

PRESS RELEASE

Q4 and year-end results for the financial year 2016/17

**LEM confirms leading market position and strong profitability –
dividend of CHF 35 per share proposed**

Fribourg, 23 May 2017 – LEM (SIX: LEHN), the market leader in providing innovative and high quality solutions for measuring electrical parameters, announces financial year 2016/17 results (compared with financial year 2015/16):

- **Bookings increased by 5.7% from CHF 256.5 million to CHF 271.2 million, with the book-to-bill ratio increasing to 1.03 (0.98)**
- **Sales reached CHF 264.5 million, an increase of 1.2% (CHF 261.5 million); at constant exchange rates, sales increased by 1.0%**
- **Gross margin improved to 46.7% (46.0%)**
- **EBIT improved by CHF 2.9 million from CHF 52.9 million to CHF 55.8 million; the EBIT margin was at 21.1% (20.2%)**
- **Net profit for the year reached CHF 44.6 million, an increase of 2.5% compared to the previous year**
- **Cash flow from operating activities was CHF 52.8 million (+15.9%)**
- **CAPEX increased from CHF 6.6 million to CHF 13.2 million due to the launch of new products and production capacity increases**
- **Shareholders' equity reached CHF 90.5 million, representing an equity ratio of 60.7% (61.3% as of 31 March 2016)**

Q4 of 2016/17 compared with Q4 of 2015/16:

- **Bookings amounted to CHF 71.2 million, an increase of 14.2% (CHF 62.3 million), the book-to-bill ratio improved to 1.07 (0.99)**
- **Sales increased by 6.4% to CHF 66.8 million (CHF 62.7 million)**
- **EBIT increased by 14.8% to CHF 14.1 million (CHF 12.3 million); the EBIT margin was at 21.1% (19.6%)**
- **Net profit for the period remained stable at CHF 11.9 million (CHF 12.0 million)**

“We look back at another positive year, despite the volatile business sentiment that accompanied us throughout the reporting period. We achieved high margins while at the same time significantly stepping up investment in future growth. During Q4 of 2016/17, we noticed improving market conditions resulting in a high level of orders for the quarter. While business in Europe and China weakened, we recorded robust growth in North America and the rest of Asia. We are the clear leader in the Industry businesses and keep a market share above 50%. In the Automotive businesses, we continue expanding our project pipeline: we estimate that every fifth green car produced worldwide in 2017 will be equipped with a LEM transducer”, said François Gabella, CEO of LEM.

Proposals to the Annual General Meeting of Shareholders

The dividend of CHF 35 (compared with CHF 35 in the previous year) that the Board of Directors will propose to the forthcoming Annual General Meeting of Shareholders is a sign of trust in the company's ability to continue generating strong cash flows in the future. The proposal follows LEM's dividend policy of distributing significantly more than 50% of its consolidated net profit to shareholders and corresponds to a payout ratio of 89.4%.

The Board of Directors proposes to elect Dr. iur. Werner Carl Weber as a new member. Mr. Weber is founding partner of the law firm weber schaub & partner ag in Zurich. He is Chairman and Board member of several Switzerland based privately held companies. Mr. Weber is a representative of LEM's largest shareholder WEMACO Invest AG, a long-term oriented and loyal shareholder for the past 15 years. His standing for election underpins the long-term commitment of LEM's anchor shareholder.

Industry segment: cyclical recovery of drives & welding business

Sales in the Industry segment decreased by 0.4% to CHF 214.3 million in the financial year 2016/17, at constant exchange rates the sales decrease was also 0.4%. LEM achieved strong orders and the book-to-bill ratio for the year resulted in 1.03, pointing to an increasing momentum. China has maintained its position as the most important single country and accounted for 30% of Industry sales, but sales development was soft there (-4%). Sales grew in North America and the rest of Asia by 11% and 8% respectively. Sales in Europe dropped by 4%. The EBIT margin improved to 20.5% compared with 20.0% in the previous financial year.

- Sales in the drives & welding business increased by 10% over the previous year. LEM achieved robust growth in all regions, yet growth was strongest in North America. The Company won market share in North America and Europe thanks to its products' superior performances. LEM witnessed a recovery in demand from oil & gas producers and ongoing growth in the machine and automation industries.
- The renewable energies & power supplies business is dependent of local government decisions, which resulted in a volatile sales development. Solar equipment production continued to move from North America and Europe to China. Hence, China has become by far the biggest solar equipment manufacturer, now increasingly active on export markets. Wind activity was weak in all regions. Overall sales decreased by 8%.
- Sales in the traction business decreased by 10%. There was little investment activity in new rail infrastructure during the past year. Some high-speed train projects for export markets in China were delayed or even cancelled. Yet, LEM executed an energy meter project in Europe and won market share globally.
- In the project-driven high-precision business, sales decreased by 10%. Some of the sales decrease should be attributed to the previous year's strong HVDC sales in China that did not repeat in the reporting period. LEM achieved good sales in the Chinese and US medical markets and the Japanese test & measurement market. Overall, the Company won market share but observed low activity globally.

Automotive segment: continued growth in green cars

Sales in the Automotive segment reached CHF 50.2 million in the financial year 2016/17, representing an increase of 8.5% on the financial year 2015/16. At constant exchange rates, sales grew by 7.5%. The segment recorded strong growth in Europe and Asia. North America is the largest region with 39% of Automotive sales. Sales in China accounted for 29% of segment sales, while segment sales in Europe stood at 8%. The strongest growth was recorded in South Korea (+69%), Japan (+23%) and Germany (+24%). EBIT reached CHF 11.8 million, up 19.1% on the financial year 2015/16. The EBIT margin was 23.5%, compared with 21.4% one year ago. The margin increase resulted from volume growth, a favorable product mix and LEM's efficient organization.

- Year-on-year sales in the conventional cars business decreased by 5%, mainly driven by an anticipated technology change in LEM's most important market in the US.
- Sales in the green cars business increased by 41%. LEM achieved strong growth across all territories. Growth was still slower than expected due to delays of customers' product launches and certain reductions of Government subsidies for green cars in China. The increasing attractiveness of the market lures new competitors such as system integrators or semiconductor suppliers resulting in increased competition and price pressure.

Outlook

LEM sees encouraging economic signals in the most important regions and observes increased investment activities among its customers. Thus, Management expects positive momentum in the Industry businesses. Growth in the green cars business is forecast to continue. Again, the Company plans a high number of product launches and ongoing investment in production capacities for new products. The strong Swiss franc will remain a challenge for LEM, despite the temporary easing of pressure during the past year. Adapting the international footprint of all activities will thus remain on the agenda.

Media and analyst conference and webcast

Andreas Hürlimann, Chairman of the Board of Directors, François Gabella, CEO, and Andrea Borla, CFO, will provide a detailed presentation of Q4 and financial year 2016/17 results today at 10:30 CEST at a media and analyst conference in Zurich.

Watch the media and analyst conference via a [live video webcast](#). The link to the webcast and the presentation slides are also available in the Investor Relations section of the LEM website (www.lem.com), where the webcast will later also be archived.

Detailed information on the financial year 2016/17 results and annual report

The full financial report is available from today, 23 May 2017, on www.lem.com> Investor Relations>Financial Reports.



Financial calendar

The financial year runs from 1 April to 31 March

29 June 2017	Annual General Meeting of Shareholders for the year 2016/17
4 July 2017	Dividend ex-date
6 July 2017	Dividend payment date
3 August 2017	First quarter results 2017/18
9 November 2017	Half-year results 2017/18
8 February 2018	Third quarter results 2017/18
23 May 2018	Year-end results 2017/18
28 June 2018	Annual General Meeting of Shareholders for the year 2017/18
3 July 2018	Dividend ex-date
5 July 2018	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 1'450 employees worldwide. It has production plants in Beijing (China), Geneva (Switzerland), Sofia (Bulgaria) and Tokyo (Japan), and a dedicated R&D Center 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.

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Appendix:

Key figures

In CHF millions	2015/16				2016/17				Change	
Orders received	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4 to Q4	Q4 to Q3
Industry segment	50.9	52.8	53.2	50.8	52.7	53.5	55.4	58.1	+14.4%	+4.8%
Automotive segment	10.0	13.3	14.1	11.5	12.5	13.6	12.3	13.0	+13.4%	+6.5%
Total LEM	60.9	66.0	67.3	62.3	65.2	67.1	67.7	71.2	+14.2%	+5.1%
Book-to-bill ratio	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4 to Q4	Q4 to Q3
Industry segment	0.98	0.91	0.98	1.00	0.96	1.03	1.06	1.06	+5.9%	+0.6%
Automotive segment	1.06	1.12	1.08	0.96	1.05	1.00	0.97	1.09	+13.6%	+11.7%
Total LEM	0.99	0.94	1.00	0.99	0.97	1.02	1.04	1.07	+7.3%	+2.6%
Sales	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4 to Q4	Q4 to Q3
Industry segment	52.1	58.2	54.2	50.7	54.9	52.1	52.5	54.8	+8.0%	+4.2%
Automotive segment	9.4	11.8	13.0	12.0	12.0	13.6	12.6	12.0	-0.2%	-4.7%
Total LEM	61.5	70.0	67.2	62.7	66.9	65.7	65.1	66.8	+6.4%	+2.5%
EBIT	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4 to Q4	Q4 to Q3
Industry segment	9.2	12.1	12.5	9.3	10.6	10.4	11.4	11.5	+23.8%	+1.0%
Automotive segment	1.4	2.3	3.3	3.0	2.8	3.7	2.7	2.6	-13.3%	-5.6%
Total LEM	10.5	14.4	15.8	12.3	13.4	14.1	14.1	14.1	+14.8%	-0.3%

Consolidated income statement

	April to March	
In CHF thousands	2016/17	2015/16
Sales	264 519	261 454
Cost of goods sold	(140 959)	(141 061)
Gross margin	123 560	120 393
Sales expense	(26 700)	(25 855)
Administration expense	(25 246)	(27 323)
Research & development expense	(16 039)	(14 602)
Other expense	(0)	(6)
Other income	182	300
EBIT	55 758	52 908
Financial expense	(228)	(361)
Financial income	80	116
Foreign exchange effect	(642)	987
Profit before taxes	54 968	53 650
Income taxes	(10 403)	(10 163)
Net profit for the year	44 566	43 487