

Leclanché SA
Interim report 2009

Consolidated income statements for the period ended June 30, 2009 and 2008
(unaudited)

| | Notes | 30.06.2009 CHF | 30.06.2008 CHF |
|--|-------|-------------------|-------------------|
| Sales of goods and services | | 5'656'009 | 5'787'913 |
| Other income | | 545'577 | 665'620 |
| Revenue | | 6'201'586 | 6'453'533 |
| Raw materials and consumables used | | -2'668'325 | -2'206'732 |
| Personnel costs | | -3'457'332 | -2'791'842 |
| Depreciation and amortization expense | | -661'458 | -582'498 |
| Other operating expenses | | -2'772'456 | -2'343'593 |
| Fair value adjustment of investment property | 5 | - | 3'399'000 |
| Finance costs | | -7'194 | -139'695 |
| Finance income | | 44'312 | 134'071 |
| Profit / (loss) before tax for the period | | -3'320'867 | 1'922'243 |
| Income tax | | 9'535 | 182'645 |
| Profit / (loss) for the period | | -3'311'332 | 2'104'888 |
| Attributable to : | | | |
| Equity holders of the parent | | -3'311'332 | 2'104'888 |
| Minority interests | | - | - |
| | | -3'311'332 | 2'104'888 |
| Earnings per share | | | |
| - basic | | -19.55 | 12.43 |
| - diluted | | -19.55 | 12.43 |

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

Consolidated statements of comprehensive income for the period ended June 30, 2009 and 2008 (unaudited)

| | 30.06.2009 | 30.06.2008 |
|---|------------|------------|
| | CHF | CHF |
| (Loss) / profit for the period | -3'311'332 | 2'104'888 |
| Other comprehensive income | | |
| Actuarial gain / (loss) on post employment benefit obligations | 1'881'416 | -4'416'090 |
| Income tax relating to components of other comprehensive income | -432'726 | 1'015'701 |
| Currency translation differences | 69'768 | 43'968 |
| Other comprehensive income for the period, net of tax | 1'518'458 | -3'356'421 |
| Total comprehensive loss for the period | -1'792'873 | -1'251'534 |
| Attributable to: | | |
| - Equity holders of the company | -1'792'873 | -1'251'534 |
| - Minority interest | - | - |

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

Consolidated balance sheets at June 30, 2009, December 31, 2008 and June 30, 2008 (unaudited)

| | Notes | 30.06.2009 CHF | 31.12.2008 CHF | 30.06.2008 CHF |
|--|-------|--------------------------|--------------------------|--------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant & equipment | | 5'195'622 | 4'336'397 | 4'354'455 |
| Investment properties | 5 | - | 6'000'000 | 4'729'175 |
| Intangible assets | | 6'514'885 | 6'811'281 | 7'095'176 |
| Other financial asset | | 187'500 | 187'500 | - |
| Defined benefit pension asset | | 866'682 | - | 4'376'708 |
| Deferred income tax asset | | 997'977 | 1'479'982 | 256'998 |
| | | <u>13'762'666</u> | <u>18'815'160</u> | <u>20'812'512</u> |
| Current assets | | | | |
| Inventories | | 3'235'640 | 2'818'643 | 2'515'893 |
| Trade and other receivables | | 3'513'146 | 3'570'568 | 5'057'201 |
| Marketable securities | | 573'969 | 563'141 | 592'131 |
| Cash and short-term deposits | | 480'376 | 3'844'132 | 4'488'767 |
| | | <u>7'803'131</u> | <u>10'796'484</u> | <u>12'653'992</u> |
| Assets of disposal group classified as held for sale | 5 | 6'000'000 | - | 4'225'000 |
| | | <u>13'803'131</u> | <u>10'796'484</u> | <u>16'878'992</u> |
| TOTAL ASSETS | | <u><u>27'565'797</u></u> | <u><u>29'611'644</u></u> | <u><u>37'691'504</u></u> |
| EQUITY AND LIABILITIES | | | | |
| Equity attributable to equity holders of the parent | | | | |
| Issued share capital | | 8'470'000 | 8'470'000 | 8'470'000 |
| Share premium | | 4'235'000 | 4'235'000 | 4'235'000 |
| Other reserves | | 16'800'586 | 30'043'296 | 30'043'296 |
| Translation reserve | | -367'879 | -437'647 | 114'346 |
| Actuarial loss on post-employment benefit obligations | | -9'906'751 | -11'788'167 | -6'256'394 |
| Retained earnings / (Accumulated losses) | | 2'790'161 | -6'708'493 | -7'856'842 |
| Total Equity | | <u>22'021'117</u> | <u>23'813'989</u> | <u>28'749'405</u> |
| Non-current liabilities | | | | |
| Deferred income tax liability | | 2'076'334 | 2'135'148 | 2'594'420 |
| Provisions | | 400'000 | 250'000 | 250'000 |
| Defined benefit pension liability | | - | 973'275 | - |
| | | <u>2'476'334</u> | <u>3'358'423</u> | <u>2'844'420</u> |
| Current liabilities | | | | |
| Trade and other payables | | 3'068'347 | 2'439'231 | 3'070'295 |
| Interest-bearing loans and borrowings | | - | - | 3'027'384 |
| | | <u>3'068'347</u> | <u>2'439'231</u> | <u>6'097'679</u> |
| Total Liabilities | | <u>5'544'681</u> | <u>5'797'654</u> | <u>8'942'099</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>27'565'797</u></u> | <u><u>29'611'644</u></u> | <u><u>37'691'504</u></u> |

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

Consolidated statement of changes in equity (unaudited)

| | Attributable to equity holders of the company | | | | | | | Total |
|---|---|------------------|-------------------|---------------------|--|---|--|-------------------|
| | Issued share capital | Share premium | Other reserves | Translation reserve | Actuarial loss / (gain) on post-employment benefit obligations | Income tax relating to components of other comprehensive income | (Accumulated losses) / Retained Earnings | |
| | CHF | CHF | CHF | CHF | CHF | CHF | CHF | |
| Balance at 1 January 2008 | 8'470'000 | 4'235'000 | 30'043'296 | 70'378 | -1'840'304 | - | -10'977'431 | 30'000'939 |
| Total comprehensive loss for the period | - | - | - | 43'968 | -4'416'090 | 1'015'701 | 2'104'888 | -1'251'534 |
| Balance at 30 June 2008 | <u>8'470'000</u> | <u>4'235'000</u> | <u>30'043'296</u> | <u>114'346</u> | <u>-6'256'394</u> | <u>1'015'701</u> | <u>-8'872'542</u> | <u>28'749'405</u> |
| Balance at 1 January 2009 | 8'470'000 | 4'235'000 | 30'043'296 | -437'647 | -11'788'167 | 3'303'709 | -10'012'202 | 23'813'989 |
| Total comprehensive loss for the period | - | - | - | 69'768 | 1'881'416 | -432'726 | -3'311'332 | -1'792'873 |
| Offset of accumulated losses as per shareholders' meeting decision of June 26, 2009 | - | - | -13'242'710 | - | - | - | 13'242'710 | - |
| Balance at 30 June 2009 | <u>8'470'000</u> | <u>4'235'000</u> | <u>16'800'586</u> | <u>-367'879</u> | <u>-9'906'751</u> | <u>2'870'983</u> | <u>-80'824</u> | <u>22'021'117</u> |

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

consolidated statement of cash flows for the period ended June 30, 2009 and 2008
(unaudited)

| | 30.06.2009 | 30.06.2008 |
|--|-------------------|-------------------|
| | <u>CHF</u> | <u>CHF</u> |
| Operating activities | | |
| Loss / (profit) before tax | -3'320'867 | 1'922'243 |
| Non cash adjustments: | | |
| Depreciation of property, plant and equipment | 365'062 | 298'603 |
| Amortization of intangible assets | 296'396 | 283'895 |
| Non-realized foreign exchange differences | 71'807 | 43'968 |
| Increase in fair value of investment properties | - | -3'399'000 |
| Interest expense | 560 | 119'239 |
| Interest income | -7'002 | -85'501 |
| Movement in provisions | 150'000 | - |
| Pension cost | 41'458 | -411'993 |
| Working capital adjustments: | | |
| In/Decrease in trade and other receivables | 57'422 | -1'681'097 |
| In/Decrease in inventories | -416'997 | -169'980 |
| In/Decrease in trade and other payables | 629'116 | 591'495 |
| Net cash flows used in operating activities | -2'133'044 | -2'488'129 |
| Investing activities | | |
| Purchase of marketable securities | -10'828 | - |
| Purchase of property, plant and equipment | -1'224'287 | -3'024'108 |
| Proceeds from disposal group classified as held for sale | - | 12'000'000 |
| Interest received | 7'002 | 85'501 |
| Net cash from / (used in) investing activities | -1'228'113 | 9'061'393 |
| Financing activities | | |
| Repayment of borrowings | - | -2'731'735 |
| Interest paid | -560 | -119'239 |
| Net cash from / (used in) financing activities | -560 | -2'850'974 |
| Increase / Decrease in cash and cash equivalent | -3'361'716 | 3'722'290 |
| Cash and cash equivalent at 1 January | 3'844'132 | 766'477 |
| Cash and cash equivalent at 30 June | 480'376 | 4'488'767 |
| Effect of exchange rate changes | 2'040 | - |
| Variation | -3'361'716 | 3'722'290 |

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 June 30, 2009 (unaudited)

1. GENERAL INFORMATION

The unaudited consolidated financial statements of Leclanché SA ('the Group') for the half-year ended 30 June 2009 were authorised for issue in accordance with a resolution of the Board of Directors on 8 September 2009. Leclanché SA is a limited company incorporated 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 2009 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed consolidated interim financial statements (unaudited) should be read in conjunction with the annual financial statements for the year ended 31 December 2008, 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 adopted are consistent with those of the annual financial statements for the year ended December 31, 2008, with the exception of the adoption of IAS 1 (Presentation of financial statements), and IFRS 8 (Operating Segments) as of January 1, 2009. IFRS 8 requires a 'management approach' under which segment information is presented on the same basis as that used for the internal reporting purposes. This has resulted in amending the segment 'Unallocated', and changing it to 'Real Estate'.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive committee that makes strategic decisions.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- IAS 23 (amendment), 'Borrowing costs'.
- IFRS 2 (amendment), 'Share-based payment'.
- IAS 32 (amendment), 'Financial instruments: Presentation'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

In 2008 the Group has adopted IFRIC14, 'IAS 19: - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Following the introduction of IFRIC 14, the Group has elected to recognise actuarial gains and losses directly in equity, as permitted by IAS 19 'Employees Benefits' and applied this reporting form for the first time at 31 December 2008. Consequently values as of 30.6.2008 have been restated:

Consolidated income statements:

| | 30.06.2008 Interim Report | Differences | 30.06.2008 Restated | Comments |
|--|------------------------------|----------------|------------------------|----------|
| | CHF | CHF | CHF | |
| Sales of goods and services | 5'787'913 | - | 5'787'913 | |
| Other income | 665'620 | - | 665'620 | |
| | <u>6'453'533</u> | <u>-</u> | <u>6'453'533</u> | |
| Raw materials and consumables used | -2'206'732 | - | -2'206'732 | |
| Personnel costs | -3'203'835 | 411'993 | -2'791'842 | 1) |
| Depreciation and amortization expense | -582'498 | - | -582'498 | |
| Other operating expenses | -2'343'593 | - | -2'343'593 | |
| Fair value adjustment of investment property | 3'399'000 | - | 3'399'000 | |
| Finance costs | -139'695 | - | -139'695 | |
| Finance income | 134'071 | - | 134'071 | |
| Profit / (loss) before tax for the period | <u>1'510'250</u> | <u>411'993</u> | <u>1'922'243</u> | |
| Income tax | - | 182'645 | 182'645 | 2) |
| Profit / (loss) for the period | <u>1'510'250</u> | <u>594'638</u> | <u>2'104'888</u> | |
| Earnings per share | | | | |
| - basic | 8.92 | | 12.43 | |
| - diluted | 8.92 | | 12.43 | |

1) Net benefit income from application of IFRIC 14 CHF 411'993

2) Deferred income taxes on defined benefit pension asset CHF -94'758 and variation DTA / DTL CHF 277'403

Consolidated balance sheet:

| | 30.06.2008 Interim Report | Differences | 30.06.2008 Restated | Comments |
|--|------------------------------|------------------|------------------------|----------|
| | CHF | CHF | CHF | |
| Non-current assets | 19'051'165 | 1'761'347 | 20'812'512 | 1) |
| Current assets | 12'653'992 | - | 12'653'992 | |
| Assets of disposal group classified as held for sale | 4'225'000 | - | 4'225'000 | |
| TOTAL ASSETS | 35'930'157 | 1'761'347 | 37'691'504 | |
| Total Equity | 26'939'436 | 1'809'969 | 28'749'405 | |
| Non-current liabilities | 2'893'042 | -48'622 | 2'844'420 | 2) |
| Current liabilities | 6'097'679 | - | 6'097'679 | |
| Total Liabilities | 8'990'721 | -48'622 | 8'942'099 | |
| TOTAL EQUITY AND LIABILITIES | 35'930'157 | 1'761'347 | 37'691'504 | |

1) Relates to 31.12.2007 and 30.06.2008 defined benefit pension asset CHF 2'539'208 and to 31.12.2007 and 30.06.2008 deferred income tax asset CHF -777'861

2) Relates to 31.12.2007 and 30.06.2008 deferred income tax liability CHF -48'622

4. SEGMENT INFORMATION

From a product perspective, management assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, and depreciation (EBIT). This measurement excludes the effects of non-operating expenses, such as restructuring costs and non-operating income, as well as revenue from investment property. Impact on personnel costs related to IAS 19 / IFRIC 14, depreciation of patents & licences and finance revenue & costs are not included in the result for each operating segment that is reviewed by the executive committee.

The operating business is organised in 4 segments:

‘Integration’ conceives, develops and carries out turn-key solutions for storage of portable electric power calling upon innovating technologies for specific applications.

‘Distribution’ commercializes batteries, car batteries as well as accessories such as flashlights and small chargers.

‘Lithium’ produces lithium polymer cells for high end applications.

‘Real Estate’ rents out the historical site of Leclanché SA, Avenue de Grandson 48, Yverdon-les-Bains.

Business Segments

| | Integration | | Distribution | | Lithium | | Real Estate | | Total | |
|----------------|-------------|------------|--------------|------------|------------|------------|-------------|------------|------------|------------|
| | 30.06.2009 | 30.06.2008 | 30.06.2009 | 30.06.2008 | 30.06.2009 | 30.06.2008 | 30.06.2009 | 30.06.2008 | 30.06.2009 | 30.06.2008 |
| Revenue | | | | | | | | | | |
| External sales | 2'897'830 | 2'941'334 | 2'730'522 | 2'726'479 | 188'661 | 248'298 | 384'573 | 537'422 | 6'201'586 | 6'453'533 |
| | 2'897'830 | 2'941'334 | 2'730'522 | 2'726'479 | 188'661 | 248'298 | 384'573 | 537'422 | 6'201'586 | 6'453'533 |
| Results | | | | | | | | | | |
| EBIT | -984'011 | -291'017 | 178'244 | -1'365 | -1'954'904 | -1'222'836 | -156'426 | -75'581 | -2'917'097 | -1'590'798 |

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

| | 30.06.2009 | 30.06.2008 |
|--|------------|------------|
| Adjusted EBIT for reportable segments | -2'917'097 | -1'590'798 |
| Patents and licences depreciation | -246'395 | -246'395 |
| Personnel costs IAS 19 / IFRIC 14 | -41'459 | 41'993 |
| Finance revenue | 44'312 | 134'071 |
| Finance costs | -7'194 | -139'695 |
| Revenue from investment property | - | 3'399'000 |
| Other non operating income | 69'725 | 42'220 |
| Other non operating expenses | -222'759 | -88'153 |
| Profit before income tax | -3'320'867 | 1'922'243 |

5. ASSETS HELD FOR SALE

As of 30 June 2009, 'Investment properties' with a fair value of CHF 6'000'000 (31.12.2008: CHF 6'000'000) have been transferred to 'Assets of disposal group classified as held for sale', as Leclanché is in the process of selling the remaining part of real estate. It is highly probable that the transaction will be completed before the end of the year.

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Disclaimer

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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.