

PRESS RELEASE

Half year results from April to September for the financial year 2016/17

LEM reports stable sales and robust margins

Fribourg, 10 November 2016 – LEM (SIX: LEHN), the market leader in providing innovative and high quality solutions for measuring electrical parameters, announces first half of 2016/17 results (compared with first half of 2015/16):

- Bookings amounted to CHF 132.3 million, an increase of 4.3% (CHF 126.9 million)
- Sales increased by 0.8% to CHF 132.6 million (CHF 131.6 million); at constant exchange rates sales decreased by 0.8%
- The book-to-bill ratio improved to 1.00 (0.96)
- EBIT increased by 10.6% to CHF 27.5 million (CHF 24.9 million); the EBIT margin increased to 20.7% (18.9%)
- Net profit for the period rose by 11.6% to CHF 22.1 million (CHF 19.8 million)
- Free cash flow was improved from CHF -1.4 million to CHF 18.5 million

Q2 of 2016/17 compared with Q2 of 2015/16:

- Bookings amounted to CHF 67.1 million, an increase of 1.6% (CHF 66.0 million)
- Sales decreased by 6.2% to CHF 65.7 million (CHF 70.0 million)
- The book-to-bill ratio improved to 1.02 (0.94)
- EBIT decreased by 2.0% to CHF 14.1 million (CHF 14.4 million); the EBIT margin increased to 21.5% (20.5%)
- Net profit for the period rose by 3.8% to CHF 11.3 million (CHF 10.9 million)

“The trends in our individual businesses were mixed during the past six months: Sales growth in the drives & welding and the green cars businesses contrasted with a sluggish traction market and investments in renewable energies that failed to meet expectations. Sales in Europe and China slowed, while we recorded progress in North America and the rest of Asia. In total, we report stable sales and robust margins for the first half of 2016/17. We maintained our product innovation pace and launched five new products. Looking ahead, we plan to increase significantly our R&D investments in order to capture additional growth opportunities”, said François Gabella, CEO of LEM.

Industry segment: solid drives & welding business

First-half sales in the Industry segment totaled CHF 107.0 million, down 3.0% on the same period a year earlier. At constant exchange rates, sales decreased by 4.5%.

Sales in China slowed (-7%), while sales in the rest of Asia continued on a steady path (+4%). North America benefitted from a positive economic trend (+5%) whereas sales in Europe suffered from a weak renewable energies market (-5%). LEM

continued to boost production capacities for recently launched products, which once again proved highly successful.

First-half EBIT decreased slightly, from CHF 21.2 million in 2015/16 to CHF 21.0 million in 2016/17.

- Sales in the drives & welding business grew by 11% compared with the first half of 2015/16. The improved economic environment in the US and Germany and the stable situation in China were the drivers of sales growth. LEM achieved higher sales in all regions, while gaining market share.
- Sales in the renewable energies & power supplies business, where the usual seasonality effect was less pronounced than in previous years, decreased by 15% on the first six months of 2015/16. The increasing relocation of the production capacities of LEM's customers from Europe to China, with concurrent consolidation of the Chinese market, was observed. Sales in China were stable but fell in Europe.
- The traction business slowed by 13% due to less activity in a temporarily weakening Chinese market. LEM achieved strong sales in Germany and India with energy metering, trackside applications and retrofit orders. The market share remained stable.
- Sales in the project-driven high-precision business were down by 5%. Activity in China slowed after HVDC projects were completed; however, LEM recorded an upturn in the US medical market. The Company's market share remained stable.

Automotive segment: strong green cars business

LEM achieved profitable growth in all regions. Sales in the Automotive segment reached CHF 25.6 million, up 20.4% on the same period of 2015/16. At constant exchange rates, sales increased by 18.2%. Strong growth was achieved while product quality and reliability at a high level was maintained. LEM won a customer award for its overall performance.

LEM improved the EBIT margin thanks to additional volumes, favorable product mix and successes in the Chinese green cars business. Half-year EBIT increased to CHF 6.5 million compared with CHF 3.7 million in the first half of 2015/16.

- In the conventional cars business, sales decreased by 2%. LEM experienced a weaker US market.
- Sales in the green cars business climbed 102% on the previous year. Better consumer acceptance and government incentives for green cars resulted in higher registration figures globally.

Outlook

R&D investments will be significantly increased going forward in order to extend LEM's leadership position and accelerate growth. The Company will focus on new technologies in the areas of ASIC, embedded software and the Internet of Things. R&D capacities are already being enhanced in Sofia and Beijing. In addition, following the evaluation of several locations, the Board of Directors has decided to



establish a new R&D center in the Lyon/Grenoble high-tech cluster. Geneva will remain the LEM's main R&D hub.

For the remainder of the year, LEM forecasts a stable economic situation in most regions translating in a steady development of LEM's Industry businesses. The Automotive business is expected to keep its momentum going. Seasonality might influence sales in the third quarter in Europe (Christmas season) and in the fourth quarter in China (Chinese New Year). Customers are likely to remain cautious, maintaining their short-term ordering policy.

For the full financial year 2016/17, Management forecasts sales of CHF 260–270 million; this compares with CHF 261.5 million for full-year 2015/16. The EBIT margin is expected to be around 20%.

Media, investors and analyst conference call and webcast

François Gabella, CEO, and Andrea Borla, CFO, will provide a detailed presentation of the half year results today at 10:00 CET at a media, investors and analyst conference call.

Dial in details are:

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The conference call will simultaneously be webcast. Please follow the instructions in the following link: services.choruscall.eu/links/lem161110.html
The link to the webcast and the presentation slides are available on the LEM website (www.lem.com), where the webcast will later be archived.

Detailed information on the half year 2016/17 results and half-year report

The complete half-year report 2016/17 in accordance with IAS 34 (interim financial reporting) is available on www.lem.com>Investor Relations>Financial Reports.

Financial calendar

The financial year runs from 1 April to 31 March

16 February 2017	Third quarter results 2016/17
23 May 2017*	Year-end results 2016/17
29 June 2017*	Ordinary General Meeting of Shareholders for the financial year 2016/17
4 July 2017*	Dividend ex-date
6 July 2017*	Dividend payment date

* New dates



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 1'400 employees worldwide. It has production plants in Beijing (China), Geneva (Switzerland), Sofia (Bulgaria) and Tokyo (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

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Appendix:

Key figures

In CHF millions	2015/16				2016/17		Change	
Orders received	Q1	Q2	Q3	Q4	Q1	Q2	Q2 to Q2	Q2 to Q1
Industry segment	50.9	52.8	53.2	50.8	52.7	53.5	+1.4%	+1.6%
Automotive segment	10.0	13.3	14.1	11.5	12.5	13.6	+2.6%	+8.7%
Total LEM	60.9	66.0	67.3	62.3	65.2	67.1	+1.6%	+2.9%
Book-to-bill ratio	Q1	Q2	Q3	Q4	Q1	Q2	Q2 to Q2	Q2 to Q1
Industry segment	0.98	0.91	0.98	1.00	0.96	1.03	+13.3%	+7.1%
Automotive segment	1.06	1.12	1.08	0.96	1.05	1.00	-10.8%	-4.5%
Total LEM	0.99	0.94	1.00	0.99	0.97	1.02	+8.3%	+4.8%
Sales	Q1	Q2	Q3	Q4	Q1	Q2	Q2 to Q2	Q2 to Q1
Industry segment	52.1	58.2	54.2	50.7	54.9	52.1	-10.5%	-5.2%
Automotive segment	9.4	11.8	13.0	12.0	12.0	13.6	+15.1%	+13.7%
Total LEM	61.5	70.0	67.2	62.7	66.9	65.7	-6.2%	-1.8%
EBIT	Q1	Q2	Q3	Q4	Q1	Q2	Q2 to Q2	Q2 to Q1
Industry segment	9.2	12.1	12.5	9.3	10.6	10.4	-14.0%	-2.6%
Automotive segment	1.4	2.3	3.3	3.0	2.8	3.7	+62.2%	+35.5%
Total LEM	10.5	14.4	15.8	12.3	13.4	14.1	-1.8%	+5.2%

Consolidated income statement

In CHF thousands	April to September	
	2016/17	2015/16
Sales	132 620	131 567
Cost of goods sold	(71 257)	(71 696)
Gross margin	61 363	59 872
Sales expense	(13 579)	(13 801)
Administration expense	(12 496)	(14 085)
Research & development expense	(7 886)	(7 206)
Other expense	(0)	(4)
Other income	102	94
EBIT	27 503	24 871
Financial expense	(76)	(107)
Financial income	33	46
Foreign exchange effect	(20)	533
Profit before taxes	27 441	25 342
Income taxes	(5 319)	(5 525)
Net profit of the period	22 122	19 818