costs | | -9'612.8 | -5'890.8 |
| Other operating expenses | | -4'774.7 | -3'917.2 |
| **Earnings Before Interest, Tax, Depreciation and Amortization** | | -12'924.4 | -8'940.7 |
| Depreciation, amortization and Impairment expenses | | -2'657.6 | -2'004.4 |
| **Operating Loss** | | -15'582.0 | -10'945.1 |
| Finance costs | | -1'852.0 | -1'517.2 |
| Finance income | | 22.2 | 0.5 |
| **Loss before tax for the period** | | -17'411.8 | -12'461.8 |
| Income tax | | 67.1 | 1'375.0 |
| **Loss for the period** | | -17'344.7 | -11'086.8 |
| Earnings per share (CHF) | | | |
| - basic | 16 | -0.45 | -0.45 |
| - diluted | 16 | -0.45 | -0.45 |

## Condensed consolidated statements of comprehensive income for the period ended 30 June 2016 and 2015 (unaudited)

| | Notes | 30/06/2016 | 30/06/2015 |
|---|---|---|---|
| | | kCHF | kCHF |
| **Loss for the period** | | -17'344.7 | -11'086.8 |
| **Other comprehensive income/(loss)** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Actuarial income /(loss) on post-employment benefit obligations | | -1'491.5 | -1'466.4 |
| **Items that may be subsequently reclassified to profit or loss** | | | |
| Currency translation differences | | 108.4 | -4'480.7 |
| **Other comprehensive income/(loss) for the period** | | -1'383.1 | -5'947.1 |
| **Total comprehensive loss for the period** | | -18'727.8 | -17'033.9 |

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

## Condensed consolidated balance sheets at 30 June 2016 (unaudited) and 31 December 2015 (audited)

| | Notes | 30/06/2016 | 31/12/2015 |
|---|---|---|---|
| | | kCHF | kCHF |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 13'603.6 | 17'813.5 |
| Intangible assets | | 8'500.9 | 9'627.3 |
| Other financial assets | 10 | 2'657.6 | 259.4 |
| | | 24'762.1 | 27'700.2 |
| **Current assets** | | | |
| Inventories | | 9'172.6 | 4'351.4 |
| Trade and other receivables | | 11'001.2 | 4'669.0 |
| Cash and cash equivalents | | 2'099.9 | 3'541.8 |
| | | 22'273.7 | 12'562.2 |
| TOTAL ASSETS | | 47'035.8 | 40'262.4 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | 11 | 63'462.0 | 56'854.5 |
| Share premium | | 5'084.2 | 72'874.5 |
| Reserve for share-based payment | 12 | 94.2 | 1'936.5 |
| Other reserves | | 4'974.9 | 8'632.2 |
| Translation reserve | | -4'501.1 | -4'609.5 |
| Equity component of convertible loan and warrants | 13 | 943.6 | 3'479.6 |
| Actuarial loss on post-employment benefit obligations | | -17'925.6 | -16'434.2 |
| Accumulated losses | | -54'078.8 | -114'121.8 |
| **Total Equity** | | -1'946.6 | 8'611.8 |
| **Non-current liabilities** | | | |
| Defined benefit pension liability | | 9'912.2 | 8'221.2 |
| Borrowings | | 500.0 | 500.0 |
| Deferred tax liability | | 1'017.5 | 1'084.6 |
| | | 11'429.7 | 9'805.8 |
| **Current liabilities** | | | |
| Convertible loan | 13 | 21'975.4 | 7'563.5 |
| Embedded derivative | 13 | 2'100.6 | 625.0 |
| Provisions | | 60.0 | 275.0 |
| Borrowings | | 757.6 | 750.0 |
| Trade and other payables | | 12'659.1 | 12'631.3 |
| | | 37'552.7 | 21'844.8 |
| **Total Liabilities** | | 48'982.4 | 31'650.6 |
| TOTAL EQUITY AND LIABILITIES | | 47'035.8 | 40'262.4 |

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

## Condensed consolidated statement of changes in equity for the period ended 30 June 2016 (unaudited)

| | Attributable to equity holders of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Issued share capital | Share premium | Reserve for share-based payment | Other reserves | Equity component of convertible loan and warrants | Translation reserve | Actuarial gain / (loss) on post-employment benefit obligations | Accumulated losses | Total |
| | kCHF | kCHF | kCHF | kCHF | kCHF | kCHF | kCHF | kCHF | kCHF |
| **Balance at 1 January 2015** | 32'971.8 | 63'497.8 | 1'885.3 | 8'632.2 | 4'161.9 | -1'967.2 | -13'610.4 | -79'420.3 | 16'151.1 |
| Loss for the period | - | - | - | - | - | - | - | -11'086.8 | -11'086.8 |
| **Other comprehensive income:** | | | | | | | | | |
| Actuarial loss on post-employment benefit obligations | - | - | - | - | - | - | -1'466.4 | - | -1'466.4 |
| Currency translation differences | - | - | - | - | - | -4'499.8 | - | - | -4'499.8 |
| **Total comprehensive loss for the period** | **-** | **-** | **-** | **-** | **-** | **-4'499.8** | **-1'466.4** | **-11'086.8** | **-17'053.0** |
| Reserve for share-based payment | - | - | 9.9 | - | - | - | - | - | 9.9 |
| Capital increase as per 21.01.2015, 19.05.2015 and 15.06.2015 (including issue costs) | 5'408.0 | -49.4 | - | - | -2'538.5 | - | - | 832.1 | 3'652.2 |
| **Balance at 30 June 2015** | **38'379.8** | **63'448.4** | **1'895.2** | **8'632.2** | **1'623.4** | **-6'467.0** | **-15'076.8** | **-89'675.0** | **2'760.2** |
| **Balance at 1 January 2016** | 56'854.5 | 72'874.5 | 1'936.5 | 8'632.2 | 3'479.6 | -4'609.5 | -16'434.2 | -114'121.8 | 8'611.8 |
| Loss for the period | - | - | - | - | - | - | - | -17'344.7 | -17'344.7 |
| **Other comprehensive income:** | | | | | | | | | |
| Actuarial loss on post-employment benefit obligations | - | - | - | - | - | - | -1'491.4 | - | -1'491.4 |
| Currency translation differences | - | - | - | - | - | 108.4 | - | - | 108.4 |
| **Total comprehensive loss for the period** | **-** | **-** | **-** | **-** | **-** | **108.4** | **-1'491.4** | **-17'344.7** | **-18'727.7** |
| Cancellation of Share premium against Accumulated losses | - | -71'888.1 | - | -3'657.3 | - | - | - | 75'545.4 | - |
| Reserve for share-based payment | - | - | -1'842.30 | - | - | - | - | 1'842.3 | - |
| Warrants exercice | 150.0 | 136.0 | - | - | -136.0 | - | - | - | 150.0 |
| Capital increase by loan conversion (Facility B) - 29.04.2016 | 3'201.7 | 1'944.6 | - | - | - | - | - | - | 5'146.3 |
| Capital increase by loan conversion (Facility B) - 15.06.2016 | 1'755.8 | 1'141.2 | - | - | - | - | - | - | 2'897.0 |
| Capital increase by loan conversion (MCN) - 15.06.2016 | 1'500.0 | 876.0 | - | - | -2'400.0 | - | - | - | -24.0 |
| **Balance at 30 June 2016** | **63'462.0** | **5'084.2** | **94.2** | **4'974.9** | **943.6** | **-4'501.1** | **-17'925.6** | **-54'078.8** | **-1'946.6** |

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

## Condensed consolidated statement of cash flows for the period ended 30 June 2016 and 2015 (unaudited)

| | Notes | 30/06/2016 | 30/06/2015 |
|---|---|---|---|
| | | kCHF | kCHF |
| **Operating activities** | | | |
| Loss for the period | | -17'344.7 | -11'086.8 |
| Non cash adjustments: | | | |
| Depreciation of property, plant and equipment | | 1'487.2 | 1'640.3 |
| Amortization of intangible assets | | 1'170.4 | 364.1 |
| Non-realized foreign exchange differences | | -159.3 | 348.5 |
| Deferred tax liability | | -67.1 | -1'375.0 |
| Recognized expense for stock option plan | | - | 9.9 |
| Interest expense | | 1'852.0 | 1'517.2 |
| Interest income | | -22.2 | -0.5 |
| Movement in provisions | | -215.0 | -150.0 |
| Pension cost | | 199.5 | 229.6 |
| Working capital adjustments: | | | |
| In/Decrease in trade and other receivables | | -6'324.2 | -1'709.3 |
| In/Decrease in inventories | | -4'821.2 | -7.2 |
| In/Decrease in trade and other payables | | 131.5 | -1'335.2 |
| Interest paid | | -42.5 | - |
| **Net cash flows from / (used in) operating activities** | | **-24'155.6** | **-11'554.4** |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 9 | -1'713.7 | -99.4 |
| Purchase of intangible assets | | - | -2'245.9 |
| Grant received | | - | 400.0 |
| Investment in other financial assets | 10 | -2'398.1 | - |
| Capitalized development expenses | | -44.0 | -59.0 |
| Insurance payments | 9 | 4'436.4 | - |
| Interest received | | - | 0.5 |
| **Net cash flows from / (used in) investing activities** | | **280.6** | **-2'003.8** |
| **Financing activities** | | | |
| Proceeds from warrants exercized | | 95.7 | 150.0 |
| Proceeds from convertible loan | | 22'285.1 | 15'863.9 |
| Repayment of bridge loan | | - | -250.0 |
| **Net cash flows from / (used in) financing activities** | | **22'380.8** | **15'763.9** |
| **Increase / Decrease in cash and cash equivalent** | | **-1'494.2** | **2'205.7** |
| Cash and cash equivalent at 1 January | | 3'541.8 | 537.1 |
| Cash and cash equivalent at 30 June | | 2'099.9 | 2'742.8 |
| Effect of exchange rate changes | | -52.3 | - |
| **Variation** | | **-1'494.2** | **2'205.7** |

The accompanying notes form an integral part of the interim condensed consolidated financial statements.

**Selected Notes to the interim condensed consolidated financial statements for the period ended 30 June 2016 (unaudited)**

## 1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Leclanché SA (the "Company" and together with its subsidiaries Leclanché GmbH, Leclanché UK Ltd, Leclanché BVBA and Leclanché North America Inc., the "Group") for the half-year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Board of Directors on September 5, 2016.

Leclanché SA is a stock corporation *(société anonyme, Aktiengesellschaft)* with registered office in Yverdon-les-Bains, Switzerland, whose shares are publicly traded at the Zurich stock exchange (SIX).

## 2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2016 is prepared in accordance with IAS 34, 'Interim financial reporting.' The interim condensed consolidated financial statements (unaudited) should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS.

## 3. ACCOUNTING POLICIES

The accounting policies applied by the Group in this interim condensed financial information are consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2015 except as described below.

Taxes on income in the interim periods are accrued using tax rate that would be applicable to expected total annual profit or loss.

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning on 1 January 2016:

Amendments to IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after 1 January 2016, prospective application, earlier application permitted) - The amendments clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users. The Group has applied this amendment from 1 January 2016, but it had no impact on the Group's financial statements.

The following relatively minor changes have been applied by the Group from their effective date, but they had no significant impact on the Group's financial statements:

- Annual Improvements to IFRSs 2012-2014 Cycle - IAS 19 'Employee benefits' (effective date 1 January 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle - IAS 34 'Interim financial reporting' (effective date 1 January 2016)

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning on 1 January 2016, but are currently not relevant for the Group:

- Amendment to IAS 27 'Separate financial statements' (effective date 1 January 2016)
- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' (effective date 1 January 2016)
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in associates and joint ventures' (effective date 1 January 2016)
- Amendment to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation' (effective date 1 January 2016)
- Amendments to IAS 16 and IAS 41 'Agriculture: Bearer plants' (effective date 1 January 2016)
- IFRS 14 'Regulatory Deferral Accounts' (effective date 1 January 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle - IFRS 5 'Non-current assets held for sale and discontinued operations' (effective date 1 January 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle - IFRS 7 'Financial instruments: Disclosures' (effective date 1 January 2016)

New standards, interpretations to existing standards and standards amendments that are not yet effective:
The Group has not early adopted any other new standards, interpretations to existing standards and standards amendments which need adoption by 1 January 2017 or later. The Group has commenced, but not yet completed, an assessment of the impact of the adoption of these new or amended standards on its consolidated financial statements and is currently of the view that the impact would not be significant other than certain additional disclosures. The relevant standards and amendments identified by the Group to date relate to:

- IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 January 2018, retrospective application, earlier application permitted) - The new standard on the recognition of revenue from contracts with customers applies to all contracts with customers except those that are financial instruments, leases or insurance contracts.

  IFRS 15 is based on a five-step approach:

  1) Identify the contract with the customer
  2) Identify the separate performance obligations in the contract
  3) Determine the transaction price
  4) Allocate the transaction price to separate performance obligations
  5) Recognise revenue when a performance obligation is satisfied

  The new standard will require entities to redefine their revenue recognition, and consider adjustments to the invoicing and accounting systems and consider renegotiating contracts with their clients. Entities currently using industry-specific guidance may be more significantly affected. In addition, the amount of revenue-related disclosures will increase.
  The Group will apply IFRS 15 from 1 January 2018, and it is yet to assess IFRS 15's full impact.

- IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018, retrospective application, earlier application permitted) - The complete version of IFRS 9 'Financial Instruments' includes requirements on the classification and measurement of financial assets and liabilities; it defines three classification categories for debt instruments: amortised cost, fair value through other comprehensive income (‘FVOCI’) and fair value through profit or loss (‘FVPL’). Classification for investments in debt instruments is driven by the entity's business model for managing financial assets and their contractual cash flows. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading.

No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss.

IFRS 9 also contains a new impairment model which will result in earlier recognition of losses. The expected credit losses (ECL) model is a 'three-stage' model for impairment based on changes in credit quality since initial recognition.

In addition, the new standard contains amendments to general hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

The Group will apply IFRS 9 from 1 January 2018, and it is yet to assess IFRS 9's full impact.

- IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) - Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. IFRS 16 is likely to have a significant impact on the financial statements of a number of lessees.

  For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

  Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  The Group will apply IFRS 16 from 1 January 2019, and it is yet to assess IFRS 16's full impact.

### Restatement of comparatives

Comparative figures as at 30 June 2015 have been adjusted:

- As per the consolidated financial statements as at 31 December 2015, a change in the useful life of the machinery was required. The details and the impact of this restatement were described in Note 1R of the 2015 consolidated financial statements. The impact on the interim consolidated financial statements as at 30 June 2015 is a lower depreciation for an amount of kCHF 422.8

- An adjustment of the interests on the convertible loan has led to additional finance costs of kCHF 168.4 and an increase of the convertible loan. Transactions costs of kCHF 200 have been reclassified from share premium to convertible loan. These adjustments were not considered material to the financial statements.

## 4. ESTIMATES

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

## 5. GOING CONCERN

On 16 August 2016, Leclanché SA successfully completed a first tranche of capital raise including CHF 11.1 million of new equity issuance and a conversion of CHF 4.1 million of the convertible loan (Facility C).

This capital raise provides the Company with capital resources to continue to convert its significant orders into revenue and maintain its overall mid-term Growth Plan.

As announced during the AGM of 4 May 2016, the Company is now focused on completing its growth capital funding to support the business plan. Capital instruments such as authorised and conditional capital are in place in that respect.

At the time of issue of these interim condensed consolidated financial statements, out of the CHF 20 million of the convertible loan (Facility C), CHF 20 million has been drawn.

Accordingly, the Board of Directors believes that the Company will be able to meet all of its obligations for at least the next 12 months as they fall due and the interim condensed consolidated financial statements have therefore been prepared on a going concern basis.

Notwithstanding this, as operations are scaled (particularly in Sales and Delivery), the Company is aware of the significant execution risk this carries. In addition, the Company is conscious of the uncertainties surrounding the capital growth funding plan.

## 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.
The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.
There have been no changes in the risk management or in any risk management policies since the year end.

### Fair value estimation

The nominal values less any estimated credit adjustments for the following financial assets and liabilities are assumed to approximate their fair values:

- Trade and other receivables
- Cash and cash equivalents
- Other financial assets
- Borrowings
- Convertible loan (level 3)
- Embedded derivative (level 3)
- Trade and other payables

In 2016, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities. In 2016, there were no reclassifications of financial assets.

## 7. SEASONALITY OF OPERATIONS

The Group's business activities are not subject to any pronounced seasonal fluctuations.

## 8. SEGMENT INFORMATION

From a product perspective, management assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA). This measure excludes the effects of depreciation, amortisation and impairment. The impact on personnel costs related to IAS 19 / IFRIC 14 and finance income and charges are not included in the result for each operating segment.

During the first half of 2016 the operating business was organised in 3 segments (which broadly align with our three target market segments described above):

- Speciality Battery Systems (SBS) – *for commercial & industrial battery systems*
- Stationary Storage Systems (Stationary) – *for utility-scale generation and micro grid applications*
- Mobile Storage Systems (Mobility) – *for eTransport applications*

All costs that cannot be managed directly by the 3 business units (SBS, Stationary and Mobility) are grouped under Corporate, and are kept under regular review by the Executive Committee. As a consequence, 4 reportable segments are presented.

| | SBS | | Stationary | | Mobility | | Corporate Costs | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | 30/06/2016 | 30/06/2015 | 30/06/2016 | 30/06/2015 | 30/06/2016 | 30/06/2015 | 30/06/2016 | 30/06/2015 | 30/06/2016 | 30/06/2015 |
| Total income | 2'970.4 | 3'232.4 | 2'519.9 | 261.3 | 266.8 | - | 9.0 | - | 5'766.1 | 3'493.7 |
| EBITDA | -1'813.1 | -687.6 | -5'524.1 | -3'945.5 | -1'111.6 | -1'035.3 | -4'475.6 | -3'272.3 | -12'924.4 | -8'940.7 |
| EBIT | -2'226.9 | -773.0 | -7'693.9 | -5'891.3 | -1'163.7 | -1'027.4 | -4'497.5 | -3'253.4 | -15'582.0 | -10'945.1 |

| **Reconciling items** | 30/06/2016 | 30/06/2015 |
|---|---|---|
| | kCHF | kCHF |
| **EBITDA** | **-12'924.4** | **-8'940.7** |
| Depreciation, amortization and impairment expenses | -2'657.6 | -2'004.4 |
| **EBIT** | **-15'582.0** | **-10'945.1** |
| Finance revenue | 22.2 | 0.5 |
| Finance costs | -1'852.0 | -1'517.2 |
| Income tax | 67.1 | 1'375.0 |
| **Loss for the period** | **-17'344.7** | **-11'086.8** |

## 9. PROPERTY, PLANT & EQUIPMENT

In April 2016, Leclanché GmbH in Willstätt suffered an accidental fire in a section of the factory, which destroyed two machines and damaged some infrastructure. A partial repayment of EUR 4 million has been received from the insurance company in June 2016, in order to finance the replacement of the damaged equipment. This amount has been temporarily booked in an investment in progress account until the damaged machineries are replaced. The total damage has been estimated to EUR 9.2 million and the same amount is expected to be received from the insurance before year-end.

## 10. OTHER FINANCIAL ASSETS

| | 30/06/2016 | 31/12/2015 |
|---|---|---|
| | kCHF | kCHF |
| Investments | 1'979.9 | - |
| Long term loan | 418.2 | - |
| Deposits | 259.5 | 259.4 |
| **Total** | **2'657.6** | **259.4** |

The investment consists in the participation of Leclanché SA – for an amount of USD 2'000'000 - in the equity of a Special Purpose Vehicle (SPV) "Maple Leaf" dedicated to the IESO Ontario Stationary Storage project in Canada.

Additional advances, shown here above as long-term loan, have been injected by Leclanché SA in the same SPV in order to finance the rent guarantee for the project's land.

## 11. SHARE CAPITAL

As at 30 June 2016, following the conversion of Recharge convertible loan and of the Mandatory Convertible Note (see Note 13), the share capital amounts to CHF 63'461'982, consisting of 42'307'988 issued and fully paid-in registered shares with a nominal value of CHF 1.50.

### Authorised Capital

At the Annual General Meeting (AGM) held on 4 May 2016, the shareholders have approved a Board resolution to create an authorised capital of a maximum amount of CHF 28'277'230.50 (divided into a maximum of 18'851'487 registered shares of CHF 1.50 nominal value each), for a 2-year period until 3 May 2018, with the possibility for the Board of Directors to suppress and/or restrict the preferential subscription rights of the shareholders in respect of the new shares to be issued. Additional information can be obtained from the Articles of Association (article $3^{\text{quarter}}$).

### Conditional Capital

The total conditional share capital of the Company represents an amount of CHF 21'969'709.50 and is divided into the 2 following components:

**1) Conditional capital reserved for share option plans**

At 30 June 2016, the conditional capital of the Company amounts to CHF 4'500'000 (divided into a maximum of 3'000'000 fully paid-in registered shares of a nominal value of CHF 1.50 each). This conditional capital is reserved for the exercise of option rights granted to employees of the Company and Group companies in accordance with conditions determined by the Board of Directors (article $3^{\text{ter}}$).

**2) Conditional capital reserved for convertible loans**

At 30 June 2016, the conditional capital of the Company amounts to CHF 17'469'709.50 (divided into a maximum of 11'646'473 fully paid-in registered shares of a nominal value of CHF 1.50 each). This conditional capital is reserved for the exercise of conversion rights and/or warrants granted in connection with the (i) issuance on national or international capital markets of newly or already issued bonds or other financial market instruments or (ii) loans entered into by the Company or one of its Group companies. Additional information can be obtained from the Articles of Association (article $3^{\text{quinquies}}$).

At the AGM held on 4 May 2016, the shareholders have accepted the Board resolution to adjust the conditional capital reserved for convertible loans, to a maximum amount of CHF 23'927'217 (divided into a maximum of 15'951'478 registered shares of CHF 1.50 nominal value each). Following the conversion of

Recharge convertible loan and of the Mandatory Convertible Note (see Note 13), this conditional capital was reduced to CHF 17’469’709.50.

## 12. SHARE-BASED PAYMENT

The 158’780 options of the (uncapped) Stock Option Plan, outstanding as at 31 December 2015, have expired during the 1H 2016 (8’780 expired on 18 February 2016 and 150’000 on 30 June 2016). The related reserve for share-base payment of CHF 1’842’300 has therefore been reversed to accumulated losses.

## 13. CONVERTIBLE LOAN AND WARRANTS

### Convertible loan

**ACE & Company / JADE Crest Limited / Recharge A/S**

As of 31 December 2015, Recharge convertible loan Facility A had been fully drawn and converted. CHF 10’714’875 of the CHF 13’000’000 million available had been drawn under Recharge convertible loan Facility B (and extension). As of 31 December 2015, part of Recharge convertible loan Facility B drawdowns had been converted.

On 27 February 2016, a Term Sheet agreement has been signed between the Company, Recharge A/S (“Recharge”) and ACE & Company (“ACE”), setting principally the following terms of the convertible loans:

- ACE grants a new loan facility (Facility C) amounting to CHF 9’285’125 to the Company
- The CHF 714’875 bridge loan granted by Recharge to the Company on 18 February 2016 is rolled over in Facility C and shall be owed to ACE
- ACE shall undertake its commercially reasonable efforts to raise additional CHF 10’000’000
- Interest on Facility C equals 8% p.a.
- Maturity date is 30 June 2017
- The conversion price for Facility C shall mean the lower of (i) CHF 2.86, (ii) 85% of the 15-day volume-weighted average price of the shares or (iii) the subscription price at which existing shareholders may subscribe for new shares in any future rights offering
- Recharge assigns to ACE (i) a portion of its Facility B amounting to CHF 1’285’125, (ii) the bridge loan of CHF 714’875 (see above) and (iii) interest of 5% as of 16 February 2016 (“the 1st Tranche”)
- In addition to the above 1st Tranche, ACE shall acquire from Recharge, which shall assign to ACE, an additional portion (“2nd Tranche”) amounting to (i) CHF 6’000’000 minus (ii) the 1st Tranche no later than 15 March 2016. This 2nd Tranche amounts to CHF 1’000’000, if we exclude interest.

As of the end of the period:

| | 30/06/2016 | 31/12/2015 |
|---|---|---|
| | kCHF | kCHF |
| ACE / JADE / Recharge convertible loan | 23'000.0 | 7'845.3 |
| Interest, finance charges and conversion fees | 1'076.0 | 343.2 |
| Fair value embedded derivative | -2'100.6 | -625.0 |
| **Value of ACE / JADE / Recharge Convertible loan at the end of the period** | **21'975.4** | **7'563.5** |

**Mandatory Convertible Note (MCN)**

On 16 December 2015, in order to finance and refinance investments of the Company and the Company's expansion plan, the Company made a private share placement by issuing CHF 2’400’000 1% Mandatory Convertible Notes ("**MCN**") due 15 December 2016 mandatorily convertible into new shares of the Company at a conversion price of CHF 2.40 pursuant to two purchase and subscription agreements entered into with, respectively, Recharge and Bruellan. Recharge and Bruellan respectively invested the amount of CHF 1’200’000 corresponding to 0 purchased shares in the Company in the framework of the capital increase and 500’000 MCN each.

On 15 June 2016, those 2 MCN of CHF 1’200’000 each have been converted into 500’000 registered shares each, at a conversion price of CHF 2.40. The equity component of MCN of CHF 2’400’000 has therefore been reversed to the share capital (nominal value) for CHF 1’500’000 and to the share premium for CHF 900’000. Transaction costs of CHF 24’000 have been deducted from the share premium.

**Warrants**

On 31 October 2013, the Company issued to Talisman Infrastructure International Ltd, 832’827 Series A Warrants and 594’876 Series B Warrants as compensation for non-regulated services rendered to the Company in connection with capital raising from Precept. On 15 June 2016, 100’000 Series A Warrants have been exercised and consequently 100’000 shares were issued out of the conditional capital.

| **Number of Warrants** | **Date** | **Series A** | **Series B** |
|---|---|---|---|
| At 1 January 2015 | | 832'827 | 594'876 |
| Exercice | 15/06/2015 | -100'000 | - |
| Exercice | 23/07/2015 | -150'000 | - |
| Exercice | 08/10/2015 | -100'000 | - |
| Exercice | 17/11/2015 | -160'000 | - |
| **At 31 December 2015** | **31/12/2015** | **322'827** | **594'876** |
| Exercice | 15/06/2016 | -100'000 | - |
| **At 30 June 2016** | **30/06/2016** | **222'827** | **594'876** |

The outstanding amount has been reattributed to equity component, as follows:

**Equity component allocated to the Warrants**

| | 30/06/2016 | | | 31/12/2015 | | |
|---|---|---|---|---|---|---|
| | **Series A** | **Series B** | **Total** | **Series A** | **Series B** | **Total** |
| At the beginning of the period | 439'194 | 640'390 | 1'079'584 | 1'133'030 | 640'390 | 1'773'420 |
| Exercice of Warrants | -136'046 | - | -136'046 | -693'836 | - | -693'836 |
| **At the end of the period** | 303'148 | 640'390 | 943'538 | 439'194 | 640'390 | 1'079'584 |

## 14. CONTINGENT LIABILITY

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. No provision has been recognised in this interim condensed financial information, as legal advice indicates that it is not probable that a significant liability will arise.

## 15. RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties.

| | 30/06/2016 | 31/12/2015 |
|---|---|---|
| | kCHF | kCHF |
| Salaries and other short-term employee benefits | 1'203.3 | 2'108.7 |
| Share-based payments | - | 51.2 |
| **Total** | **1'203.3** | **2'159.9** |

## 16. EARNINGS PER SHARE

| | 30/06/2016 | 30/06/2015 |
|---|---|---|
| | kCHF | kCHF |
| Net loss attributable to ordinary equity holders of the parent | -17'344.7 | -11'086.8 |

| | 30/06/2016 | 30/06/2015 |
|---|---|---|
| Weighted average number of ordinary shares in issue | 38'243'227 | 24'426'793 |

| | 30/06/2016 | 30/06/2015 |
|---|---|---|
| Earnings per share | CHF | CHF |
| - basic | -0.45 | -0.45 |
| - diluted | -0.45 | -0.45 |

Basic profit per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.
The diluted profit per share is equivalent to the basic profit per share, as there are no dilutive elements to be taken into consideration.

## 17. SUBSEQUENT EVENTS

On 16 August 2016, Leclanché SA successfully completed a first tranche of capital raising including CHF 11.1 million of new equity issuance and a conversion of CHF 4.1 million of the convertible loan (Facility C).

This capital raising provides the Company with capital resources to continue to convert its significant orders into revenue and maintain its overall mid-term Growth Plan.

**Leclanché SA**
Avenue des Sports 42
Case Postale
CH – 1401 Yverdon-Les-Bains

investors@leclanche.com
Tel.  +41 24 424 65 00
Fax  +41 24 424 65 01

www.leclanche.com

Leclanché S.A. shares are listed on the SIX Swiss Exchange, Zurich (ISIN code: CH0110303119).
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