

PRESS RELEASE

Q3 and first nine months results from April to December for the financial year 2016/17

LEM maintains robust operating margins

Fribourg, 16 February 2017 – LEM (SIX: LEHN), the market leader in providing innovative and high quality solutions for measuring electrical parameters, announces first nine months of 2016/17 results (compared with first nine months of 2015/16):

- **Bookings** amounted to CHF 200.0 million, an increase of 3.0% (CHF 194.2 million)
- **Sales** stagnated at CHF 197.8 million (CHF 198.7 million); at constant exchange rates sales decreased by 1.1%
- **The book-to-bill ratio** improved to 1.01 (0.98)
- **EBIT** improved by 2.5% to CHF 41.7 million (CHF 40.6 million); the EBIT margin increased to 21.1% (20.4%)
- **Net profit** for the period rose by 3.8% to CHF 32.7 million (CHF 31.5 million)

Q3 of 2016/17 compared with Q3 of 2015/16:

- **Bookings** amounted to CHF 67.7 million, an increase of 0.6% (CHF 67.3 million)
- **Sales** decreased by 3.0% to CHF 65.1 million (CHF 67.2 million)
- **The book-to-bill ratio** improved to 1.04 (1.00)
- **EBIT** decreased by 10.2% to CHF 14.1 million (CHF 15.8 million); the EBIT margin decreased to 21.7% (23.5%)
- **Net profit** for the period decreased by 9.5% to CHF 10.6 million (CHF 11.7 million)

“Business sentiment was volatile during the past nine months resulting in a flat sales development. Still, we continued to adapt our organization to the changing business environment and delivered robust operating margins ahead of last year’s levels. In addition, we reaped the benefits of our innovation strategy: our new products enjoyed strong market acceptance and we continually increased their production capacities. To extend our leading edge we made headway with the setup of our new R&D center: We signed a lease at the Parc Technologique de Lyon in Saint-Priest and started the recruiting process. We expect our R&D center in Lyon to be operational in April 2017, less than 6 months after our launch decision”, said François Gabella, CEO of LEM.

Industry segment: mixed business performance

Sales in the Industry segment totaled CHF 159.5 million in the first nine months of 2016/17, down 3.0% on the same period a year earlier. At constant exchange rates, sales decreased by 3.5%.

Sales in China slowed (-8%), while the rest of Asia showed a dynamic sales growth (+6%). The robust US economy supported LEM's sales in North America (+10%), but sales in Europe (-6%) were affected by a weak renewable energies market.

EBIT decreased from CHF 33.7 million for the first nine months of 2015/16 to CHF 32.4 million in 2016/17. The EBIT margin decreased slightly from 20.5% to 20.3%.

- Sales in the drives & welding business grew by 9% compared with the first nine months of 2015/16. LEM gained market share thanks to new products and achieved higher sales in all regions.
- The renewable energies & power supplies business remained volatile. Sales slowed by 12% with all regions being affected.
- The traction business slowed by 13%. LEM observed increasing reluctance for investments in rail infrastructure globally, a situation that may persist for a prolonged period.
- In the project driven high-precision business sales decreased by 3%. Activity in North America (medical market) remained strong while most other regions weakened.

Automotive segment: strong green cars business

Sales in the Automotive segment for the first nine months of 2016/17 reached CHF 38.2 million, up 11.5% on the same period of 2015/16. At constant exchange rates, sales increased by 10.3%. Most regions contributed to the sales growth.

EBIT for the first nine months of 2016/17 increased by 33.1% to CHF 9.2 million thanks to additional volumes, favorable product mix and continued successes in the Chinese green cars business. Going forward LEM expects increasing competitive pressure as this growing market attracts interest from players inside and outside the Automotive industry.

- In the conventional cars business, sales decreased by 7%. A weaker US car market with year-end stock level adjustments affected LEM's sales.
- Sales in the green cars business increased by 64%. Reduction of government subsidies in China slowed growth rates in the Chinese green cars market in the course of Q3 of 2016/17. Activity in Europe picked up.

Outlook

LEM expects a stable business development for Q4 of 2016/17. Seasonality might influence sales 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 confirms its sales forecasts of CHF 260–270 million; this compares with CHF 261.5 million for full-year 2015/16. The EBIT margin is expected to be above 20%.



Media, investors and analyst conference call and webcast

François Gabella, CEO, and Andrea Borla, CFO, will provide a detailed presentation of the Q3 and first nine months of 2016/17 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: <http://services.choruscall.eu/links/lem170216.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.

Financial calendar

The financial year runs from 1 April to 31 March

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	Q3	Q3 to Q3	Q3 to Q2
Industry segment	50.9	52.8	53.2	50.8	52.7	53.5	55.4	+4.2%	+3.6%
Automotive segment	10.0	13.3	14.1	11.5	12.5	13.6	12.3	-13.0%	-10.0%
Total LEM	60.9	66.0	67.3	62.3	65.2	67.1	67.7	+0.6%	+0.8%
Book-to-bill ratio	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q3 to Q3	Q3 to Q2
Industry segment	0.98	0.91	0.98	1.00	0.96	1.03	1.06	+7.4%	+2.7%
Automotive segment	1.06	1.12	1.08	0.96	1.05	1.00	0.97	-10.3%	-2.7%
Total LEM	0.99	0.94	1.00	0.99	0.97	1.02	1.04	+3.7%	+1.7%
Sales	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q3 to Q3	Q3 to Q2
Industry segment	52.1	58.2	54.2	50.7	54.9	52.1	52.5	-3.0%	+0.9%
Automotive segment	9.4	11.8	13.0	12.0	12.0	13.6	12.6	-3.0%	-7.5%
Total LEM	61.5	70.0	67.2	62.7	66.9	65.7	65.1	-3.0%	-0.9%
EBIT	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q3 to Q3	Q3 to Q2
Industry segment	9.2	12.1	12.5	9.3	10.6	10.4	11.4	-8.5%	+10.0%
Automotive segment	1.4	2.3	3.3	3.0	2.8	3.7	2.7	-16.5%	-26.6%
Total LEM	10.5	14.4	15.8	12.3	13.4	14.1	14.1	-10.2%	+0.3%

Consolidated income statement

In CHF thousands	April to December	
	2016/17	2015/16
Sales	197 753	198 723
Cost of goods sold	(104 833)	(106 904)
Gross margin	92 920	91 819
Sales expense	(20 358)	(20 018)
Administration expense	(19 213)	(20 500)
Research & development expense	(11 846)	(10 877)
Other expense	(0)	(8)
Other income	147	206
EBIT	41 650	40 623
Financial expense	(147)	(321)
Financial income	52	93
Foreign exchange effect	(674)	(590)
Profit before taxes	40 881	39 805
Income taxes	(8 205)	(8 324)
Net profit of the period	32 676	31 481