



Life Energy Motion



Financial Half Year Report
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LEM Group

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Interim consolidated statement of financial position

Assets

in CHF thousands	Notes	30.9.2021	31.3.2021
Current assets			
Cash and cash equivalents		26'748	22'418
Accounts receivable		78'498	72'259
Inventories		41'826	41'735
Income tax receivable	11	3'167	2'456
Other current assets		4'864	2'950
Total current assets		155'104	141'818
Noncurrent assets			
Property, plant and equipment		51'496	50'387
Right-of-use assets		6'274	7'253
Intangible assets		4'146	4'326
Deferred tax assets	11	56'764	59'741
Other noncurrent assets		768	848
Total noncurrent assets		119'448	122'555
Total assets		274'551	264'373

Liabilities and equity

in CHF thousands	Notes	30.9.2021	31.3.2021
Current liabilities			
Accounts payable		28'618	27'092
Accrued expenses		27'776	28'852
Lease liabilities		2'813	3'458
Income tax payable	11	5'160	31'027
Current provisions	6	1'102	889
Interest-bearing loans and borrowings	7	72'100	24'000
Other current liabilities		2'415	2'281
Total current liabilities		139'984	117'599
Noncurrent liabilities			
Noncurrent lease liabilities		3'680	3'905
Noncurrent provisions	6	1'362	1'386
Deferred tax liabilities	11	3'943	3'409
Other noncurrent liabilities	8	2'285	6'175
Total noncurrent liabilities		11'270	14'875
Total liabilities		151'254	132'474
Equity			
Share capital		570	570
Treasury shares	9	(1'316)	(1'156)
Reserves	9	10'083	9'181
Retained earnings	9	113'961	123'304
Total equity		123'298	131'899
Total liabilities and equity		274'551	264'373

Interim consolidated income statement

	Notes	April to September	
		2021/22	2020/21
in CHF thousands			
Sales		183'665	144'078
Cost of goods sold		(98'066)	(78'557)
Gross margin		85'600	65'521
Sales expenses		(14'109)	(12'823)
Administration expenses		(14'251)	(12'495)
Research & development expenses		(15'216)	(12'972)
Other income		90	1'113
Operating profit	10	42'114	28'344
Financial expenses		(226)	(186)
Financial income		177	85
Foreign currency exchange effect		(329)	109
Profit before taxes		41'736	28'351
Income taxes	11	(6'551)	(4'955)
Net profit		35'185	23'395
Earnings per share, in CHF		30.87	20.53
Basic & diluted earnings per share			

The accompanying notes are integral part of the interim consolidated financial statements.

Interim consolidated statement of comprehensive income

	Notes	April to September	
		2021/22	2020/21
in CHF thousands			
Net profit for the period recognized in the income statement		35'185	23'395
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Currency translation difference		795	(489)
Income tax		(53)	57
Total other comprehensive income to be reclassified to profit and loss in subsequent periods		742	(432)
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Remeasurement gains/(losses) on defined benefit plans	8	3'905	(3'055)
Income tax		(518)	428
Total other comprehensive income not to be reclassified to profit and loss in subsequent periods		3'387	(2'627)
Other comprehensive income/(loss) for the period, net of tax		4'129	(3'059)
Total comprehensive income for the period		39'314	20'336

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 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	9					(45'580)	(45'580)
Movement in treasury shares	9		(399)	399		(55)	(55)
30 September 2020		570	(980)	12'923	(7'874)	87'426	92'065
1 April 2021		570	(1'156)	13'099	(3'917)	123'304	131'899
Net profit for the period						35'185	35'185
Other comprehensive income/(loss)					742	3'387	4'129
<i>Total comprehensive income</i>					742	38'572	39'314
Dividends paid	9					(47'858)	(47'858)
Movement in treasury shares	9		(160)	160		(57)	(57)
30 September 2021		570	(1'316)	13'259	(3'175)	113'961	123'298

Interim consolidated cash flow statement

	Notes	April to September	
		2021/22	2020/21
in CHF thousands			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes		41'736	28'351
Adjustment for noncash items		8'127	7'294
Interest received/paid and taxes paid	11	(30'035)	(9'230)
Cash flow before changes in net working capital		19'828	26'414
Cash flow from changes in net working capital		(7'976)	(12'048)
Cash flow from operating activities		11'853	14'366
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in fixed assets		(6'783)	(6'647)
Investment in intangible assets		(76)	(91)
Increase in other assets		(53)	(74)
Decrease in other assets		131	207
Cash flow from investing activities		(6'781)	(6'605)
CASH FLOW FROM FINANCING ACTIVITIES			
Treasury shares acquired	9	(7'215)	(4'878)
Treasury shares divested	9	7'158	4'824
Payment of lease liabilities		(1'165)	(830)
Dividends paid to the shareholders of LEM HOLDING SA	9	(47'858)	(45'580)
Increase in financial liabilities	7	67'200	83'000
Decrease in financial liabilities	7	(19'100)	(47'000)
Cash flow from financing activities		(980)	(10'465)
Change in cash and cash equivalents		4'092	(2'704)
Cash and cash equivalents at the beginning of the period		22'418	19'243
Exchange effect on cash and cash equivalents		238	(158)
Cash and cash equivalents at the end of the period		26'748	16'381

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.

2. Significant accounting principles

These unaudited consolidated financial statements for the six months ended on 30 September 2021 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 2021.

The accounting and valuation policies are consistent with those applied in preparing the annual consolidated financial statements for the year 2020/21.

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 Swiss Francs (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.

Amendments in IFRS, effective as of January 2021, did not have a material impact on the consolidated interim financial statements. The Group has not adopted early any standard or amendment that has been issued but is not yet effective.

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 2021/22	Income statement of 2020/21	Balance sheet 30.9.2021	Balance sheet 31.3.2021
	Average rate in CHF	Average rate in CHF	Half-year rate in CHF	Year-end rate in CHF
BGN	0.557	0.546	0.553	0.566
CNY	0.141	0.134	0.145	0.144
DKK	0.147	0.143	0.145	0.149
EUR	1.090	1.068	1.082	1.106
GBP	1.270	1.192	1.257	1.298
JPY	0.0083	0.0088	0.0084	0.0085
MYR	0.220	0.221	0.223	0.227
RUB	0.012	0.013	0.013	0.012
USD	0.914	0.942	0.934	0.943

4. Segment information

Business segment information

in CHF thousands	Industry		Automotive		LEM Group	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Sales	143'586	112'601	40'080	31'477	183'665	144'078
EBIT	37'645	24'393	4'469	3'950	42'114	28'344

Notes to the interim consolidated financial statements

5. Revenue information

Regional information

in CHF thousands	Industry		Automotive		LEM Group	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Sales						
China	50'305	41'830	19'625	12'362	69'930	54'192
Europe	52'522	39'088	4'688	3'650	57'210	42'738
North America	13'133	10'861	3'718	3'300	16'851	14'161
Rest of World	27'627	20'822	12'049	12'165	39'675	32'987
Total	143'586	112'601	40'080	31'477	183'665	144'078

Geographical information

in CHF thousands	China		USA		Germany		Japan	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Sales	69'930	54'192	15'824	13'341	18'071	14'277	14'282	11'647

in CHF thousands	Italy		Switzerland		Other countries		LEM Group	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Sales	7'151	4'140	2'088	1'696	56'319	44'784	183'665	144'078

Notes to the interim consolidated financial statements

6. 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 2021, the provisions decreased by CHF 0.3 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.

7. Current financial liabilities

LEM Group increased its financial short-term liabilities to CHF 72.1 million (CHF 24.0 million at 31 March 2021) via short-term credit lines in order to finance the CHF 47.9 million dividend payment of July 2021.

8. Other noncurrent liabilities

The decrease of the noncurrent liabilities is mainly linked to the significant increase of the fair value of plan assets by CHF 4.1 million, impacting the other comprehensive income by CHF 3.9 million on a pre-tax basis and resulting from a high return on assets.

The slight increase of the retirement benefit obligations is mainly due to the discount rate decrease from 0.3% to 0.2%.

At 30 September 2021, the fair value of plan assets is lower than the defined benefit obligations resulting in a net pension liability of CHF 0.4 million.

9. Equity

At the shareholders' meeting held in Geneva on 24 June 2021, the shareholders approved the distribution of an ordinary dividend of CHF 42.00 per share resulting in an estimated payout of CHF 47.9 million. The gross dividend effectively paid on 6 July 2021 amounted to CHF 47.9 million (prior year: ordinary dividend of CHF 40.00; total CHF 45.6 million).

In the frame of its market-making contract, LEM holds its own shares. At 30 September 2021, the Group held 577 shares (31 March 2021: 608).

10. Operating profit

Our sales increased by +27.5% to CHF 183.7 million in the first half of 2021/22; at constant exchange rates, this represents a sales increase of +25.4%.

Our gross margin stood at 46.6%, slightly up from 45.5% in the first half of 2021/22, with an EBIT amounting to CHF 42.1 million (increase of +48.6% in the first half of 2021/22). Our operating profit margin for the first six months of 2021/22 was 22.9%, compared with 19.7% a year earlier.

Notes to the interim consolidated financial statements

11. 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 15.7%, the tax rate slightly decreased compared to the first half-year 2020/21.

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 and generated additional income taxes which have been fully paid during this half year 2021/22 for an amount of CHF 26.6 million.

Notes to the interim consolidated financial statements

12. Financial assets and liabilities

Financial assets

in CHF thousands	30.9.2021 Book value	31.3.2021 Book value	Amortized cost	At fair value through profit and loss
Cash and cash equivalents	26'748	22'418	X	
Accounts receivable	78'498	72'259	X	
Derivative financial instruments – current	74	10		X
Other current financial assets	141	94	X	
Other noncurrent financial assets	768	848	X	
Total	106'229	95'629		

Financial liabilities

in CHF thousands	30.9.2021 Book value	31.3.2021 Book value	Other finan- cial liabilities	At fair value through profit and loss
Accounts payable	28'618	27'092	X	
Accrued expenses	27'776	28'852	X	
Derivative financial instruments – current	195	823		X
Other current financial liabilities	72'100	24'000	X	
Total	128'689	80'767		

Changes in liabilities arising from financing activities

in CHF thousands	1.4.2020	Cash flows Inflow	Cash impact Cash flows (Outflow)	Non-cash impact Fair value changes and Others	30.9.2020
Interest-bearing loans and borrowings	9'000	83'000	(47'000)		45'000
Total	9'000	83'000	(47'000)		45'000

in CHF thousands	1.4.2021	Cash flows Inflow	Cash impact Cash flows (Outflow)	Non-cash impact Fair value changes and Others	30.9.2021
Interest-bearing loans and borrowings	24'000	67'200	(19'100)		72'100
Total	24'000	67'200	(19'100)		72'100

Notes to the interim consolidated financial statements

The management assessed that the fair value level of cash and cash equivalents, accounts receivables, other current and noncurrent 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 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 net financial liabilities at fair value amount to CHF 121 thousand per 30 September 2021 (net financial liabilities of CHF 813 thousand per 31 March 2021), 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.

13. 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 3 November 2021 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 2022	Third-quarter results 2021/22
24 May 2022	Full-year results 2021/22
30 June 2022	Annual General Meeting of Shareholders for the financial year 2021/22
5 July 2022	Dividend ex-date
7 July 2022	Dividend payment date

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