Leclanché
Energy Storage Solutions

Leclanché Group

2019 Semi-Annual Report

Leclanché SA
Avenue des Sports 42 • Case postale • CH-1400 Yverdon-les-Bains • Suisse
+41 (09)24 424 65 00 • www.leclanche.com

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Letter to our Shareholders

Dear Shareholders,

We are pleased to present to you the key developments in your Company in the first half of 2019. This has been a period of strong operational achievements in all three business units of your Company: Stationary Storage, eTransport Solutions and Specialty Battery Systems. This has resulted in a significant operational momentum, with major industry-leading project wins validating our position as the leading vertically integrated energy storage solution provider. We are excited about the opportunities ahead as we execute on our pipeline orders and continue to build out our capabilities so that we can continue to capture the rapidly growing global energy storage market.

Customer Wins

Your Company continues to win business worldwide. The combined order book, including St. Kitts project (see below), now exceeds CHF100 million. Here are few highlights of the same.

1) Our **Stationary Storage Business Unit** (focused on renewable energy integration and grid stabilization) – Addressable market growing 48% per annum over the next five years, to 4.2 GWh. We have shifted our focus towards software, engineering services, and systems integration which continue to underpin the profitable growth of this business.
   The Caribbean's largest PV Solar + Storage project in St. Kitts and Nevis: On 7 August 2019, we have announced that the Company had signed an agreement with the state-owned St. Kitts Electric Company (SKELEC) to deliver the largest solar generation plus energy storage project ever to be built in the Caribbean. This 35.6 MW solar energy plant and 44.2 MWh battery storage facility will be built on government provided land in the Basseterre Valley, adjacent to the City of Basseterre and the current SKELEC PowerStation on the island of St. Kitts and Nevis. It will provide the residents of this Caribbean twin-island Federation with a reliable and renewable clean energy source with fixed cost savings compared to the current diesel-generated power system. The system will provide between 25-30% of the nation's current power generation needs, while displacing the same amount of diesel-generated capacity. SKELEC and Leclanché have already entered into a 20-year Power Purchase Agreement (PPA) which ensures the system will supply essential power capacity to St. Kitts for many years to come.

   The project is undergoing due diligence for financing 100% of the project capital expense by a large infrastructure fund based in New York, USA, with a deep experience in infrastructure and power assets financing.

   At financial close, expected by November 2019, the project company will confirm a purchase order to Leclanché for CHF 57 million for a turnkey EPC contract. While we expect to recognize some revenue from this project in 2019, the majority of the revenue will be recognized in 2020. The project will deliver the positive margin required by Leclanché.

   This Project, designed with Leclanché's state of the art Energy Management Software (EMS), marks the first time a megawatt-scale solar energy system, stabilized by a state-of-the art lithium battery energy storage system, can be used to provide true "base load" power for a utility on a Caribbean island.

2) Our **eTransport Solutions** business unit provides battery packs for fleet commercial vehicles including marine vessels, trains, buses and taxis, to an addressable market growing 37% per annum over the next five years, to 6 GWh.

a. **e-Marine**: we are making huge strides and accelerating the win rate in the eMarine business. The combined value of the purchase orders for delivery in 2019-2021 exceed CHF 35 million. These cover a large range of marine vessels including passengers ferries and those used for cargo and oil and gas. The key projects confirmed for delivery include the following:

- **Yara, Norway**: "Yara Birkeland": the world's first electric, autonomous feeder vessel. 6.7 MWh using Leclanché battery pack. Delivery December 2019/ January 2020.
- **Grimaldi**, China/Italy: 3 ferries each with 5.1 MWh battery pack, delivery in 2020. Remaining 6 ferries to be delivered in 2020 and 2021.
- **Damen**, Canada/The Netherlands: 2 ferries with 1.9 and 4.6 MWh Leclanché battery packs, delivery in December 2019. Vessels under construction.
- **Hyseas III**, Scotland: 0.7 MWh pack for world's first hydrogen hybrid marine vessel. Delivery in 2019.
- **Wasaline**, Finland: Recent contract win to supply 2.2 MWh of battery pack. Project kick-off 2020. Delivery May 2021.
- **Awilco**, Singapore: Project 1 drilling platform under construction, 1.9 MWh battery pack with 2 further projects due to be awarded by the end of 2019.

In addition to the above-mentioned purchase orders, the pipeline of e-Marine projects awarded to Leclanché that are under final negotiation or contracting process for delivery between 2020 and 2023, exceeds CHF 50 million.

b. **e-Commercial Vehicles:** we have delivered battery packs for a range of electric vehicles including buses, trains, trucks, off-road and airport vehicles. The combined value of the pipeline of projects currently under pilot testing and certification/ final negotiation/ contracting process, with deliveries between 2020 and 2023 exceed 250 MWh or more than CHF 115 million on an average. The key projects include the following:

- **Ashok Leyland**, India, through a Master Supply Agreement with Sun Mobility: delivered battery packs for 40 electric buses. Expected volume 60 MWh over the next 3 years.
- **Skoda Electric**, Europe: testing Leclanché modules during October. Pipeline of 25 MWh over the next 3 years.
- **One of the world's largest train manufacturers**: selected as the preferred supplier. Scheduled volume of projects of 93 MWh next three years. A more detailed announcement will be made shortly.
- **One of world's largest off-road vehicles manufacturer**: Delivered battery packs for the second generation of fully electric excavators. Pipeline of 40 MWh in Europe and 40 MWh in India over the next 3 years.
- **Hydro** (Germany): aircraft tractor application, 100% emission free ground support vehicles. Leclanché battery packs to be exhibited in vehicle at Inter-Airport Europe in October 2019. Schedule opportunity of 14 MWh over the next 3 years.
- **Hybrid electric truck in California USA**: delivered prototype packs. Long term development programme with hydrogen fuel cells and Leclanché lithium titanate battery pack. Pipeline of 10 MWh over the next 4 years before a ramp up.

Business Update

1) Research, Innovation & Development to reduce cost

a. **Cells:** Much of our focus in the electrochemistry R&D in 2018-19 has been on cost reduction by validating new raw materials and related cell development to increase the energy density (Wh capacity) of cells. We are on target to achieve a 55% cost per kWh reduction between 2015 and 2020 through innovation and engineering.

With the successful development of high capacity cathode material NMC 6-2-2 and subsequent introduction of the new G-NMC 55 Ah cells, 190 Wh/kg and 420 Wh/litre, we are among the best in the industry in terms of energy density and cycle lifetime. The cell is designed for fast charging (30 minutes), and medium power, making it an ideal product for many transport applications. A revision of this cell will bring the capacity to 60 Ah by the end of the year 2019, without any degradation to the cell performance.

Furthermore, we based the development on our existing water-based electrode manufacturing technology and have achieved high performance electrodes using this unique technology. Developments into even higher capacity materials have started, with very promising initial results. In addition to these short-term projects, we are also engaged in longer term development projects focused on solid state electrolyte, and novel anode materials.

b. **Next Generation Battery Modules-M3:** The systems R&D team continues to focus on all the technology that goes on top of the cell such as module, pack & rack, Battery Management System (BMS), asset planning and battery asset management services. We have two distinct R&D teams focusing on mechanical development and on electronic development. Both of these complement the cell R&D team. A new version of the module has been developed for larger scale manufacturing, with lower costs of components, a simplified assembly process and greater versatility in cooling options. The mechanical development has been done in a joint engineering programme with our production line manufacturer Comau. Comau is the engineering division of the FCA Group (Fiat Chrysler). The production line is currently under construction, with a planned delivery in Q2 2020.

55 Ah Cells, combined with M3, will lead to a 25% year-over-year cost reduction over 2019-2020.

c. **Continuous Innovation:** To maintain our technological competitive advantage, we are working with several Swiss, German and British universities. We are part of strong national and European alliances for lithium cells.

- We are part of the EUR 500 million initiative launched by the German Federal Ministry of Education and Research (BMBF) for a cell development plant for the battery industry, set-up through the Fraunhofer Institute, to produce cylindrical and pouch cells.
- We are involved in a major cell production industrial ramp-up that is supported by Germany through the EU's European Battery Alliance and the use of an IPCEI (Important Project of Common European Interest) process.
- Leclanché has notified its interest in participating in the process through the establishment of two industrial consortia led in one instance by Leclanché and other partners (Umicore, Solvay, SGL Carbon, CS Additive, Manz, PEC and Eneris).

2) Cell Production

We introduced the new graphite-based G-NMC 55 Ah cell in production in the first half of 2019. The first three months served as a validation period, along with the establishment of all the production specifications. Since Q2 2019, we have been running in a two-shift operation while we wait for the completion of the installation of the new formation equipment, which should be fully operational in the second quarter of 2020.

- The serial production of our G-NMC cells started in the second quarter along with certifications at cell and system level.
- We expect to reach the optimum level of production cost (reduction of the scrap rate etc.) by Q2 2020 after about one year of deployment and the stabilization of all the manufacturing steps and machinery in the larger scale manufacturing. Cost effectiveness will be reached once this stabilization is reached.
- By Q2 2020, we expect to be producing 70’000 to 80’000 cells per month in a three-shift operation.

3) Quality, Health, Environment and Safety

Following multiple issues that have seriously affected one of our suppliers’ storage systems, as is publicly known, the Leclanché CEO asked for a comprehensive review of all our cell manufacturing steps that could have an impact on quality and safety. This was a precautionary and proactive measure. This decision was taken because:

- we witnessed issues with this particular supplier’s battery systems in Leclanché projects in North America and Europe;
- This supllier has a manufacturing process that is very similar to ours, and we use similar materials for the cell manufacturing;
- although we have never seen an issue in a final client product, some of our own process defects had increased in percentage, which could have been a sign of a variation in a process stability.

On the 22 July 2019 a decision was made on the recommendation of the Group’s Chief Technology and Industrial Officer (CTIO) to preventively stop cell production and quarantine products manufactured during the period where an increase in defects at certain process steps had been seen. A task force was created to review all the cell assembly steps through cross-functional teams in order to identify any potential points in manufacturing that could result in internal short circuits or other safety related issues. From the input coming from R&D, engineering, production line operators and quality and safety, a list of 70 action points was prepared and broken down into priorities 1, 2 and 3. The production has resumed since the third week of August after all priority 1 actions points had been completed. Additional automated and manual checks have been introduced to ensure utmost safety. We are currently inspecting all quarantined products and no safety issues have been identified so-far. We will determine if a release of the quarantined products in the coming months will be possible and without any safety concerns.

4) Nexcharge, our Joint Venture with Exide Industries Limited in India

A critical size team is now in place. The factory in the state of Gujrat is setting up the module and pack assembly line using the technology licensed by Leclanché. The first line for module assembly based on Leclanché cells is expected to be installed by October 2019. This will help deliver products to the customers and secure local contracts in the eTransport business. Nexcharge, with the support of Leclanché, is in negotiations with some large customers in India for the deployment of storage systems for electric buses and electric cars.

5) Funding

Continued strong support from the largest shareholder FEFAM[1]: Following the conversion into equity of existing debts of CHF 36 million through an ordinary capital increase approved by a majority of the shareholders at the Annual General Meeting held on 9 May 2019, Leclanché's debt towards FEFAM and Golden Partner has been reduced to circa CHF 25 million as of end of June 2019, thus improving significantly the Company's balance sheet. Additionally, on 6 September 2019, FEFAM has committed to convert an additional CHF 17.4 million of its debt, subject to approval by a majority of the shareholders at the next Extraordinary General Meeting (EGM), which the Company plans to hold by the end of 2019.

On 3 April 2019, Golden Partner related parties committed to providing the required working capital facility through a CHF 35 million convertible debt (the "2019 Working Capital Line"), to be drawn in three equal tranches. Despite some delays affecting short-term revenue, as of 31 August 2019, the Company had drawn down CHF 17.4 million out of the CHF 35 million committed 2019 Working Capital Line.

In addition, Leclanché has worked with its financial advisors to finalize a financing round by the end of the 4th quarter of 2019 to raise CHF 30 million to finance its working capital requirements for 2020 and CHF 40 million to finance the increase in production capacity at its Yverdon-les-Bains and Willstätt sites, which is necessary to deliver all its orders in 2020 and beyond. Leclanché is in discussions with several potential investors and remains confident that it will be able to raise the required financing by the end of the first quarter of 2020.

As the business is ramping up, a significant part of the cash is used to execute performance bonds towards customer contracts. On the other hand, sales increase and loss decreases will improve Company's cash flows and therefore reduce working capital funding requirements accordingly.

Finally, FEFAM has agreed to vote in favour of the reduction of the Leclanché (LECN) par value per share at the next EGM, allowing us to improve Company's equity presentation and help the resolution of the loss of capital situation Leclanché has been in for several months (CO Art. 725.1).

6) 2019 Mid-Year Results

Despite these numerous commercial successes, your company's performance during the first half of 2019 confirmed that we operate according to a capital-intensive model and that at this stage of Leclanché's development, it is still difficult to ensure regular and linear growth in our revenues given the project-oriented nature of the business in which the Company operates.

a. Profit & Loss Statement

All Figures in kCHF	**30-Jun-19**	**30-Jun-18**
Revenue	**7,021**	**22,297**
Operating Expenses	-35,607	-44,038
EBITDA Loss	**-28,586**	**-21,741**
	-407%	*-98%*
Operating Loss	-31,371	-23,199
Financial Income and Expense	-2,234	-1,993
Income Tax	-49	29
Net Loss	**-33,654**	**-25,163**

[1] FEFAM means: AM INVESTMENT SCA, SICAV-SIF - Illiquid Assets Sub-Fund, together with FINEXIS EQUITY FUND - Renewable Energy Sub-Fund, FINEXIS EQUITY FUND - Multi Asset Strategy Sub-Fund, FINEXIS EQUITY FUND – E Money Strategies Sub-Fund (also called Energy Storage Invest) and, all these funds being in aggregate the main shareholder of Leclanché, hereunder referred to as "FEFAM".

The excessive negative EBITDA loss in the first half of 2019 can be attributed largely to a low level of revenue which is stemming from the following:

- The July-August production stop for safety reasons had a negative impact on our production schedule, which delayed revenues until H2-2019;
- Funding was not in line with the Company's working capital requirements, which resulted in delays in suppler payments and therefore in production;
- The launch of the project in St Kitts, initially scheduled for April 2019, has been postponed due to funding delays. Part of the CHF 57 million revenue of this project could have been recognized in H1-2019;
- Delay in the revenue of the Indian JV licensing fee.

Beyond the direct impact of the low revenue level, the EBITDA loss is stemming from:

- The increase in personnel expenses reflecting the increase in the Company's human resources required to carry out ongoing projects in the two main business units;
- The underutilization of the Willstätt plant, which we estimate at CHF 4.4 million (CHF 3.5 million in H1-2018), reducing our "normalized" EBITDA loss to CHF 24.2 million.

The Company has recorded CHF 2.5m of financial expenses due to the interest on Leclanché's debt to FEFAM and CHF 2.8 million of depreciation, which are part of the 33.7m net loss of the reported period.

b. Balance Sheet

All Figures in kCHF	**30-Jun-19**	**31-Dec-18**
ASSETS		
Non-current assets	36,531	25,063
Current assets	52,043	62,224
TOTAL ASSETS	**88,574**	**87,287**
EQUITY AND LIABILITIES		
Share capital	211,013	175,716
Reserve	3,961	3,896
Remeasurement of post-employment benefit obligations + Other	-13,975	-14,954
Accumulated losses	-178,643	-146,303
Total Equity	**22,356**	**18,355**
Convertible Loans	18,466	31,270
Borrowings	8,417	6,359
Other liabilities	22,522	20,440
Trade and other payables	16,813	10,863
Total Liabilities	**66,218**	**68,932**
TOTAL EQUITY AND LIABILITIES	**88,574**	**87,287**

The main changes reported in the balance sheet compared to 31 December 2018 are the following:

- Adjustments on adoption of IFRS 16, which requires us to recognise in the balance sheet the operating lease commitments and the right to use the leased assets. Impact is circa CHF 6 million additional liability as well as an additional asset of the same amount;
- Acquisition of an Energy Management Software amounting to CHF 2.1 million;
- Reduction of contract assets receivable and cash, both amounting in total to CHF 8.8 million;
- Reduction of Company's debt by CHF 17 million;
- Share capital increase reflecting the CHF 36 million debt conversion into equity made in May 2019.

Going Forward

1) Strategic reorganization of the operating model of the Company

After nearly four years of implementing the growth plan announced in 2015, the Board of Directors of the Company has decided to reorganize its operating model as the current Business Units ("BU") have reached a critical size in terms of personnel, upcoming revenue and customer contracts. In making this decision, the Board has taken due consideration of the need to achieve additional certifications beyond its current ISO 9001 to win customers in the eTransport markets. The strategic rationale for this reorganization includes:

a. **Launch of ISO TS 22163 - railway certification** for equipment manufacturers, systems integrators and operators in the rail industry. It is excepted to be complete by end 2020.

b. **Launch of IATF 16949 - automotive industry certification** required to address Customers in cars, trucks (light, medium and heavy), buses and motorcycles. It is expected to be complete by 2022.

c. **Stationary Storage BU**, powered by our industry-leading Energy Management Software, highly skilled engineering and systems integration personnel, has completed projects exceeding 100 MWh around the world. The BU is well positioned to address a CHF 1 billion-plus market growing at 48% CAGR, thanks to an order book of more than CHF 70 million (including the St. Kitts project) and a qualified pipeline of more than 300 MWh (average revenue CHF 75 million).

d. **eTransport BU**, powered by inhouse full value chain of technologies including: lithium cells, modules, pack & rack design with highest degree of certification, is well positioned to address a CHF 2 billion-plus growing market at 37% CAGR. The Company's cell technology, custom designed for fleet commercial vehicles, is a strong differentiator for this BU. The highly skilled engineering team, mostly hired from the automotive industry, has designed more than 20 types of battery packs for a range of electric vehicles. The BU is poised to be market leader.

   - Leading reference customers in eMarine with order book exceeding CHF 35 million and a pipeline exceeding CHF 50 million;
   - Multi-year Master Supply Agreements with world leading train, bus and truck manufacturers. The combined value of the pipeline of projects exceeds 250 MWh or more than CHF 115 million on an average.

The new Business Units will operate as stand-alone entities with their own P & L from the year 2020. The Company intends 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 business units to deliver their full potential. The Board will ensure that all current shareholders have the option to invest in the

new entities on preferential terms based on Fair Market Valuation (FMV) at which new investors could participate.

2) Guidance for 2019

The Company has a strong order book of more than CHF 100 million and is ramping up the delivery in all areas. However, given the dependencies mentioned below, the Company should be able to give a firm guidance for 2019 in the next six weeks. We continue to work hard to maximize the business in 2019 and to secure a better 2020. The key dependencies include the following:

- Purchase orders for key systems for St. Kitts project have been placed. We are still waiting for delivery date confirmations from some suppliers;
- Impact of production stoppage: we are working with our customers to reschedule some deliveries and acceptance of partial shipments that will enable revenue recognition in 2019.

Given these constraints, the Company will not provide any guidance for 2019 at this time.

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 Müller	**Anil Srivastava**
Chairman of the Board	Chief Executive Officer

Interim condensed consolidated financial statements 2019

Condensed consolidated income statements for the period ended 30 June 2019 and 2018 (unaudited)

	Notes	30.06.2019	30.06.2018*
		kCHF	kCHF
Revenue from contracts with customers	8 / 9.1	6'461	22'112
Other income	9.2	559	185
Total income		**7'021**	**22'297**
Raw materials and consumables used		-13'342	-23'696
Personnel costs	9.3	-13'678	-9'902
Other operating expenses	9.4	-8'610	-10'440
Net impairment losses on financial and contract assets		24	-
Total operating expenses		-35'607	-44'038
Earnings Before Interest, Tax, Depreciation and Amortisation		**-28'586**	**-21'740**
Depreciation, amortisation and impairment expenses		-2'785	-1'459
Operating Loss		**-31'371**	**-23'199**
Finance costs		-2'525	-3'046
Finance income		547	1'053
Share of net profit of associates accounted for using the equity method		-256	-
Loss before tax for the period		**-33'604**	**-25'192**
Income tax		-49	29
Loss for the period of the Group		**-33'653**	**-25'164**

** for comparison purposes, realised and unrealised exchange gain and losses have been reclassified from "other operating expenses" to "finance costs / income"*

Condensed consolidated statements of comprehensive income for the period ended 30 June 2019 and 2018 (unaudited)

	30.06.2019	30.06.2018
	kCHF	kCHF
Loss for the period	-33'653	-25'164
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	-171	-106
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	-350	2'249
Other comprehensive income/(loss) for the period	-520	2'143
Total comprehensive loss for the period	-34'173	-23'020

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

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Condensed consolidated balance sheets at 30 June 2019 (unaudited) and 31 December 2018 (audited)

	Notes	30.06.2019 kCHF	31.12.2018 kCHF
ASSETS			
Non-current assets			
Property, plant and equipment		14'958	12'430
Right-of-use assets		5'922	-
Intangible assets		7'107	5'585
Financial assets	10	5'540	5'775
Trade and other receivables	11	532	532
Investments accounted for using the equity method	10	2'474	742
		36'531	25'063
Current assets			
Inventories		19'106	19'890
Trade and other receivables	11	15'144	16'319
Advance to suppliers	11	5'274	4'727
Contract assets		8'114	12'849
Cash and cash equivalents		4'405	8'438
		52'043	62'224
TOTAL ASSETS		88'574	87'287
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	12	211'013	175'716
Share premium		500	313
Reserve for share-based payment	13	2'783	2'487
Other reserves		4'975	4'975
Translation reserve		-4'296	-3'878
Equity component of warrants and convertible loans	14	2'274	1'124
Remeasurements of post-employment benefit obligations		-16'249	-16'078
Accumulated losses		-178'643	-146'303
		22'356	18'355
Non-current liabilities			
Defined benefit pension liability		11'514	10'783
Convertible Loans	14	15'358	31'270
Loans	15	200	6'259
Lease liabilities		4'090	-
Deferred tax liability		388	388
		31'550	48'699
Current liabilities			
Provisions		2'075	1'377
Convertible Loans	14	543	5'302
Loans	15	7'440	100
Lease liabilities		1'843	-
Trade and other payables	17	20'154	10'863
Contract liabilities		2'611	2'592
		34'667	20'233
TOTAL LIABILITIES		66'218	68'932
TOTAL EQUITY AND LIABILITIES		88'574	87'287

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

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Condensed consolidated statement of changes in equity for the period ended 30 June 2019 (unaudited)

	Attributable to equity holders of the parent								
	Issued share capital	Share premium (1)	Reserve for share-based payment	Other reserves	Equity component of convertible loans	Translation reserve	Remeasure-ments of post-employment benefit obligations	Accumulated losses	Total
	kCHF	kCHF	kCHF	kCHF	kCHF	kCHF	kCHF	kCHF	kCHF
Balance at 1 January 2018	104'524	3'307	1'674	4'975	17'140	-3'348	-15'109	-102'024	11'139
Loss for the period	-	-	-	-	-	-	-	-25'163	-25'163
Other comprehensive income:									-
Remeasurements of post employment benefit obligations	-	-	-	-	-	-	-69	-	-69
Currency translation differences	-	-	-	-	-	2'249	-	-	2'249
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**2'249**	**-69**	**-25'163**	**-22'983**
Cancellation of share premium and other reserves against accumulated losses	-	-1'882	-	-	-	-	-	1'882	-
Reserve for share-based payment	-	-	280	-	-	-	-	-	280
Share premium adjustment	-	19	-	-	-	-	-	-	19
Leclanché Bvba sale - 30.06.2018	-	-1'132	-	-	-	-	-	1'132	-
MCN Golden Partner - 05.06.2018	16'500	-	-	-	-16'500	-	-	-	-
Equity component of convertible loans	-	-	-	-	1'570	-	-	-	1'570
Balance at 30 June 2018	**121'024**	**313**	**1'954**	**4'975**	**2'211**	**-1'099**	**-15'178**	**-124'174**	**-9'974**
Balance at 1 January 2019	175'716	313	2'487	4'975	1'124	-3'878	-16'078	-146'303	18'355
Loss for the period	-	-	-	-	-	-	-	-33'653	-33'653
Other comprehensive income:									
Remeasurements of post employment benefit obligations	-	-	-	-	-	-	-171	-	-171
Currency translation differences	-	-	-	-	-	-350	-	-	-350
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-350**	**-171**	**-33'653**	**-34'173**
Reserve for share-based payment	-	-	296	-	-	-	-	-	296
Other adjustment	-	-	-	-	-	-68	-	68	-
Capital increase by loan conversion - 10.05.2019	35'297	187	-	-	-264	-	-	1'025	36'245
Equity component of convertible loans	-	-	-	-	1'413	-	-	220	1'634
Balance at 30 June 2019	**211'013**	**500**	**2'783**	**4'975**	**2'274**	**-4'296**	**-16'249**	**-178'643**	**22'356**

(1) Transaction costs are accounted for as a deduction of Share premium in 2019 for 478 KCHF (2018: 0 KCHF)

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

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Condensed consolidated statement of cash flows for the period ended 30 June 2018 and 2017 (unaudited)

	30.06.2019	30.06.2018
	kCHF	kCHF
Operating activities		
Loss for the period of the Group	-33'653	-25'164
Non cash adjustments:		
Depreciation of property, plant and equipment	1'798	754
Amortisation of intangible assets	983	778
Result on scrapping of fixed assets	3	100
Non-realised foreign exchange differences	-210	2'535
Recognised expense for stock option plan	296	280
Pension cost	561	493
finance cost	2'400	787
Working capital adjustments:		
(In)/Decrease in trade and other receivables	2'271	-12'841
(In)/Decrease in contract assets	4'735	-
(In)/Decrease in advances to suppliers	-546	-
(In)/Decrease in inventories	784	-10'331
In/(Decrease) in contract liabilities	19	-
In/(Decrease) in trade and other payables	4'171	9'514
In/(Decrease) in provisions	698	-271
Income taxes paid	369	33
Interest paid	-1'683	-497
Net cash used in operating activities	**-17'004**	**-33'829**
Investing activities		
Purchase of property, plant and equipment	-3'543	-2'193
Investment in financial assets	-652	-1'672
Investment in associates	-1'988	-
Acquisition of intangible assets	-1'095	-5
Net cash used in investing activities	**-7'278**	**-3'870**
Financing activities		
Proceeds from convertible loans	20'400	31'000
Transaction costs on conversion of loan into capital	-478	-
Proceeds from non convertible loans	1'270	3'000
Principal elements of lease payments	-899	-
Repayment of loans	-50	-50
Net cash from financing activities	**20'244**	**33'950**
Increase / (Decrease) in cash and cash equivalent	**-4'038**	**-3'748**
Cash and cash equivalent at 1 January	8'438	6'635
Cash and cash equivalent at 30 June	4'405	2'894
Effect of exchange rate changes	-6	-7
Variation	**-4'038**	**-3'748**

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

Leclanché
Energy Storage Solutions

Notes to the consolidated financial statements

1. CORPORATE INFORMATION

Group structure

Leclanché SA (the "**Company**") was incorporated in Yverdon-les-Bains (Switzerland) as a Swiss limited company on 3 August 1909 with the Register of Commerce of the Canton of Vaud. The Company has its corporate legal headquarters at Avenue des Sports 42, CH-1400 Yverdon-les-Bains. The Company is listed under the Main Standard on the SIX Swiss Exchange under Swiss security number 11030311 (ISIN: CH0110303119). The Company is listed under the symbol "**LECN**".

As of 30 June 2019, Leclanché S.A.'s subsidiaries and associates are:

	Registered offices	**Country**	**Currency**	**Share capital (CHF)**	**Ownership interest**
Leclanché GmbH	Willstätt	Germany	EUR	270'600.00	100%
Leclanché UK Ltd	London	England	GBP	100.00	100%
Leclanché North America Inc.	Wilmington, Delaware	USA	USD	0.01	100%
Leclanché Canada Inc. (1)	Victoria, British Colombia	Canada	CAD	0.00	100%
Leclanché BVBA (2)	Turnhout	Belgium	EUR	0.00	0%
Exide Leclanché Energy Private Limited (ELEPL) - Nexcharge (3)	Ahmedabad, Gujarat	India	INR	1'118'615'986	25.01%

(1) Leclanché Canada Inc. has been incorporated on 3 November 2017.

(2) Activity transferred to Leclanché SA during 2018 and legal entity sold as at 30 June 2018

(3) Exide Leclanché Energy Private Limited (ELEPL) - Nexcharge has been incorporated on 29 September 2018

All subsidiaries undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Leclanché SA and its subsidiaries (the "**Group**") are dedicated to the design, development and manufacturing of customised turnkey energy storage solutions for electricity generation and transmission, mass transportation, heavy industrial machines and specialty battery systems.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2018 is prepared in accordance with IAS 34, 'Interim financial reporting.' The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, 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 2018 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 2019:

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. This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted IFRS 16 from 1 January 2019, using the simplified retrospective approach, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 1% for rent and 5% for cars.

Adjustments recognised on adoption of IFRS 16:

	01.01.2019
	kCHF
Operating lease commitments disclosed as at 31 December 2018	6'643
Discounted using the lessee's incremental borrowing rate of at the date of initial application	-196
(Less): short-term leases recognised on a straight-line basis as expense	-14
(Less): low-value leases recognised on a straight-line basis as expense	-25
Lease liability recognised as at 1 January 2019	**6'408**
Of which are:	
Current lease liabilities	1'680
Non-current lease liabilities	4'728
	6'408

The Group has no lease previously classified as finance leases.

Right-of use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	30.06.2019	01.01.2019
	kCHF	kCHF
Properties	5'687	6'160
Motor vehicles	235	248
Total right-of-use assets	**5'922**	**6'408**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by kCHF 6'408
- lease liabilities – increase by kCHF 6'408

The Group has used the cumulative catch-up approach, based on the lease liability at transition date. Consequently, there is no impact on retained earnings.

a. Adjustments recognized on adoption of IFRS 16

Impact on segment disclosures and earnings per share

Adjusted EBITDA for June 2019 increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Adjusted EBITDA
	kCHF
Transport Business Unit	536
Stationary Business Unit	25
Specialty Business Unit	157
Corporate Cost	240
	959

As a result of the adoption of IFRS 16, there is no impact on the earning per share for the six months to 30 June 2019.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC 4, determining whether an arrangement contains a lease.

b. The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and cars. Rental contracts are typically made for fixed periods of one to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. IAS1(117)

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment with similar terms and conditions. IAS1(117) IFRS16(24)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs. IFRS16(60)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT equipment and low value office furniture items.

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 2020 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. The relevant standards and amendments identified by the Group to date are disclosed in the Annual Financial Statement for the year ended 31 December 2018.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 2018, except for the uncertainties and ability to continue as a going concern (see below).

5. UNCERTAINTIES AND ABILITY TO CONTINUE AS A GOING CONCERN

Following the conversion into equity of existing debts in the amount of kCHF 35'962 through an ordinary capital increase approved by a majority of the shareholders at the Annual General Meeting held on 9 May 2019, Leclanché's debt towards FEFAM has been reduced to circa kCHF 18,000 as of end of June 2019., thus improving significantly the Company's balance sheet. Additionally, on 6 September 2019, FEFAM has committed to convert an additional kCHF 17'400 of its debt, subject to the approval by a majority of the shareholders at the next Extraordinary General Meeting which should be held by the end of 2019.

On 3 April 2019, Golden Partner related parties have committed to provide the required working capital facility through a kCHF 35'000 convertible debt (the 2019 Working Capital Line). As of 30 June 2019, the Company had drawn down kCHF 8'400 out of the kCHF 35'000 committed 2019 Working Capital Line.

In addition, Leclanché has worked with its financial advisors to finalize a financing round by the end of the fourth quarter of 2019 to raise kCHF 30,000 to finance its working capital requirements for 2020 and kCHF 40,000 to finance the increase in production capacity at its Yverdon-les-Bains and Willstätt sites, which is necessary to deliver all its orders in 2020 and beyond. Leclanché is in discussion with several potential investors and remains confident that it will be able to raise the required financing by the end of the second quarter of 2019.

Subject to the continuing availability of sufficient equity including the ability to raise additional funds as per the above plan, and based on the already secured funding round, the Board of Directors believes that the Group will be able to meet all of its obligations for at least the next twelve months as they fall due, and the consolidated financial statements have therefore been prepared on a going concern basis.

However, despite the recent commercial and funding successes, there remain material uncertainties over the turnaround and execution of the Growth Plan of the Company, which may cast doubts on the Company's ability to continue as a going concern.

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 statement, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.
There have been no changes in the risk management or in any risk management policies since 31 December 2018.

7. SEASONALITY OF OPERATIONS

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

Leclanché
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8. SEGMENT INFORMATION

From a product perspective, Management assesses the performance of the operating segments based on a measure of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). The impact on personnel costs related to IAS 19 / IFRIC 14 and finance income and charges are not included in the result of each operating segment.

Since 1 July 2018, the operating business is organised in 3 segments:

- **Stationary Business Unit** (renamed from "Utility Scale Generation & Microgrids - USGM") sells customised systems to support customers in both electricity generation markets (such as renewable energy integration, micro-grid or distributed power) and in transmission and distribution markets (so-called grid ancillary services).
- **e-Transport Business Unit** (renamed from "E-transport - Mobility") sells customised systems to support customers in the mass marine, road/off-road and rail transportation.
- **Specialty Battery Business Unit** (renamed and merged from "Commercial & Industrial Battery Systems - CIBS" and "Energy Efficiency Solutions - EESO") develops and delivers both turn-key customised solutions and off-the-shelf solutions incorporating battery storage and/or charging solutions utilising both in-house and third-party technologies for civil, military, medical and industrial machineries markets. Specialty BU also sells branded consumer products to selected customers.

All costs that cannot be allocated directly to the three business units above are grouped under Corporate, and are kept under regular review by the Executive Committee.

The segment information for the reportable segment is as follows:

in kCHF	Transport Business Unit		Stationary Business Unit		Specialty Business Unit		Corporate Costs		**Total**	
	30.06.2019	**30.06.2018**	**30.06.2019**	**30.06.2018**	**30.06.2019**	**30.06.2018**	**30.06.2019**	**30.06.2018**	**30.06.2019**	**30.06.2018**
Timing of revenue recognition:										
At a point in time	*263*	*629*			*3'198*	*2'497*	*-*	*2*	*3'461*	*3'128*
Over time			*3'001*	*18'984*					*3'001*	*18'984*
Revenue from contracts with customers	263	629	3'001	18'984	3'198	2'497	-	2	6'461	22'112
EBITDA [(1)]	-5'704	-3'165	-9'656	-5'180	-4'294	-2'382	-8'933	-11'014	-28'586	-21'740
EBIT	-6'101	-3'407	-10'872	-6'118	-4'435	-2'494	-9'964	-11'180	-31'371	-23'199

[(1)] *See note 3 for details about the impact from the change in accounting policy on the current period segment disclosures*

A reconciliation of total EBITDA to net loss for the period is provided as follows:

Reconciling items	**30.06.2019**	**30.06.2018**
	kCHF	kCHF
EBITDA reportable segment	**-19'653**	**-10'726**
Corporate costs	-8'933	-11'014
Depreciation and amortization	-2'785	-4'232
Finance revenue	547	1'053
Finance costs	-2'525	-3'046
Share of net profit of associates accounted for using the equity method	-256	-
Income tax	-49	29
Loss for the period	**-33'653**	**-25'164**

9. REVENUES AND EXPENSES

9.1 REVENUE FROM CONTRACT WITH CUSTOMERS

The Group has the following types of revenues:

Revenue	30.06.2019	30.06.2018
	kCHF	kCHF
Projects	3'572	18'984
Sales of goods	2'890	3'128
	6'461	**22'112**
At a point in time	3'461	3'128
over time	3'001	18'984
	6'461	**22'112**

The first six months of 2019, the Group realised 46.6% of its revenue with three Stationary business unit customers. Comparatively, the first six months of 2018, the Group realised 72.7% of its revenue also with three Stationary business unit customers.

9.2 OTHER INCOME

Other income encompasses mainly the reinvoicing of Leclanché employee's salary to the company they have been seconded to.

9.3 PERSONNEL COSTS

	30.06.2019	30.06.2018
	kCHF	kCHF
Salaries	11'211	7'935
Social charges	1'611	1'194
Recognised expense for stock option plans	296	280
Pension cost (defined benefit plan)	561	493
	13'678	**9'902**

9.4 OTHER OPERATING EXPENSES

	30.06.2019	30.06.2018
	kCHF	kCHF
Consulting costs	2'731	2'897
Legal costs	1'205	1'619
Rental and storage costs	246	1'235
Travel costs	1'226	971
Manufacturing costs	142	114
Sales & marketing costs	107	97
Transport and packaging	822	1'707
Building facilities	529	499
Administration costs	287	254
Sundry duties and capital taxes	145	10
Insurances	254	266
Commissions on financing	245	247
Miscellaneous	672	524
	8'610	**10'440**

10. FINANCIAL ASSETS

	30.06.2019	31.12.2018
	kCHF	kCHF
Investments	986	974
Restricted cash at bank	4'111	4'462
Other deposits	443	339
Total financial assets	**5'540**	**5'775**
investment in associate Nexcharge	2'474	742
investments accounted for using the equity method	**2'474**	**742**

(a) Financial assets

The investments consist in:

- the participation of 11.5% (2018: 11.5%) of Leclanché SA in the equity of a Special Purpose Vehicle ("SPV") "Maple Leaf" for an amount of kCHF 498 (in 2018: kCHF 482). This structured entity is dedicated to the IESO Ontario stationary storage project in Canada.
- an equity investment in Fast Charge (trans-Canadian highway project) for an amount of kCHF 490.

Restricted cash at bank corresponds to performance guarantees on current projects under construction and a letter of credit for the construction of a new formation line at Leclanché GmbH in Willstätt, Germany.

(b) Investments accounted for using the equity method

Investments accounted for using the equity method, relate to an equity investment in the associate Exide Leclanché Energy Private Limited (ELEPL) - Nexcharge at 25.01%. As this Indian associate is a private entity there is no quoted price available.

11. TRADE AND OTHER RECEIVABLES

	30.06.2019	31.12.2018
	kCHF	kCHF
Trade receivables, net of provision for impairment - short term	3'665	4'765
Trade receivables, net of provision for impairment - long term	532	532
Short-term loan	9'463	8'800
Other receivables	2'016	2'754
Total trade and other receivables	**15'676**	**16'851**
Advances to suppliers	**5'274**	**4'727**
Total	**20'949**	**21'578**

Trade receivables are non-interest bearing and are generally on 30-90-day terms.

Advances, shown here above as short-term loan, have been injected by Leclanché SA in:

- the SPV "Maple Leaf". As of 30 June 2019, Leclanché SA provided a short-term loan to the SPV amounting to kCHF 7'743 (as of 31 December 2018: kCHF 7'499) to finance the "IESO" project. The risk associated with the loan is addressed in Note 21.

- the SPV "Marengo" seeking to finance the "Marengo" project.
- the associate Exide Leclanché Energy Private Limited (ELEPL) – Nexcharge.

12. SHARE CAPITAL

As at 30 June 2019, the share capital amounts to CHF 211'012'812, consisting of 140'675'208 issued and fully paid-in registered shares with a nominal value of CHF 1.50.

Number of Shares	30.06.2018 Unit	31.12.2018 Unit
Ordinary shares, nominal value CHF 1.50	140'675'208	117'143'872

13. SHARE BASED PAYMENTS

From 2014, the Company introduced a performance related Capped Stock Option ("CSO") Plan for senior executives and high performer employees. The purpose of the Plan is to provide the selected eligible employees within the Group with the opportunity to participate in Leclanché's long-term success, subject to the approval of the Leclanché Board of Directors and in compliance with the Minder Initiative. The Plan is designed to direct the focus of such employees on the long-term share price appreciation, promote the long-term financial success of the Group and generally align the interests of the employees with those of the shareholders.

As at 30 June 2019, the 3'445'000 outstanding options of this CSO Plan, represent an expense of kCHF 295 during the 1H 2019 (including 20'000 options forfeited for kCHF 6). The related reserve for share-based payment amounts to kCHF 2'793.

14. CONVERTIBLE LOANS AND WARRANTS

A) Convertible loans

Facility A/B/C/D ("**FEFAM Convertible Loan**")

On 30 June 2018, FEFAM has acquired the remaining outstanding amounts under Facilities B/C/D1 from ACE EE, ACE LECN and JADE (principal plus interest plus fees) in an aggregate amount of kCHF 13'721, on the basis of a Transfer and Assignment Agreement ("**TAA 2018**"). In the TAA 2018, the parties agreed to extend the maturity of the transferred portions of Facilities B/C/D1 to 31 March 2020. As a result of the transfers effected by the TA 2017 and TAA 2018 respectively, FEFAM became the lender of the Company under the Facilities B/C/D1/D2 as amended from time to time (collectively "**FEFAM Convertible Loan**").

On 4 December 2018, an Amendment Agreement has been signed between FEFAM and the Company. The Parties agreed that the conversion price shall be CHF 1.50 per share. FEFAM also agreed to convert the entire Facility D1 (kCHF 5'092) and Facility D2 (kCHF 6'000).

On 11 December 2018, the shareholders approved at the Extraordinary General Meeting ("**EGM**") the proposed ordinary capital increase in the form of a Debt-to-Equity-Conversion, as part of a financial restructuring plan. kCHF 54'692 have been converted into equity with effect as at 12 December 2018, including Facility D1 for kCHF 5'092 and Facility D2 for kCHF 6'000.

On 9 May 2019, the shareholders approved at the Ordinary General Meeting ("**AGM**") the proposed ordinary capital increase in the form of a Debt-to-Equity-Conversion, as part of a financial restructuring plan. kCHF 13'862 have been converted into equity with effect as at 10 May 2019.

As of 30 June 2019, kCHF 13 remains outstanding under Facility B (quarter 2 2019 interest) and kCHF 77 under Facility C (quarter 2 2019 interest). After payment of these interests, there will be no amounts outstanding under Facility B/C/D, the FEFAM Convertible Loan.

Convertible loan ("**CL**") and Convertible loan extension ("**CL Extension**")

On 15 February 2018, Leclanché SA and FEFAM have signed a Funding Agreement ("**Funding Agreement**"). Amongst others, FEFAM agreed to provide Leclanché with a CHF 40.5 million convertible loan (the "**CL**"), payable in seven instalments.

On 19 February 2018, FEFAM and the Company have entered into a subordination agreement related to claims totalling kCHF 40'500, which claims are subordinated to all other existing and future claims against the Company (the "**40.5 million Subordination**"). The 40.5 million Subordination has been decreased to kCHF 4'500 after the kCHF 36'000 conversion of the CL and CL Extension on 12 December 2018.

On 27 April 2018, FEFAM agreed to extend the CL amount from kCHF 40'500 to kCHF 60'500 (the "**CL Extension**"), the up to kCHF 20'000 additional funding being provided to the Company by no later than 31 March 2019.

As of 31 December 2018, the Company has drawn down kCHF 51'667 under the CL and CL extension. Out of this amount, kCHF 36'000 have been converted into equity through the 12 December 2018 conversion.

On 9 May 2019, the shareholders approved at the Ordinary General Meeting ("**AGM**") the proposed ordinary capital increase in the form of a Debt-to-Equity-Conversion, as part of a financial restructuring plan. kCHF 22'100 have been converted into equity with effect as at 10 May 2019.

As of 30 June 2019, kCHF 144 remains outstanding under CL (second quarter 2019 interest). After payment of these interests, there will be no amounts outstanding under CL and CL Extension.

Right of first refusal loan ("**FEFAM ROFO Agreement**")

On 16 March 2018, Leclanché SA and FEFAM have signed a certain financing agreement not included in the aforementioned Funding Agreement, which grants FEFAM a right of first refusal facility of up to kCHF 50'000 (the "**FEFAM ROFO Loan**") seeking to provide the Company with the funds required to finance Merger and Acquisition (M&A), joint venture projects and performance bonds.

As of 31 December 2018, the Company has drawn down kCHF 11'600 under the FEFAM ROFO Agreement. Out of this amount, kCHF 7'600 have been converted into equity through the 12 December 2018 conversion.

As of 30 June 2019, kCHF 9'605 remain outstanding under the FEFAM ROFO Agreement (principal and second quarter 2019 interest).

2019 Working Capital Line ("**2019 WCL**")

On 26 March 2019, Leclanché SA and Golden Partner related parties ("**GP related parties**") have signed a Facilitation Agreement ("**Facilitation Agreement**"). Amongst others, Golden Partner agreed to provide Leclanché with a CHF 35 million non-convertible loan (the "**2019 Working Capital Line**"), with a 31 December 2021 maturity. On 3 April 2019, a Request for Binding Commitment has been signed by the parties confirming that the 2019 Working Capital Line carries a coupon of 8% per annum. On 9 April 2019, an Addendum to Request for Binding Commitment has been signed by the parties stating that under a Third-Party Agreement a third-party investor (including FEFAM but not the GP related parties) has the option to convert the portion of the 2019 Working Capital Line invested into shares with a conversion at 85% of the prevailing 60-day VWAP. On 5 June 2019, a Third-Party Agreement has been signed between the Company and FEFAM.

As of 30 June 2019, kCHF 8'400 have been drawn-down under the 2019 WCL.

Securities

FEFAM Convertible Loan, CL and CL Extension and 2019 Working Capital Line above are secured by: (i) the same security package that secured the Oakridge Convertible Loan and the Recharge Convertible Loan (albeit on amended terms), namely an assignment of rights for security purposes of all our present and future receivables, claims from intra-group loans and bank accounts claims and a first ranking pledge over Leclanché's registered patents and patent applications filed and trademarks, (ii) securities granted by Leclanché GmbH (i.e., a global assignment agreement, a security transfer agreement and an account pledge agreement), (iii) a first ranking share pledge agreement over the shares of Leclanché GmbH, (iv) a first ranking pledge over all Account Balances, all Intercompany Receivables and all Trade Receivables and (v) new assets to be acquired by the Company with the funds made available under Convertible Loan. The Convertible Loan provides for the following obligations, among others, which in case of breach would trigger an event of default: (i) a negative pledge pursuant to which neither the Company nor any of the Group companies shall be permitted to grant, create or permit to subsist any security, including personal security such as surety and guarantees and any security over any of the present or future assets, except for certain permitted securities as specified in the ACE Convertible Loan; (ii) neither the Company nor any of the Group companies shall be permitted to incur any financial indebtedness other than kCHF 500 in the aggregate; (iii) neither the Company nor any of the Group companies shall be permitted to make loans or permit to subsist any credit to any third party, including shareholders, Board members and employees of the Group, except for loans to third parties of up to kCHF 100 in the aggregate; (iv) neither the Company nor any of the Group companies shall be permitted to, directly or indirectly, enter into any transaction, inter alia, to purchase or acquire any properties, assets, shares, securities, to enter into a merger, de-merger or a transfer of assets and liabilities or similar transactions with third parties or to enter into, invest in or acquire any shares, securities or other interests in any joint venture entity, except for capital expenditures in the ordinary course of business; (v) neither the Company nor any of the Group companies shall, directly or indirectly, sell, transfer, lease or otherwise dispose of any of its properties or assets that is not provided for in the 2015 Operating Plan unless the aggregate fair market value of all properties and assets subject to disposal does not exceed kCHF 500; (vi) neither the Company nor any of the Group companies make material changes to the accounting principles, except if required by law, by IFRS or by the guidelines and regulations of the SIX Stock Exchange; and (vii) neither the Company nor any of the Group companies make changes to its legal structure of the legal structure of the Group if such change could result in a material adverse change.

ACE EE, ACE, LECN, JADE convertible loan

In a side agreement to the TAA 2018, Leclanché has agreed to pay certain arrangement fees to ACE EE, ACE, LECN and JADE and ACE amounting to kCHF 544, which relate to debt transferred under the TA 2017. This amount will have to be settled in cash or, at the election of the Company, in shares by 31 March 2020.

As of 30 June 2019, the composition of the convertible loans is as follows:

	30.06.2019	**31.12.2018**
	kCHF	kCHF
Convertible loan - non-current liabilities	14'366	22'950
Embedded derivative	992	8'320
Convertible loans - non-current liabilties	15'358	31'270
Convertible loan - current liabilities	543	3'880
Accrued interests and conversion fees	-	1'422
Convertible loans - current liabilities	543	5'302
Value of Convertible Loans at the end of the period	**15'902**	**36'572**

As of 30 June 2019, the convertible loans carrying a 31 March 2020 maturity date have been included in the current liabilities and those carrying a 31 December 2020 and 31 December 2021 maturity date have been included in non-current liabilities.

(B) Mandatory Convertible Notes (“**MCN**”)

As of 30 June 2019, there were no MCNs outstanding.

	30.06.2019	31.12.2018
	kCHF	kCHF
Value of Mandatory Convertible Note at the beginning of the period	**-**	**16'500**
Conversion of MCN (05.06.2018)	-	-16'500
Value of Mandatory Convertible Note at the end of the period	**-**	**-**

(C) Warrants

On 31 October 2013, the Company issued 832’827 Series A Warrants and 594’876 Series B Warrants to Talisman Infrastructure International Ltd ("**Talisman**") as compensation for non-regulated services rendered to the Company in connection with the capital raise from Precept.

- The Series A Warrants are exercisable into fully paid up registered shares of the Company at an exercise price of CHF 1.50 per share. The Series A Warrants may be exercised at any time until 15 October 2023. The number of shares to be issued upon exercise of the Series A Warrants is dependent upon the development of the share price. The formula for the number of shares (N) to be issued upon exercise of Series A Warrants (W) is: N = W x ((Average Closing Price – Exercise Price) / Average Closing Price), provided that the maximum number of shares to be issued as a result of the exercise of Series A Warrants does not exceed 3.5% of the fully diluted share capital, after taking into account the number of shares that would be issued if the Precept Loan was fully converted into shares of the Company. The Average Closing Price is the closing price averaged over the preceding ten business days.
- The Series B Warrants are exercisable into fully paid up registered shares of the Company at an exercise price of CHF 4.50 per share. The Series B Warrants may be exercised at any time until 15 October 2023. The number of shares to be issued upon exercise of the Series B Warrants, is dependent upon the development of the share price. The formula for the number of shares (N) to be issued upon exercise of Series B Warrants (W) is: N = W x ((Average Closing Price – Exercise Price) / Average Closing Price) provided that the maximum number of shares to be issued as a result of the exercise of Series A Warrants does not exceed 2.5% of the fully diluted share capital, after taking into account the number of shares that would be issued if the Precept Loan was fully converted into shares of the Company. The Average Closing Price is the closing price averaged over the preceding ten business days.

These Warrants, issued in connection with a capital raise from Precept, have been valued at fair value at grant date using the Black Scholes Model and incorporating the same underlying assumptions as for the valuation of the Precept convertible loan, as they are considered to be directly attributable transaction costs of the convertible loan provided by Precept (and of any shares issued resulting from the loan conversion).

As at 30 June 2019, there were zero outstanding and unexercised Series A Warrants and 594’876 outstanding and unexercised Series B Warrants.

These Warrants, considered to be directly attributable transaction costs of the capital raise, have been valued on the same basis as the related Precept convertible loan and following the full conversion of the Precept loan in 2014, the outstanding amount has been entirely reattributed to equity component, as follows:

	30.06.2019			31.12.2018		
	kCHF	kCHF	kCHF	kCHF	kCHF	kCHF
	Series A	**Series B**	**Total**	**Series A**	**Series B**	**Total**
At the beginning of the period	-	640'390	640'390	-	640'390	640'390
Exercice of Warrants	-	-	-	-	-	-
At the end of the period	**-**	**640'390**	**640'390**	**-**	**640'390**	**640'390**

15. LOANS

	30.06.2019	31.12.2018
	kCHF	kCHF
Current loans	7'440	100
Non-current loans	200	6'259
	7'640	6'359

On 30 March 2017, a bridge loan of kCHF 2’704 (kEUR 2’500) was granted by FEFAM. The loan carried an annual interest of 12% and had a 60-day from drawdown maturity. On 15 February 2018, a Funding Agreement has been entered into by and between FEFAM and the Company which extended the maturity of the bridge loan 31 March 2020 with a 6% annual interest payable on a quarterly basis.

On 2 February 2018, a non-convertible loan was provided by Golden Partner International SA SPF to the Company in the amount of kCHF 3’000. The loan has an annual interest of 6% and a 31 March 2020 maturity date.
On 24 April 2019, a non-convertible loan was provided by FEFAM to the Company in the amount of kCHF 1’270. The loan has an annual interest of 10% and a 31 March 2020 maturity date.

16. NET DEBT RECONCILIATION

	30.06.2019	31.12.2018
	kCHF	kCHF
Cash and cash equivalents	4'405	8'438
Convertible loans - repayable within one year	-543	-5'302
Convertible loans - repayable after one year	-15'358	-31'270
Loans - repayable within one year	-7'440	-100
Loans - repayable after one year	-200	-6'259
Lease liabilities -short term	-1'843	-
Lease liabilities - long term	-4'090	-
Net Debt	**-25'070**	**-34'493**
Cash and liquid investments	4'405	8'438
Gross debt - fixed interest rates	-29'475	-42'931
Net Debt	**-25'070**	**-34'493**

Leclanché
Energy Storage Solutions

	Cash and cash equivalents	Convertible loans	Loans	Lease liabilities	**Total**
	kCHF	kCHF	kCHF	kCHF	**kCHF**
Net Debt as at 1 January 2018	6'635	-22'659	-3'465	-	**-19'489**
Cash-flows	-3'748	-31'000	-2'950	-	**-37'698**
Conversion to equity	-	-	-	-	**-**
Embedded derivative / Equity component	-	7'690	-	-	**7'690**
Finance costs	-	-487	-	-	**-487**
Foreign exchange adjustments	7	-	-14	-	**-7**
Other non cash movements	-	-	8	-	**8**
Net Debt as at 30 June 2018	**2'894**	**-46'456**	**-6'421**	**-**	**-49'983**
Net Debt as at 1 January 2019	**8'438**	**-36'571**	**-6'360**	**-**	**-34'493**
Recognised on adoption of IFRS 16	-	-	-	-6'408	**-6'408**
Cash-flows	-4'038	-20'400	-1'220	899	**-24'760**
Acquisition - leases	-	-	-	-424	**-424**
Conversion to equity	-	36'722	-	-	**36'722**
Equity component	-	1'634	-	-	**1'634**
Finance costs	-	852	-113	-32	**707**
Transfer	-	-	-	-	**-**
Interests paid	-	1'561	90	32	**1'683**
Foreign exchange adjustments	5	66	-37	-	**35**
Other non cash movements	-	235	-	-	**235**
Net Debt as at 30 June 2019	**4'405**	**-15'902**	**-7'640**	**-5'934**	**-25'070**

17. TRADE AND OTHER PAYABLES

	30.06.2019	**31.12.2018**
	kCHF	kCHF
Trade payables	**8'604**	**4'054**
Other payables:	**11'550**	**6'808**
Accruals	6'546	4'412
Payroll and social charges	2'972	2'166
Other payables	2'033	230
	20'154	**10'863**

18. FINANCIAL INSTRUMENTS

Fair values

Due to their current nature, the carrying amount of the financial assets and financial liabilities is a reasonable approximation of their fair value.

The different levels have been defined as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices);

(c) Level 3: inputs for the asset or liability that are not based on observable market data.

There were no transfers between the respective levels during the period.

For financial assets at FVTPL (Fair Value Through Profit and Loss), the cost value is still the best evidence of the fair value. It consists of investments in structured entities. For additional information, see Note 10.

Embedded derivatives

Movements and fair value of embedded derivatives (level 2) are as follows:

	30.06.2019	31.12.2018
	kCHF	kCHF
At 1 January	8'320	2'245
Embedded derivatives disposed	-8'320	-2'245
Embedded derivatives acquired	992	8'320
At 30 June	**992**	**8'320**

Recognised fair value measurement

Commonly accepted pricing models (Black & Scholes and Monte Carlo) have been used to calculate the fair value of the embedded derivatives (level 2).

19. CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business.

Leclanché signed a purchase order with ads-tec in August 2016 to produce 26.1 MWH of modules ("**Lot 3**"). The production of Lot 3 was subject to the completion of a capital raise by Leclanché of at least kCHF 25'000. ads-tec has taken legal action against Leclanché to claim damages for a potential loss of margin due to the non-production of Lot 3. At this stage of the procedure, it is not possible for the Group to estimate the risk.

20. RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties.

Key Management compensation

The compensation to key Management is shown below:

	30.06.2019	30.06.2018
	kCHF	kCHF
Salaries and other short-term employee benefits	1'133	1'161
Share-based payments	207	304
Total	**1'339**	**1'464**

Related parties

Related parties are defined as follows:

- **Emrol BVBA**, is an independent battery distributor owned by Mr. Stefan Louis. Mr. Stefan Louis is the sole owner of Emrol, he acts as Business Manager and as non-executive Director of this company. Mr. Stefan Louis was Senior Vice President Systems R&D and the head of the Innovation Board of Leclanché SA before he was promoted as CEO of the associate Exide Leclanché Energy Private Limited (ELEPL) – Nexcharge in 2018. Emrol is a supplier and a customer of Leclanché SA.
- **Silveron Capital Partners**, is a Dallas-based boutique investment banking and stationary projects advisory firm, owned by Mr. Bryan Urban. Mr. Bryan Urban is the Executive Vice President of Stationary Business Unit and is also the principal partner of Silveron.

- **Golden Partner International SA**, is a global investment Management group headquartered in Switzerland advising FEFAM. FEFAM is a shareholder of Leclanché SA. SGEM and USGEM are companies fully owned by FEFAM.
- **Marengo**, is the Special Purpose Vehicle ("**SPV**") created to manage the utility scale generation project of the same name in Illinois, USA. This SPV is operated by USGEM, a subsidiary of SGEM.
- **Nexcharge** (Exide Leclanché Energy Private Limited (ELEPL)) is an Indian company created in 2018 by Exide Industries Ltd. and Leclanché SA to build lithium-ion energy storage systems and to commercialise them in the India's electric vehicle market. As part of the joint venture (JV) agreement, Exide Industries has a majority stake of 74.99% and Leclanché 25.01%.

Transactions

	30.06.2019	**30.06.2018**
	kCHF	kCHF
Revenues		
- to USGEM on Marengo project	638	-
- to Golden Partner	406	-
- to Nexcharge	71	-
	1'115	**-**
Other operating expenses purchased:		
- from Golden Partner	97	1'000
- from Emrol	-	3
	97	**1'003**
Finance costs		
- from Golden Partner & FEFAM	3'207	696
- from Golden Partner & FEFAM (financial instruments)	-	-
	3'207	**696**
Finance income		
- to USGEM / SGEM	37	-
	37	**-**

Year-end balances

	30.06.2019	**31.12.2018**
	kCHF	kCHF
Included in current and non-current assets:		
- short term loan from Marengo	880	914
- short term loan from SGEM	162	160
- short term loan from Nexcharge	678	227
- receivable from Marengo	1'879	1'542
- receivable from Nexcharge	71	-
- receivable from Golden Partner	437	-
- investment in associate Nexcharge	3'978	742
	8'084	**3'585**
Included in current and non-current liabilities:		
- bridge loans due to FEFAM	4'295	2'964
- loans due to Golden Partner	2'023	3'045
- other loans due to FEFAM	14'831	36'029
- trade and other payables due to Golden Partner	3'205	-
- trade and other payables due to Silveron	413	413
	24'767	**42'451**

The receivable from Marengo shall be paid according to an agreed timeline based on the achievement of specific project milestones, as per the terms of the Engineering, Procurement & Construction (EPC) contract. The outstanding balance is not covered by any structured financial guarantee.

21. EARNING PER SHARE

	30.06.2019	**30.06.2018**
	kCHF	kCHF
Net loss attributable to ordinary equity holders of the parent	-33'653	-25'164

	30.06.2019	**30.06.2018**
Weighted average number of ordinary shares in issue	123'941'814	71'271'430

	30.06.2019	**30.06.2018**
Earnings per share	CHF	CHF
- basic	-0.27	-0.35
- diluted	-0.27	-0.35

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.

22. SUBSEQUENT EVENTS

There is no subsequent event identified.

Leclanché SA
Avenue des Sports 42
Case Postale
1401 Yverdon-Les-Bains
Switzerland

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

https://www.leclanche.com/investor-relations/financial-reports/

Leclanché S.A. shares are listed on the SIX Swiss Exchange, Zurich (ISIN code: CH0110303119).
https://www.six-group.com/exchanges/shares/security_info_en.html?id=CH0110303119CHF4