

PRESS RELEASE

Half year results from April to September for the financial year 2017/18

LEM reports double-digit sales and profit growth – LEM's Board of Directors appoints Frank Rehfeld as in-house successor to CEO François Gabella

Fribourg, 9 November 2017 – LEM (SIX: LEHN), the market leader in providing innovative and high quality solutions for measuring electrical parameters, announces first half of 2017/18 results (compared with first half of 2016/17):

- Bookings amounted to CHF 156.8 million, an increase of 18.5% (CHF 132.3 million)
- Sales increased by 14.8% to CHF 152.2 million (CHF 132.6 million); at constant exchange rates sales increased by 15.9%
- The book-to-bill ratio improved to 1.03 (1.00)
- EBIT increased by 15.9% to CHF 31.9 million (CHF 27.5 million); the EBIT margin increased to 20.9% (20.7%)
- Net profit for the period rose by 19.7% to CHF 26.5 million (CHF 22.1 million)
- Free cash flow was down to CHF 6.5 million (CHF 18.5 million) due to increases of accounts receivables (+22%) and investments in production equipment (+84%) linked to the accelerated sales growth
- Group headcount increased by 89 FTEs to 1540 FTEs since 31 March 2017, mainly in production and R&D.

Q2 of 2017/18 compared with Q2 of 2016/17:

- Bookings amounted to CHF 78.0 million, an increase of 16.3% (CHF 67.1 million)
- Sales increased by 16.1% to CHF 76.3 million (CHF 65.7 million)
- The book-to-bill remained stable at 1.02 (1.02)
- EBIT increased by 12.7% to CHF 15.9 million (CHF 14.1 million); the EBIT margin decreased to 20.8% (21.5%)
- Net profit for the period rose by 16.5% to CHF 13.2 million (CHF 11.3 million)

“LEM started the year 2017/18 off strong. All but the conventional cars business contributed to this positive performance. We saw more industrial activity and we capitalized on our investment in the green cars business, where we leveraged our market position in the fastest-growing markets: China, Japan and Korea. Our key challenge in the first half of 2017/18, however, was to increase production capacity and flexibility in order to better meet growing demand. Greater investment in innovation remained the top priority. We increased our R&D team by nearly 20% in Geneva, Lyon, Beijing and Sofia. We have a pipeline of exciting product innovations and will launch several new promising products in the second half of the year”, said François Gabella, CEO of LEM.

Industry segment: growth momentum across all businesses

First-half sales in the Industry segment totaled CHF 123.7 million, up 15.6% on the same period a year earlier. At constant exchange rates, sales increased by 16.6%. The positive economic environment provided a tailwind for all Industry businesses. Sales grew by 28% in China, by 13% in Asia excluding China and by 12% in Europe. Sales performance in North America was mixed (-2%) due to strong drives business but waning renewables business in the US.

First-half EBIT increased, from CHF 21.0 million in 2016/17 to CHF 25.9 million in 2017/18.

- Sales in the drives & welding business grew by 9% compared with the first half of 2016/17. LEM achieved higher sales in all regions, while gaining some market share. Sales growth in China was strongest. Here LEM identified high demand in automation industries; this also helped the Japanese automation industry.
- Sales in the renewable energies & power supplies business increased by 25% on the first six months of 2016/17. Growth was driven by continuing demand from solar energy in China and Europe. Overall, LEM won market share.
- Some short-term projects supported LEM's traction business, which grew by 23%. The Company achieved strong sales with energy metering, trackside applications and retrofit orders in Europe and India as well as light rail and subway projects in China. The market share remained stable.
- Sales in the project-driven high-precision business were up by 3%. Activity in China slowed, with no repeat of last year's HVDC projects. The test & measurement market picked up, mainly driven by higher demand in the automotive industry. LEM's market share remained stable.

Automotive segment: green cars business exceeds conventional cars business

In the first half of 2017/18, sales in the Automotive segment totaled CHF 28.5 million, representing an increase of 11.3%. At constant exchange rates, sales increased by 13.2%. Sales growth was driven by the green cars business in China, Japan and Korea. Sales in the green cars business exceeded sales in the conventional cars business for the first time in Q2 2017/18. Competition is intensifying as higher market volumes attract new players from all corners of the car industry. LEM increased its marketing and sales capacities worldwide and participated in three trade fairs in order to develop the Group's market presence in the global car industry.

The EBIT in the Automotive segment reached CHF 5.9 million, down 8.5% on the exceptionally high EBIT in the first half of 2016/17.

- Sales in the green cars business climbed by 63% on the previous year. The Asian electric vehicle market is growing fast. New market entrants are driving the development, but LEM also sees a strong commitment to developing new electric or hybrid-electric vehicle platforms from large car manufacturers around the globe.

- In the conventional cars business, sales decreased as expected by 18%. LEM experienced a weaker US market due to low US vehicle sales and the ongoing technological shift.

LEM announces CEO succession plan

After eight successful years at the helm of the Company, François Gabella has decided to retire from the operational role at LEM. Consistent with its long-term planning, LEM's Board of Directors has appointed Frank Rehfeld, Senior Vice President Industry, as CEO of LEM Holding SA. Frank Rehfeld will take over from François Gabella at the start of the financial year 2018/19 (1 April 2018). His broad experience as well as his personality and the seamless transition will assure the continuation of LEM's strong executive leadership and the strategy of profitable growth. The Board of Directors has initiated a search for the successor to lead LEM's Industry segment.

Frank Rehfeld (49) joined LEM on 1 January 2016 to head the Company's Industry segment. In this position, he has been advancing technology leadership, driving growth and addressing new market segments. Starting his career in R&D and sales in Body Electronics at Siemens VDO Germany, he subsequently held multiple leadership positions in China at Siemens VDO, Hella as well as Brose. Frank Rehfeld holds a Master degree in Electrical Engineering from University of Erlangen-Nürnberg and is a German national.

"Since 2010, François Gabella has been successfully leading the Company and achieved a phase of profitable growth and shareholder value creation", said Andreas Hürlimann, Chairman of LEM's Board of Directors. "This accomplishment was driven by Mr. Gabella's focused internationalization of the Group, the implementation of a strong organization and his priority on innovation. The Board of Directors gratefully emphasizes his outstanding achievements throughout the years of his mandate", concludes Andreas Hürlimann.

LEM's Board of Directors will propose Mr. Gabella to be elected new Board member at the next Annual General Meeting on 28 June 2018 to benefit from his know-how and industry insights.

Outlook

Management sees LEM's Industry businesses supported by the positive global economic environment. The green cars business is set to remain strong, but volatile development is to be expected as this business is mainly relying on government policies.

Seasonality will affect sales in LEM's third financial quarter in Europe (Christmas season) and in the fourth financial quarter in China (Chinese New Year). For the full financial year 2017/18, LEM forecasts sales of around CHF 290 million compared with CHF 264.5 million for full-year 2016/17. LEM expects the EBIT margin to remain above 20%.



Media, investors and analyst conference call and webcast

Andreas Hürlimann, Chairman of the Board of Directors, 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: <http://services.choruscall.eu/links/lem171109.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 2017/18 results and half-year report

The complete half-year report 2017/18 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

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 1'540 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.

www.lem.com

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Appendix:

Key figures

In CHF millions	2016/17				2017/18		Change	
Orders received	Q1	Q2	Q3	Q4	Q1	Q2	Q2 to Q2	Q2 to Q1
Industry segment	52.7	53.5	55.4	58.1	63.9	58.7	+9.6%	-8.2%
Automotive segment	12.5	13.6	12.3	13.0	14.8	19.4	+42.2%	+30.7%
Total LEM	65.2	67.1	67.7	71.2	78.8	78.0	+16.3%	-0.9%
Book-to-bill ratio	Q1	Q2	Q3	Q4	Q1	Q2	Q2 to Q2	Q2 to Q1
Industry segment	0.96	1.03	1.06	1.06	1.02	0.96	-6.5%	-5.9%
Automotive segment	1.05	1.00	0.97	1.09	1.11	1.27	+27.4%	+14.2%
Total LEM	0.97	1.02	1.04	1.07	1.04	1.02	+0.1%	-1.4%
Sales	Q1	Q2	Q3	Q4	Q1	Q2	Q2 to Q2	Q2 to Q1
Industry segment	54.9	52.1	52.5	54.8	62.6	61.1	+17.3%	-2.4%
Automotive segment	12.0	13.6	12.6	12.0	13.3	15.2	+11.6%	+14.4%
Total LEM	66.9	65.7	65.1	66.8	75.9	76.3	+16.1%	+0.5%
EBIT	Q1	Q2	Q3	Q4	Q1	Q2	Q2 to Q2	Q2 to Q1
Industry segment	10.6	10.4	11.4	11.5	13.3	12.6	+21.6%	-5.4%
Automotive segment	2.8	3.7	2.7	2.6	2.7	3.3	-12.1%	+23.8%
Total LEM	13.4	14.1	14.1	14.1	16.0	15.9	+12.7%	-0.5%

Consolidated income statement

April to September

In CHF thousands	2017/18	2016/17	Change
Sales	152 197	132 620	+14.8%
Cost of goods sold	(82 781)	(71 257)	
Gross profit	69 417	61 363	+13.1%
Gross profit (in % of sales)	45.6%	46.3%	
Sales expense	(15 040)	(13 579)	
Administration expense	(12 511)	(12 496)	
Research & development expense	(10 130)	(7 886)	
Other expense	0	(0)	
Other income	135	102	
EBIT	31 870	27 503	+15.9%
EBIT margin (in %)	20.9%	20.7%	
Financial expense	(118)	(76)	
Financial income	45	33	
Foreign exchange effect	1 514	(20)	
Profit before taxes	33 312	27 441	+21.4%
Income taxes	(6 840)	(5 319)	
Net profit	26 472	22 122	+19.7%
Net profit margin (in % of sales)	17.4%	16.7%	