

PRESS RELEASE

Q4 and year-end results for the financial year 2017/18

**LEM reports double digit sales growth and robust margins –
increased dividend of CHF 40 per share proposed**

Fribourg, 23 May 2018 – LEM (SIX: LEHN), the market leader in providing innovative and high quality solutions for measuring electrical parameters, announces financial year 2017/18 results (compared with financial year 2016/17):

- **Bookings increased by 17.9% from CHF 271.2 million to CHF 319.7 million, with the book-to-bill ratio increasing to 1.06 (1.03)**
- **Sales increased by 13.9% to CHF 301.2 million (CHF 264.5 million); at constant exchange rates sales increased by 13.2%**
- **Gross margin reached 45.9% (46.7%)**
- **R&D expenses increased by 35.2% to CHF 21.7 million, reflecting LEM's strategy to strengthen its technology leadership**
- **EBIT increased by 10.7% to CHF 61.7 million (CHF 55.8 million); the EBIT margin decreased to 20.5% (21.1%)**
- **Net profit for the period rose by 19.6% to CHF 53.3 million (CHF 44.6 million)**
- **Cash flow from operating activities was CHF 54.1 million (+2.5%)**
- **CAPEX increased from CHF 13.2 million to CHF 15.1 million due to ongoing production capacity increases**
- **Shareholders' equity reached CHF 109.0 million, representing an equity ratio of 59.2% (60.7% as of 31 March 2017)**
- **Dividend to be increased from CHF 35 to CHF 40**

Q4 of 2017/18 compared with Q4 of 2016/17:

- **Bookings amounted to CHF 84.2 million, an increase of 18.3% (CHF 71.2 million); the book-to-bill ratio improved to 1.10 (1.07)**
- **Sales increased by 14.2% to CHF 76.2 million (CHF 66.8 million)**
- **EBIT increased by 8.1% to CHF 15.3 million (CHF 14.1 million); the EBIT margin decreased to 20.0% (21.1%)**
- **Net profit for the period rose by 28.3% to CHF 15.3 million (CHF 11.9 million)**

“We consolidated our leading market position and achieved the strongest sales growth since 2010/11, thus exceeding the CHF 300 million mark for the first time. Business conditions remained favorable throughout the year and resulted in record orders. The trends to automation, environmentally friendly energy and electro-mobility were LEM's most important growth drivers. Again, we achieved robust operating margins while at the same time strengthening R&D and our global footprint. Innovation is of critical importance in view of the fast-developing power electronics industry, so we planted new seeds for future growth. At the same time, we keep a careful watch on the efficiency of our operations”, said Frank Rehfeld, CEO of LEM.

Industry segment: positive economic environment boosts all businesses

Sales in the Industry segment increased by 13.0% to CHF 242.2 million in the financial year 2017/18; at constant exchange rates the sales increase was 11.9%. The positive economic environment provided a boost for all businesses in most regions. Orders rose by 16.6% to CHF 256.1 million, resulting in a full-year book-to-bill ratio of 1.06.

Sales in China grew by 18% and as a result China has expanded its position as LEM's most important single country, representing 31% of Industry sales. Sales grew in the rest of Asia by 7% and by 16% in Europe. Sales in North America were negatively affected by exchange rate development and decreased by 2%.

EBIT increased from CHF 43.9 million in the previous year to CHF 51.2 million in the reporting year. The EBIT margin improved from 20.5% to 21.1%.

- Sales in the drives & welding business increased by 8% over the previous year. LEM achieved robust growth in all regions with the strongest sales performance in Europe and Asia. Automation and energy savings applications were the main growth drivers. The Company recorded strong interest in its new product family with integrated primaries for small drives and maintained its market share.
- Solar equipment production continued to move from North America to Europe and China. Thus, the renewable energies & power supplies business is driven by the Chinese and European solar industry producing for the world market. Wind activity was weak in most regions. LEM started to build a pipeline of smart-grid projects. Overall sales increased by 15% and LEM defended its market share well above 50%.
- A global catch-up of infrastructure investments and some individual projects supported the traction business, which grew by 24%. LEM achieved strong sales with light rail and locomotive projects in India and China as well as energy-metering and track-side (security and maintenance) projects in Europe. On the downside, there was hardly any activity in the US market. LEM's global market share remained stable.
- In the project-driven high-precision business, sales were up by 7%. Sales in China slowed with no repeat of last year's HVDC sales. Activity in the global Medical market was stable, but the Test & Measurement market boomed in the US and Europe. Growth was driven from green cars test bench applications. Overall, LEM's market share was unchanged and well above 50%.

Automotive segment: LEM's green cars exceeds conventional cars business

Sales in the Automotive segment reached CHF 59.0 million in the financial year 2017/18, representing an increase of 17.5% on the financial year 2016/17. At constant exchange rates, sales grew by 19.0%. For the first time, sales in LEM's green cars business exceeded sales in its conventional cars business.

LEM recorded the strongest growth in China (+53%), South Korea (+91%) and Japan (+17%). China is the Group's largest market with 38% of Automotive sales, followed by the US (28%), South Korea (14%) and Japan (11%).

EBIT reached CHF 10.5 million, down 11.0% on the financial year 2016/17. The EBIT margin was 17.8%, compared with 23.5% one year ago. The margin decrease resulted from increased competitive pressure in the green cars market on the one hand, and higher operating expense due to the development of new R&D and sales resources on the other hand. LEM offset part of these effects with volume growth and efficiency gains in production and administration.

- Sales in LEM's green cars business jumped by 75%. The Company achieved strong growth across all important markets. Business in Asia, especially in China, South Korea and Japan is growing fast. LEM benefits from its leading market position in China. LEM sees increasing commitment from large European and US car manufacturers to launch new electric or hybrid-electric car platforms.
- Year-on-year sales in the conventional cars business decreased by 17%. The decline was caused by the ongoing technological shift and the weak US car market.

New CEO and changes in the Board of Directors

With the appointment of Frank Rehfeld as Chief Executive Officer starting 1 April 2018, the Board of Directors is confident LEM is well placed to begin a new phase of growth and strengthen its global market position.

“On behalf of the Board of Directors and the Executive Management, we would like to express our gratitude to our outgoing CEO, François Gabella, who has successfully led LEM for eight years through a challenging period and laid the foundation for a strong future”, said Andreas Hürlimann, Chairman of the Board of Directors of LEM. LEM's Board of Directors will propose Mr. Gabella for election as a new Board member at the next Annual General Meeting on 28 June 2018 to benefit from his know-how and industry insights.

Norbert Hess, member of the Board of Directors since 2013, has announced his resignation on the date of the next Annual General Meeting. During his tenure, Dr. Hess strongly contributed to the successful development of LEM Group. Board and Management thank Norbert Hess for his highly valuable work and wish him all the best for his future.

Dividend proposal

For the financial year 2017/18, the Board of Directors is pleased to propose at the next Annual General Meeting a dividend of CHF 40 per share (CHF 35 for 2016/17), which represents a dividend payout ratio of 85.5%. This dividend proposal is a sign of confidence in the future success of LEM. It is in line with LEM's dividend policy of distributing significantly more than 50% of its consolidated net profit to shareholders.

Outlook

Management believes that the positive economic momentum will accompany the Industry businesses. LEM's growth in the green cars business is forecast to continue and to outgrow the slow conventional cars business. However, government policies remain an important factor that may result in a volatile trend. In addition, increasing competition in green cars will put additional pressure on prices. Geopolitical tensions or new trade barriers may pose a risk to global growth and LEM's businesses.

Executing LEM's innovation strategy, the Company plans to further increase investment in R&D. The R&D teams are to grow and to add new know-how around current industry trends. Again in 2018/19, LEM expects a high number of product launches.

Taking all internal and external factors into account, Management expects a robust financial year for LEM.

Media and analyst conference and webcast

Andreas Hürlimann, Chairman of the Board of Directors, Frank Rehfeld, CEO since 1 April 2018, François Gabella, CEO until 31 March 2018, and Andrea Borla, CFO, will provide a detailed presentation of Q4 and financial year 2017/18 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 2017/18 results and annual report

The full financial report is available from today, 23 May 2018, on www.lem.com/en/investors > Financial Reports.

Financial calendar

The financial year runs from 1 April to 31 March

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
31 July 2018	First-quarter results 2018/19
6 November 2018	Half-year results 2018/19
1 February 2019	Third-quarter results 2018/19
22 May 2019	Year-end results 2018/19
27 June 2019	Annual General Meeting of Shareholders for the year 2018/19
2 July 2019	Dividend ex-date
4 July 2019	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 1'530 employees worldwide. It has production plants in Beijing (China), Sofia (Bulgaria), Geneva (Switzerland) 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	2016/17				2017/18				Change	
Orders received	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4 to Q4	Q4 to Q3
Industry segment	52.7	53.5	55.4	58.1	63.9	58.7	63.1	70.4	+21.2%	+11.6%
Automotive segment	12.5	13.6	12.3	13.0	14.8	19.4	15.6	13.8	+5.7%	-11.4%
Total LEM	65.2	67.1	67.7	71.2	78.8	78.0	78.7	84.2	+18.3%	+7.0%
Book-to-bill ratio	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4 to Q4	Q4 to Q3
Industry segment	0.96	1.03	1.06	1.06	1.02	0.96	1.11	1.14	+7.7%	+3.1%
Automotive segment	1.05	1.00	0.97	1.09	1.11	1.27	0.98	0.94	-13.1%	-3.9%
Total LEM	0.97	1.02	1.04	1.07	1.04	1.02	1.08	1.10	+3.6%	+2.2%
Sales	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4 to Q4	Q4 to Q3
Industry segment	54.9	52.1	52.5	54.8	62.6	61.1	56.9	61.6	+12.6%	+8.2%
Automotive segment	12.0	13.6	12.6	12.0	13.3	15.2	15.9	14.6	+21.7%	-7.8%
Total LEM	66.9	65.7	65.1	66.8	75.9	76.3	72.8	76.2	+14.2%	+4.7%
EBIT	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4 to Q4	Q4 to Q3
Industry segment	10.6	10.4	11.4	11.5	13.3	12.6	11.3	13.9	+21.0%	+23.1%
Automotive segment	2.8	3.7	2.7	2.6	2.7	3.3	3.3	1.3	-49.0%	-59.7%
Total LEM	13.4	14.1	14.1	14.1	16.0	15.9	14.6	15.3	+8.1%	+4.6%

Consolidated income statement

April to March

In CHF thousands	2017/18	2016/17	Change
Sales	301 243	264 519	+13.9%
Cost of goods sold	(162 826)	(140 959)	
Gross margin	138 416	123 560	+12.0%
Gross margin (in %)	45.9%	46.7%	
Sales expense	(30 540)	(26 700)	
Administration expense	(24 892)	(25 246)	
Research & development expense	(21 679)	(16 039)	
Other income	412	182	
EBIT	61 719	55 758	+10.7%
EBIT margin (in %)	20.5%	21.1%	
Financial expense	(298)	(228)	
Financial income	127	80	
Foreign exchange effect	1 345	(642)	
Profit before taxes	62 893	54 968	+14.4%
Income taxes	(9 587)	(10 403)	
Net profit	53 306	44 566	+19.6%
Net profit margin (in %)	17.7%	16.8%	