



Life Energy Motion



Financial Half Year Report
20 | 21

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LEM Group

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Interim consolidated statement of financial position

Assets

in CHF thousands	Notes	30.9.2020	31.3.2020
Current assets			
Cash and cash equivalents		16'381	19'243
Accounts receivable		59'795	58'256
Inventories		35'215	33'764
Income tax receivable	12	1'553	1'332
Other current assets		3'161	2'828
Total current assets		116'105	115'423
Noncurrent assets			
Property, plant and equipment		47'515	45'155
Right-of-use assets		5'378	5'962
Intangible assets		4'296	4'474
Deferred tax assets	12	57'054	58'277
Other noncurrent assets		922	1'023
Total noncurrent assets		115'164	114'891
Total assets		231'269	230'313

Liabilities and equity

in CHF thousands	Notes	30.9.2020	31.3.2020
Current liabilities			
Accounts payable		18'759	22'116
Accrued expenses		22'446	25'331
Lease liabilities		1'489	1'629
Income tax payable	12	30'257	36'692
Current provisions	7	954	2'288
Interest-bearing loans and borrowings	8	45'000	9'000
Other current liabilities		780	916
Total current liabilities		119'686	97'971
Noncurrent liabilities			
Noncurrent lease liabilities		4'115	4'514
Noncurrent provisions	7	1'129	148
Deferred tax liabilities	12	3'766	3'020
Other noncurrent liabilities	9	10'508	7'297
Total noncurrent liabilities		19'518	14'979
Total liabilities		139'205	112'950
Equity			
Share capital		570	570
Treasury shares	10	(980)	(581)
Reserves	10	5'050	5'082
Retained earnings	10	87'426	112'292
Total equity		92'065	117'363
Total liabilities and equity		231'269	230'313

Interim consolidated income statement

	Notes	April to September	
		2020/21	2019/20
in CHF thousands			
Sales		144'078	159'054
Cost of goods sold		(78'557)	(84'722)
Gross margin		65'521	74'333
Sales expenses		(12'823)	(14'581)
Administration expenses		(12'495)	(13'747)
Research & development expenses		(12'972)	(14'334)
Other income		1'113	90
Operating profit	11	28'344	31'762
Financial expenses		(186)	(357)
Financial income		85	108
Exchange effect		109	(1'189)
Profit before taxes		28'351	30'323
Income taxes	12	(4'955)	(5'233)
Net profit		23'395	25'089
Earnings per share, in CHF		20.53	22.02
Basic & diluted earnings per share			

Interim consolidated statement of comprehensive income

	Notes	April to September	
		2020/21	2019/20
in CHF thousands			
Net profit for the period recognized in the income statement		23'395	25'089
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Currency translation difference		(489)	(4'647)
Income tax		57	312
Total other comprehensive income to be reclassified to profit and loss in subsequent periods		(432)	(4'335)
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Remeasurement gains/(losses) on defined benefit plans	9	(3'055)	(6'225)
Income tax		428	679
Total other comprehensive income not to be reclassified to profit and loss in subsequent periods		(2'627)	(5'546)
Other comprehensive income/(loss) for the period, net of tax		(3'059)	(9'881)
Total comprehensive income for the period		20'336	15'208

Interim consolidated statement of changes in equity

Attributable to shareholders

in CHF thousands	Notes	Share capital	Treasury shares	Capital reserve	Translation reserve	Retained earnings	Total equity
1 April 2019		570	(983)	12'926	(1'310)	101'922	113'125
Net profit for the period						25'089	25'089
Other comprehensive income/(loss)					(4'335)	(5'546)	(9'881)
<i>Total comprehensive income</i>					(4'335)	19'543	15'208
Dividends paid	10					(47'855)	(47'855)
Movement in treasury shares	10		(88)	88		(59)	(59)
30 September 2019		570	(1'070)	13'013	(5'645)	73'550	80'418
1 April 2020		570	(581)	12'524	(7'441)	112'292	117'363
Net profit for the period						23'395	23'395
Other comprehensive income/(loss)					(432)	(2'627)	(3'059)
<i>Total comprehensive income</i>					(432)	20'768	20'336
Dividends paid	10					(45'580)	(45'580)
Movement in treasury shares	10		(399)	399		(55)	(55)
30 September 2020		570	(980)	12'923	(7'874)	87'426	92'065

Interim consolidated cash flow statement

	Notes	April to September	
		2020/21	2019/20
in CHF thousands			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes		28'351	30'323
Adjustment for noncash items		7'294	8'494
Interest received/paid and taxes paid		(9'230)	(3'581)
Cash flow before changes in net working capital		26'414	35'236
Cash flow from changes in net working capital		(12'048)	(5'290)
Cash flow from operating activities		14'366	29'946
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in fixed assets		(6'647)	(6'253)
Investment in intangible assets		(91)	(81)
Increase in other assets		(74)	(298)
Decrease in other assets		207	140
Cash flow from investing activities		(6'605)	(6'492)
CASH FLOW FROM FINANCING ACTIVITIES			
Treasury shares acquired	10	(4'878)	(4'338)
Treasury shares divested	10	4'824	4'278
Payment of lease liabilities		(830)	(2'205)
Dividends paid to the shareholders of LEM HOLDING SA	10	(45'580)	(47'855)
Increase in financial liabilities	8	83'000	60'500
Decrease in financial liabilities	8	(47'000)	(28'500)
Cash flow from financing activities		(10'465)	(18'120)
Change in cash and cash equivalents		(2'704)	5'334
Cash and cash equivalents at the beginning of the period		19'243	12'538
Exchange effect on cash and cash equivalents		(158)	(749)
Cash and cash equivalents at the end of the period		16'381	17'123

Notes to the interim consolidated financial statements

1. General information

LEM Group (the Group) is a leading company in electrical measurement. LEM engineers best-in-class solutions for energy and mobility, ensuring that its customers' systems are optimized, reliable and safe.

The parent company of LEM Group is LEM HOLDING SA (the Company), which is a limited company incorporated in Switzerland. Following the move of LEM HOLDING SA head-office on 9 June 2020, the new registered office is Chemin des Aulx 8, 1228 Plan-les-Ouates.

2. Significant accounting principles

These unaudited consolidated financial statements for the six months ended on 30 September 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". They do not include all the information and disclosures presented in the annual consolidated financial statements and should therefore be read in conjunction with those for the year ended 31 March 2020.

The accounting and valuation policies are consistent with those applied in preparing the annual consolidated financial statements for the year 2019/20.

The preparation of the interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and related disclosures at the date of the interim financial statements. These estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future. However, actual results could differ from those estimates.

The financial information is presented in thousands of CHF. The totals are calculated with the original unit amounts, which could lead to rounding differences. These differences in thousands of units are not changed in order to keep the accuracy of the original data.

Several standards have been amended with effect from January 1, 2020, which have no material impact on Group's Financial Statements. These include "Definition of a Business" (Amendments to IFRS 3), "Definition of Material" (Amendments to IAS 1 and IAS 8) and "Interest Rate Benchmark Reform" (Amendments to IFRS 9, IAS 39 and IFRS 7).

Notes to the interim consolidated financial statements

3. Exchange rates

The exchange rates for the most significant currencies are as follows:

Currency	Income statement of 2020/21	Income statement of 2019/20	Balance sheet 30.9.2020	Balance sheet 31.3.2020
	Average rate in CHF	Average rate in CHF	Half-year rate in CHF	Year-end rate in CHF
BGN	0.546	0.568	0.552	0.541
CNY	0.134	0.144	0.135	0.136
DKK	0.143	0.149	0.145	0.142
EUR	1.068	1.112	1.080	1.059
GBP	1.192	1.252	1.186	1.191
JPY	0.0088	0.0092	0.0087	0.0089
MYR	0.221	N/A	0.221	0.223
RUB	0.013	0.015	0.012	0.012
USD	0.942	0.994	0.921	0.963

4. Changes in scope of consolidation

On 18 June 2020, LEM International SA and LEM Switzerland SA merged with retroactive effective date as of 1 April 2020.

5. Segment information

Business segment information

in CHF thousands	Industry		Automotive		LEM Group	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Sales	112'601	123'936	31'477	35'118	144'078	159'054
EBIT	24'393	27'532	3'950	4'230	28'344	31'762

6. Revenue information

Regional information

in CHF thousands	Industry		Automotive		LEM Group	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Sales						
China	41'830	39'989	12'362	14'721	54'192	54'710
Europe	39'088	45'584	3'650	2'641	42'738	48'225
North America	10'861	13'648	3'300	5'727	14'161	19'375
Rest of World	20'822	24'716	12'165	12'029	32'987	36'745
Total	112'601	123'936	31'477	35'118	144'078	159'054

Notes to the interim consolidated financial statements

Geographical information

in CHF thousands	China		USA		Germany		Japan	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Sales	54'192	54'710	13'341	18'245	14'277	15'608	11'647	13'840

in CHF thousands	Italy		Switzerland		Rest of the world		LEM Group	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Sales	4'140	5'436	1'696	1'809	44'784	49'407	144'078	159'054

7. Current and noncurrent provisions

Warranty and customer claims

Provisions for warranty and customer claims have been estimated based on past experience and the risk assessment of management. The warranty provision is expected to be used over the next five years.

At 30 September 2020, the provisions decreased by CHF 0.4 million.

Litigations and consumption taxes

Despite the care that LEM applies in the separation process with personnel, such separation may result in legal conflicts. The Group will defend its case and management estimates the reasonable risk to be adequately provided for.

The Company operates in multiple jurisdictions with complex legal and tax regulatory environments. In the frame of the continuous improvement of its processes and systems, LEM has reviewed the consumption taxes in several countries. It has appeared that some of LEM's subsidiaries may not have been fully compliant with their local consumption tax regulations. As a consequence, LEM has estimated consumption tax provisions according to management best judgment. Some of these positions are inherently uncertain and include the interpretation of local regulations applied to complex transactions.

8. Current financial liabilities

LEM Group increased its financial short-term liabilities to CHF 45.0 million (CHF 9.0 million at 31 March 2020) via short-term credit lines in order to finance the CHF 45.6 million dividend payment of June 2020.

9. Other noncurrent liabilities

The increase of the noncurrent liabilities is mainly linked to the increase of the retirement benefit obligations due to the discount rate decrease from 0.6% to 0.25%, slightly compensated by the increase of the fair value of plan assets of CHF 1.8 million impacting the other comprehensive income by CHF 3.1 million on a pre-tax basis. At 30 September 2020, the fair value of plan assets is lower than the defined benefit obligations resulting in a net pension liability of CHF 9.0 million.

Notes to the interim consolidated financial statements

10. Equity

At the shareholders' meeting held in Fribourg on 9 June 2020, the shareholders approved the distribution of an ordinary dividend of CHF 40.00 per share resulting in an estimated payout of CHF 45.6 million. The gross dividend effectively paid on 18 June 2020 amounted to CHF 45.6 million (prior year: ordinary dividend of CHF 42.00; total of CHF 47.9 million).

In the frame of its market-making contract, LEM holds own shares. At 30 September 2020, the Group held 574 shares (31 March 2020: 556).

11. Operating profit

Our sales decreased by -9.4% to CHF 144.1 million in the first half of 2020/21; at constant exchange rates, this represents a sales decrease of -4.4%.

Our gross margin stood at 45.5%, slightly down from 46.7% in the first half of 2020/21, with an EBIT amounting to CHF 28.3 million (decrease of -10.8% in the first half of 2020/21). Our operating profit margin for the first six months of 2020/21 was 19.7%, compared with 20.0% a year earlier. The challenging economic environment reduced sales volumes, impacting the operating profit in value. In the meantime, the operational expenses were strictly controlled enabling the profitability to remain stable.

Notes to the interim consolidated financial statements

12. Income taxes

Income tax expense is calculated based on the best estimate of the applicable annual income tax rate expected for the full year.

The Group operates in multiple jurisdictions with complex legal and tax regulatory environments. In certain of these jurisdictions, the Group has taken income tax positions that management believes are supportable and are intended to withstand challenge by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions. The Company periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions are based on management's best judgment given any changes in the facts, circumstances, information available and applicable tax laws. Considering all available information and the history of resolving income tax uncertainties, the Group believes that the ultimate resolution of such matters will not have a material effect on its financial statements.

Differences between the final tax outcome and the amounts that were initially recorded impact the income and deferred taxes in the period in which such determinations are made. The Group calculates its expected average tax rate as a weighted average of the tax rates in the tax jurisdictions in which the Group operates.

At 17.5%, the tax rate remains fairly stable compared to the first half-year 2019/20.

In 2019/20, the intellectual property from LEM Intellectual Property SA based in Fribourg was transferred to LEM International SA based in Geneva and to LEM Electronics China Co. Ltd generated additional income taxes which have been partially paid during the period for an amount of CHF 6.4 million.

Notes to the interim consolidated financial statements

13. Financial assets and liabilities

Financial assets

in CHF thousands	30.9.2020 Fair value	31.3.2020 Fair value	Amortized cost	At fair value through profit and loss
Cash and cash equivalents	16'381	19'243	X	
Accounts receivable	59'795	58'256	X	
Derivative financial instruments – current	180	320		X
Other current financial assets	75	13	X	
Other noncurrent financial assets	869	1'023	X	
Total	77'300	78'855		

Financial liabilities

in CHF thousands	30.9.2020 Fair value	31.3.2020 Fair value	Other finan- cial liabilities	At fair value through profit and loss
Accounts payable	18'759	22'116	X	
Accrued expenses	22'446	25'331	X	
Lease liability	5'604	6'143	X	
Other current financial liabilities	45'000	9'000	X	
Total	91'809	62'589		

Changes in liabilities arising from financing activities

in CHF thousands	1.4.2019	Cash impact	Cash flows (Outflow)	Non-cash impact	Currency effect	30.9.2019
		Cash flows Inflow		Fair value changes and Others		
Interest-bearing loans and borrowings	8'000	60'500	(28'500)			40'000
Derivative financial instruments	168			64		232
Total	8'168	60'500	(28'500)	64		40'232

in CHF thousands	1.4.2020	Cash impact	Cash flows (Outflow)	Non-cash impact	Currency effect	30.9.2020
		Cash flows Inflow		Fair value changes and Others		
Interest-bearing loans and borrowings	9'000	83'000	(47'000)			45'000
Derivative financial instruments	(320)			140		(180)
Total	8'680	83'000	(47'000)	140		44'820

Notes to the interim consolidated financial statements

The management assessed that fair value level of cash and cash equivalents, accounts receivables, other current and non-current assets, accounts payables, accrued expenses and other current and noncurrent liabilities that are not measured at fair value approximate their carrying amounts in view of their short-term nature and are consequently not separately disclosed.

The Group enters into derivative transactions such as currency risk reversal and forward contracts to hedge the USD, EUR and JPY risks.

The purpose of these currency hedges is to manage the currency risks arising from the Group's operations.

It is the Group's policy that no derivatives for speculative purposes shall be entered into.

The main risks arising from the Group's financial instruments are foreign currency risks and credit risks, whereas the others are of minor or no impact.

The Board of Directors reviews and agrees policies for managing each of those risks.

The Group's financial assets at fair value amount to CHF 180 thousand per 30 September 2020 (financial assets of CHF 320 thousand per 31 March 2020), all classified under level 2.

During the last reporting period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

14. Events after the balance sheet date

The Board of Directors and Senior Management are not aware of any significant events up to the date of approval of the interim consolidated financial statements on 29 October 2020 that would require an adjustment in carrying amounts of the Group's assets and liabilities.

Notes to the interim consolidated financial statements

Financial calendar

The financial year runs from 1 April to 31 March

4 February 2021	Third-quarter results 2020/21
19 May 2021	Year-end results 2020/21
24 June 2021	Annual General Meeting of Shareholders for the financial year 2020/21
1 July 2021	Dividend ex-date
6 July 2021	Dividend payment date

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