Leclanché Group

Interim condensed consolidated financial statements 2018

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Condensed consolidated income statements for the period ended 30 June 2018 and 2017 (unaudited)

	Notes	30.06.2018	30.06.2017*
		kCHF	kCHF
Sales of goods and services	8	22'112.0	5'795.4
Other income	9	185.4	4'838.2
Total income		22'297.4	10'633.6
Raw materials and consumables used		-23'695.9	-5'529.8
Personnel costs		-9'902.1	-8'841.0
Other operating expenses		-11'487.3	-5'794.9
Total operating expenses		-45'085.3	-20'165.7
Earnings Before Interest, Tax, Depreciation and Amortisation		-22'787.9	-9'532.1
Depreciation, amortisation and impairment expenses		-1'458.8	-1'972.4
Operating Loss		-24'246.7	-11'504.5
Finance costs		-1'998.0	-460.4
Finance income		1'052.7	-
Loss before tax for the year		-25'192.0	-11'964.9
Income tax		28.5	55.3
Loss for the year		-25'163.5	-11'909.6

Condensed consolidated statements of comprehensive income for the period ended 30 June 2018 and 2017 (unaudited)

	30.06.2018	30.06.2017*
	kCHF	kCHF
Loss for the period	-25'163.4	-11'909.6
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	-105.9	-102.8
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	2'249.3	253.4
Other comprehensive income/(loss) for the period	2'143.4	150.6
Total comprehensive loss for the period	-23'020.0	-11'759.0

**Comparative information is not restated based on transition method chosen by the Group on application of IFRS 9 and IFRS 15 at 1 January 2018.*

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

Leclanché
Energy Storage Solutions

Condensed consolidated balance sheets at 30 June 2018 (unaudited) and 31 December 2017 (audited)

	Notes	30.06.2018	31.12.2017*
		kCHF	kCHF
ASSETS			
Non-current assets			
Property, plant and equipment		11'768.6	10'553.3
Intangible assets		3'829.2	4'511.8
Other financial assets	10	2'100.5	1'557.4
		17'698.3	16'622.5
Current assets			
Inventories		23'035.4	12'704.6
Trade and other receivables	11	46'643.9	32'806.9
Cash and cash equivalents		2'894.4	6'635.4
		72'573.7	52'146.9
TOTAL ASSETS		90'272.0	68'769.4
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	12	121'023.8	104'523.8
Share premium		312.7	3'307.1
Reserve for share-based payment	13	1'954.0	1'674.0
Other reserves		4'974.9	4'974.9
Translation reserve		-1'099.1	-3'348.4
Equity component of warrants and convertible loans	14	2'210.8	17'140.4
Remeasurements of post-employment benefit obligations		-15'177.7	-15'109.2
Accumulated losses		-124'173.9	-102'195.2
		-9'974.5	10'967.4
Non-current liabilities			
Defined benefit pension liability		9'017.4	8'455.6
Convertible Loans	14	46'456.0	7'663.5
Loans	14	6'321.0	3'365.1
Deferred tax liability		326.9	374.7
		62'121.3	19'859.0
Current liabilities			
Provisions		-	271.0
Convertible Loans	14	-	14'995.3
Loans	14	100.0	100.0
Embedded derivatives		8'364.1	2'244.6
Trade and other payables		29'661.1	20'332.1
		38'125.2	37'943.0
TOTAL LIABILITIES		100'246.5	57'802.0
TOTAL EQUITY AND LIABILITIES		90'272.0	68'769.4

**Comparative information is not restated based on transition method chosen by the Group on application of IFRS 9 and IFRS 15 at 1 January 2018.*

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

Leclanché
Energy Storage Solutions

Condensed consolidated statement of changes in equity for the period ended 30 June 2018 (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 loan and warrants	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 2017*	72'005.2	11'293.7	1'005.8	4'974.9	943.6	-4'599.2	-17'060.7	-73'898.7	-5'335.4
Loss for the period	-	-	-	-	-	-	-	-11'909.6	-11'909.6
Other comprehensive income:									-
Remeasurements of post employment benefit obligations	-	-	-	-	-	-	-102.8	-	-102.8
Currency translation differences	-	-	-	-	-	253.4	-	-	253.4
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**253.4**	**-102.8**	**-11'909.6**	**-11'759.0**
Reserve for share-based payment	-	-	365.1	-	-	-	-	-	365.1
Warrants exercice	334.2	260.4	-	-	-303.1	-	-	-	291.5
Capital increase Baring Asset Management - 10.04.2017	1'436.2	799.8	-	-	-	-	-	-	2'235.9
MCN Bruellan & Trialford	-	-	-	-	1'499.9	-	-	-	1'499.9
Balance at 30 June 2017	**73'775.5**	**12'353.9**	**1'370.9**	**4'974.9**	**2'140.4**	**-4'345.8**	**-17'163.5**	**-85'808.3**	**-12'702.0**
Balance at 1 January 2018	104'523.8	3'307.1	1'674.0	4'974.9	17'140.4	-3'348.4	-15'109.2	-102'195.1	10'967.4
Adjustment on initial application of IRFS 15 (net of tax)								171.0	171.0
Adjusted Balance at 1 January 2018	104'523.8	3'307.1	1'674.0	4'974.9	17'140.4	-3'348.4	-15'109.2	-102'024.1	11'138.4
Loss for the period	-	-	-	-	-	-	-	-25'163.4	-25'163.4
Other comprehensive income:									
Remeasurements of post employment benefit obligations	-	-	-	-	-	-	-68.5	-	-68.5
Currency translation differences	-	-	-	-	-	2'249.3	-	-	2'249.3
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**2'249.3**	**-68.5**	**-25'163.4**	**-22'982.6**
Cancellation of share premium and other reserves against accumulated losses	-	-1'881.6	-	-	-	-	-	1'881.6	-
Reserve for share-based payment	-	-	280.0	-	-	-	-	-	280.0
Share premium alignment	-	19.2	-	-	-	-	-	-	19.2
Leclanché Bvba sale - 30.06.2018	-	-1'132.0	-	-	-	-	-	1'132.0	-
MCN Golden Partner - 05.06.2018	16'500.0	-	-	-	-16'500.0	-	-	-	-
Equity component of convertible loans	-	-	-	-	1'570.4	-	-	-	1'570.4
Balance at 30 June 2018	**121'023.8**	**312.7**	**1'954.0**	**4'974.9**	**2'210.8**	**-1'099.1**	**-15'177.7**	**-124'173.9**	**-9'974.5**

(1) No transaction costs are accounted for as a deduction of Share premium in 2018 (2017: 257 KCHF)

**Comparative information is not restated based on transition method chosen by the Group on application of IFRS 9 and IFRS 15 at 1 January 2018.*

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

Leclanché
Energy Storage Solutions

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

	Notes	30.06.2018	30.06.2017*
		kCHF	kCHF
Operating activities			
Loss for the year		-25'163.5	-11'909.6
Non cash adjustments:			
Depreciation of property, plant and equipment		753.9	886.0
Amortisation of intangible assets		778.0	1'086.4
Result on scrapping of fixed assets		99.9	-2.1
Non-realised foreign exchange differences		2'535.1	81.1
Recognised expense for stock option plan		280.0	365.1
Movement in provisions		-271.0	-29.3
Pension cost		493.3	104.4
Interest expense		1'005.6	460.3
Interest income		-218.3	-
Income tax		32.8	-55.3
Working capital adjustments:			
(In)/Decrease in trade and other receivables		-12'840.4	2'259.0
(In)/Decrease in inventories		-10'330.8	-2'606.5
In/(Decrease) in trade and other payables		9'514.0	2'853.7
Interest paid		-497.2	-82.4
Net cash used in operating activities		**-33'828.5**	**-6'589.2**
Investing activities			
Purchase of property, plant and equipment		-2'193.1	-1'260.6
Investment in other financial assets	10	-1'671.6	-2'683.1
Acquisition of intangible assets		-5.0	-8.0
Net cash used in investing activities		**-3'869.7**	**-3'951.7**
Financing activities			
Proceeds from share capital increase		-	2'236.0
Proceeds from warrants exercised		-	291.4
Proceeds from convertible loans		31'000.0	-
Proceeds from non convertible loans		3'000.0	-
Proceeds from Mandatory Convertible Note		-	1'500.0
Proceeds from bridge loan		-	2'703.5
Repayment of borrowings		-50.0	-25.0
Net cash from financing activities		**33'950.0**	**6'705.9**
Increase / (Decrease) in cash and cash equivalent		**-3'748.2**	**-3'835.0**
Cash and cash equivalent at 1 January		6'635.4	4'544.6
Cash and cash equivalent at 30 June		2'894.4	707.7
Effect of exchange rate changes		-7.2	1.9
Variation		**-3'748.2**	**-3'835.0**

**Comparative information is not restated based on transition method chosen by the Group on application of IFRS 9 and IFRS 15 at 1 January 2018.*

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

Selected Notes to the interim condensed consolidated financial statements for the period ended 30 June 2018 (unaudited)

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Leclanché SA (the "Company" and together with its subsidiaries Leclanché GmbH, Leclanché UK Ltd, Leclanché BVBA (activity transferred to Leclanché SA during 2018 and legal entity sold as at 30 June 2018), Leclanché North America Inc. and Leclanché Canada Inc., the "Group") for the half-year ended 30 June 2018, was authorised for issue in accordance with a resolution of the Board of Directors on September 27, 2018.

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

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 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 2017, 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 2017 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 2018:

- On the 1 January 2018, IFRS 15 'Revenue from Contracts with a Customer' came into effect. The new standard replaces the current IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. It establishes principles for recognising, measuring and reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Under IFRS 15, revenue from contracts with customers is recognised based on a five-steps model and the transaction price is allocated to each distinct performance obligation on the basis of the relative stand-alone selling prices. Revenue is no longer recognised upon the transfer of risks and rewards but when or as performance obligations are satisfied by transferring control of a promised good or service to a customer. The standard also provides guidance on the treatment of any costs to obtain and/or fulfil a contract that may be recognised as assets.

  We have reviewed our revenue accounting policies to determine whether there will be a material impact on initial application of the standard. The following areas highlight the IFRS 15 considerations with respect to our various revenue streams:

a) For the sale of goods (delivery of batteries, systems for electrical storage devices, accessories), no change upon adoption of IFRS 15 was identified as the point in time control is transferred coincides with the point in time upon which significant risks and rewards have been transferred.

b) For the sale of energy storage solutions projects, including batteries, storage devices in addition to project management and installation services, IFRS 15 requires the assessment of whether such contracts comprise of one or multiple performance obligations. We have analyzed the related revenue guidance to determine if the individual promises in such contracts meet the definition of distinct goods or services and concluded that the contracts include one performance obligation; a delivery of an energy storage solution.

   The determination of the number of performance obligations in such contracts is driven by the assessment of whether the entity's promise to transfer goods and services is distinct within the context of the contract. In the case of our current energy solution projects, the customer is purchasing a comprehensive energy solution with a certain capacity and not individual components of it. Therefore, we deem the batteries, storage devices, project management and installation services as inputs to produce an output. Revenue in connection with these contracts is booked over time as the Group is building or enhancing an asset that the customer controls.

   Although the above assessment is in line with the previous accounting policy under IAS 18, whereby revenue for the entire project was recognized over time using the percentage of completion, we have aligned the calculation of the percentage of completion to be consistent with the enhanced guidance provided under IFRS 15. Therefore, revenue and related fulfillment costs adjustments were booked.

The Group has applied the modified retrospective approach in transitioning to IFRS 15 as of 1 January 2018.

The following tables summarize the impact of adopting IFRS 15 on the Group's Consolidated statement of profit and loss for six month ended 30 June 2018 and statement of financial position for interim period ending 30 June for each of the lines affected.

Impact on the Group's consolidated statement of profit and loss for six month ended 30 June 2018

	As reported	Impact of IFRS 15	Without adoption of IFRS 15
	kCHF	kCHF	kCHF
Sales of goods and services	22'112.0	958.1	21'153.9
Other income	185.4	-	185.4
Total income	**22'297.4**	**958.1**	**21'339.3**
Operating expenses	-45'085.3	-888.3	-44'197.0
Earnings Before Interest, Tax, Depreciation and Amortisation	-22'787.9	69.8	-22'857.7
Operating Loss	-24'246.7	69.8	-24'316.5
Loss for the year	**-25'163.5**	**69.8**	**-25'233.3**

Impact on Group's consolidation statement of financial position ending 30 June 2018

	As reported	Impact of IFRS 15	Without adoption of IFRS 15
	kCHF	kCHF	kCHF
Current assets			
Trade and other receivables	46'643.9	240.8	46'403.1
Equity			
Accumulated losses	-124'173.9	240.8	-124'414.7

- Amendments to IFRS 2 'Share-based payment'. The amendment clarifies the accounting treatment of (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (clarification that the valuation is not in the scope of IFRS 13 'Fair value Measurement'); (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Group has applied this amendment from 1 January 2018 but it has no impact on the consolidated financial statements.

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

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

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

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

  The Group has applied IFRS 9 from 1 January 2018 without any significant impact on its financial instruments (composed of loans, receivables and financial liabilities at amortised costs) in its consolidated financial statements.

- IFRIC Interpretation 22 'Foreign Currency Transaction and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) - IFRIC 22 addresses foreign currency transactions as parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation establishes that the date of transaction (for determining the exchange rate to use) is the date of payment/receipt of advance consideration. The interpretation provides further guidance for situations where multiple payment/receipts are made. The Group has applied this amendment from 1 January 2018 but without any significant impact on the consolidated financial statements.

New standards, interpretations to existing standards and standards amendments that are not yet effective:

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

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

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

The Group will apply IFRS 16 from 1 January 2019.The standard will affect primarily the accounting for the Group's operating leases.

4. ESTIMATES

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

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, except for the uncertainties and ability to continue as a going concern, see below.

5. UNCERTAINTIES AND ABILITY TO CONTINUE AS A GOING CONCERN

In February 2018, the Company secured a subordinated convertible debt facility with FEFAM[1], of some kCHF 40,500.0. As of 30 June 2018, kCHF 31,000.0 have been drawn down by Leclanché. In addition, a kCHF 20,000.0 Right-of-First-Offer (RoFO) facility has been confirmed by FEFAM to provide M&A and performance bond funds to the Company. Meanwhile, FEFAM has extended its funding by an additional kCHF 20,000.0 convertible debt facility, to be provided to Leclanché by the end of Q1-2019. This overall financing plan aims at funding Leclanché's growth plan until the end of 2019.

The funds made available by FEFAM will finance the Company's corporate working capital needs, and the construction of its several awarded projects in Switzerland, Canada, Germany, India and the US. Leclanché is still in discussion with other investors and remains confident to successfully diversify its shareholding and to further fund its business plan.

[1] FEFAM means: AM INVESTMENT SCA, SICAV-SIF - Liquid 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".

Subject to the continuing availability of sufficient equity, and based on the already secured funding round, the Board of Directors believes that the Company 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 2017.
There have been no changes in the risk management or in any risk management policies since 31 December 2017.

7. SEASONALITY OF OPERATIONS

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

8. SEGMENT INFORMATION

From a product perspective, management assesses the performance of the operating segments based on a measure of 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 January 2016, the operating business is organised in four business units:

- **Utility Scale Generation & Microgrids (USGM-Stationary)** sells customised systems to support customers in both electricity generation markets (such as renewable energy integration, micro-grid or distributed power) and in transmission & distribution markets (so-called grid ancillary services).
- **Commercial & Industrial Battery Systems (CIBS)** 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.
- **E-Transport (Mobility)** sells customised systems to support customers in the mass marine and road transportation.
- **Energy Efficiency Solutions (EESO)** sells branded consumer products on selected markets (Distribution).

All costs that cannot be allocated directly to the four business units 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	E-Transport		Utility Scale Generation & Microgrids		Commercial & Industrial Battery Systems		Energy Efficiency Solutions		Corporate Costs		**Total**	
	30.06.2018	**30.06.2017**	**30.06.2018**	**30.06.2017**	**30.06.2018**	**30.06.2017**	**30.06.2018**	**30.06.2017**	**30.06.2018**	**30.06.2017**	**30.06.2018**	**30.06.2017**
Timing of revenue recognition:												
At a point in time	*628.5*				*1'646.5*		*850.7*		*1.9*		*3'127.6*	
Over time			*18'984.4*								*18'984.4*	
Total sales of goods and services	628.5	101.2	18'984.4	1'427.0	1'646.5	3'071.6	850.7	1'193.0	1.9	2.6	22'112.0	5'795.4
EBITDA	-3'164.6	-600.5	-5'179.9	-1'962.2	-2'230.2	-644.6	-151.5	-62.0	-12'061.7	-6'262.9	-22'787.9	-9'532.1
EBIT	-3'407.3	-603.2	-6'117.7	-3'833.0	-2'342.4	-668.1	-151.5	-62.0	-12'227.8	-6'338.2	-24'246.7	-11'504.5

Reconciling items	**30.06.2018**	**30.06.2017**
	kCHF	kCHF
EBITDA reportable segment	**-10'726.2**	**-3'269.2**
Corporate costs	-12'061.7	-6'262.9
Depreciation and amortization	-1'458.8	-1'972.4
EBIT	**-24'246.7**	**-11'504.5**
Finance revenue	117.4	-
Finance costs	-1'062.6	-460.4
Income tax	28.5	55.3
Loss for the period	**-25'163.4**	**-11'909.6**

9. OTHER INCOME

Other income encompasses mainly the reinvoicing of one Leclanché employee's salary to the company he has been seconded to.

10. OTHER FINANCIAL ASSETS

	30.06.2018	**31.12.2017**
	kCHF	kCHF
Investments	1'049.7	506.6
Deposits	1'050.8	1'050.8
Total	**2'100.5**	**1'557.4**

11. TRADE AND OTHER RECEIVABLES

	30.06.2018	31.12.2017
	kCHF	kCHF
Trade receivables, net of provision for impairment of receivables	13'183.4	9'465.6
Amounts due from customers for contract work	16'577.5	3'449.4
Advances to suppliers	6'412.0	9'292.6
Short-term loan	7'484.5	6'264.5
Other receivables	2'986.5	4'334.8
Total	**46'643.9**	**32'806.9**

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

Advances, shown here above as short-term loan, have been provided to the SPV “Maple Leaf” and the SPV “Marengo” in order to finance the projects themselves.

12. SHARE CAPITAL

As at 30 June 2018, following the conversion of the kCHF 16,500.0 Mandatory Convertible Note (MCN) by FEFAM, the share capital amounts to CHF 121’023’811.50, consisting of 80’682’541 issued and fully paid-in registered shares with a nominal value of CHF 1.50.

13. SHARE-BASED PAYMENT

Effective from 1 January 2014, the Company introduced a performance related Capped Stock Option Plan ("CSO Plan") for senior executives that is linked to both Company and individual performance.

The 2’150’000 options of this CSO Plan, outstanding as at 30 June 2018, represent an expense of kCHF 280.0 during the 1H 2018 (including 95’000 options forfeited for kCHF 47.5). The related reserve for share-based payment amounts to kCHF 1’954.0.

14. CONVERTIBLE LOANS AND WARRANTS

Convertible loans

On 26 July 2017, Golden Partner International SA SPF has signed a transfer agreement with ACE Energy Efficiency SPC (ACE EE), LECN Co Invest Ltd (LECN), JADE and ACE & Company SA to purchase an aggregate portion of CHF 12’000’000 of Facilities B/C (the "TA 2017"), which have subsequently been transferred from GP to FEFAM.

On 30 June 2018, FEFAM has acquired the remaining amounts outstanding under Facilities B/C/D1 from ACE EE, ACE LECN and JADE (principal plus interest plus fees) in an aggregate amount of CHF 13’721’000 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 as amended from time to time (collectively, the FEFAM Convertible Loan).

In a side agreement to the TAA 2018, Leclanché has agreed to pay certain arrangement fees to ACE EE, LECN, JADE and ACE & Company SA amounting to CHF 543'498, which relate to the 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.

On 15 February 2018, a Funding Agreement has been entered into by and between FEFAM and the Company. As part of this Funding Agreement, the Company has already drawn down and received the following tranches under the Convertible Loan:

- On 9 February 2018 a convertible loan of CHF 1,000,000 has been granted by FEFAM to the Company.
- On 16 February 2018 a convertible loan of CHF 12,000,000 has been granted by FEFAM to the Company.
- On 6 March 2018 a convertible loan of CHF 8,000,000 has been granted by FEFAM to the Company
- On 13 April 2018 a convertible loan of CHF 10,000,000 has been granted by FEFAM to the Company.

As of the end of the period:

	30.06.2018	31.12.2017
	kCHF	kCHF
FEFAM convertible loan	53'298.8	22'298.8
Facility "Fees on transfer"ACE/LECN/JADE	543.5	-
Interest, finance charges and conversion fees	3'188.6	2'604.7
Equity Component of convertible loan	-2'210.8	-
Fair value embedded derivative	-8'364.1	-2'244.6
Value of Convertible Loan at the end of the period	**46'456.0**	**22'658.9**

Mandatory Convertible Note (MCN)

On 8 December 2017, the Company issued MCNs in the aggregate amount of CHF 16'500'000 to FEFAM, on the basis of a Purchase and Subscription Agreement, providing a conversion price of CHF 1.50 per note (also referred to as 16.5 MCN). With effect as of 5 June 2018, the debt of CHF 16.5 million owed by the Company to FEFAM pursuant to the 16.5 MCN was converted into 11,000,000 registered shares of the Company.

As of the end of the period:

	30.06.2018	31.12.2017
	kCHF	kCHF
Value of Mandatory Convertible Note at the beginning of the period	**16'500.0**	**-**
Face value of Mandatory Convertible Loans	-	-
Equity component of Mandatory Convertible Note	-	16'500.0
Conversion of MCN (05/06/2018)	-16'500.0	-
Value of Mandatory Convertible Note at the end of the period	**-**	**16'500.0**

Warrants

On 31 October 2013, the Company issued to Talisman Infrastructure International Ltd, 832'827 Series A Warrants and 594'876 Series B Warrants as compensation for non-regulated services rendered to the Company in connection with capital raising from Precept. No Warrants have been exercised in 1H 2018.

Number of Warrants	**Date**	**Series A**	**Series B**
At 1 January 2015		832'827	594'876
Exercice	15.06.2015	-100'000	-
Exercice	23.07.2015	-150'000	-
Exercice	08.10.2015	-100'000	-
Exercice	17.11.2015	-160'000	-
At 31 December 2015	**31.12.2015**	**322'827**	**594'876**
Exercice	15.06.2016	-100'000	-
At 31 December 2016	**31.12.2016**	**222'827**	**594'876**
Exercice	21.03.2017	-222'827	-
At 31 December 2017	**31.12.2017**	**-**	**594'876**
Exercice		-	-
At 30 June 2018	**30.06.2018**	**-**	**594'876**

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

			30.06.2018			**30.06.2017**
	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	303'148	640'390	943'538
Exercice of Warrants	-	-	-	-303'148	-	-303'148
At the end of the period	-	640'390	640'390	-	640'390	640'390

15. NET DEBT RECONCILIATION

	30.06.2018	**31.12.2017**
	kCHF	kCHF
Cash and cash equivalents	2'894.4	6'635.4
Convertible loans - repayable within one year	-	-14'995.3
Convertible loans - repayable after one year	-46'456.0	-7'663.5
Loans - repayable within one year	-100.0	-100.0
Loans - repayable after one year	-6'321.0	-3'365.1
Net Debt	**-49'982.6**	**-19'488.6**
Cash and liquid investments	2'894.4	6'635.4
Gross debt - fixed interest rates	-52'877.0	-26'124.0
Gross debt - variable interest rates	-	
Net Debt	**-49'982.6**	**-19'488.6**

	Cash and cash equivalents	Convertible loans - repayable within one year	Convertible loans - repayable after one year	Borrowings - repayable within one year	Borrowings - repayable after one year	**Total**
	kCHF	kCHF	kCHF	kCHF	kCHF	**kCHF**
Net Debt as at 1 January 2017	4'544.6	-21'814.6	-	-500.0	-	**-17'770.0**
Cash-flows	2'264.1	-44'623.3	-	75.0	-2'703.5	**-44'987.7**
Debt converted to equity	-	28'123.3	-	-	-	**28'123.3**
Embedded derivative / Equity componer	-	17'128.1	-	-	-	**17'128.1**
Accrued interest	-	-1'773.0	-	-	-132.2	**-1'905.2**
Maturity date of debt extended	-	7'663.5	-7'663.5	325.0	-325.0	**-**
Foreign exchange adjustments	-173.3	-	-	-	-220.1	**-393.4**
Other non cash movements	-	300.7	-	-	15.8	**316.4**
Net Debt as at 31 December 2017	**6'635.4**	**-14'995.4**	**-7'663.5**	**-100.0**	**-3'365.1**	**-19'488.5**
Cash-flows	-3'748.2	-	-31'000.0	50.0	-3'000.0	**-37'698.2**
Debt converted to equity				-	-	**-**
Embedded derivative / Equity component			7'689.9	-	-	**7'689.9**
Accrued interest			-487.1	-	-	**-487.1**
Maturity date of debt extended		14'995.4	-14'995.4	-50.0	50.0	**-**
Foreign exchange adjustments	7.2			-	-13.7	**-6.5**
Other non cash movements				-	7.8	**7.8**
Net Debt as at 30 June 2018	**2'894.4**	**-**	**-46'456.0**	**-100.0**	**-6'321.0**	**-49'982.6**

16. FINANCIAL INSTRUMENTS

Categories of financial instruments

	FVTPL	**Amortised cost**
Trade and other receivables		X
Cash and cash equivalents		X
Other financial assets	X	X
Derivative financial instruments	X	
Borrowings / Convertible Loan		X
Trade and other payables		X

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments.

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 levels during the year.

	30.06.2018	31.12.2017
	kCHF	kCHF
Financial assets		
Trade and other receivables	46'643.9	32'806.9
Cash and cash equivalents	2'894.4	6'635.4
Other financial assets	2'100.5	1'557.4
Total financial assets	**51'638.8**	**40'999.7**
Financial liabilities		
Borrowings	6'421.0	3'465.1
Convertible loans (Level 3)	46'456.0	22'658.9
Embedded derivatives (Level 3)	8'364.1	2'244.6
Trade and other payables	29'661.1	20'332.1
Total financial liabilities	**90'902.2**	**48'700.7**
Net financial position	**-39'263.4**	**-7'701.0**

Embedded derivatives

Movements in embedded derivatives are as follows:

	2018	2017
	kCHF	kCHF
At 1 January	2'244.6	1'616.5
Embedded derivatives disposed	-2'244.6	-1'616.5
Embedded derivatives acquired	9'299.5	2'329.7
Unrealised gain on embedded derivatives	-935.4	-85.1
At 30 June	**8'364.1**	**2'244.6**

Recognised fair value measurement

The significant unobservable input used to fair value the Convertible loans (level 3) was the market interest rate (20%).

Due to their current nature, the carrying amount of the financial assets and financial liabilities is deemed to be representative of their fair value. In 2018, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities. In 2018, there were no reclassifications of financial assets.

17. CONTINGENT LIABILITY

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 conditional to the completion of a capital raise by Leclanché of at least kCHF 25,000.0. Although Leclanché is of the opinion that this condition has not been met in 2017, ads-tec thinks the contrary. Consequently, in management's opinion, there is a risk that ads-tec initiates a legal action to claim damages for a potential loss of margin due to the non-production of Lot 3.

18. RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties.

Key management compensation

The compensation paid and accrued for to key management is shown below:

	30.06.2018	30.06.2017
	kCHF	kCHF
Salaries and other short-term employee benefits	1'160.6	1'523.6
Share-based payments	303.8	348.8
Total	**1'464.4**	**1'872.4**

Related parties

There is no change in related parties compared to year end 2016.

Transactions

	30.06.2018	30.06.2017
	kCHF	kCHF
Sales of goods and services:		
- to Marengo	-	132.8
- to Emrol	-	17.2
	-	**150.0**
Other operating expenses purchased:		
- from Golden Partner	1'000.0	-
- from Emrol	3.4	0.4
	1'003.4	**0.4**
Finance costs		
- from Golden Partner/FEFAM	695.9	82.5
	695.9	**82.5**

Period-end balances

	30.06.2018	31.12.2017
	kCHF	kCHF
Included in current assets:		
- short term loan from Marengo	784.4	771.3
- short term loan from FEFAM	160.0	160.0
- receivable from Marengo	4'467.9	3'509.7
- receivable from Emrol	0.5	-
	5'412.8	**4'441.0**
Included in current and non-current liabilities:		
- trade and other payables due to Golden Partner	-	-
- bridge loan due to FEFAM	3'046.0	3'365.1
- other loans due to FEFAM & Golden Partner	59'432.4	11'373.6
- trade and other payables due to Silveron	341.1	366.5
- trade and other payables due to Emrol	-	-
	62'819.5	**15'105.2**

19. EARNINGS PER SHARE

	30.06.2018	30.06.2017
	kCHF	kCHF
Net loss attributable to ordinary equity holders of the parent	-25'163.4	-11'909.6

	30.06.2018	30.06.2017
Weighted average number of ordinary shares in issue	71'271'430	48'565'904

	30.06.2018	30.06.2017
Earnings per share	CHF	CHF
- basic	-0.35	-0.25
- diluted	-0.35	-0.25

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.

20. SUBSEQUENT EVENTS

Convertible loans

As part of the Funding Agreement signed on 15 February 2018, the Company has drawn down on 20 July 2018 a convertible loan of CHF 5,000,000.

In addition, not included in the aforementioned Funding Agreement, a convertible loan was provided by FEFAM to the Company in the amount of CHF 4’000’000 on 10 August 2018 under a certain financing arrangement between the Company and FEFAM which grants FEFAM a right of first refusal (but no obligation) with respect to the provision of funds required for M&A and joint venture projects and performance bonds of the Company of up to CHF 50m (the arrangement of 16 March 2018 as amended on 10 August 2018 the "FEFAM ROFO Agreement").
On 5 September 2018, an additional amount of CHF 3’600’000 has been draw-down as part of the FEFAM ROFO Agreement.

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