Leclanché

Leclanché SA

Interim report 2013

Leclanché

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Dear Shareholders

We are pleased to set out our Unaudited Interim Report for the six months to June 30, 2013.

This has been undoubtedly a challenging period for your Company, during which we were heavily focused on three main objectives:

(a) to get the company refinanced and secure the medium term financing necessary to take it to a cash generative stage;
(b) to implement a turnaround plan to fulfill this; and
(c) to focus on the stationary product development

Financing

Securing financing for the Company has been a long and difficult process, but we were delighted to have been able to announce on July 9, 2013 that the Company did indeed enter into a Senior Secured Convertible Loan Agreement for CHF 17million ("Loan Agreement") maturing in June 2016 from Precept Fund Management SPC on behalf of Precept Fund Segregated Portfolio ("Precept"). An outline of the terms of this loan were given in our announcement of July 9, 2013.

We intend to use the funds available under the Precept Loan, net of fees and expenses, to meet our general corporate requirements and to fund our costs in connection with the commercialization of our stationary energy storage modules, including (i) the ramp up of our mass production line, (ii) the launch of the HS3200 and HS PRO with 17300-format cells, (iii) investment in marketing and sales and (iv) investment in working capital. We also plan on allocating approximately CHF 3.5 million to capital expenditures over the next two years primarily in connection with improvements to existing machinery and maintenance costs.

In pursuing our fund raising efforts, we engaged financial advisers to pursue private and public fund raising, as well as other strategic alternatives, for the Company but none of these other options were productive. With the support of Bruellan Corporate Governance Action Fund ("Bruellan") who provided a facility extension of €1.5million to their original loan, the Company operated under very tight liquidity conditions, and we were able to stretch our resources until well into July, when we were finally able to execute the Precept Loan and draw down under that facility.

Bruellan has agreed to convert the balance of the original loan, approximately CHF 6.9 million, into equity effective as of the registration of the capital increase following and subject to requisite shareholder approval at the Extraordinary General Meeting.

Extraordinary General Meeting and Financial Restructuring

As we have already announced, we have called an Extraordinary General Meeting due to take place on August 26, 2013, at which a number of important resolutions will be put to shareholders in connection with this refinancing. These resolutions are critical to the confirmation of the Precept financing and the conversion of the Brullean Loan, and we sincerely hope that you will support them.

These resolutions include resolutions calling for the issue of shares to provide for the conversion of the original loan of EUR 5million (including accumulated interest) made by Bruellan on November 23, 2012 as well as for the conversion of the first draw down of CHF 4.7million (including accumulated interest) under the Precept Loan Agreement. Both loans will be converted at the same price of CHF1.50/share. The outstanding borrowing from the additional loan facility provided by Bruellan on May 21, 2013 has already been repaid. Consequently, provided the resolutions put the shareholders are passed, the

Company will have no borrowings as of the date of conversion. Further drawn downs will of course take place in due course under the Precept Loan Agreement.

The passing of the resolutions by the shareholders at the Extraordinary General Meeting are critical to the ongoing implementation of the Turnaround Plan and the Company's ability to continue as a going concern.

On July 12, 2013, Bruellan and Precept agreed to cooperate in the implementation of the financial restructuring based on these resolutions and formally acknowledged themselves as a group of parties acting in concert for the sole purpose of realizing the financial restructuring of the Company for purposes of disclosure of substantial shareholdings under the Swiss Stock Exchange Act (SESTA).

Turnaround Plan

The Board also engaged the services of Talisman Infrastructure Ventures LLP ("Talisman") on February 6, 2013 to assist with the development and implementation of a comprehensive Turnaround Plan, the implementation of which is currently in progress. As we have previously communicated, this is founded on a five point plan which we intend to pursue over the coming 24 months:

- Strengthen our management team
- Increase contribution from our Portable and Distribution business units
- Launch of new stationary products
- Focus on building sales channels and seek to establish strategic alliances
- Achieve cost reductions

Progress has been made in a number of areas, though significant management effort has been dedicated to our fund raising activities, which inevitably has generated additional professional costs. Overall average full time equivalent headcount is down to 87 in the six months to June 30, 2013 compared to 113 in the same period last year, though this is likely to increase as the short time working in Willstaett ended on July 31, 2013 and additional key functions are strengthened.

Fabrizio Marzolini, Head of Portable Business and Systems Development has joined the senior management team and the Executive Committee and has taken over the responsibility for the development and commercialization of the home storage product (HS3200).

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Overview of Results

(in MCHF) (IFRS)	**30.06.2013** Unaudited	**30.06.2012** Unaudited
Revenue	7.91	8.43
EBITDA	-4.95	-4.45
EBIT	-5.88	-5.39
Loss for the period	-6.52	-5.41
Equity	29.84	40.49
Equity %	*61.4%*	*79.9%*
Earning per share [CHF]	-1.16	-1.08
Number of Employees [FTE]	87	113

Note: From December 11, 2012 until July 31, 2013 we operated under reduced working time (Kurzarbeit) in Willstätt.

On July 9, 2013 we indicated that the operating losses of the company before deduction of interest, tax, depreciation and amortization (EBITDA) would not exceed CHF 5.5million for the 6 months to June 30, 2013. We are pleased to confirm that the interim results show an EBITDA loss of CHF 4.95million, compared to a loss of CHF 4.45million for the six months to June 30, 2012. The aggregate EBITDA from Portable and Distribution for the six months to June 30, 2013 was CHF 0.96million compared to CHF 0.49million – up by 98.3%.

Product Development

The launch of new storage modules based on our 17300-format cells is key for increasing sales in our Stationary business unit. The storage module for the residential market, the HS3200, is currently in development with field tests expected to commence before the end of 2013. We expect the HS3200 to be commercially available in the first quarter of 2014. We also expect our industrial storage module, the HS PRO, which is currently commercially available with 17200-format cells, to be commercially available with 17300-format cells during the first half of 2014. To reduce the time to market for our stationary electricity storage products, we have put in place a project management organization, which is headed by Fabrizio Marzolini, Head of Portable Business and Systems Development.

Mr. Marzolini joined the Company in 1994 and manages the portable business which integrates third party cells into bespoke products for industrial customers. He and his team are therefore well placed to manage the technology integration of our proprietary cells into modules.

The industrial storage systems are developed by a third party using our proprietary cells. Commercial release of the industrial storage systems is planned for H1 2014.

These remain our targets. Now that funding is in place we have commenced the recruitment process for additional key sales and technical personnel to support this commercial launch.

Mass Production Line for Lithium-ion Cells

In June 2012, we completed the installation of our first mass production line for lithium-ion cells with up to 1 million cells or up to 76 MWh installed annual capacity assuming twenty-four hour continuous production of Titanate Medium Power cells. We have now produced first batches of large-format lithium ion cells that have been validated and certified.

As already announced, we have addressed the speed issue on our new production line which were related to certain critical machine components being out of specification. As a result of the speed issues, our output during 2012 and the first half of 2013 was limited to small quantities of cells. However, the speed issue has been identified, corrected and successfully tested. The solution is currently in validation phase and the issue is expected to be resolved by the end of 2013. Nevertheless, we currently expect our reduced production output to be sufficient to cover our anticipated sales in 2013.

Road map to future product development

We are acutely cognizant of the fact that the energy storage market will demand significant improvements in product performance delivery and end-user cost reductions, so we are continuing to implement our product road map for cells and modules that aims at maintaining pace with technological developments in our industry. We anticipate that our defined product development strategy will assist us over the course of the next two to three years to reduce the cost of our cells and therefore the cost per kWh while enhancing the performance of our cells and reducing material costs. Our current key development initiatives include anode and cathode cost reduction, ceramic separator development and electrodes using high voltage cathode development. We also plan on continuously redesigning our storage modules to follow rapid technical developments in our industry and satisfy the changing demands of end-users.

We have been giving considerable effort to the development of a high voltage cell and have made progress in the development of electrodes using high voltage cathode materials. We should however emphasize that the ongoing development of this product and its commercial availability remain uncertain, and the Company makes no commitment at this stage as to if and when this product will be incorporated into commercial production.

Shareholder Litigation

On April 8, 2013, the Company was contacted by counsel on behalf of a small group of shareholders alleging damage claims against us and certain members of our board of directors and members of executive management on the basis of prospectus liability. We engaged independent counsel to conduct a review of the alleged damage claims against us, and independent counsel has concluded that such claims are unlikely to succeed. As such, we, the directors and executive management believe all

allegations are without merit and intend to defend any potential lawsuits vigorously. We have not made any provisions in connection with this matter.

Outlook

We stated that our objective is to achieve break-even at the EBITDA level (i.e. before interest, tax, depreciation and amortization deductions) during 2015 and this remains our target. This of course, is heavily dependent on a successful launch of the Company's stationary product range and the continued execution of the Turnaround Plan.

We also said that overall for 2013, and subject to the continued execution of its Turnaround Plan, the Company expects that operating losses before interest, tax, depreciation and amortization deductions (EBITDA) will be below CHF 10million compared to CHF 12.9million in 2012. We maintain this guidance.

Finally, we would like to thank all our stakeholders, including our investors, trading partners and staff for their solid support in what has been a very challenging period for the company financially. We are delighted to welcome Precept who have already shown tremendous support and we look forward to building a better future together.

Stefan Müller	**Joe Mangion**
Chairman	**Chief Executive**

DISCLAIMER

This report has been prepared by Leclanché SA solely for use by you for general information only and does not contain and is not to be taken as containing any securities advice, recommendation, offer or invitation to subscribe for or purchase or redemption of any securities regarding Leclanché SA.

This report contains specific forward-looking statements, e.g. statements which include terms like "believe", "intend", "assume", "expect" or similar expressions. Such forward-looking statements represent Leclanché SA's judgements and expectations and are subject to known and unknown risks, uncertainties and other factors which may result in a substantial divergence between the actual results, the financial situation, and/or the development or performance of the company and those explicitly or implicitly presumed in these statements. These factors include, but are not limited to:

- the maintenance of sufficient capital resources to continue as a going concern;
- the further implementation of the Turnaround Plan and its business strategy;
- the launch of Leclanché SA's stationary product range;
- competitive pressures;
- the development and launch of new or enhanced products; and
- other risks and uncertainties inherent in our business.

Leclanché SA is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law or regulation.

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Interim condensed consolidated financial statements 2013 (unaudited)

Condensed consolidated income statements for the period ended 30 June 2013 and 2012 (unaudited)

	30.06.2013	30.06.2012
	KCHF	KCHF
Sales of goods and services	6'589.1	6'822.9
Other income	1'322.6	1'604.0
Total income	7'911.7	8'426.8
Raw materials and consumables used	-4'167.5	-3'999.1
Personnel costs	-4'596.5	-5'099.8
Other operating expenses	-4'094.4	-3'781.3
Earnings before interest, taxes, depreciation and amortisation	**-4'946.7**	**-4'453.4**
Depreciation and amortization expense	-932.4	-938.9
Operating loss	**-5'879.1**	**-5'392.2**
Finance costs	-677.3	-20.3
Finance income	40.7	5.8
Loss before tax for the period	**-6'515.7**	**-5'406.8**
Income tax	0.0	0.0
Loss for the period	**-6'515.7**	**-5'406.8**
Earnings per share (CHF)		
- basic	-1.16	-1.08
- diluted	-1.16	-1.08

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

Condensed consolidated statements of comprehensive income for the period ended 30 June 2013 and 2012 (unaudited)

	30.06.2013	30.06.2012
	KCHF	KCHF
Loss for the period	-6'515.7	-5'406.8
Other comprehensive income/(loss)		
Actuarial income/(loss) on post employment benefit obligations	573.4	316.1
Currency translation differences	451.1	-447.1
Other comprehensive income/(loss) for the period net of tax	**1'024.6**	**-130.9**
Total comprehensive income/(loss) for the period	-5'491.1	-5'537.7

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

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Condensed consolidated balance sheets at 30 June 2013 and 31 December 2012 (unaudited)

	30.06.2013	31.12.2012
	KCHF	KCHF
ASSETS		
Non-current assets		
Property, plant and equipment	34'462.9	33'932.4
Intangible assets	3'999.8	4'397.1
Other financial assets	249.9	249.9
	38'712.6	38'579.5
Current assets		
Inventories	5'092.2	4'710.6
Trade and other receivables	4'534.1	4'917.6
Cash and cash equivalents	242.6	3'936.2
	9'868.9	13'564.4
TOTAL ASSETS	**48'581.5**	**52'143.9**
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	28'150.7	28'150.7
Share premium	47'163.8	47'178.0
Accumulated value for share-based payment	1'339.2	983.8
Other reserves	8'632.2	8'632.2
Translation reserve	-1'829.1	-2'280.3
Actuarial loss on post-employment benefit obligations	-13'603.1	-14'176.5
Accumulated losses	-40'014.7	-33'499.1
Total Equity	29'839.0	34'988.9
Non-current liabilities		
Provisions	110.0	70.0
Defined benefit pension liability	4'755.1	5'268.3
	4'865.1	5'338.3
Current liabilities		
Provisions	70.0	130.0
Borrowings	8'003.9	6'243.4
Trade and other payables	5'803.6	5'443.3
	13'877.5	11'816.7
Total Liabilities	18'742.5	17'155.0
TOTAL EQUITY AND LIABILITIES	**48'581.5**	**52'143.9**

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

Condensed consolidated statement of changes in equity (unaudited)

	Attributable to equity holders of the parent							
	Issued share capital	Share premium	Accumulated value for share-based payment	Other reserves	Translation reserve	Actuarial loss / (gain) on post-employment benefit obligations	Accumulated losses	Total
	KCHF	KCHF	KCHF	KCHF	KCHF	KCHF	KCHF	KCHF
Balance at 1 January 2012	**16'179.2**	**32'365.3**	**556.8**	**8'632.2**	**-1'970.7**	**-14'527.0**	**-18'583.6**	**22'652.0**
Loss for the half-year	-	-	-	-	-	-	-5'406.8	-5'406.8
Other comprehensive income/(loss):								
Actuarial gain/(loss) on post employment benefit obligations	-	-	-	-	-	316.1	-	316.1
Currency translation differences	-	-	-	-	-447.1	-	-	-447.1
Total other comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**-447.1**	**316.1**	**-**	**-130.9**
Stock option plan	-	-	188.0	-	-	-	-	188.0
Capital increase as per 3 February 2012	10'750.0	12'439.8						23'189.8
Balance at 30 June 2012	**26'929.2**	**44'805.1**	**744.8**	**8'632.2**	**-2'417.8**	**-14'210.8**	**-23'990.4**	**40'492.2**
Balance at 1 January 2013	**28'150.7**	**47'178.0**	**983.8**	**8'632.2**	**-2'280.3**	**-14'176.5**	**-33'499.1**	**34'988.9**
Income/(loss) for the half-year	-	-	-	-	-	-	-6'515.7	-6'515.7
Other comprehensive income:								
Actuarial gain/(loss) on post employment benefit obligations	-	-	-	-	-	573.4	-	573.4
Currency translation differences	-	-	-	-	451.1	-	-	451.1
Total other comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**451.1**	**573.4**	**-**	**1'024.6**
Stock option plan	-	-	355.4	-	-	-	-	355.4
Adjustment of capital increase	-	-14.3	-	-	-	-	-	-14.3
Balance at 30 June 2013	**28'150.7**	**47'163.8**	**1'339.2**	**8'632.2**	**-1'829.1**	**-13'603.1**	**-40'014.7**	**29'839.0**

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

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Condensed consolidated statement of cash flows for the period ended 30 June 2013 and 2012 (unaudited)

	30.06.2013	30.06.2012
	KCHF	KCHF
Operating activities		
Loss before tax	-6'515.7	-5'406.8
Non cash adjustments:		
Depreciation of property, plant and equipment	535.1	545.6
Amortization of intangible assets	397.3	393.3
Non-realized foreign exchange differences	297.0	-479.3
Recognized expenses for stock option plan	355.4	188.0
Interest expense	686.3	20.0
Interest income	-0.3	-5.8
Movement in provisions	-20.0	-20.0
Pension cost	60.2	-34.2
Working capital adjustments:		
(Increase)/Decrease in trade and other receivables	383.4	-628.9
(Increase)/Decrease in inventories	-381.5	-589.1
Increase/(Decrease) in trade and other payables	360.2	-140.8
Net cash flows from operating activities	**-3'842.5**	**-6'157.9**
Investing activities		
Purchase of property, plant and equipment	-1'065.5	-12'456.0
Investment in other financial assets	-	-
Capitalized development expenses	-	-286.3
Interest received	0.3	5.8
Net cash flows from investing activities	**-1'065.3**	**-12'736.6**
Financing activities		
Net proceeds from share capital increase	-14.2	23'189.8
Net proceeds from borrowings	1'228.4	
Interest paid	-	-20.0
Net cash flows from financing activities	**1'214.2**	**23'169.8**
In/Decrease in cash and cash equivalents	**-3'693.6**	**4'275.3**
Cash and cash equivalents at 1 January	3'936.2	2'617.2
Cash and cash equivalents at 30 June	242.6	6'924.7
Effect of exchange rate changes	-	-32.3
Variation	**-3'693.6**	**4'275.3**

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

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Selected Notes to the interim condensed consolidated financial statements for the period ended 30 June 2013 (unaudited)

1. GENERAL INFORMATION

The interim condensed consolidated financial statements of Leclanché SA (the "Company", and together with its subsidiary Leclanché GmbH, the "Group") for the half-year ended 30 June 2013 were authorized for issue in accordance with a resolution of the Board of Directors on August 20, 2013.

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

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2013 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 2012, which have been prepared in accordance with IFRS.

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

In the comparative balance sheet at 31 December 2012, an amount of CHF 8'168'422.- has been reclassified from other reserves into accumulated losses as it originally relates to accumulated retained earnings.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations or amendments to existing standards as of 1 January 2013 described below:

- IAS 19 (revised) - employee benefits. IAS 19 (revised) amends the accounting for employment benefits. The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. The impact on the group has been minimal and therefore the comparative figures have not been restated.

The other new standards and interpretations or amendments to existing standards had no impact on the interim condensed consolidated financial statements

4. ESTIMATES

The preparation of interim financial statements requires management to make judgments, 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 condensed consolidated interim 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 2012.

5. GOING CONCERN

Over recent years, the Group has made significant investments in its proprietary cell and module manufacturing capacity and product development. These investments were primarily financed through share issuances and a bridge loan from Bruellan Corporate Governance Action Fund ("Bruellan"). Further, on 9 July 2013, the Company announced that it had signed a Senior Secured Convertible Loan Agreement for CHF 17million ("Loan Agreement") maturing in June 2016 from Precept Fund Management SPC on behalf of Precept Fund Segregated Portfolio ("Precept" or "Lender") (for details, see Note 9 and 12). In addition to customary events of default, the Loan Agreement also provides that if the Company is unable to convene an Extraordinary General Meeting that approves the proposals relating to the refinancing, or if the resolutions are challenged, or if the registration of the resolutions in the commercial register are blocked, then an event of default will be triggered following a customary cure period. Additionally, an event of default will be triggered if the Swiss Takeover Board does not provide the Lender with an exemption from, or alternatively confirm that it is not subject to, the obligation to submit a public tender offer. Because of these default clauses, as of 30 June 2013, there is significant uncertainty with respect to the Group going concern. The Board of Directors believes that these default clauses will not materialize and that the funds available under the Loan Agrement will be sufficient for the Group to be able to meet all of its obligations for a further 12 months as they fall due, and hence, the interim consolidated financial statements have been prepared on a going concern basis. Had the Board of Directors assessed differently the ability of the Group to meet all of its obligations for a further 12 months then the Group would have presented the interim consolidated financial statements on a liquidation basis. Had the consolidated interim financial statements been prepared on a liquidation basis then certain commitments and contingencies as well as liquidation related costs would have been recorded on the balance sheet and certain assets would have been written down to their recoverable amounts, in particular items of property, plant and equipment and intangible assets. On the other hand, defined benefit pension obligations would likely be reduced.

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 2012. There have been no changes in the risk management or in any risk management policies since the year end.

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7. SEGMENT INFORMATION

From a product perspective, management assesses the performance of the operating segments based on a measure of adjusted earnings before interest and tax (EBIT). This measurement excludes the effects of non-operating expenses, such as restructuring costs and non-operating income. Impact on personnel costs related to IAS 19 and finance revenue & costs are not included in the result for each operating segment that is reviewed by the executive committee. Since 1 January 2012, the operating business is organized in 3 segments:

- 'Portable' (previously 'Industrial') conceives, develops and carries out turn-key solutions for storage of portable electrical power calling upon innovative technologies for specific applications.
- 'Distribution' commercializes batteries as well as accessories such as flashlights and small chargers.
- 'Stationary' (previously 'Lithium ion') produces large format lithium ion cells and systems for high end applications. This segment includes: automotive, stationary and off-road.

To provide a direct comparison between 2013 and 2012 in the table below, EBIT by segment for the six months to June 30, 2012 has been restated to re-apportion certain operating costs back to Group Central cost. Group total EBIT for the six months to June 30, 2012 is unaffected by this restatement. The EBITDA comparative numbers by segment for 2012 have also been added.

	Portable		Stationary		Distribution		Group Central Cost		Total	
CHF'000	30.06.2013	30.06.2012	30.06.2013	30.06.2012	30.06.2013	30.06.2012	30.06.2013	30.06.2012	30.06.2013	30.06.2012
Total income	4965.8	4617.5	1345.0	1813.9	1600.9	1995.5			7911.7	8426.9
EBITDA	801.2	-4.2	-3243.2	-2611.5	158.2	488.1	-2662.9	-2325.8	-4946.7	-4453.4
EBIT 2013 / 2012 (restated)	727.6	-90.8	-4024.1	-3223.6	153.3	470.4	-2735.9	-2548.3	-5879.1	-5392.3

A reconciliation of total adjusted EBIT total loss before income tax is provided as follows:

	30.06.2013	30.06.2012
EBIT for reportable segments	-5879.1	-5392.3
Finance revenue	40.4	5.8
Finance costs	-677.0	-20.3
Loss before income tax	**-6515.7**	**-5406.8**

8. PROPERTY PLANT & EQUIPMENT

The total amount of installments recorded under Capital in Progress is KCHF 30'419.2 (KCHF 25'123.9 as of June 30, 2012). The production line has been pledged to secure the borrowing, see note 9.

9. BORROWINGS

The loan is a bridge facility of EUR 5million provided by Bruellan Corporate Governance Action Fund ("Bruellan"). The loan bears a fixed capitalized interest of 2% annually, and was originally to be repaid on 31 March 2013. The loan is secured with assets of Leclanché GmbH and gives the lender the right to convert the loan into shares of Leclanché SA at the next capital increase to raise further funds for Leclanche. Furthermore a EUR 500,000 commission fee, payable at maturity of the bridge facility, is due and is amortized over the original duration of the loan. On March 1, 2013 the company received an extension for the repayment of the loan until June 30, 2013. On May 21, 2013 Bruellan agreed to increase the EUR 5million bridge loan by an additional EUR 1.5million to provide for additional time to the Company to pursue its fund raising efforts. The parties agreed that the additional EUR 1.5million shall not be capable of being converted into shares, but shall be repayable in full on maturity. On June 28, 2013 a further extension for the repayment of the loan until July 30, 2013 was agreed. Out of the EUR 6.5million loan facility EUR 6.0million were drawn down and capitalized as at June 30, 2013. The conversion of the bridge facility and creation of shares to Bruellan is conditional upon a resolution of general meeting of the company's shareholders. Upon conversion of the Bruellan loan, the freed security will be used to securitize part of the CHF 17million convertible loan facility provided through Precept Fund Segregated Portfolio.

10. COMMITMENTS

Lease commitments

	30.06.2013	31.12.2012
	KCHF	KCHF
Within 12 months	2'505.8	2'530.2
Between 12 and 60 months	12'747.5	11'841.5
More than five years	4'593.4	5'499.4
	19'846.8	**19'871.1**

11. CONTINGENT LIABILITY

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

As the company previously announced on April 10, 2013, it received a letter from certain shareholders alleging that the company made incorrect statements in the prospectuses of the capital increases conducted in 2009, 2010 and early 2012 and asking for compensation of the damage incurred as a result of the alleged incorrect statements. The company fully rejects these allegations and will take appropriate action. Accordingly, no provision has been made in these financial statements.

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12. SUBSEQUENT EVENTS

On July 8, 2013, after a long and difficult fund raising effort, Leclanché S.A. signed a Senior Secured Convertible Loan Agreement for CHF 17million maturing in June 2016 from Precept Fund Management SPC on behalf of Precept Fund Segregated Portfolio.

The Loan Agreement carries an interest rate of 2% per annum which will be capitalized and added to the total loan amount due at maturity together with a fee of CHF 500,000. The Loan is convertible into ordinary shares of the Company at the Lender's option at any time during its term at an effective conversion price of CHF 1.50 per share. If the Loan is not converted at its maturity date it may be extended at the lender's option or otherwise repaid by the Company. The Loan Agreement includes certain covenants that limit, among other things, the Company's ability to incur additional debt and enter into certain contractual arrangements without the lender's consent. In addition, the Precept Loan is secured by (i) the assets of the Company, including all present and future receivables, claims from intra-group loans and bank account claims and (ii) a pledge over the patents, patent applications filed and trademarks held by the Company, and will be secured by (iii) security over the shares of its subsidiary, Leclanché GmbH by way of a German law governed share pledge agreement and (iv) security transfer of all the present and future assets of Leclanché , once the Bruellan loan has been converted. Precept is also entitled to nominate two members to the Board of Directors.

The Loan Agreement further provides for certain other super majority rights, including board representation that constitutes at least one third of the board at all times, higher thresholds for board approval of certain corporate actions and first right of refusal to underwrite any equity issuance (subject to certain rights of shareholders). In addition to customary events of default, the Loan Agreement also provides that if the Company is unable to convene an Extraordinary General Meeting that approves the proposals relating to the refinancing (as described below), or if the resolutions are challenged, or if the registration of the resolutions in the commercial register are blocked, then an event of default will be triggered following a customary cure period. Additionally, an event of default will be triggered if the Swiss Takeover Board does not provide the Lender with an exemption from, or alternatively confirm that it is not subject to, the obligation to submit a public tender offer. However, on August 13, 2013, the Swiss Takeover Board issued its decision exempting Bruellan and Precept from the obligation to submit a public tender offer.

The Company has issued a draw down notice for the first tranche of CHF 4.7million under the Loan Agreement, part of which has been used to repay in full the EUR 1million amount outstanding under the additional EUR 1.5million facility provided by Bruellan, which was announced by the Company on June 28, 2013.

The original loan made by Bruellan of EUR5 million, which was announced on November 23, 2012, has been further extended to mature on the earlier of the date that the resolutions of the Extraordinary General Meeting are passed or 30 September 2013, provided that if no EGM is held by 31 August 2013 or such later date as may be agreed with Bruellan, the Loan will become immediately payable. The balance of the Bruellan loan, approximately CHF 6.9million, will be converted into equity at the same conversion price as that applicable to Precept.

Precept has also elected to convert the First Draw Down into equity, provided that the Swiss Takeover Board gives an exemption from, or alternatively confirms that it is not subject to, the obligation to submit a public tender offer.

The Company has invited shareholders for an extraordinary general meeting to be held on August 26, 2013. Shareholders will be asked to approve (i) a reduction of the share capital of the company by way of par value reduction to CHF2.11 per share, (ii) the issuance of 4,602,237 new shares in favor of

Bruellan in connection with the conversion of the Bruellan loan, (iii) the issuance of 3,142,385 new shares to Precept in connection with the conversion of the first draw down, (iv) the creation of conditional share capital and authorized share capital in the maximum amount of CHF 12, 457, 433.67 and 14,075,360.57, respectively, in order to enable the Company to issue new shares if and to the extent Precept makes further conversions under the Loan Agreement, (v) the election of Precept's two representatives to the Board of Directors and (vi) an opting out provision which exempts an acquirer of shares to make a mandatory public tender offer pursuant to the Stock Exchange Act.

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