



Life Energy Motion



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Interim consolidated statement of financial position

Assets

in CHF thousands	Notes	30.9.2019	31.3.2019
Current assets			
Cash and cash equivalents		17'123	12'538
Accounts receivable		66'145	68'651
Inventories		35'802	39'211
Income tax receivable	10	761	2'571
Other current assets		2'554	2'226
Total current assets		122'386	125'197
Noncurrent assets			
Property, plant and equipment		42'413	42'209
Right-of-use assets	2	8'469	
Intangible assets		4'678	5'178
Deferred tax assets	10	13'060	13'494
Other noncurrent assets		1'147	1'036
Total noncurrent assets		69'767	61'916
Total assets		192'153	187'113

Liabilities and equity

in CHF thousands	Notes	30.9.2019	31.3.2019
Current liabilities			
Accounts payable		19'420	22'760
Accrued expenses		21'184	26'047
Lease liabilities	2	3'194	
Income tax payable	10	4'902	5'253
Current provisions	5	1'416	1'778
Interest-bearing loans and borrowings	6	40'000	8'000
Other current liabilities		1'035	660
Total current liabilities		91'151	64'498
Noncurrent liabilities			
Noncurrent lease liabilities	2	5'466	
Noncurrent provisions	5	1'799	1'980
Deferred tax liabilities	10	3'065	3'559
Other noncurrent liabilities	7	10'255	3'951
Total noncurrent liabilities		20'584	9'490
Total liabilities		111'735	73'988
Equity			
Share capital		570	570
Treasury shares	8	(1'070)	(983)
Reserves	8	7'368	11'616
Retained earnings	8	73'550	101'922
Total equity		80'418	113'125
Total liabilities and equity		192'153	187'113

Interim consolidated income statement

	Notes	April to September	
		2019/20	2018/19
in CHF thousands			
Sales		159'054	168'982
Cost of goods sold		(84'722)	(91'375)
Gross margin		74'333	77'607
Sales expenses		(14'581)	(15'296)
Administration expense		(13'747)	(13'824)
Research & development expenses		(14'334)	(13'067)
Other expenses		(0)	0
Other income		90	133
Operating profit	9	31'762	35'553
Financial expenses		(357)	(112)
Financial income		108	55
Foreign currency exchange effect		(1'189)	(1'047)
Profit before taxes		30'323	34'449
Income taxes	10	(5'233)	(7'120)
Net profit		25'089	27'329
Earnings per share, in CHF		22.02	23.99
Basic & diluted earnings per share			

Interim consolidated statement of comprehensive income

	April to September	
	2019/20	2018/19
in CHF thousands		
Net profit for the period recognized in the income statement	25'089	27'329
Other comprehensive income to be reclassified to profit and loss in subsequent periods		
Currency translation difference	(4'647)	(3'806)
Income tax	312	575
Total other comprehensive income to be reclassified to profit and loss in subsequent periods	(4'335)	(3'231)
Other comprehensive income not to be reclassified to profit and loss in subsequent periods		
Remeasurement gains/(losses) on defined benefit plans	(6'225)	2'584
Income tax	679	(549)
Total other comprehensive income not to be reclassified to profit and loss in subsequent periods	(5'546)	2'035
Other comprehensive income/(loss) for the period, net of tax	(9'881)	(1'196)
Total comprehensive income for the period	15'208	26'133

Interim consolidated statement of changes in equity

Attributable to shareholders

	Notes	Share capital	Treasury shares	Capital reserve	Translation reserve	Retained earnings	Total equity
in CHF thousands							
1 April 2018 Restated		570	(1'091)	13'034	(37)	99'101	111'577
Net profit for the period						27'329	27'329
Other comprehensive income/(loss)					(3'231)	2'035	(1'196)
<i>Total comprehensive income</i>					(3'231)	29'364	26'133
Dividends paid	8					(45'561)	(45'561)
Movement in treasury shares	8		17	(17)		(335)	(335)
30 September 2018 Restated		570	(1'074)	13'017	(3'268)	82'569	91'814
1 April 2019		570	(983)	12'926	(1'310)	101'922	113'125
Net profit for the year						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	8					(47'855)	(47'855)
Movement in treasury shares	8		(88)	88		(59)	(59)
30 September 2019		570	(1'070)	13'013	(5'645)	73'550	80'418

Interim consolidated cash flow statement

	Notes	April to September	
		2019/20	2018/19
in CHF thousands			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes		30'323	34'449
Adjustment for noncash items		8'494	7'997
Interest received/paid and taxes paid		(3'581)	(9'447)
Cash flow before changes in net working capital		35'236	32'999
Cash flow from changes in net working capital		(5'290)	(10'589)
Cash flow from operating activities		29'946	22'409
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in fixed assets		(6'253)	(7'033)
Investment in intangible assets		(81)	(110)
Increase in other assets		(298)	(126)
Decrease in other assets		140	166
Cash flow from investing activities		(6'492)	(7'104)
CASH FLOW FROM FINANCING ACTIVITIES			
Treasury shares acquired	8	(4'338)	(6'160)
Treasury shares divested	8	4'278	5'825
Payment of lease liabilities	2	(2'205)	
Dividends paid to the shareholders of LEM Holding SA	8	(47'855)	(45'561)
Increase in financial liabilities	6	45'000	52'000
Decrease in financial liabilities	6	(13'000)	(17'000)
Cash flow from financing activities		(18'120)	(10'896)
Change in cash and cash equivalents		5'334	4'409
Cash and cash equivalents at the beginning of the period		12'538	17'630
Exchange effect on cash and cash equivalents		(749)	(1'127)
Cash and cash equivalents at the end of the period		17'123	20'913

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.

2. Significant accounting principles

These unaudited consolidated financial statements for the six months ended on 30 September 2019 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 2019.

The accounting and valuation policies are consistent with those applied in preparing the annual consolidated financial statements for the year 2018/19, except as revised by the newly effective accounting standards/interpretations listed below.

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.

In 2019/20, LEM Group introduced the following new standards and interpretations:

Standard or interpretation	Title	Impact	Effective date
IFRS 16	Leases	See below	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	None	1 January 2019

Notes to the interim consolidated financial statements

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model comparable to finance leases under IAS 17.

The standard includes two recognition exemptions for lessees: leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee recognizes a liability measured at the present value of future lease payments using an incremental borrowing rate (i.e., the lease liability) and a corresponding asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lease liabilities are thereafter recorded at amortized cost whereas right-of-use assets are depreciated on a straight-line basis over the lease term. Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Adoption of IFRS 16

The Group applied the new standard using the modified retrospective approach. As a consequence, the cumulative impact of the adoption was recognized in retained earnings at 1 April 2019, and comparative figures were not restated.

The Group used the exemptions proposed by the standard on:

- lease contracts for which the lease term ends within 12 months as of the date of initial application, and
- lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., printing and photocopying machines) that are considered of low value.

The first-time application of IFRS 16 led to the recognition of a lease liability of CHF 10.8 million and a right-of-use asset of CHF 10.8 million. All right-of-use assets are measured at an amount equal to the lease liability at transition. Furthermore, the IFRS 16 adoption generated the following impacts in the first half-year 2019/20 compared to the first half-year 2018/19:

- operating expenses decrease of CHF 0.1 million;
- financial expenses increase of CHF 0.2 million;
- cash flow from operating activities increase of CHF 2.4 million
- cash flow from financing activities decrease of CHF 2.2 million: operating lease payments were replaced by the payment of the principal portion of the lease liability, which is now reported as a cash outflow in the cash flow from financing activities. Interests paid on lease liabilities are part of interest paid included in the cash flow from operating activities.

Notes to the interim consolidated financial statements

The following table summarizes the impact of the adoption of the new standard:

Assets

in CHF thousands	31.3.2019	IFRS 16 adoption	1.4.2019 restated
Current assets			
Cash and cash equivalents	12'538		12'538
Accounts receivable	68'651		68'651
Inventories	39'211		39'211
Income tax receivable	2'571		2'571
Other current assets	2'226		2'226
Total current assets	125'197		125'197
Noncurrent assets			
Property, plant and equipment	42'209		42'209
Right-of-use assets		10'811	10'811
Intangible assets	5'178		5'178
Deferred tax assets	13'494		13'494
Other noncurrent assets	1'036		1'036
Total noncurrent assets	61'916	10'811	72'727
Total assets	187'113	10'811	197'924

Liabilities and equity

in CHF thousands	31.3.2019	IFRS 16 adoption	1.4.2019 restated
Current liabilities			
Accounts payable	22'760		22'760
Accrued expenses	26'047		26'047
Lease liabilities		4'568	4'568
Income tax payable	5'253		5'253
Current provisions	1'778		1'778
Interest-bearing loans and borrowings	8'000		8'000
Other current liabilities	660		660
Total current liabilities	64'498	4'568	69'066
Noncurrent liabilities			
Noncurrent lease liabilities		6'243	6'243
Noncurrent provisions	1'980		1'980
Deferred tax liabilities	3'559		3'559
Other noncurrent liabilities	3'951		3'951
Total noncurrent liabilities	9'490	6'243	15'733
Total liabilities	73'988	10'811	84'799

Notes to the interim consolidated financial statements

Equity

Share capital	570	570
Treasury shares	(983)	(983)
Reserves	11'616	11'616
Retained earnings	101'922	101'922
Total equity	113'125	113'125

Total liabilities and equity

Total liabilities and equity	187'113	10'811	197'924
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The following table provides a reconciliation between the operating lease commitments as presented in the note 24. of the Group consolidated financial statements at 31 March 2019 and the lease liabilities recognized in the frame of IFRS 16 implementation at 1 April 2019:

in CHF thousands	
Non-cancellable lease payments as of March 31, 2019	11'139
Lease payments for short-term and low value leases	-440
Reassessment of extension options	1'054
Lease liabilities as of April 1, 2019 – undiscounted	11'753
Effect of discounting	-942
Lease liabilities as of April 1, 2019 – discounted	10'811

The estimated increase of assets/liabilities presented in the annual report at 31 March 2019 was CHF 18.5 million. The difference of CHF 7.7 million with the above CHF 10.8 million impact at 1 April 2019 is a consequence of a reassessment of extension options included in the leasing contracts.

The following table summarizes the principal exchange rates that have been used in the translation process.

Currency	Income statement of 2019/20	Income statement of 2018/19	Var in %	Balance sheet 30.9.2019	Balance sheet 31.3.2019	Var in %
	Average rate in CHF	Average rate in CHF		Half-year rate in CHF	Year-end rate in CHF	
BGN	0.568	0.592	-4.1	0.555	0.571	-2.8
CNY	0.144	0.149	-3.4	0.139	0.148	-6.1
DKK	0.149	0.155	-3.9	0.145	0.150	-3.3
EUR	1.112	1.158	-4.0	1.086	1.116	-2.7
GBP	1.252	1.309	-4.4	1.223	1.296	-5.6
JPY	0.0092	0.0089	+3.4	0.0092	0.0090	+2.2
RUB	0.015	0.015	+0.0	0.015	0.015	+0.0
USD	0.994	0.983	+1.1	0.995	0.995	+0.0

Notes to the interim consolidated financial statements

3. Segment information

Business segment information

in CHF thousands	Industry		Automotive		LEM Group	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Sales	123'936	131'580	35'118	37'401	159'054	168'982
EBIT	27'532	28'805	4'230	6'748	31'762	35'553

4. Revenue information

Regional information

in CHF thousands	Industry		Automotive		LEM Group	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Sales						
Europe	45'584	50'927	2'641	2'175	48'225	53'102
North America	13'648	14'546	5'727	8'418	19'375	22'964
China	39'989	39'332	14'721	18'157	54'710	57'489
Rest Of the World	24'716	26'776	12'029	8'651	36'745	35'427
Total	123'936	131'580	35'118	37'401	159'054	168'982

Geographical information

in CHF thousands	China		USA		Germany		Japan	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Sales	54'710	57'489	18'245	21'953	15'608	19'969	13'840	13'931

in CHF thousands	Italy		Switzerland		Rest of the world		LEM Group	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Sales	5'436	5'907	1'809	1'872	49'407	47'861	159'054	168'982

Notes to the interim consolidated financial statements

5. 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 2019, the provisions decreased by CHF 0.5m.

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.

6. Current financial liabilities

LEM Group increased its financial short-term liabilities to CHF 40.0 million (CHF 8.0 million at 31 March 2019) via short-term credit lines in order to finance the CHF 47.9 million dividend payment of July 2019.

7. 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 0.0%, slightly compensated by the increase of the fair value of plan assets of CHF 2.9 million impacting the other comprehensive income by CHF 6.2 million on a pre-tax basis. At 30 September 2019, the fair value of plan assets is lower than the defined benefit obligations resulting in a net pension liability of CHF 8.4 million.

8. Equity

At the shareholders' meeting held in Fribourg on 25 June 2019, 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 2 July 2019 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 own shares. At 30 September 2019, the Group held 864 shares (31 March 2019: 795).

9. Operating profit

Our sales decreased by -5.9% to CHF 159.1 million in the first half of 2019/20; at constant exchange rates, this represents a sales decrease of -4.0%.

Our gross margin stood at 46.7%, slightly up from 45.9% in the first half of 2018/19, while EBIT amounted to CHF 31.8 million, a decrease of -10.7% on the first half of 2019/20. Our operating profit margin for the first six months of 2019/20 was 20.0%, compared with 21.0% 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.

Sales and operating profit are traditionally slightly lower during the second half of the fiscal year due to a lower number of working days (Christmas, Chinese New Year).

Notes to the interim consolidated financial statements

10. 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.

The decrease in tax rate to 17.3% from 20.7% is mainly linked to the High New Technology Enterprise certificate granted to LEM Electronics China (Co.) Ltd in the second half of the 2018/19 financial year.

11. Consolidated cash flow statement

In order to finance the CHF 47.9 million dividend payment the financial liabilities were increased by CHF 32.0 million via our bank credit lines.

Notes to the interim consolidated financial statements

12. Financial assets and liabilities

Financial assets

in CHF thousands	30.9.2019 Fair value	31.3.2019 Fair value	Amortized cost	At fair value through profit and lost
Cash and cash equivalents	17'123	12'538	X	
Accounts receivable	66'145	68'651	X	
Other current financial assets	74	80	X	
Other noncurrent financial assets	1'147	1'036	X	
Total	84'489	82'304		

Financial liabilities

in CHF thousands	30.9.2019 Fair value	31.3.2019 Fair value	Other finan- cial liabilities	At fair value through profit and lost
Accounts payable	19'420	22'760	X	
Accrued expenses	21'184	26'047	X	
Derivative financial instruments – current	232	168		X
Other current financial liabilities	40'000	8'000	X	
Other noncurrent financial liabilities	0	14	X	
Total	80'836	56'989		

Changes in liabilities arising from financing activities

in CHF thousands	1.4.2018 Fair value	Cash impact Cash flows Inflow/ (Outflow)	Non-cash impact Fair value changes and Others	Currency effect	30.9.2018
Interest-bearing loans and borrowings	5'000	35'000			40'000
Derivative financial instruments	241		(211)		30
Total	5'241	35'000	(211)		40'030

in CHF thousands	1.4.2019 Fair value	Cash impact Cash flows Inflow/ (Outflow)	Non-cash impact Fair value changes and Others	Currency effect	30.9.2019
Interest-bearing loans and borrowings	8'000	32'000			40'000
Derivative financial instruments	168		64		232
Total	8'168	32'000	64		40'232

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 liabilities at fair value amount to CHF 232 thousand per 30 September 2019 (financial liabilities of CHF 168 thousand per 31 March 2019), 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 30 October 2019 that would require an adjustment in carrying amounts of the Group's assets and liabilities.

Financial calendar

The financial year runs from 1 April to 31 March

31 January 2020	9 months results 2019/20
19 May 2020	Year-end results 2019/20
9 June 2020	Annual General Meeting of Shareholders for the financial year 2019/20
16 June 2020	Dividend ex-date
18 June 2020	Dividend payment date

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