

## PRESS RELEASE

Half year results from April to September for the financial year 2014/15

**LEM reports continued sales growth and strong EBIT margin**

Fribourg, 13 November 2014 – LEM (SIX: LEHN), the market leader in providing innovative and high quality solutions for measuring electrical parameters, announces sales of CHF 131.5 million, an EBIT of CHF 29.6 million and net profit of CHF 21.5 million for the first half of 2014/15 (1 April to 30 September 2014).

**First half of 2014/15 compared with first half of 2013/14**

- Bookings amounted to CHF 126.6 million, increasing by 1.9% (CHF 124.3 million)
- Sales increased by 3.6% to CHF 131.5 million; at constant exchange rates sales increased by 7.2%
- Gross margin was at 46.3% (46.5%)
- EBIT decreased by 2.1% to CHF 29.6 million; the EBIT margin reached 22.5% (23.8%)
- Net profit for the period was CHF 21.5 million, a decrease of 12.4% (CHF 24.5 million)

**Q2 of 2014/15 compared with Q1 of 2014/15:**

- Bookings amounted to CHF 61.9 million, a decrease of 4.4% (CHF 64.7 million)
- Sales reached CHF 66.5 million, an increase of 2.2% (CHF 65.0 million)
- The book-to-bill ratio lowered to 0.93 (1.00)
- EBIT improved by 18.4% from CHF 13.5 million to CHF 16.0 million; the EBIT margin was at 24.1% (20.8%)
- Net profit for the period increased by 0.4% to CHF 10.8 million (CHF 10.7 million)

“We have achieved sales growth across most businesses and kept delivering high operating margins above our target range. We have continued to renew our product portfolio, increased production capacity and maintained our high service level. We keep ramping up our new site in Bulgaria, increasing our workforce from 27 to 97 employees within one year. The known market trends continued during the reporting period. Due to lack of visibility customers keep low levels of stock, issued orders with ever shorter lead times and thereby required high flexibility from us. Due to the strong growth across most businesses, China is now our biggest market and Asia has surpassed Europe as the biggest region in terms of sales”, said François Gabella, CEO of LEM.

**Industry segment: Asia surpassed Europe to become the most important region**

Sales in the Industry segment reached CHF 113.6 million in the first half of 2014/15, representing an increase of 3.4% compared with the same period in 2013/14. At

constant exchange rates, sales increased by 6.8%. LEM's sales growth was driven by continued strong growth in China across most businesses, export-led growth in Japan, new projects in the traction market and market share gains across most businesses. LEM recorded strong demand from the solar industry for some of the recently launched product families, for which production capacity was significantly increased. The EBIT decreased from CHF 27.7 million for the first half of 2013/14 by 2.5% to CHF 27.0 million for the first half of 2014/15.

LEM recorded the strongest sales growth in China (+17%). Sales in Europe increased by 2% on the back of a robust performance mainly in Eastern Europe while North America declined by 17%, triggered by the continued relocation of some of the company's target industries to Asia. For the first time, Asia is the biggest region for LEM, accounting for 45% of industry sales. Europe ranks second with 43% of sales followed by North America with 10% of sales.

- Sales in the drives & welding business increased by 1% compared with the first half of 2013/14. LEM observed a sustained transfer of production to Asia. Consequently, sales were driven by growing Asian markets, particularly China, and weakening markets in Europe and North America. In Japan, due to the weakening Japanese yen, the export-led growth provided tailwinds to the local industry.
- Sales in renewables & power supplies weakened by 3%. Investments in renewable energies in China, India and Japan remained on a high level. Business activity in Europe was stable with support from offshore wind projects, but activity in North America was weak.
- The traction business recorded strong performance with sales growth of 35%. LEM was particularly successful with its energy metering application, winning major new contracts in Europe. In addition, LEM recorded increased sales for high-speed train applications in China, where about 5'000 km of high-speed lines are to be completed in 2014. Activity in light rail applications remained high.
- The high-precision business recorded weak business activity due to lower investments in medical and test & measurement applications. Sales declined by 26%, yet LEM increased its market share.

#### **Automotive segment: growth in the green cars business**

Sales in the Automotive segment reached CHF 17.9 million in the first half of 2014/15, up 5.0% compared with the same period in 2013/14. At constant exchange rates, sales increased by 9.7%. Sales growth in the Automotive segment accelerated in the second quarter of 2014/15, with sales growing by 9.7% compared with the first quarter. This performance can be attributed to increased sales in the green cars business in China and Japan. The EBIT remained stable with CHF 2.6 million in the first six months of 2014/15 compared with CHF 2.5 million in the first half of 2013/14.

- In the conventional cars business, sales grew by 2% compared with the first half of 2013/14. LEM achieved this result thanks to the consistent demand for the battery management solution, mainly in the US, China and Japan.
- The recovery in the green cars business continued during the reporting period, driven by new hybrid car platforms in China and Japan that went into



production. In the first half of 2014/15, sales were 20% up on the first half of 2013/14, but still below expectations. LEM continues to win new projects with Chinese car manufacturers.

### **Outlook**

In the second half of 2014/15 LEM expects business activity in the Industry segment to slow due to the seasonality in the solar business during the winter months, a weaker Q3 due to fewer working days and slowing activity in Europe. LEM expects sales growth in the Automotive segment to continue thanks to the start of production of new platforms. The financial year 2014/15 will witness a high number of product launches. Product prices across all businesses will remain under pressure.

For the full financial year 2014/15 management expect sales of CHF 250 to 260 million compared with CHF 245.6 million in the financial year 2013/14. The full-year EBIT margin is expected to remain above 20%.

### **Media, investors and analyst conference call and webcast**

François Gabella, CEO, and Julius Renk, CFO, will provide a detailed presentation of half year results today at 10:00 CET at a media, investors and analyst conference call. Dial in details are:

+41 (0)58 310 50 00 Switzerland & Europe  
+44 (0)203 059 58 62 UK  
+1 (1)631 570 56 13 USA

The conference call will simultaneously be webcast. Please follow the instructions in the following link:

[services.choruscall.com/dataconf/productusers/lem/mediaframe/9805/indexr.htm](http://services.choruscall.com/dataconf/productusers/lem/mediaframe/9805/indexr.htm)

The link to the webcast and the presentation slides are available on the LEM website ([www.lem.com](http://www.lem.com)), where the webcast will later be archived.

### **Detailed information on the half year 2014/15 results and half year report**

The complete half year report 2014/15 in accordance with IAS 34 (interim financial reporting) is available on [www.lem.com](http://www.lem.com)>Investor Relations>Financial Reports.

### **Financial calendar**

*The financial year runs from 1 April to 31 March*

17 February 2015	Third quarter results 2014/15
4 June 2015	Year-end results 2014/15
25 June 2015	Ordinary Shareholders' Meeting for the year 2014/15
30 June 2015	Dividend ex-date
2 July 2015	Dividend payment date



**LEM – At the heart of power electronics**

LEM is the market leader in providing innovative and high quality solutions for measuring electrical parameters. Its core products - current and voltage transducers - are used in a broad range of applications in drives & welding, renewable energies & power supplies, traction, high precision, conventional and green cars businesses. LEM's strategy is to exploit the intrinsic strengths of its core business, and to develop opportunities in existing and new markets with new applications. LEM is a mid-size, global company with approximately 1'300 employees worldwide. It has production plants in Beijing (China), Geneva (Switzerland), Sofia (Bulgaria) and Machida (Japan). With regional sales offices near its customers' locations, the company is able to offer a seamless service around the globe. LEM has been listed on the SIX Swiss Exchange since 1986; the company's ticker symbol is LEHN.

[www.lem.com](http://www.lem.com)

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## Appendix:

### Key figures

In CHF millions	2013/14				2014/15		Change	
Orders received	Q1	Q2	Q3	Q4	Q1	Q2	Q2 to Q2	Q2 to Q1
Industry segment	56.6	49.9	50.1	55.1	56.2	52.1	+4.5%	-7.2%
Automotive segment	8.5	9.3	8.5	8.3	8.5	9.8	+4.6%	+14.8%
Total LEM	65.1	59.3	58.7	63.5	64.7	61.9	+4.5%	-4.4%
Book-to-bill ratio	Q1	Q2	Q3	Q4	Q1	Q2	Q2 to Q2	Q2 to Q1
Industry segment	1.06	0.89	1.03	1.05	1.00	0.91	+2.2%	-9.0%
Automotive segment	1.02	1.06	0.94	0.99	0.99	1.04	-1.9%	+5.1%
Total LEM	1.05	0.91	1.02	1.04	1.00	0.93	+2.2%	-7.0%
Sales	Q1	Q2	Q3	Q4	Q1	Q2	Q2 to Q2	Q2 to Q1
Industry segment	53.5	56.3	48.5	52.7	56.5	57.1	+1.3%	+1.0%
Automotive segment	8.3	8.8	9.1	8.4	8.6	9.4	+7.0%	+9.8%
Total LEM	61.8	65.1	57.6	61.1	65.0	66.5	+2.1%	+2.2%
EBIT	Q1	Q2	Q3	Q4	Q1	Q2	Q2 to Q2	Q2 to Q1
Industry segment	12.3	15.4	10.6	12.5	12.6	14.4	-6.5%	+14.6%
Automotive segment	1.0	1.5	1.3	1.1	1.0	1.6	+5.3%	+68.7%
Total LEM	13.3	17.0	11.9	13.6	13.5	16.0	-5.4%	+18.4%

## Consolidated income statement

	April to September	
	2014/15	2013/14
In CHF thousands		
Sales	131 497	126 897
Cost of goods sold	(70 579)	(67 927)
<b>Gross margin</b>	<b>60 918</b>	<b>58 969</b>
Sales expense	(11 783)	(11 565)
Administration expense	(12 454)	(9 909)
Research & development expense	(7 414)	(7 338)
Other expense	(1)	(57)
Other income	332	125
<b>EBIT</b>	<b>29 598</b>	<b>30 224</b>
Financial expense	(73)	(81)
Financial income	131	46
Foreign exchange effect	(1 879)	(710)
<b>Profit before taxes</b>	<b>27 777</b>	<b>29 480</b>
Income taxes	(6 287)	(4 937)
<b>Net profit of the period</b>	<b>21 491</b>	<b>24 542</b>