Leclanché SA
Interim report 2014

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LETTER TO OUR SHAREHOLDERS

We are pleased to set out our Unaudited Interim Report for the six months to June 30, 2014.

This has been both an exciting and a challenging period for your Company, during which we were heavily focused on four main objectives:

(a) Continued implementation of the Turnaround Plan, leading to a long term Growth Plan;
(b) Commercial ramp up on our mass production line at our factory in Germany;
(c) Launch of our home storage product in Europe. Launch of a range of industrial storage products in the second half of the year; and
(d) Continued development of channels to market and growing a sales pipeline for these products

The market for large scale energy storage applications in Europe and other key regions is developing strongly and your Company is participating in this growth. This has been a very eventful period for the Company and one in which it has made significant progress, even if the road ahead still presents many challenges.

Key Events

In February 2014, after many months of test running and validation, the Company commenced volume production of A4 cells at its state-of-art factory in Willstaett, Germany.

The process of water-based coating of electrodes in volume production was successfully implemented during this period, which we believe is a unique achievement in the industry.

By June 30, with sufficient cells in stock to fulfil expected orders for delivery in H2 2014, we entered a period of holiday shutdown at the factory for July and August. Production has now been restarted and will be maintained at a level to produce the cells needed for delivery in H1 2015.

Your Company has developed a world leading ceramic safety separator, which is a key element of the cell construction as it forms a strong barrier between the anode and cathode materials that are the two main active components of a cell. In June 2014 we entered into an agreement with Saint-Gobain to co-develop an enhanced separator material leveraging Leclanché's current technology and patents.

As a part of the agreement, Leclanché will outsource the manufacture of the existing separator to Saint-Gobain and work on this has commenced.

With the initial phase of the Turnaround Plan successfully implemented, in June the Board of Directors appointed Mr Anil Srivastava as the new Chief Executive. In addition to discharging the normal duties of chief executive, the Board has asked Anil to deliver a new Growth Plan providing improved market offer and a path to sustainable profitability.

Turnaround Plan

The Turnaround Plan announced on March 5, 2013 had five main objectives:

1. Strengthen the management team

As previously reported, a full executive team has been put in place. In line with the new Growth Plan of the Company, we will establish a strong Product Management team with the key objective to deliver packaged solutions in the marketplace.

2. Increase contribution from the Portable and Distribution business units

The Portable business is successfully diversifying into new sectors such as medical systems and transport. However, with certain current large contracts drawing to a close and a long gestation period for new contracts under negotiation, the results for this business unit in H1 2014 have been at a lower level than the previous year. We have secured first orders in new applications such as off-grid Street Lighting Solutions. We have confidence that new contract wins in 2014 and new applications will translate into renewed growth during 2015.

The Distribution business faces the challenge of a market in decline but has recently secured opportunities to supply substantial new customers. Our focus is to offset this decline in the traditional distribution business by addressing new and growing opportunities such as lead-acid battery replacement systems and the channel synergies for our home storage systems. We further plan to enhance our offer to include efficient energy management systems for home and small offices.

3. Apply stronger focus in “go-to-market” processes

The new Growth Plan introduced by Anil Srivastava will position the company as a complete Battery Systems Provider, significantly increasing the company’s addressable market and with the ability to address the full spectrum of power-intensive and energy-intensive applications. This requires:

a) Acquisition or licensing of Battery Module designs and best-in-class Battery Management Systems software, widely known as BMS
b) Addition of high energy-density lithium-ion chemistries such as LFP or graphite/NMC, coupled with our world-leading Titanate chemistry to address power-intensive applications
c) Provision of packaged Energy Storage Solutions for electricity markets, focused on Diesel-coupled systems, PV-coupled systems and Grid-coupled ancillary services
d) Provision of packaged solutions for Electrified Transport and Industrial Machinery sectors, such as buses, marine systems and materials handling equipment.

4. Focus on building sales channels and seek to establish strategic alliances

Sales Channels:
The company has made significant progress for its energy storage products including the recruitment and training of a significant number of PV installers in Europe for home storage systems and large systems integrators for industrial storage. We are in active discussions to expand this network into the USA, Canada and the Middle East.

Strategic Alliances:
Building from the success of our joint development agreement with Saint-Gobain, we will seek to enter into large volume markets such as automotive and aviation where the safety separator is of paramount importance.

Additionally, with increasingly strict environmental regulation, the Company has a significant opportunity to license its unique capability for water-based coating of anodes and cathodes in volume production

5. Reduce costs by streamlining the organisation

As previously reported, although a number of measures have been taken to streamline the organisation, the Company is being managed for growth with ambitious targets being set for commercial development.

Whilst management will aim to always operate as efficiently as possible, current operating cost levels are unlikely to be substantially reduced further, as this is incompatible with business expansion.

The new Growth Plan envisages significant scaling of operations in sales and solutions delivery and incorporates an efficient organisational structure to deliver increased productivity per person.

Achievements – H1 2014

Apart from the progress made on the Turnaround Plan, we have had some notable achievements in H1 2014 across the organization:

1. Commercial

Good progress has been made in building sales channels and whilst there is significantly more to do in this area under the new Growth Plan, we are pleased to report the following:

- More than 1MWh of industrial storage solutions – this includes 500kWh of secured order, worth around CHF 2 million, from l'Ecole Polytechnique Fédérale de Lausanne (EPFL) for a full grid-coupled ESS and more than 400kWh shortlisted for an island storage solution incorporating PV and diesel coupling. The EPFL contract is a joint project with Romande Energie to build a Utility scale grid-coupled Storage solution that addresses the grid stabilization needs for better integration of increasing levels of Renewables energy generation.
- The company has recruited and trained a significant number of PV installers in Europe for home storage systems and large systems integrators for industrial storage. More than 25 home storage systems have been ordered, of which 17 systems delivered and 12 in operation
- A pilot order has been received recently by the Portable business for an off-grid Street Lighting solution using our Titanate A4 cells

2. Production Ramp up

Our new Head of Production started in January 2014 and in the period to June 30 a sufficient number of cells were produced on our state-of-art volume production line to fulfil expected orders for delivery in H2 2014. We entered a period of holiday shutdown at the factory for July/August and production has now been restarted and will be maintained at a level to produce the cells needed for delivery in H1 2015.

3. Continued Research & Development

Having completed the De-Lion project, a grant funded project through which we pioneered the use of water based technology in our coating process for both anode and cathode, we have now successfully implemented that in volume production.

Apart from making a positive environmental contribution, this provides us with enhanced cell stability and performance. We are also participating in Batteries 2020, which is an EU-funded project aimed at enhancing the lifetime and energy density of lithium-ion batteries used in electric vehicles.

We are a consortium member of the Ambassador project, which is an EU-funded project to study, develop and experiment with systems and tools that aim to optimise district energy usage and manage the energy flows by predicting and matching energy consumption and energy production.

Our cells have been independently tested by the Hochschule Landshut, a University of Applied Sciences and found to have "enormous cycling stability and capacity retention" at 100% depth of discharge. Copies of the report are available on our website.

Available market reports indicate continuous reduction in Average Selling Price ("ASP") in the coming years. We have therefore launched an aggressive cost reduction program for raw materials procurement together with related cell development. Initial results indicate significant cost savings can be realised in H1 2015 and beyond.

As previously reported, we are also working on a high voltage cell, which might allow us to increase the capacity of our standard cell, significantly reducing cost per kilowatt hour. We have encouraging results in testing and the development program continues to progress well, but it is still too early to make any commitment if and when we would be in a position to launch such a cell on the market.

Financial Results

Key Figures

(in mCHF) **(IFRS)**	**30.06.2014** Unaudited	**30.06.2013** Unaudited
Revenue	5.55	7.91
EBITDA	-7.58	-4.95
EBIT	-10.21	-5.88
Loss for the year	-10.82	-6.52
Equity	37.69	29.84
Equity % of Assets	*76.2%*	*61.4%*
Earning per share [CHF]	-0.65	-1.16

Consolidated revenues for the six months to June 30, 2014 were CHF5.55million, down by 29.8% compared with the previous year, mainly as a result of reduced revenues in the Portable and Stationary businesses.

Revenues from the Portable Business were CHF3.77million (2013: CHF4.96million), down by 24% compared with the previous year mainly as a result of one large long-term contract drawing to a close during 2014. The Portable business has recruited new sales personnel during the period and is successfully diversifying into new sectors such as medical systems and transport with a view to replacing this lost revenue over the course of the next 12 months.

Revenues from the Distribution Business were CHF1.53million (2013: CHF1.60million), marginally reduced from last year but with the prospect of some increase during H2 2014 as a result of the recent addition of certain significant new customers.

Revenues in the Stationary Business were just CHF0.25million (2013: CHF1.35million). Most of the revenues in 2013 came from grant-funded projects and the reduction this year is largely attributable to the timing of these projects. During H2 2013, a sales management organization was put in place for the Stationary Business and the Company announced the launch of its Home Storage product in May this year and its Industrial Product range in July. Significant progress for Stationary orders and revenues is envisaged during the next 12 months

The Portable Business generated an EBITDA loss of CHF(0.17)million (2013: EBITDA CHF0.8million), as a result of reduced revenues and the increased cost from new sales personnel.

The Distribution Business showed a small EBITDA of CHF0.09million (2013: CHF0.16million).

The Stationary Business recorded an EBITDA loss of CHF(4.37) million (2013: EBITDA loss CHF(3.24)million), as a result of the reduction in grant revenues.

Group central costs at an EBITDA level were CHF(3.13)million (2013: CHF(6.52)million), an increase of 17%, mainly attributable to the organisational and operational restructuring needed to deliver business expansion.

The net loss for the six month period was CHF(10.53)million (2013: Loss CHF(6.52)million), an increase CHF4.01million, as a result of an increased EBITDA loss described above and the commencement of depreciation charges associated with the main production facility in Germany.

The earnings per share is a loss of CHF(0.63), compared to a loss of CHF(1.16) in 2013, due to the higher weighted number of shares in issue resulting from the full conversion of the Precept Loan.

Outlook

The market for energy storage and applications within the Stationary business is evolving at a rapid pace not just in Europe, but in North America and Asia as well.

In particular we would like to comment on key market drivers:

- The Return on Investment proposition ("ROI") is clear and compelling for PV and diesel-coupled ESS. Our recent shortlisting for an island storage solution will provide the company with an important reference for expanding such packaged solutions in selected markets worldwide
- The addressable market for grid-coupled ESS providing ancillary services such as frequency and voltage regulation, where our technology is particularly well suited, is a multi-B$ market. EPFL project provides us with an important market-leading reference for such applications. However it must be noted that the contracting structure and remuneration policy for such services is still evolving in key markets such as Germany, the UK and California in the USA. Market reports indicate this market will be in a commercial procurement phase within two years
- The Electrified Transport and Industrial Machinery sectors also exhibit compelling ROI business cases. The new Growth Plan envisages acquisition of energy-intensive chemistry which will enable the Company to address this large growth market.
- International expansion remains a top priority for the Company. We will continue to pursue our current Joint Development Agreement with Oakridge, and other strategic alliances, to establish a strong go-to-market and delivery partnership in the US and Canada. We also continue to work with Precept in their pursuit of a Battery Industry Consolidation Platform.

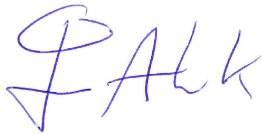
Our objective remains to achieve EBITDA break-even before the end of 2015, subject to a successful completion of the Turnaround Plan and the successful implementation of the new Growth Plan. As we scale the Operations, particularly in Sales and Delivery, we are aware of the significant execution risk this carries, but also encouraged by the extent and number of opportunities in which we are engaged.

Until EBITDA breakeven is achieved, the Company remains dependent on external funding. We are seeking the funding for our immediate working capital requirement until the end of the year 2014 under the current Letter of Support from our largest shareholder, Precept. Further, the Board is firmly of the view that it is necessary, based on its current business plan, to secure additional medium-term financing to provide the capital required for scaling Business Operations as envisaged by the new Growth Plan.

We are in active discussion with our major shareholders to secure this commitment and extend the current Letter of Support at least until 31 March 2016. Further, Precept, as the major shareholder, has given its agreement to co-operate with Leclanché to diversify its financing base, in order to further satisfy working capital and growth capital requirements, and to work with the Company on its fund raising efforts on a reasonable efforts basis.

Available cash and undrawn facilities at 30 June 2014 were CHF564K (2013: CHF3.06million). In addition, the Convertible Loan from Oakridge has been increased by a further CHF2million in August 2014, of which CHF1.6million has been drawn and kCHF400 remains receivable.

Finally, we would like to express our thanks to all our employees, and to our shareholders for their support during this period. We are excited by the challenges and opportunities ahead of us and look forward to continuing to build Leclanché's future with them.



Jim Atack
Chairman of the Board

Anil Srivastava
Chief Executive Officer

Leclanché

Leclanché SA

Consolidated financial statements 2014 (unaudited)

Leclanché

Condensed consolidated income statements for the period ended 30 June 2014 and 2013 (unaudited)

	30/06/14	30/06/13
	kCHF	kCHF
Sales of goods and services	5'434.2	6'589.1
Other income	119.1	1'322.6
Total income	**5'553.3**	**7'911.7**
Raw materials and consumables used	-3'771.0	-4'167.5
Personnel costs	-5'894.4	-4'596.5
Other operating expenses	-3'466.1	-4'094.4
Earnings Before Interest, Tax, Depreciation and Amortization	**-7'578.1**	**-4'946.7**
Depreciation and amortization expense	-2'628.1	-932.4
Operating Loss	**-10'206.2**	**-5'879.1**
Finance costs	-611.9	-677.3
Finance income	0.2	40.7
Loss before tax for the period	**-10'817.9**	**-6'515.7**
Income tax	-	-
Loss for the period	-10'817.9	-6'515.7
Earnings per share (CHF)		
- basic	-0.65	-1.16
- diluted	-0.65	-1.16

Condensed consolidated statements of comprehensive income for the period ended 30 June 2014 and 2013 (unaudited)

	30/06/14	30/06/13
	kCHF	kCHF
Loss for the period	-10'817.9	-6'515.7
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss		
Actuarial income on post employment benefit obligations	-	573.4
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	-151.5	451.1
Other comprehensive income/(loss) for the period net of tax	-151.5	1'024.5
Total comprehensive loss for the period	-10'969.4	-5'491.2

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 2014 (unaudited) and 31 December 2013

	30/06/14	31/12/13
	kCHF	kCHF
ASSETS	unaudited	audited
Non-current assets		
Property, plant and equipment	32'665.6	34'886.3
Intangible assets	4'702.8	4'785.1
Other financial assets	830.7	248.4
	38'199.1	39'919.8
Current assets		
Inventories	6'159.4	4'568.1
Trade and other receivables	5'231.6	3'651.1
Cash and cash equivalents	563.8	3'060.4
	11'954.8	11'279.6
TOTAL ASSETS	50'153.9	51'199.4
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	32'971.8	28'220.8
Share premium	64'424.5	56'833.8
Accumulated value for share-based payment	1'938.7	1'677.3
Other reserves	8'632.2	8'632.2
Translation reserve	-1'797.3	-1'645.8
Equity component of convertible loan and warrants	2'053.9	5'216.3
Actuarial loss on post-employment benefit obligations	-12'658.4	-12'658.4
Accumulated losses	-57'871.1	-47'053.2
Total Equity	37'694.3	39'222.9
Non-current liabilities		
Provisions	100.0	100.0
Defined benefit pension liability	4'098.2	3'840.2
Convertible Loan	1'047.9	4'136.3
	5'246.1	8'076.5
Current liabilities		
Provisions	80.0	100.0
Trade and other payables	6'702.0	3'800.0
	6'782.0	3'900.0
Total Liabilities	11'928.1	11'976.5
TOTAL EQUITY AND LIABILITIES	49'722.4	51'199.4

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

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Condensed consolidated statement of changes in equity for the period ended June 30, 2014 (unaudited)

	Attributable to equity holders of the parent								
	Issued share capital	Share premium	Reserve for share-based payment	Other reserves	Equity component of convertible loan and warrants	Translation reserve	Actuarial loss / (gain) on post-employment benefit obligations	Accumulated losses	Total
	kCHF	kCHF	kCHF	kCHF	kCHF	kCHF	kCHF	kCHF	kCHF
Balance at 1 January 2013	28'150.7	47'178.0	983.8	8'632.2	-	-2'280.2	-14'176.5	-33'499.1	34'988.9
Loss for the period	-	-	-	-	-	-	-	-6'515.7	-6'515.7
Other comprehensive income:									
Actuarial loss on post employment benefit obligations	-	-	-	-	-	-	573.4	-	573.4
Currency translation differences	-	-	-	-		451.1	-	-	451.1
Total comprehensive loss for the period	-	-	-	-	-	-1'829.1	-13'603.1	-40'014.8	29'497.7
Stock Option Plan	-	-	355.4	-	-	-	-	-	355.4
Adjustment of capital increase	-	-14.3	-	-	-	-	-	-	-14.3
Balance at 30 June 2013	**28'150.7**	**47'163.7**	**1'339.2**	**8'632.2**	**-**	**-1'829.1**	**-13'603.1**	**-40'014.8**	**29'838.8**
Balance at 1 January 2014	28'150.7	47'163.7	1'339.2	8'632.2	-	-1'829.1	-13'603.1	-40'014.8	29'838.8
Loss for the period	-	-	-	-	-	-	-	-10'817.9	-10'817.9
Other comprehensive income:									
Actuarial loss on post employment benefit obligations	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-		-151.50	-	-	-151.5
Total comprehensive loss for the year	-	-	-	-	-	-151.5	-	-10'817.9	-10'969.4
Equity component of convertible loan and warrants	-	-	-	-	-3'162.4	-	-	-	-3'162.4
Reserve for share-based payment	-	-	261.4	-	-	-	-	-	261.4
Capital decrease as per 9 April 2014	-8'158.6	7'590.7	-	-	-	-	-	-	-567.9
Capital increase as per 9 April 2014	10'703.8	-	-	-	-	-	-	-	10'703.8
Capital increase as per 30 June 2014	2'205.9	-	-	-	-	-	-	-	2'205.9
Balance at 30 June 2014	**32'901.7**	**54'754.4**	**1'600.6**	**8'632.2**	**-3'162.4**	**-1'980.6**	**-13'603.1**	**-50'832.7**	**28'310.2**

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 2014 and 2013 (unaudited)

	30.06.2014	30.06.2013
	kCHF	kCHF
Operating activities		
Loss before tax	-10'817.9	-6'515.7
Non cash adjustments:		
Depreciation of property, plant and equipment	2'227.2	535.1
Amortization of intangible assets	400.9	397.3
Non-realized foreign exchange differences	-747.1	297.0
Recognized expense for stock option plan	261.4	355.4
Interest expense	611.9	686.3
Interest income	0.2	-0.3
Movement in provisions	-20.0	-20.0
Pension cost	258.1	60.2
Working capital adjustments:		-
In/Decrease in trade and other receivables	-1'580.5	383.4
In/Decrease in inventories	-1'591.3	-381.5
In/Decrease in trade and other payables	2'902.0	360.2
Net cash flows used in operating activities	**-8'095.1**	**-3'842.5**
Investing activities		
Purchase of property, plant and equipment	-325.1	-1'065.5
Interest received	0.2	0.3
Net cash used in investing activities	**-324.8**	**-1'065.3**
Financing activities		
Net proceeds from share capital increase	4'356.5	-14.2
Net proceeds from convertible loan	1'566.9	1'228.4
Net cash from / (used in) financing activities	**5'923.4**	**1'214.2**
Increase / Decrease in cash and cash equivalent	**-2'496.6**	**-3'693.6**
Cash and cash equivalent at 1 January	3'060.4	3'936.2
Cash and cash equivalent at 30 June	563.8	242.6
Variation	**-2'496.6**	**-3'693.6**

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 2014 (unaudited)

1. CORPORATE 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 2014 were authorized for issue in accordance with a resolution of the Board of Directors on September 2, 2014.

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 2014 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 2013, which have been prepared in accordance with IFRS.

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

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 December 31, 2013 except as described below:

The Group has applied IFRIC 21 "Levies". IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 "Provisions". The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognized. The Group is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial statements for the period ended June 30, 2014. The Group does not expect IFRIC 21 to have a significant effect on the results for the financial year ending December 31, 2014.

Other amendments to IFRSs effective for the financial year ending December 31, 2014 are not expected to have a material impact on the Group.

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

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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 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 2013.

5. GOING CONCERN

The company is still operating under tight liquidity conditions. The Board is therefore firmly of the view that it is necessary, based on its current business plan, to secure additional medium-term financing to meet its working capital requirements and the capital required to scale the business operations as envisaged by the new growth strategy.

Since June 30, 2014, the company has received an additional financing of CHF 1.6 million under the convertible loan agreement already announced with Oakridge. There is a further kCHF 400 receivable under this loan agreement.

Under the current letter of support from Precept, valid until March 2015, Leclanche has so far received CHF 4.6 million under the convertible loan agreement with Oakridge. However, we have a short-term need to translate the intent of the support letter into formal agreements against which Leclanché can draw down further funds to satisfy the company's working capital requirements for at least the next twelve months and until EBITDA breakeven is achieved.

Leclanché is therefore in active discussion with its major shareholders to secure this commitment and extend the current Letter of Support at least until 31 March 2016. Further, Precept, as the major shareholder, has given its agreement to co-operate with Leclanché to diversify its financing base, in order to further satisfy working capital and growth capital requirements, and to work with the Company on its fund raising efforts on a reasonable efforts basis.

Accordingly, management believes that the Company will 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.

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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 2013. There have been no changes in the risk management or in any risk management policies since the year end.

7. SEGMENT INFORMATION

From a product perspective, management assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortization (EBITDA). This measure excludes the effects of depreciation, amortization non-operating expenses, such as restructuring costs and non-operating income. The impact on personnel costs related to IAS 19 / IFRIC 14 and finance income and charges are not included in the result for each operating segment. Since 1 January 2012, depreciation of patents & licences has been directly allocated to the segment "Stationary".

Since 1 January 2012, the operating business is organized in 3 segments:

- 'Portable' 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' produces large format lithium ion cells and systems for high end applications. This segment includes: automotive, stationary and off-road.

All costs that cannot be managed directly by the three business units are Group Central Costs, and are kept under regular review by the Executive Committee.

CHF '000	Portable		Stationary		Distribution		Group Central Costs		Total	
Revenue	30.06.2014	30.06.2013	30.06.2014	30.06.2013	30.06.2014	30.06.2013	30.06.2014	30.06.2013	30.06.2014	30.06.2013
Total income	3'772.2	4'965.8	253.0	1'345.0	1'528.1	1'600.9			5'553.3	7'911.7
EBITDA	-174.3	801.2	-4'365.2	-3'243.2	87.5	158.2	-3'126.1	-2'662.9	-7'578.1	-4'946.7
EBIT	-233.0	727.6	-6'883.9	-4'024.1	87.2	153.3	-3'176.5	-2'735.9	-10'206.2	-5'879.1

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

	30.06.2014	30.06.2013
EBIT for reportable Segments	-10'206.2	-5'879.1
Finance costs	-611.9	-677.3
Finance income	0.2	40.7
Loss before income tax	**-10'817.9**	**-6'515.7**

8. CONVERTIBLE LOAN

On 8 July 2013, the Company entered into a senior secured convertible loan agreement for CHF 17 million maturing on 30 June 2016 (the "Precept Loan") from Precept Fund

Management SPC on behalf of Precept Fund Segregated Portfolio ("Precept").

As of December 31, 2013, kCHF 3,200 of this CHF 17 million remained available for drawdown. Effective 30 June 2014, Precept has converted the entire amount of the Precept Loan (including accumulated interest and fees) into registered shares of the Company at a conversion price of CHF 1.50 per share. Accordingly, the convertible loan recorded at 30 June 2014 relates entirely to the subsequent Oakridge Loan detailed below.

On 30 May 2014, the Company entered into a senior secured convertible loan agreement for CHF 3 million maturing on 30 June 2016 (the "Oakridge Loan") from Oak Ridge Energy Technologies, Inc ("Oakridge"). Precept is currently majority shareholder of Oakridge and the Oakridge Loan has been issued on substantially the same terms as the Precept Loan. The Oakridge Loan carries an interest rate of 2 percent per annum which is capitalized and added to the total loan amount due at maturity together with a fee of kCHF 300. The Oakridge Loan is convertible into registered shares of the Company at Oakridge's option at any time during its term at an effective conversion price of CHF 1.50 per share. If the Oakridge Loan has not been converted at its maturity date (30 June 2016) it may be extended at Oakridge’s option or otherwise repaid by the Company. Effective 30 June 2014, the full amount of CHF 3 million has been drawn by the Company but Oakridge has not converted any of this amount into registered shares of the Company.

On 2 August 2014, subsequent to the date of these financial statements, the Oakridge Loan was increased by CHF 2 million, from CHF 3 million to CHF 5 million, and the fee due at maturity was correspondingly increased from kCHF 300 to kCHF 500. All other terms of the loan remained unchanged.

The values of the liability component and the equity conversion component of both the Precept Loan and the Oakridge Loan were determined at issuance of the loan using the Black Scholes valuation method.

The fair value of the liability component of the convertible loan at 30 June 2014 amounted to kCHF 1047.9.

9. SHARE CAPITAL

As at 30 June 2014, following the final conversion of the Precept convertible loan (see Note 8), the share capital consists of 21,981,203 authorised, issued and fully paid-in registered shares with a par value of CHF 1.50.

1,470,581 share were issued in connection with the final conversion of the Precept convertible loan. This capital increase is not yet registered in the Commercial Register of the Canton of Vaud.

There have been no changes to conditional capital or authorised capital since December 31, 2013

Leclanché

10. COMMITMENTS

Lease commitments

	30.06.2014	30.06.2013
	kCHF	kCHF
Within one year	2'550.04	2'505.8
Between 12 and 60 months	11'092.48	12'747.5
More than five years	4'653.34	4'593.4
	18'295.9	**19'846.7**

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.

12. SUBSEQUENT EVENTS

In August 2014, the Oakridge Loan was increased from CHF 3 million to CHF 5 million and a further CHF 1.6 million was drawn down, leaving CHF 0.4 million still to be drawn. Under the current letter of support from Precept, valid until March 2015, Leclanché has therefore so far received CHF 4.6 million under the Oakridge Loan.

Leclanché continues in active discussion with its major shareholders to extend the current Letter of Support at least until 31 March 2016. Further, Precept, as the major shareholder, has given its agreement to co-operate with Leclanché to diversify its financing base, in order to further satisfy working capital and growth capital requirements, and to work with the Company on its fund raising efforts on a reasonable efforts basis.

Leclanché

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These statements are subject to known and unknown risks and uncertainties and could be affected by other factors that could cause actual results, plans and objectives to differ materially from those expressed or implied in the forward-looking statements. Potential risks and uncertainties include such factors as general economic conditions, performance of financial market, competitive factors and changes in laws and regulations.