

PRESS RELEASE

LEM announces good sales performance and strong margins for first nine months

Fribourg, Switzerland, 1 February 2019 – LEM (SIX: LEHN), the market leader in providing innovative and high-quality solutions for measuring electrical parameters, announces nine months results for 2018/19 (April-December) compared to 2017/18:

- Bookings increased by 1.3% to CHF 238.6 million from CHF 235.5 million; the book-to-bill ratio decreased to 0.97 (1.05)
- Sales increased by 8.9% to CHF 245.1 million (CHF 225.0 million); at constant exchange rates, sales increased by 7.4%
- The global spread of sales remains steady across different regions:
 - China CHF 84.7m (34.6% of total)
 - Europe CHF 79.2m (32.3% of total)
 - North America CHF 32.6m (13.3% of total)
 - Rest of World CHF 48.6m (19.8% of total)
- R&D up by 31.6% to CHF 20.3 million (CHF 15.4 million) to capture new opportunities
- EBIT increased by 9.3% to CHF 50.8 million (CHF 46.5 million); the EBIT margin was steady at 20.7% (20.6%)
- Net profit for the period rose by 2.4% to CHF 39.0 million (CHF 38.1 million)

Frank Rehfeld, CEO, said: “We are pleased with our good sales performance of +8.9%, achieved despite the economic uncertainties. LEM continues to benefit from its broad geographic spread, its strong heritage in industry applications, and the growth potential of automobile applications. China is our largest market, and provides the biggest strategic opportunity for LEM to grow in the medium-term. In the short-term our business is impacted slightly by China, due to the economic slowdown. Our global strategy is reflected by the significant long-term investment in R&D and infrastructure to capture new growth opportunities across our target markets.”

Andrea Borla, CFO, remarked: “Due to global economic uncertainties impacting customer demand, we are slightly reducing our full year sales outlook to CHF 315-320 million. We are pleased to maintain our guidance for the EBIT margin which remains on track for around 20%, even while we increased R&D investment by 31.6% in the first nine months.”

Industry segment: performance as expected

Nine months sales in the Industry segment totalled CHF 189.9 million, up 5.1%. At constant exchange rates, sales increased by 3.6%. Sales decreased by 4.3% in China. Sales in Asia excluding China grew by 9.5%, in Europe by 10.5%, and in North America by 10.4%.

Businesses	CHFm 9M 2017/18	CHFm 9M 2018/19	Change	Comments
Drives	84.6	86.4	+2.2%	- China & Japan investments subdued - Other markets steady growth across portfolio
Renewable Energy	57.0	58.2	+2.2%	- China lower due to solar policy changes - Gained market share in Europe and India
Traction	31.9	36.5	+14.1%	- Growth in China and India - Higher investments in Eastern Europe
High precision	7.1	8.7	+23.0%	- Continued demand for EV car test benches - New products launched
Total Industry	180.6	189.9	+5.1%	

Automotive segment: shift to green cars accelerates

Nine months sales in the Automotive segment totalled CHF 55.2 million, an increase of 24.5%. At constant exchange rates, sales increased by 23.0%. Although China remains the largest market, its economy has shown signs of slowing and the green car business has been impacted by the unwinding of stock built up by customers earlier in the year. Both the US and Europe have seen announcements of factory closures, although the uptake of green cars has been quicker than most commentators were expecting. Sales increased by 53.2% in China. Sales in Asia excluding China grew by 23.0%, in Europe they were up by 23.9%, while in North America they declined by 11.2%.

Businesses	CHFm 9M 2017/18	CHFm 9M 2018/19	Change	Comments
Green	24.8	37.7	+52.1%	- All markets continue to grow - China influenced by policies
Conventional	19.6	17.5	-10.5%	- US overall passenger car usage is down - Old sensor technology being replaced as anticipated
Total Automotive	44.4	55.2	+24.5%	

Nine months profitability on track

The strength of our business is demonstrated by our ability to significantly increase R&D investments by 31.6% to CHF 20.3 million (CHF 15.4 million), and still grow EBIT by 9.3% to CHF 50.8 million (CHF 46.5 million). Thanks to ongoing efficiency improvements, the EBIT margin remained steady in line with expectations at 20.7% (20.6%).

Outlook

For the full financial year 2018/19, we are slightly reducing our sales outlook from around CHF 320 million to CHF 315-320 million compared with CHF 301.2 million for 2017/18. Since our last reporting period, global economic uncertainty has increased, which will impact our customers in the months ahead. 4th quarter performance will also be affected by the Chinese New Year holidays.

However in the medium-term the outlook for LEM remains strong, driven by the mega trends of energy efficiency, mobility and automation. We reiterate the EBIT margin outlook for the full financial year at around 20% compared with 20.5% last year.



Media, investors and analyst conference call and webcast

Frank Rehfeld, CEO, and Andrea Borla, CFO, will provide a detailed presentation of the nine months 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
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The conference call will simultaneously be webcast. Please follow the instructions in the following link: <https://78449.choruscall.com/dataconf/productusers/lem/mediaframe/28427/indexl.html>

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

Financial calendar

The financial year runs from 1 April to 31 March

22 May 2019	Year-end results 2018/19
27 June 2019	Annual General Meeting of Shareholders for the financial year 2018/19
2 July 2019	Dividend ex-date
4 July 2019	Dividend payment date
30 July 2019	First quarter results 2019/20
5 November 2019	Half-year results 2019/20

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 1,490 employees worldwide. It has production plants in Beijing (China), Sofia (Bulgaria), Geneva (Switzerland) and Tokyo (Japan), and a dedicated R&D Centre in Lyon (France). 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

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Appendix:
Consolidated income statement (April to December)

In CHF thousands	2017/18	2018/19	Change
Sales	224'998	245'094	+8.9%
Cost of goods sold	(122'075)	(131'352)	
Gross margin	102'922	113'742	+10.5%
Gross margin (in %)	45.7%	46.4%	
Sales expense	(22'534)	(22'414)	
Administration expense	(18'705)	(20'426)	
Research & development expense	(15'448)	(20'324)	
Other expense	0	0	
Other income	226	194	
EBIT	46'461	50'771	+9.3%
EBIT margin (in %)	20.6%	20.7%	
Financial expense	(205)	(168)	
Financial income	85	98	
Foreign exchange effect	1'714	(1'411)	
Profit before taxes	48'055	49'290	+2.6%
Income taxes	(10'002)	(10'319)	
Net profit of the period	38'053	38'971	+2.4%
Net profit margin (in %)	16.9%	15.9%	

Key Figures

In CHF millions	2017/18				2018/19				Change	
Orders received	Q1	Q2	Q3	9M	Q1	Q2	Q3	9M	Q3 - Q3	9M - 9M
Industry	63.9	58.7	63.1	185.7	68.0	56.6	57.5	182.1	-8.9%	-1.9%
Automotive	14.8	19.4	15.6	49.8	17.9	23.5	15.1	56.5	-2.8%	+13.5%
Total LEM	78.8	78.0	78.7	235.5	86.0	80.0	72.6	238.6	-7.7%	+1.3%
Book-to-bill ratio	Q1	Q2	Q3	9M	Q1	Q2	Q3	9M	Q3 - Q3	9M - 9M
Industry	1.02	0.96	1.11	1.03	0.96	0.93	0.99	0.96	-11.0%	-6.7%
Automotive	1.11	1.27	0.98	1.12	1.04	1.16	0.85	1.02	-13.5%	-8.8%
Total LEM	1.04	1.02	1.08	1.05	0.98	0.99	0.95	0.97	-11.7%	-7.0%
Sales	Q1	Q2	Q3	9M	Q1	Q2	Q3	9M	Q3 - Q3	9M - 9M
Industry	62.6	61.1	56.9	180.6	70.8	60.8	58.3	189.9	+2.4%	+5.1%
Automotive	13.3	15.2	15.9	44.4	17.3	20.1	17.8	55.2	+12.4%	+24.5%
Total LEM	75.9	76.3	72.8	225.0	88.0	80.9	76.1	245.1	+4.5%	+8.9%
EBIT	Q1	Q2	Q3	9M	Q1	Q2	Q3	9M	Q3 - Q3	9M - 9M
Industry	13.3	12.6	11.3	37.3	15.8	13.0	12.1	40.9	+6.5%	+9.7%
Automotive	2.7	3.3	3.3	9.2	2.8	4.0	3.2	9.9	-3.3%	+7.6%
Total LEM	16.0	15.9	14.6	46.5	18.5	17.0	15.2	50.8	+4.3%	+9.3%
Net Profit	Q1	Q2	Q3	9M	Q1	Q2	Q3	9M	Q3 - Q3	9M - 9M
Total LEM	13.3	13.2	11.6	38.1	13.5	13.8	11.6	39.0	+0.5%	+2.4%