

Leclanché SA
Interim report 2008

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MESSAGE FROM THE BOARD OF DIRECTORS

Dear shareholders,

During the first half of 2008, profitability of Leclanché's operative business has been substantially improved due to a better product mix and despite the fact that revenues have decreased compared to the first half of 2007. Leclanché has supported extraordinary one-off costs related to the move in its new building at the Avenue des Sports in Yverdon-les-Bains and the finalization of the implementation of the new ERP system (Navision).

Leclanché has left and rent to third parties its old historical site. This parcel belonging to its real estate heritage has therefore been reclassified to investment property and revaluated following its economical profitability.

Highlights first half year 2008

- Move to the new site at the Avenue des Sports in Yverdon-les-Bains in a modern building emphasising and supporting the renewal and technological change of Leclanché. This transfer allows Leclanché to generate funds through the sale of its real estate.
- Investment of CHF 2.4 million in machinery and equipment to increase the capacity of production for small and large cells to fulfil future customer orders and requirements.
- A sales contract has been signed to sell the non-built parcel representing 9'012 sqm, rue Edouard-Verdan, to Jacques Leuba SA et consorts for an amount of CHF 4.225 million in the 2nd half of 2008.
- Appointment of Dario Bello, 32, as new CFO. Dario Bello was Finance Controller of a manufacturing subsidiary of the Group Johnson & Johnson in Neuchâtel and worked previously with Syngenta AG at the headquarters in Basel, holding various positions in Finance Department.

Key figures 30.6.2008**Consolidated key figures (CHF '000)**

	30.06.2008	30.06.2007
Revenue from continuing operations	6'453.5	7'168.6
EBIT from continuing operations	1'515.9	-1'078.8
EBITDA from continuing operations	2'098.4	-499.5
Profit / (loss) for the period from continuing operations	1'510.3	-1'149.9
Profit / (loss) from a discontinued operation	0.0	28.0
Profit / (loss) for the period	1'510.3	-1'121.9
<hr/>		
Earnings per share [CHF]	8.92	-6.62
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	30.06.2008	31.12.2007
Equity	26'939.4	25'385.2
Equity %	75.0%	69.4%

Outlook second half year 2008

- We expect a second half of 2008 better than the first half from a revenue perspective through the impulsion of the Business Units Integration and Leclanché Lithium.
- Following the repositioning strategy of Leclanché the focus of the management will be on the conclusion of development contracts of lithium-ion polymer accumulators for electric cars and its following industrialisation.
- Further strengthening of the Tech-Center in Yverdon-les-Bains

Stefan Müller
Chairman

Dr. Raoul Sautebin
Executive Board Member and CEO

Leclanché SA

Interim condensed consolidated
financial statements 2008 (unaudited)

Consolidated income statements for the periods ended June 30, 2008 and 2007
(unaudited)

	Notes	30.06.2008 CHF	30.06.2007 CHF
Continuing operations			
Sales of goods		5'787'913	6'685'590
Other income	5.1	665'620	483'047
Revenue		6'453'533	7'168'637
Raw materials and consumables used		-2'206'732	-2'888'019
Personnel costs		-3'203'835	-3'070'306
Depreciation and amortization expense		-582'498	-579'264
Other operating expenses	5.2	-2'343'593	-1'707'369
Change in provisions		-	968'890
Exceptional income and expenses		-	-2'465
Restructuring costs		-	-968'890
Revenue from investment property	6	3'399'000	-
Finance costs		-139'695	-133'884
Finance revenue		134'071	83'285
Profit / (loss) before tax for the period from continuing operations		1'510'250	-1'129'384
Income tax		-	-20'548
Profit / (loss) for the period from continuing operations		1'510'250	-1'149'932
Discontinued operation			
Profit / (loss) after tax for the period from a discontinued operation		-	28'032
Profit / (loss) for the period		1'510'250	-1'121'900
Attributable to :			
Equity holders of the company		1'510'250	-1'121'900
Minority interest		-	-
		1'510'250	-1'121'900
Earnings per share			
- basic		8.92	-6.62
- diluted		8.92	-6.62
Earnings per share from continuing operations			
- basic		8.92	-6.79
- diluted		8.92	-6.79

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

Consolidated balance sheets at June 30, 2008 and December 31, 2007 (unaudited)

	Notes	30.06.2008 CHF	31.12.2007 CHF
ASSETS			
Non-current assets			
Property, plant & equipment		4'354'455	3'807'124
Investment properties	6	4'729'175	3'377'000
Intangible assets		7'095'176	7'379'071
Financial asset (pre-paid contributions)		1'837'500	1'837'500
Deferred tax asset		1'034'859	1'084'138
		<u>19'051'165</u>	<u>17'484'833</u>
Current assets			
Inventories		2'515'893	2'345'913
Trade and other receivables		5'057'201	3'376'104
Investment portfolio		592'131	592'131
Cash and short-term deposits		4'488'767	766'477
		<u>12'653'992</u>	<u>7'080'625</u>
Assets of disposal group classified as held for sale		4'225'000	12'000'000
		<u>16'878'992</u>	<u>19'080'625</u>
TOTAL ASSETS		<u>35'930'157</u>	<u>36'565'458</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the company			
Issued share capital		8'470'000	8'470'000
Additional paid-in capital		4'235'000	4'235'000
Capital reserves		30'043'296	30'043'296
Translation reserve		114'346	70'378
Accumulated losses		-15'923'205	-17'433'455
Total Equity		<u>26'939'436</u>	<u>25'385'218</u>
Non-current liabilities			
Deferred tax liability		2'643'042	2'692'321
Provisions		250'000	250'000
		<u>2'893'042</u>	<u>2'942'321</u>
Current liabilities			
Trade and other payables		3'070'295	2'478'800
Interest-bearing loans and borrowings	7	3'027'384	5'759'119
		<u>6'097'679</u>	<u>8'237'919</u>
Total Liabilities		<u>8'990'721</u>	<u>11'180'240</u>
TOTAL EQUITY AND LIABILITIES		<u>35'930'157</u>	<u>36'565'458</u>

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

Consolidated cash flow statements for the period ended June 30, 2008 and 2007
(unaudited)

		30.06.2008	30.06.2007
	Notes	CHF	CHF
Operating activities			
Profit / (loss) before tax from continuing operations		1'510'250	-1'149'932
Profit / (loss) before tax from discontinuing operations		-	28'032
Non cash adjustments :			
Depreciation and impairment of property, plant and equipment		298'603	579'264
Amortization and impairment of intangible assets		283'895	-154'974
Non-realized foreign exchange differences		43'968	-29'378
Gain on disposal of investment portfolio		-	7'712
Increase in fair value of investment properties		-3'399'000	-
Interest expense		119'239	74'969
Interest income		-85'501	-
Movement in provisions		-	-1'116'873
Working capital adjustments :			
In/Decrease in trade and other receivables		-1'681'097	-75'095
In/Decrease in inventories		-169'980	201'937
In/Decrease in trade and other payables		591'495	-332'483
Net cash used in operating activities		-2'488'129	-1'966'822
Investing activities			
Proceeds from disposal of battery business		-	800'000
Proceeds from sale of investment portfolio		-	-137'751
Purchase of property, plant and equipment		-3'024'108	-318'570
Proceeds from disposal group classified as held for sale		12'000'000	-
Interest received		85'501	-
Net cash from investing activities		9'061'393	343'679
Financing activities			
Repayment of borrowings	7	-2'731'735	71'960
Proceeds from borrowings		-	1'045'814
Interest paid		-119'239	-74'969
Net cash from / used in financing activities		-2'850'974	1'042'805
Increase / Decrease in cash and cash equivalent		3'722'290	-580'339
Cash and cash equivalent at 1 January		766'477	1'082'298
Cash and cash equivalent at 30 June		4'488'767	501'958
Variation		3'722'290	-580'339

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	Additional paid-in capital	Capital reserves	Accumulated losses	Translation reserve	Other reserves	
	CHF	CHF	CHF	CHF	CHF	CHF	
At 1 January 2007	8'470'000	4'235'000	30'043'296	-17'648'375	51'055	-	25'150'975
Currency translation differences	-	-	22'262	-	-51'641	-	-29'378
Net income / (expense) recognised directly in equity	-	-	22'262	-	-51'641	-	-29'378
Loss of the period	-	-	-	-1'121'900	-	-	-1'121'900
Total recognised income / (expense) for the period	-	-	22'262	-1'121'900	-51'641	-	-1'151'278
Issue of share capital	-	-	-	-	-	-	-
At 30 June 2007	8'470'000	4'235'000	30'065'558	-18'770'275	-586	-	23'999'697
At 1 January 2008	8'470'000	4'235'000	30'043'296	-17'433'455	70'378	-	25'385'218
Currency translation differences	-	-	-	-	43'968	-	43'968
Net income / (expense) recognised directly in equity	-	-	-	-	43'968	-	43'968
Profit of the period	-	-	-	1'510'250	-	-	1'510'250
Total recognised income / (expense) for the period	-	-	-	1'510'250	43'968	-	1'554'218
Issue of share capital	-	-	-	-	-	-	-
At 30 June 2008	8'470'000	4'235'000	30'043'296	-15'923'205	114'346	-	26'939'436

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, 2008 (unaudited)

1. GENERAL INFORMATION

The consolidated financial statements of Leclanché SA ('the Group') for the half-year ended 30 June 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 18 July 2008. 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 2008 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 2007, which have been prepared in accordance with IFRS.

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

Due to a certain seasonal nature of the business unit Distribution, slightly higher revenues and operating profits are usually expected in the second half of the year. This is mainly due to strong sales in the months of September to December relating to the above-average Christmas season.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2007, with the exception of the adoption of IFRIC 11 (IFRS 2 Group and Treasury Share Transactions), IFRIC 12 (Service Concession Arrangements), and IFRIC 14 (IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) as of January 1, 2008. The adoption of these interpretations had no effect on the interim financial statements.

4. SEGMENT INFORMATION (continued)

Business Segments

	Integration		Distribution		Lithium		Unallocated		Total continuing operations	
	30.06.2008	30.06.2007	30.06.2008	30.06.2007	30.06.2008	30.06.2007	30.06.2008	30.06.2007	30.06.2008	30.06.2007
Revenue										
External sales	2'941'334	3'341'883	2'726'479	3'094'662	248'298	226'737	537'422	505'355	6'453'533	7'168'637
	2'941'334	3'341'883	2'726'479	3'094'662	248'298	226'737	537'422	505'355	6'453'533	7'168'637
Results										
Segment results	388'482	80'612	567'904	4'784	-950'719	-1'193'789	1'370'512	-41'539	1'376'179	-1'149'932
Finance Revenue							134'071	83'285	134'071	83'285
Profit/(Loss) before tax									1'510'250	-1'129'384
Income tax								-20'548		-20'548
Net profit for the period									1'510'250	-1'149'932

5. OTHER REVENUES AND EXPENSES

5.1 OTHER INCOME

As of 30.6.2008 other income of CHF 665'620 (30.6.2007: CHF 483'047) includes rental income of CHF 515'913 (30.06.2007: CHF 483'047). The Group is renting an increasing part of its empty spaces at its former headquarters' site since 2006.

5.2 OTHER OPERATING EXPENSES

As of 30.6.2008 other operating expenses of CHF 2'343'593 (30.6.2007: CHF 1'707'369) includes consulting costs of CHF 591'597 (30.6.2007: CHF 197'849), and moving costs to the new building of CHF 190'967 (30.6.2007: CHF 0). The increase in consulting costs is due to further improvement of the ERP system (Navision) and implementation of a new Group reporting. In April 2008 Leclanché SA left its old site at Avenue Grandson and moved to the new building at Avenue des Sports in Yverdon.

6. INVESTMENT PROPERTIES

Investment properties are stated at fair value. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

	<u>30.06.2008</u>	<u>30.06.2007</u>
	CHF	CHF
Opening balance	3'377'000	8'000'000
Transfer	2'178'175	-
Fair value adjustment	3'399'000	-
Assets held for sale	-4'225'000	-
Closing balance	<u>4'729'175</u>	<u>8'000'000</u>

As of 30 June 2008, land & buildings with a fair value of CHF 4'255'000 (31.12.2007: CHF 3'377'000) which have been transferred to "Assets of disposal group classified as held for sale" are pledged to secure Group's bank borrowings up to a maximum of CHF 3'000'000.

7. INTEREST-BEARING LOANS AND BORROWINGS

	Effective interest rate %	Maturity	<u>30.06.2008</u>	<u>31.12.2007</u>	<u>30.06.2007</u>
			CHF	CHF	CHF
Current					
3.700% Fixed term advance	3.700%	Jun 2008	3'000'000	3'000'000	3'000'000
4.680% Fixed term advance	4.680%	Jun 2008	-	1'000'000	1'000'000
4.710% Fixed term advance	4.710%	Apr 2008	-	1'000'000	-
4.620% Fixed term advance	4.620%	Jan 2008	-	500'000	-
5.000% Fixed term advance	4.500%	Jul 2007	-	-	500'000
Credit line on current account			27'384	259'119	-
			<u>3'027'384</u>	<u>5'759'119</u>	<u>4'500'000</u>

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Disclaimer

This document contains forward-looking statements, including, but not limited to, statements that are predicated on or indicate future events, trends, plans or objectives.

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.