

A woman with glasses and a blue lab coat is smiling while working at a workstation in a factory. She is using a tool to work on a component on a circuit board. In the background, another woman in a blue lab coat is also working at a similar station. The environment is a well-lit industrial facility with blue shelving units and various pieces of equipment.

## Results

3<sup>rd</sup> quarter and nine months of 2015/16

1 April 2015 to 31 December 2015

16 February 2016

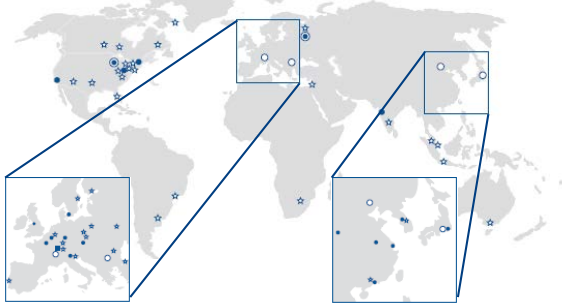
# Agenda

1. **LEM at a Glance**
2. Highlights and Business Review
3. Financial Review
4. Strategy and Outlook



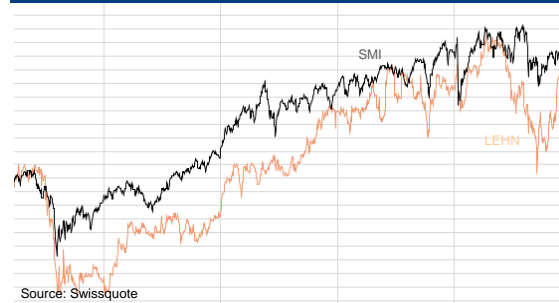
# 1. Global Market Leader in Current and Voltage Transducers

## Market Position



- Global market share of 50% in Industry
- Benchmark in service and product quality
- 4 production sites in Europe and Asia
- Sales of CHF 257.8 million in 2014/15

## Performance



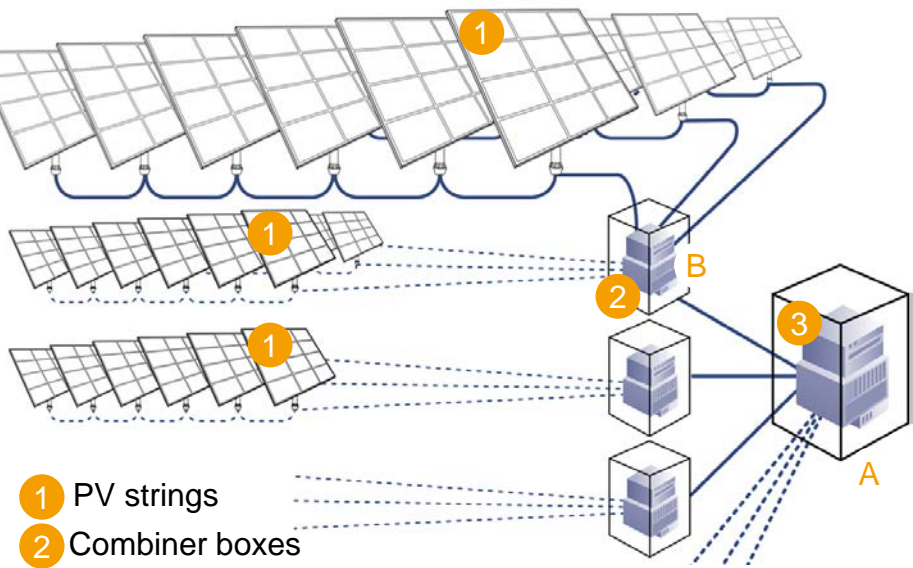
- Continued sales growth and strong margins
- Dividend yield >5% in each year since 2009

## Perspectives



- Reinforced investment in innovation
- Solid growth perspectives due to underlying trends
- Strong foothold in China
- EBIT margin target of 15 to 20%

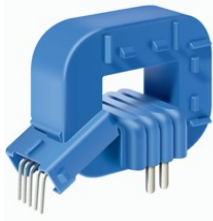
# 1. LEM Applications: Solar plant



- 1 PV strings
- 2 Combiner boxes
- 3 Inverter



LF xx10 models



HO xx-P models

In solar plants, the generated electricity is fed into the grid. Current transducers (A) in the inverter (3) control the energy flow to the grid.

The performance of the overall installation is monitored in order to maximize its efficiency. The inverters used for the conversion of the power to the grid ensure this efficiency.

To detect a defective solar panel, the current produced by each PV string (1) is controlled (B) and compared in combiner boxes (2) where PV strings are connected. Preventive maintenance can then be realized on specific panels in case of lack of balance between strings.

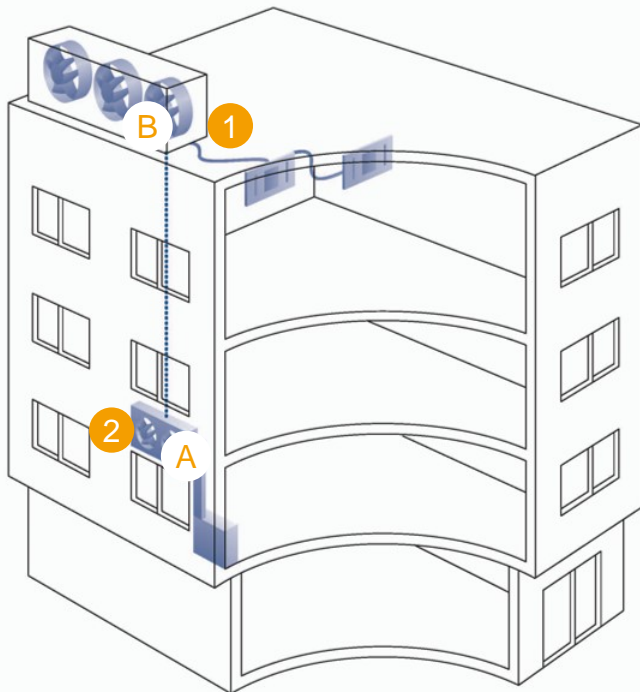
# 1. LEM Applications: Air Conditioner



B HO xxx-S



A HLSR



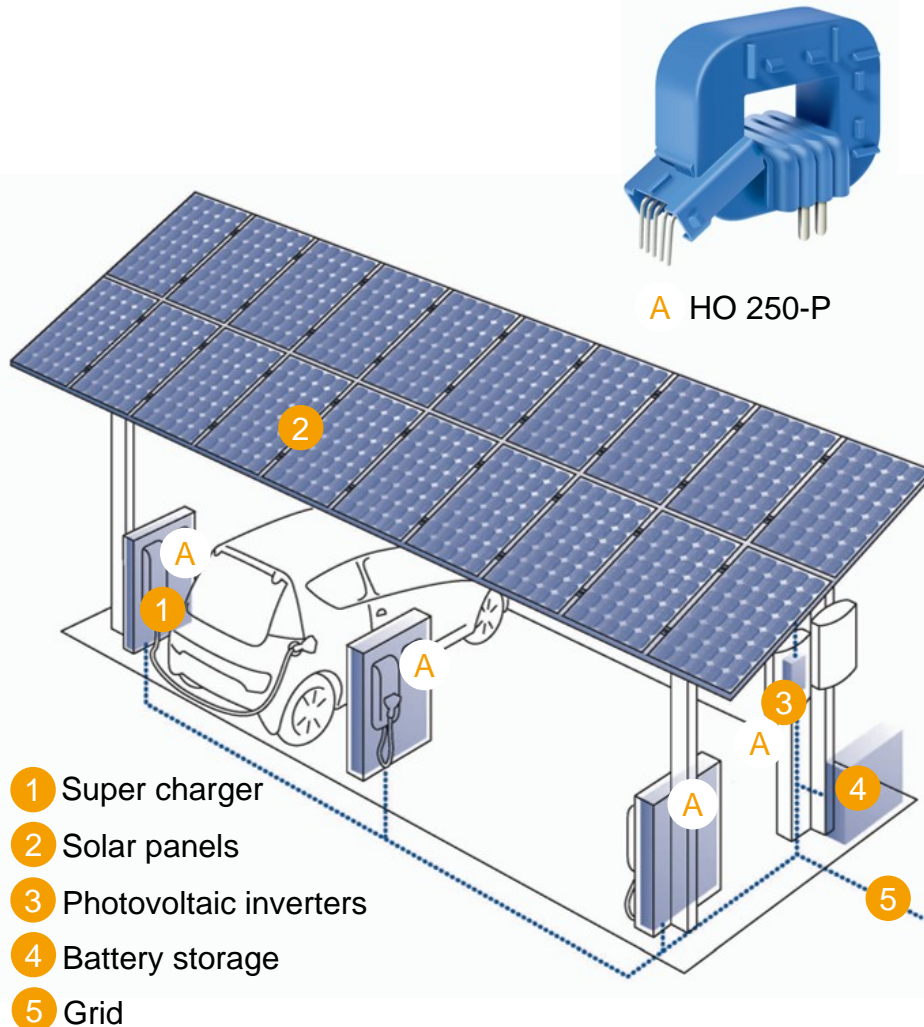
In central air conditioning (1) (and increasingly residential system (2)), the air is cooled by blowing it over an evaporator filled with a refrigerant. Then the refrigerant is pumped into a condenser where it releases the heat. A pump or compressor is used to move the refrigerant, and a motor runs the compressor.

Inverters control the motors, which drive the pumps and fans. Robust current measurement devices like the HLSR models (A) or HO xxx-S models (B) are used to reach the desired temperature quicker while consuming less electricity and operating more quietly.

1 Central air-conditioning system

2 Room air conditioner

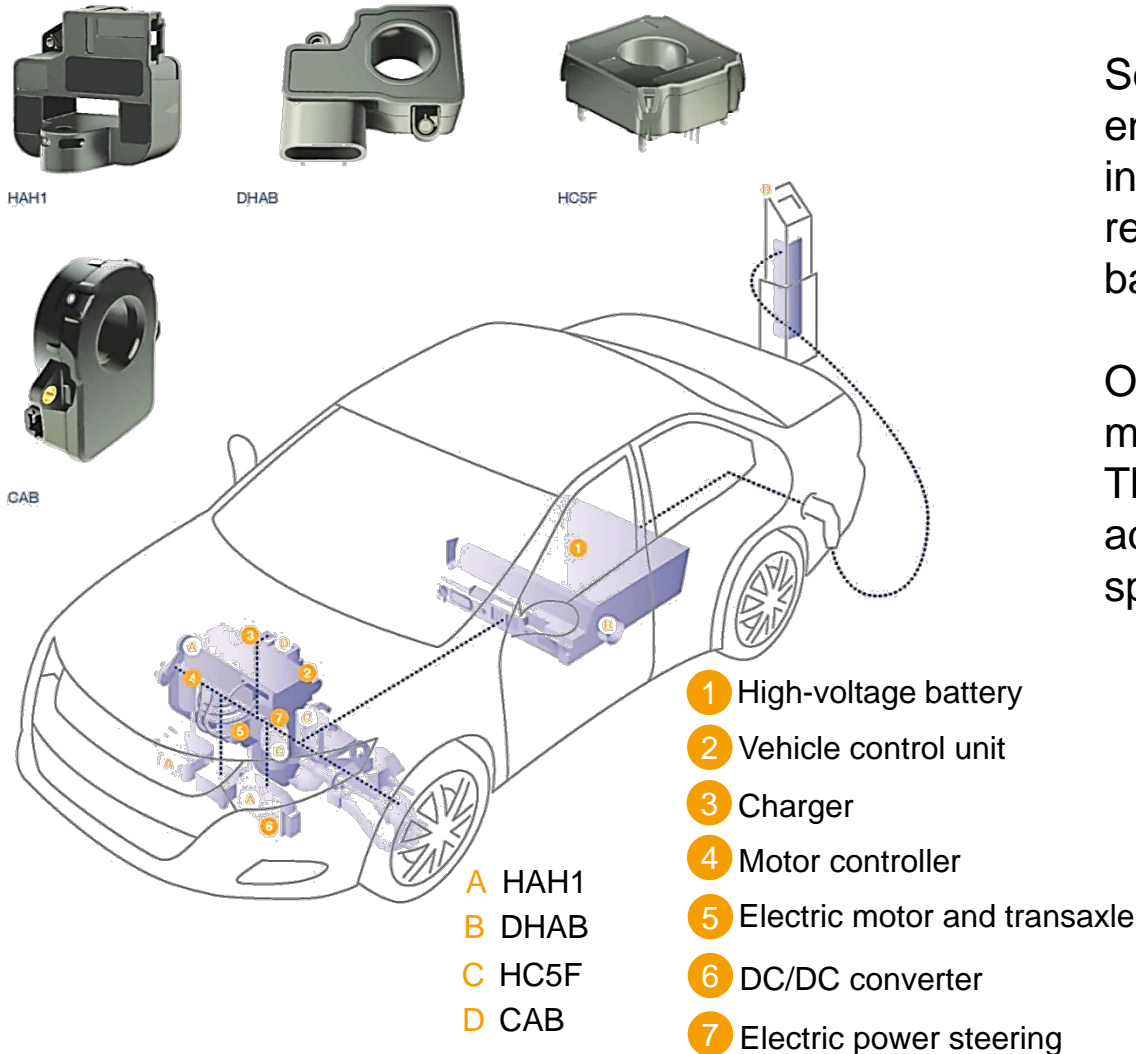
# 1. LEM Applications: Super Charger Station for Electric Vehicles



A super charger (1) operates using several 400V DC chargers in parallel. 1MW would be required from the grid (5) if 10 cars were charged simultaneously. Charging stations therefore often include a photovoltaic plant with solar panels (2) and a battery storage system (4). Stored energy is used to reduce energy peaks and to best use photovoltaic energy.

The chargers use the HO 250-P (A) to measure the DC current while the photovoltaic inverter (3) uses up to 7 transducers, such as CASRs, HLSRs and CTSRs to measure DC, AC and residual currents.

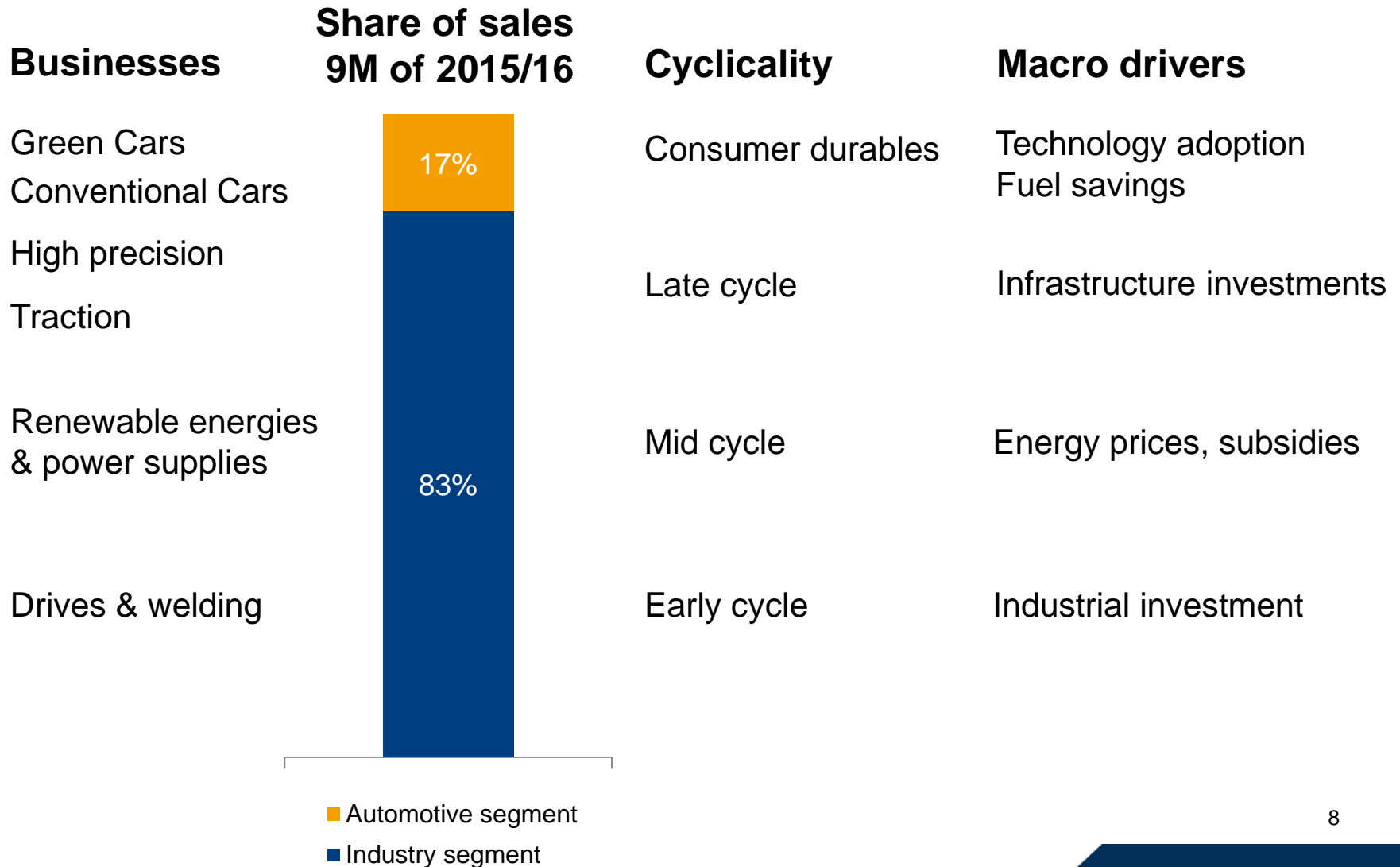
# 1. LEM Applications: Electric Plug-in Car



Sensors (DHAB) measure the units of energy available to be consumed. This information helps to calculate the remaining distance that can be driven based on the current battery charge.

Other sensors (HAH1) are used to manage the converter and/or inverter. The information provided is used to adjust the drive performance to the speed required by the driver.

# 1. Diverse Target Markets – Diversified Businesses





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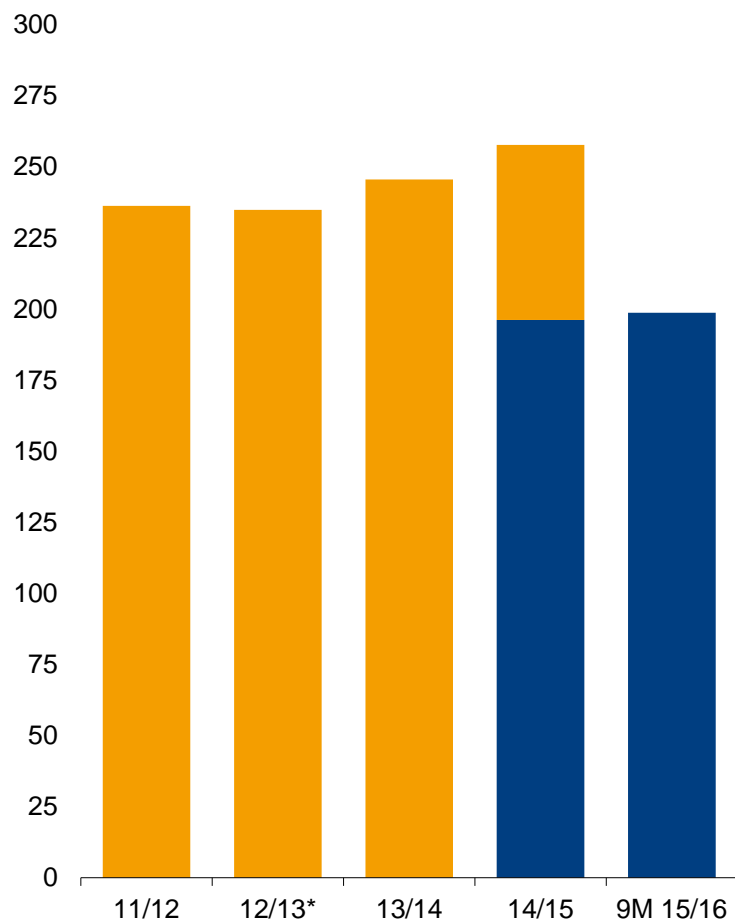
## 2. Continuous operating margin improvements in 2015/16

In CHF millions, %	9M 2015/16	9M 2015/16 vs. 9M 2014/15	Q3 2015/16 vs. Q3 2014/15
Orders	194.2	+2.0%	+5.5%
Sales	198.7	+1.3%	+3.8%
EBIT	40.6	-7.4%	+10.3%
Net profit	31.5	-5.0%	+0.1%

- Strong Swiss franc weighs on sales and margins
- Continued progress in China and robust performance in North America
- Strong growth in Automotive segment
- Operating margins improving from quarter to quarter
- New Executive Committee in place with CFO, General Managers for Automotive and Industry now on board

## 2. Net Sales

In CHF millions



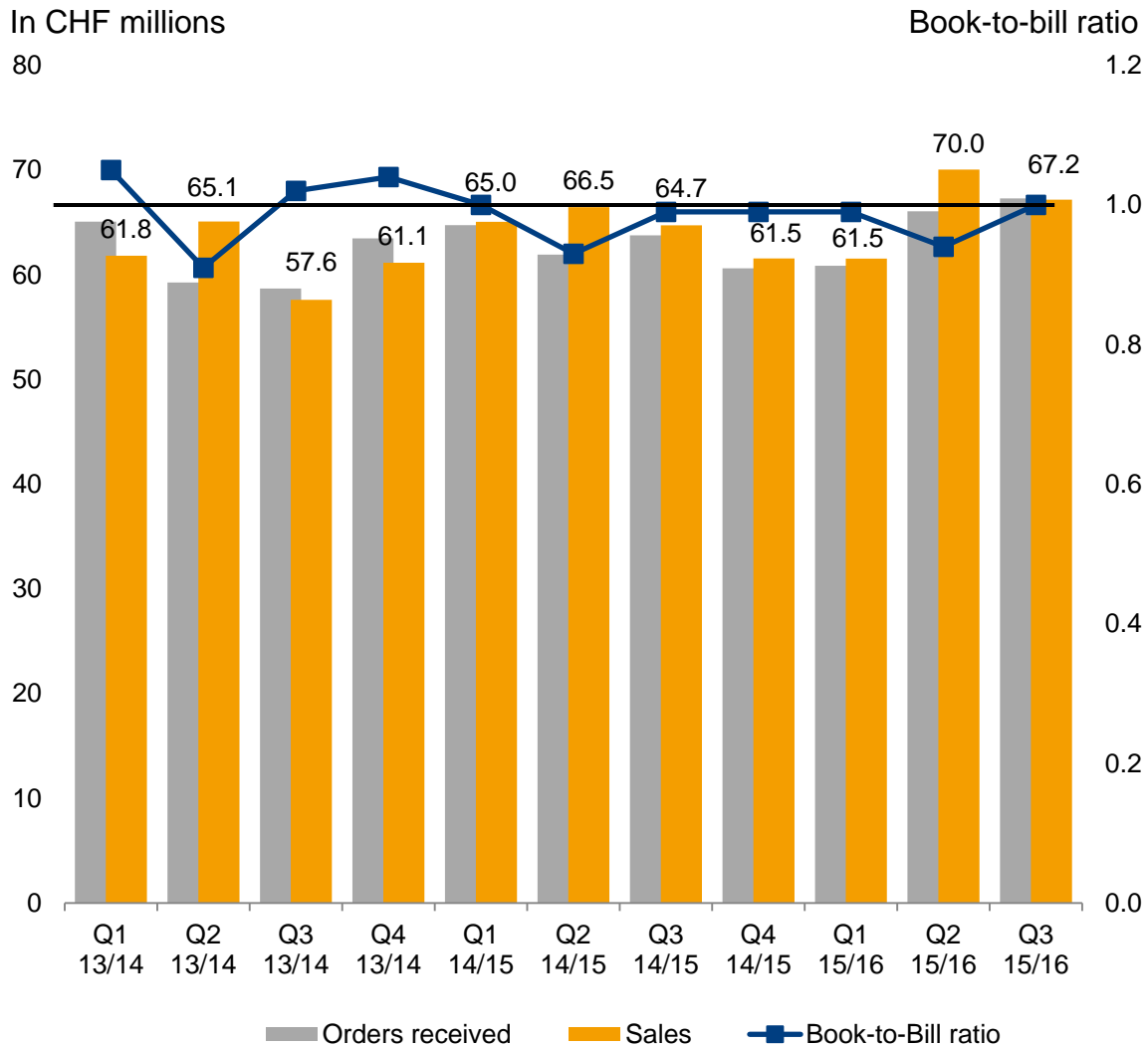
In CHF millions, %

	Sales	9M vs. 9M		Q3 vs. Q3
		as reported	at constant currencies	
Industry	164.5	-3.0%	+1.2%	-3.2%
Automotive	34.3	+28.3%	+25.8%	+48.4%
<b>Total sales</b>	<b>198.7</b>	<b>+1.3%</b>	<b>+4.6%</b>	<b>+3.8%</b>

- Continued recovery of sales
- Sales growth in China
- Strong growth in Automotive segment and robust performance in the renewable energies business
- Negative currency impact

\* Restatement following IAS 19R application (pensions)

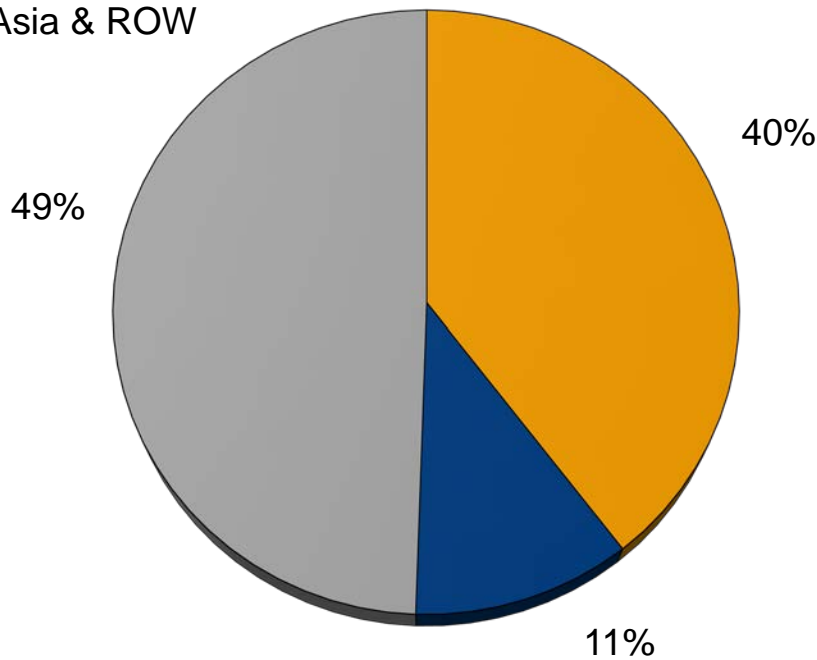
## 2. Quarterly View



- Market uncertainties and shrinking inventories at customers translating into shorter term bookings
- Book-to-bill ratio stable at around 1 for the past quarters

## 2. Industry Segment: Regional Markets

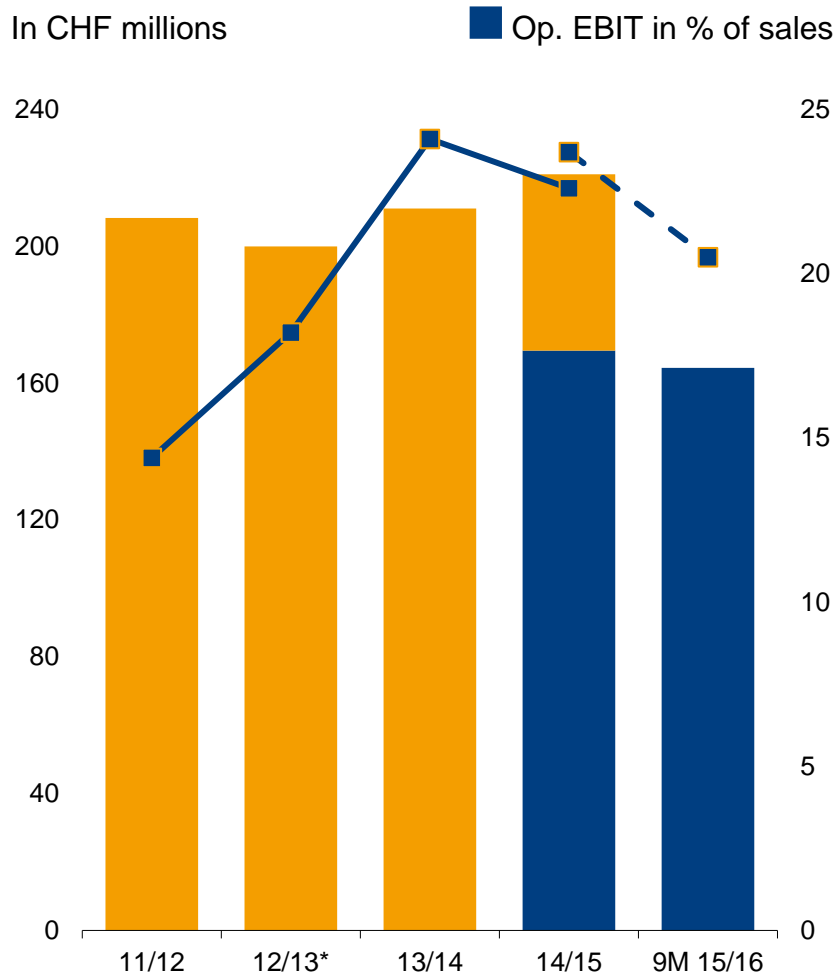
- Europe
- North America
- Asia & ROW



In CHF millions, %	Sales	Growth 9M vs. 9M	Growth Q3 vs. Q3
Europe	65.1	-9.0%	-9.3%
N. America	18.0	+0.3%	-10.9%
Asia and RoW	81.3	+1.6%	+3.8%
<b>Total</b>	<b>164.5</b>	<b>-3.0%</b>	<b>-3.2%</b>

- Strong growth in China
- China the single most important country representing 33% of sales
- Stable performance in North America
- Repeated success with recently launched product families; ramp-up of production

## 2. Industry Segment: Business Development



\* Restatement following IAS 19R application (pensions)

### Businesses and Applications

#### Drives & welding (growth 9M vs. 9M: -7%)

- Robust business in China
- Other regions soft due to weak global capital investments
- Overcapacities exert pressure on prices

#### Renewable energies & power supplies (+8%)

- Continued investments in Chinese solar farms and wind parks
- Softening Japanese demand
- Pick-up in smart-grid projects

#### Traction (-12%)

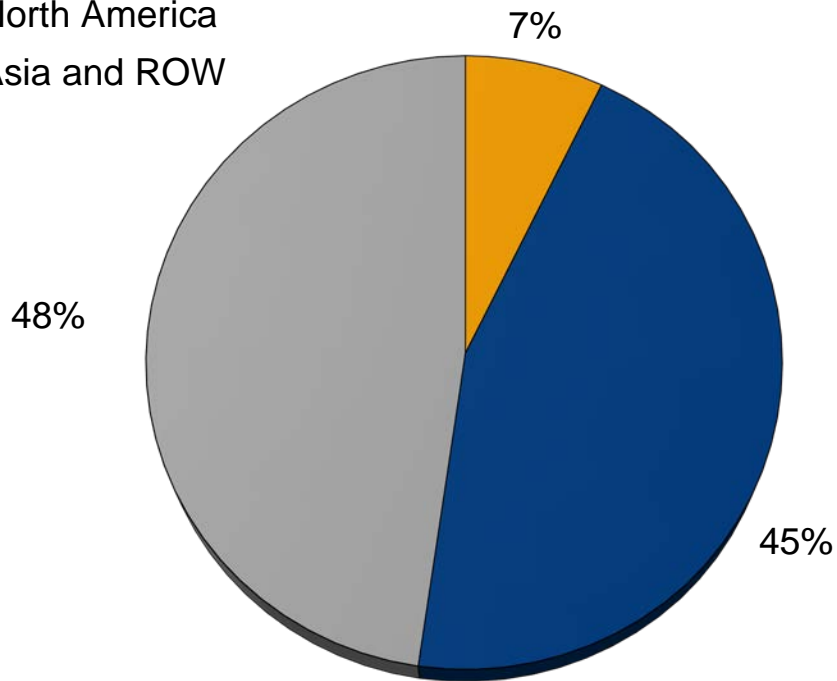
- Stabilization after period with strong growth
- Less global activity, fewer new traction projects

#### High-precision (+5%)

- Good HVDC business in China
- Stable activity in test & measurement markets

## 2. Automotive Segment: Regional Markets

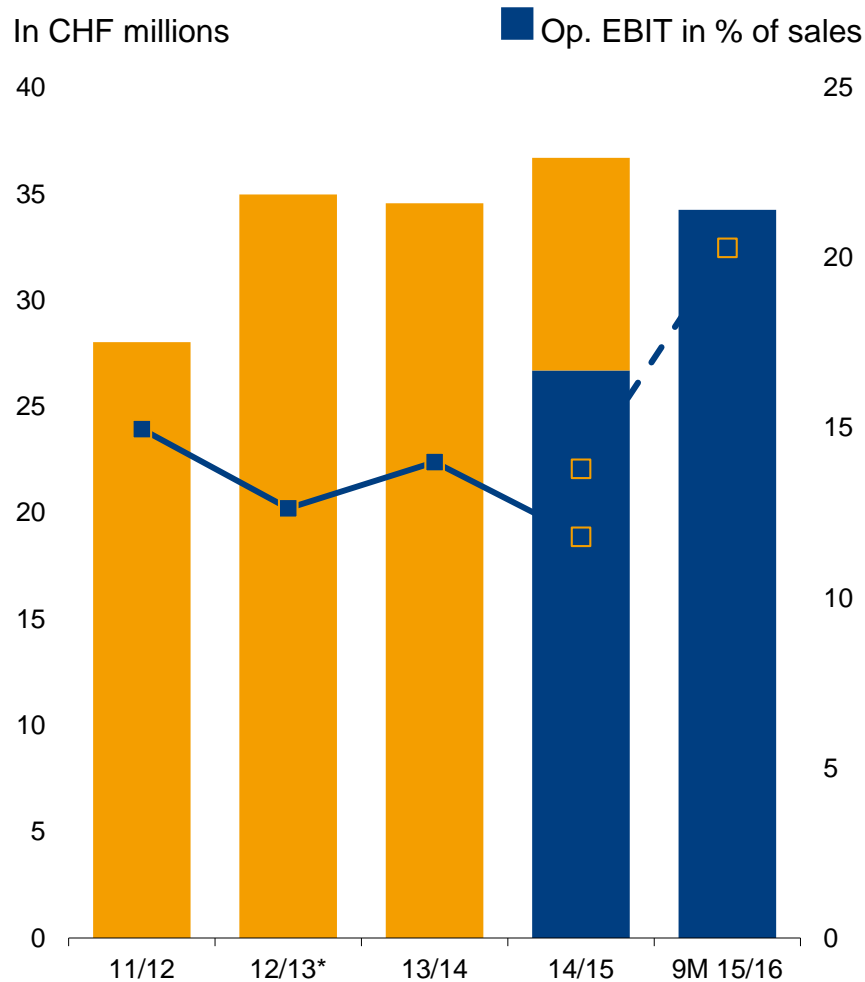
- Europe
- North America
- Asia and ROW



In CHF millions, %	Sales	Growth 9M vs. 9M	Growth Q3 vs. Q3
Europe	2.5	+31.4%	+39.6%
N. America	15.4	+18.1%	+38.0%
Asia and RoW	16.3	+39.2%	+60.0%
<b>Total</b>	<b>34.3</b>	<b>+28.3%</b>	<b>+48.4%</b>

- Focus on Asian and North American markets
- Strongest performance in China (sales growth +56%) and the US (+18%)

## 2. Automotive Segment: Business Development



### Businesses and Applications

#### Conventional cars (9M vs. 9M: +18%)

- Growth in line with market; stable market share
- High demand due to record US car sales

#### Green cars (HEV, EV) (+72%)

- Benefitted from Chinese government support
- Won new projects with several car manufacturers thanks to broad product portfolio

\* Restatement following IAS 19R application (pensions)

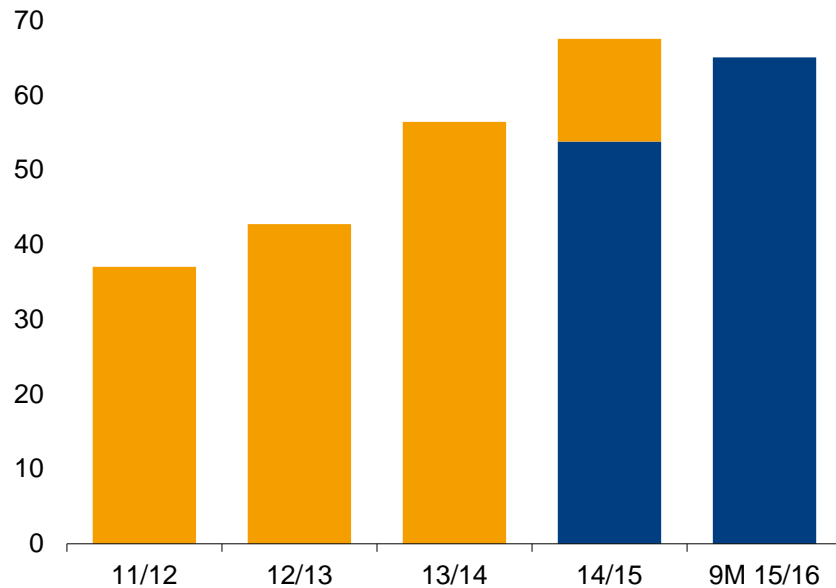


## 2. Business Development Beijing (China)

### Sales

- Market share of over 50%
- Most important country with 33% of total sales

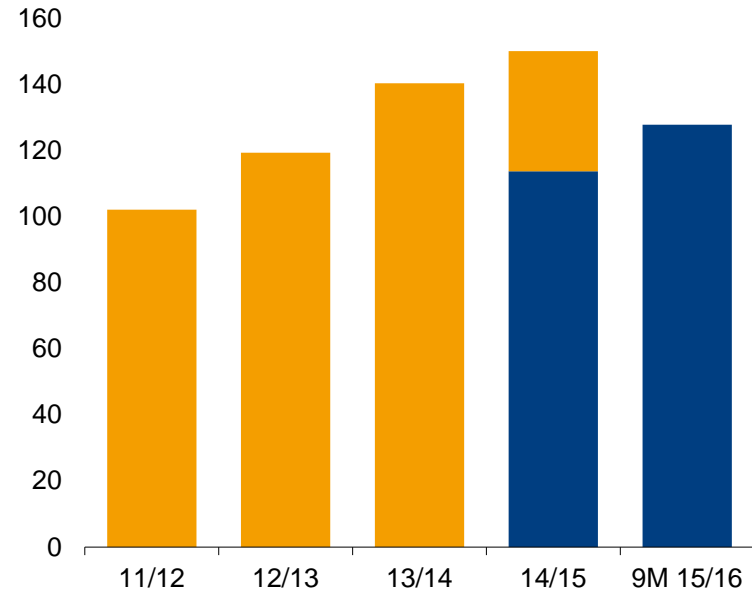
In CHF millions



### Production

- LEM China increased its #1 position as largest manufacturing site of the Group (64% of total production, compared to 58% in financial year 2014/15)
- “Made by LEM” quality

In CHF millions



## 2. Business Development Sofia (Bulgaria)



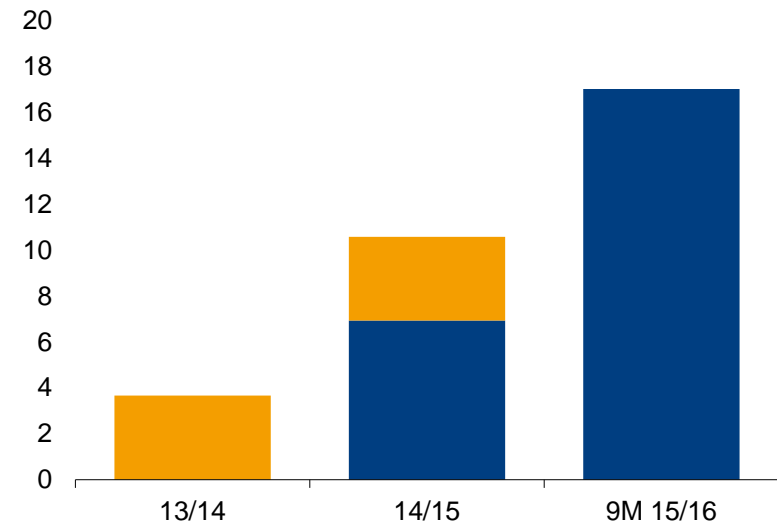
### Objectives of the site

- Diversify LEM's cost-competitive production
- Increase production capacity close to European customers
- Increase natural hedge of operations
- Absorb major part of LEM's future growth

### Production

- 14 production lines relocated from Japan and Switzerland to Bulgaria (+3 in Q3 of 2015/16)
- Headcount at 144 FTE
- Introduced a local development team to support production

In CHF millions



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### 3. Financial Highlights Q3 of 2015/16

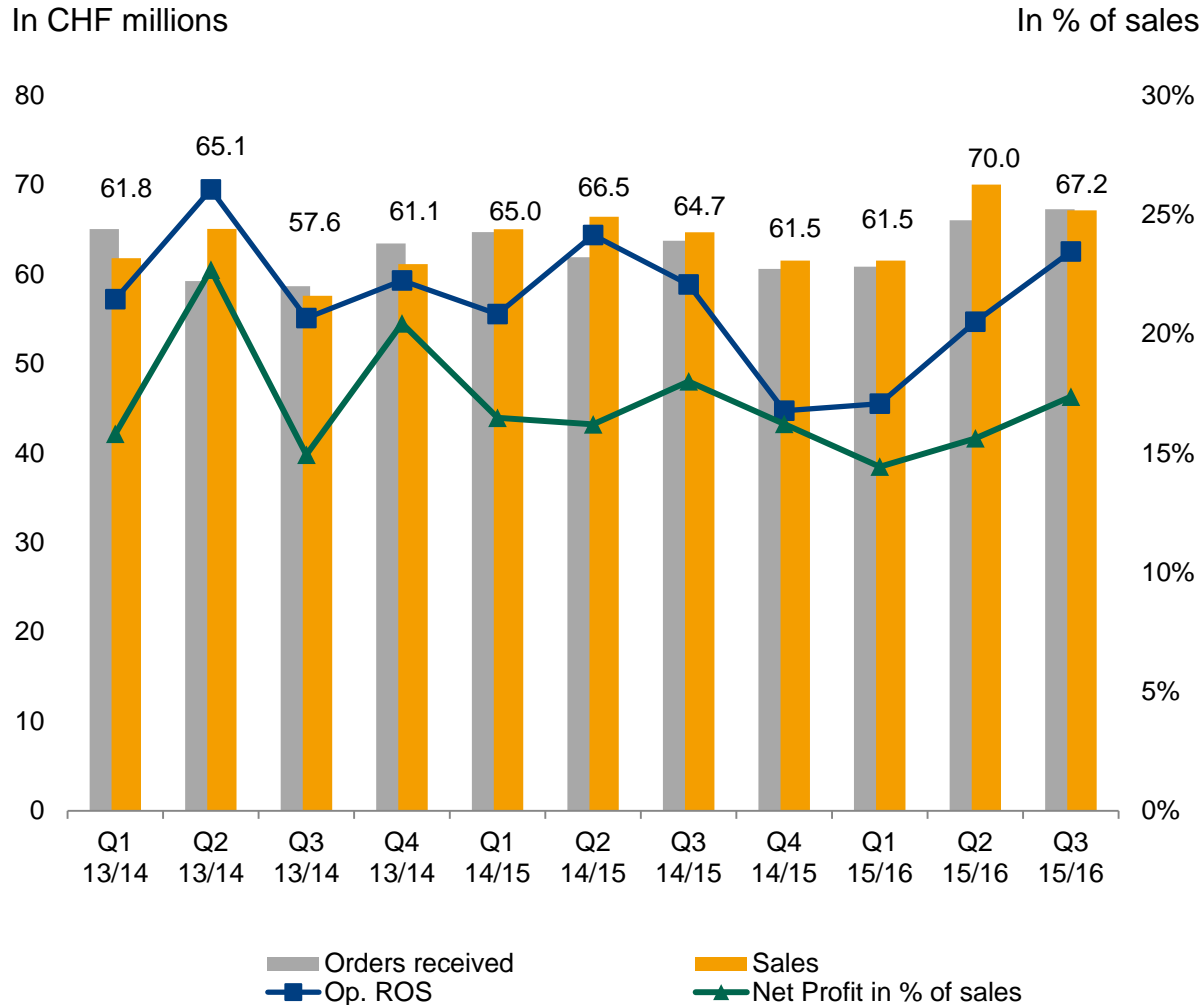
- EBIT margin in the quarter improved to 23.5%
  - easing currency situation
  - increased share of low-cost production
  - tight cost control
  - favorable product mix
- Operating expenses at long term average
- Free cash flow for the quarter of CHF 22.8 million
  - profitability improvements
  - net working capital reduction

### 3. Income Statement

In CHF millions

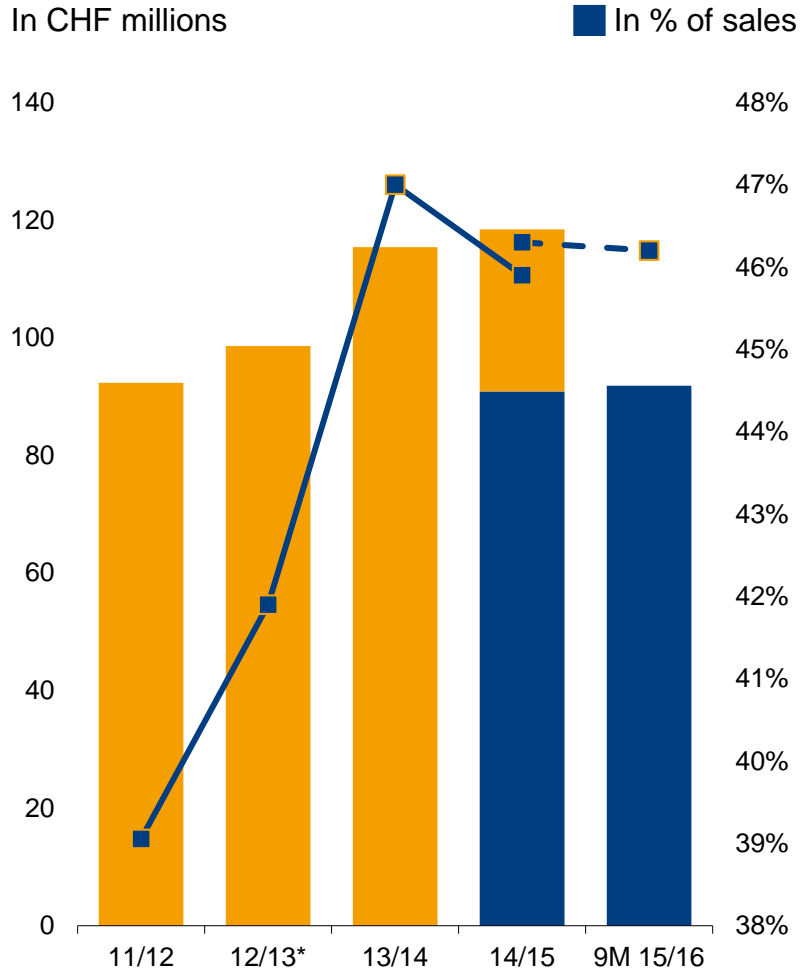
	9M 2014/15	9M 2015/16	Change	Q3 2014/15	Q3 2015/16	Change
<b>Sales</b>	<b>196.2</b>	<b>198.7</b>	<b>+1.3%</b>	<b>64.7</b>	<b>67.2</b>	<b>+3.8%</b>
Gross margin	46.3%	46.2%	-0.1pt	46.2%	47.6%	+1.3pt
Operating expense	-47.0	-51.2	+9.0%	-15.6	-16.2	+3.5%
<b>EBIT</b>	<b>43.9</b>	<b>40.6</b>	<b>-7.4%</b>	<b>14.3</b>	<b>15.8</b>	<b>+10.3%</b>
Net financial exp.	-3.2	-0.8	-74.6%	-1.4	-1.3	-8.0%
Income tax	-7.5	-8.3	+10.8%	-1.2	-2.8	+127.9%
<b>Net profit</b>	<b>33.1</b>	<b>31.5</b>	<b>-5.0%</b>	<b>11.7</b>	<b>11.7</b>	<b>+0.1%</b>

# 3. Results by Quarter



- Continuous margin improvements in 2015/16
- CHF 4.9 million negative foreign exchange impact on EBIT for first 9 months of 2015/16

# 3. Gross Margin

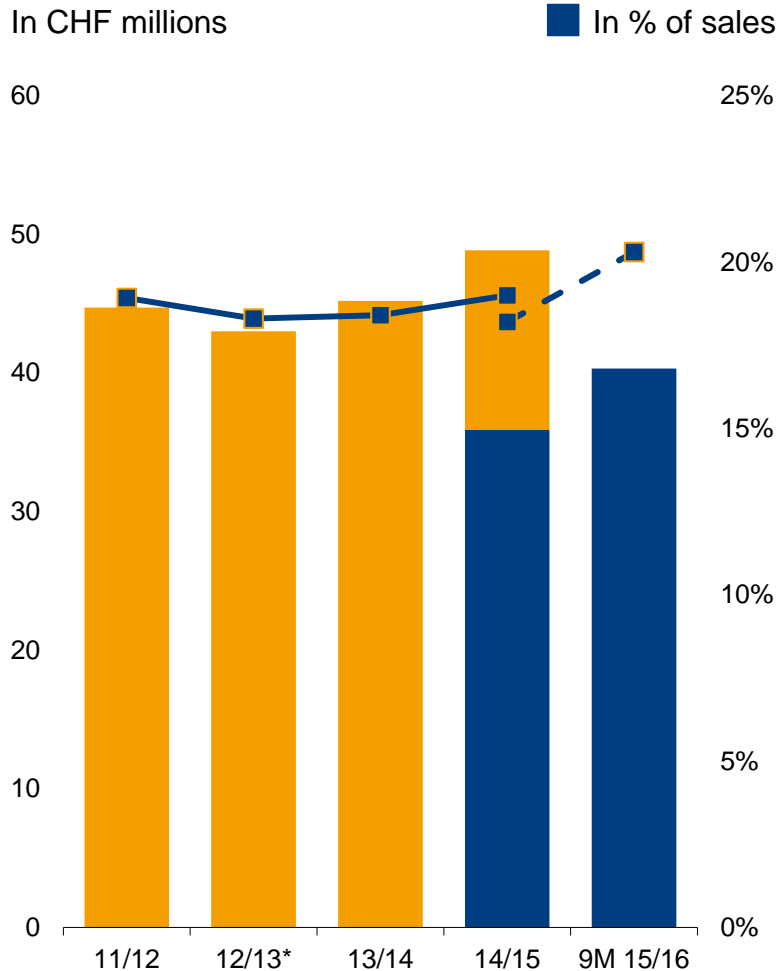


	9M 2014/15	9M 2015/16	Q3 2014/15	Q3 2015/16
Gross margin in CHF millions	90.8	91.8	29.9	31.9
Gross margin in % of sales	46.3%	46.2%	46.2%	47.6%

- Negative impact on gross margin due to adverse foreign exchange development
- Positive impacts on gross margin due to focus on
  - Optimized sourcing
  - Internal productivity improvements
  - Relocation to cost-competitive manufacturing sites

\* Restatement following IAS 19R application (pensions)

# 3. SG&A



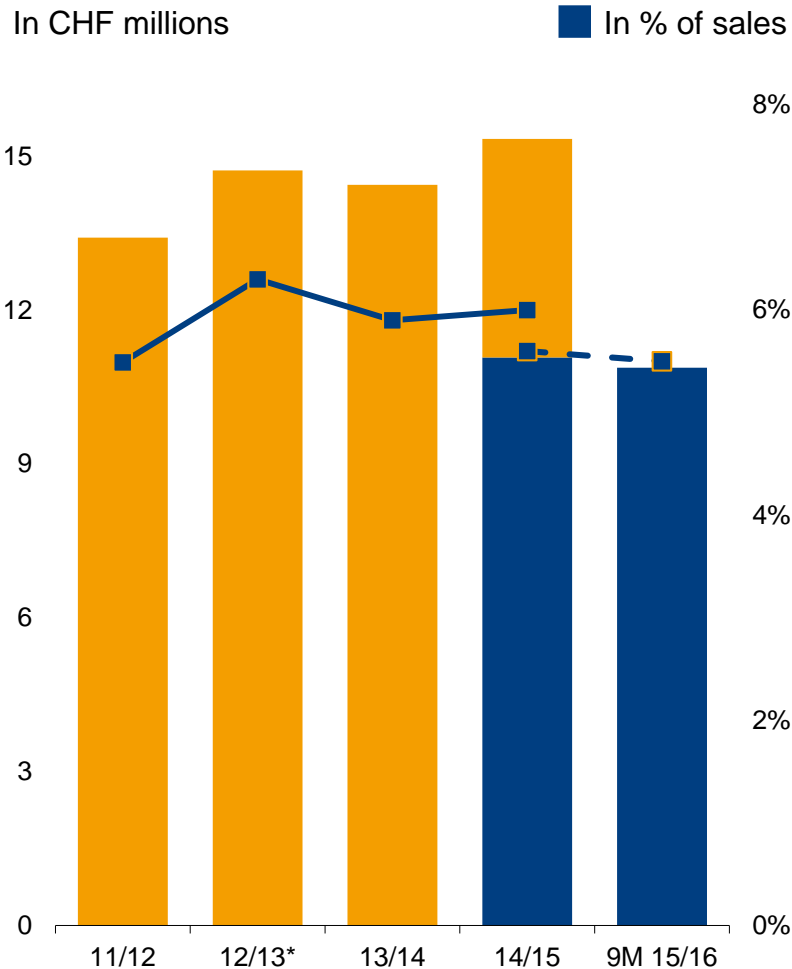
	9M 2014/15	9M 2015/16	Q3 2014/15	Q3 2015/16
SG&A in CHF millions	35.9	40.3	12.0	12.5
SG&A in % of sales	18.3%	20.3%	18.5%	18.7%

- Higher sales and administration expense in H1 of 2015/16 due to
  - Organizational changes
  - Introduction of new ERP
  - Build-up of European logistics and distribution platform
- Sales and administration expense back to long term average in Q3 of 2015/16

\* Restatement following IAS 19R application (pensions)



# 3. R&D Expense

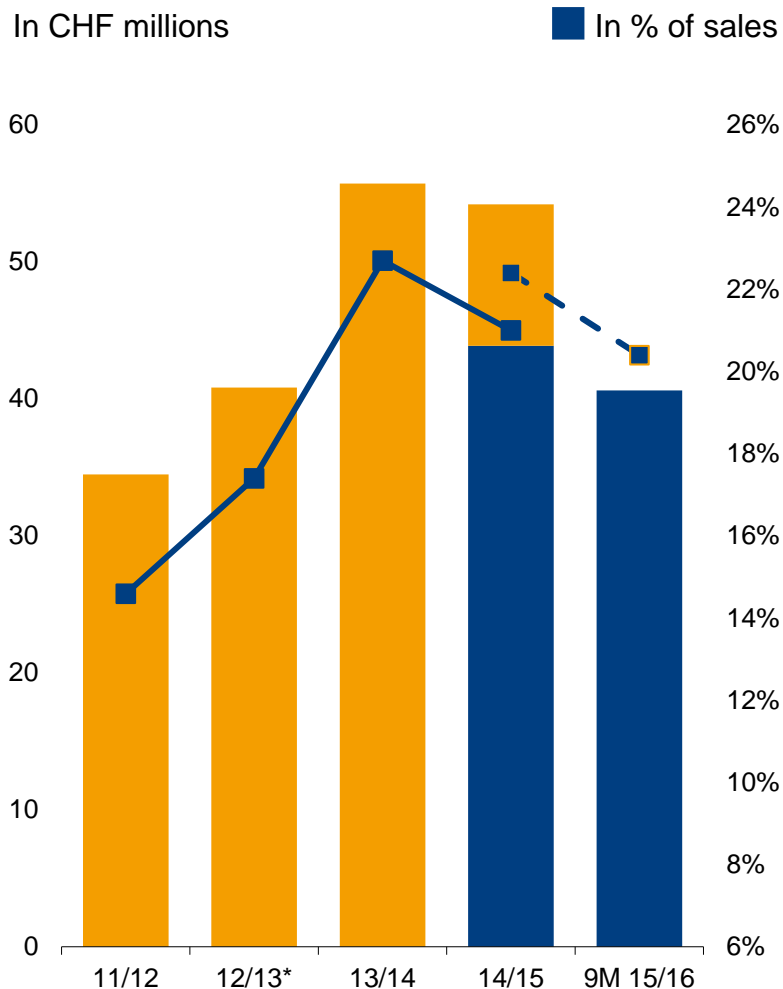


	9M 2014/15	9M 2015/16	Q3 2014/15	Q3 2015/16
R&D expense in CHF millions	11.1	10.9	3.7	3.7
R&D expense in % of sales	5.6%	5.5%	5.7%	5.5%

- Maintained high investment in R&D for both segments
- Ongoing renewal of product range with focus on optimized cost, higher accuracy, easier integration into customers' systems and new functions

\* Restatement following IAS 19R application (pensions)

# 3. EBIT



	9M 2014/15	9M 2015/16	Q3 2014/15	Q3 2015/16
EBIT in CHF millions	43.9	40.6	14.3	15.8
EBIT in % of sales	22.4%	20.4%	22.1%	23.5%

- Adverse foreign exchange impact; easing in the course of 2015/16
- One-time operating expenses in Q1 and Q2 of 2015/16
- Continued cost control and productivity improvements
- Profitability above target range of 15 to 20%

\* Restatement following IAS 19R application (pensions)

### 3. Financial Expense

In CHF millions

	9M 2014/15	9M 2015/16	Q3 2014/15	Q3 2015/16
Exchange effect*	-3.2	-0.6	-1.3	-1.1
Other financial expense & income	-0.0	-0.2	-0.1	-0.2
<b>Total</b>	<b>-3.2</b>	<b>-0.8</b>	<b>-1.4</b>	<b>-1.3</b>

- Exchange effect impacted by negative valuation of USD and EUR currency hedges
- Foreign exchange hedging policy (unchanged)
  - EUR: 100% of net exposure 12 months forward
  - USD: 100% of net exposure 12 months forward

\* The line "exchange effect" in the financial result is mainly due to currency volatility during the time between booking and settling a receivable/payable. Over and above this line, foreign exchange rates impact every P&L line through the rate at which each transaction is booked and at which it is consolidated into CHF.

### 3. Income Taxes

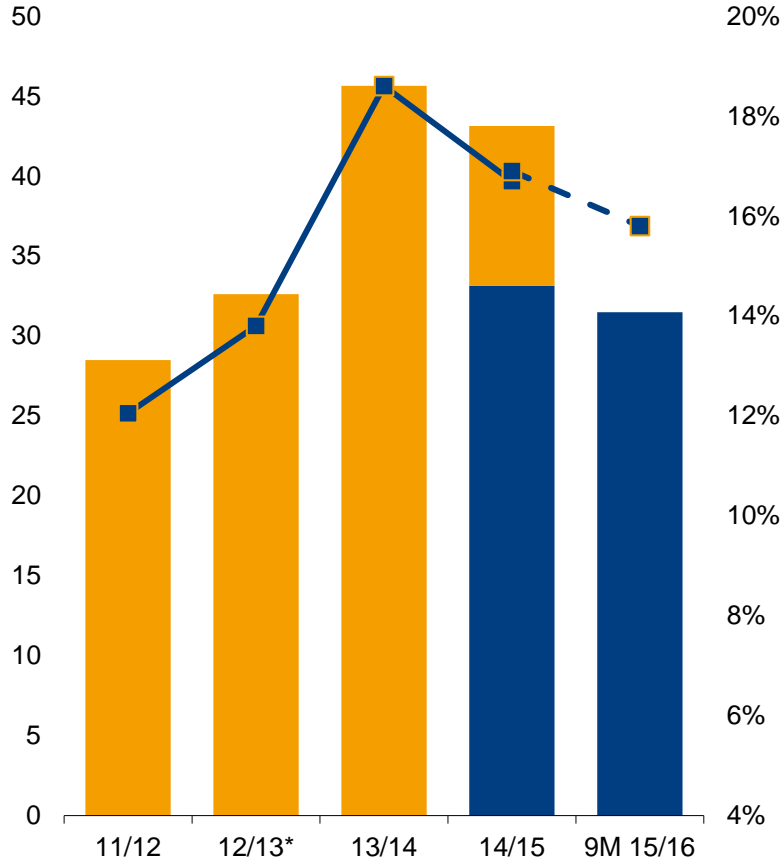
	9M 2014/15	9M 2015/16
Expected income tax rate	20.0%	19.6%
Expected withholding tax rate	1.4%	2.0%
<b>Expected tax rate</b>	<b>21.3%</b>	<b>21.6%</b>
Withholding tax for results from prior years	-3.3%	0.0%
Other differences	0.4%	-0.7%
<b>Effective tax rate</b>	<b>18.5%</b>	<b>20.9%</b>

- Expected withholding tax rate increased due to higher share of profits in China
- Application of CN-CH double taxation agreement resulting in a one-off reversal of withholding tax provision in 2014/15

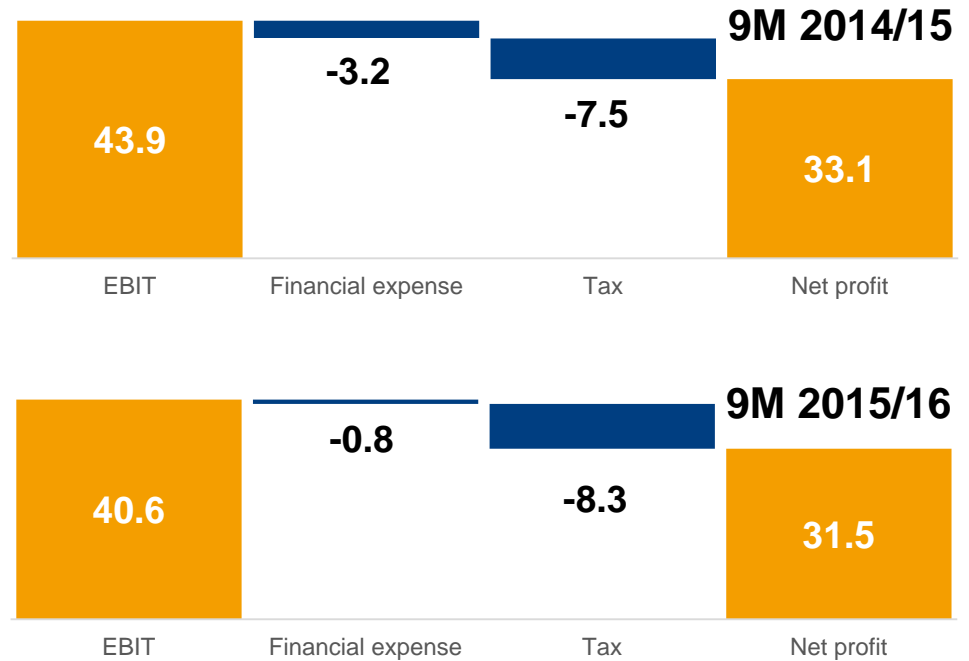
# 3. Net Profit

In CHF millions

■ In % of sales



	9M 2014/15	9M 2015/16	Q3 2014/15	Q3 2015/16
Net profit in CHF millions	33.1	31.5	11.7	11.7
Net profit in % of sales	16.9%	15.8%	18.0%	17.4%



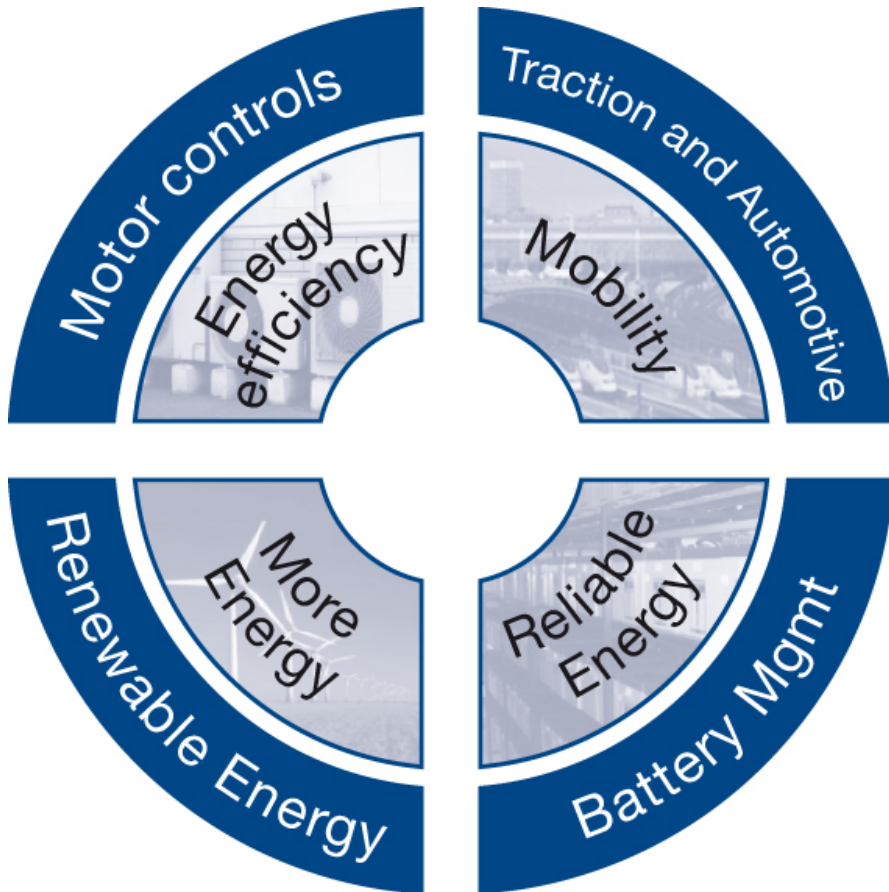
\* Restatement following IAS 19R application (pensions)

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## 4. Market Factors and Strategy



- We firmly believe in our strategic direction and the 4 drivers for our business remain unchanged
- We will continue to capitalize on the drivers of LEM's markets through
  - pure play components company
  - diversification across geographies and businesses

## 4. Outlook

- For Q4 of 2015/16 we expect
  - No major short-term impact from current global economic uncertainties
  - Normal seasonal decline because of Chinese New Year and lower solar infrastructure investments during winter quarter (January to March)
- Financial year 2015/16 outlook
  - Volume growth (in number of transducers) in both segments
  - Sales of around CHF 260 million (previous forecast CHF 250 – 260 million)
  - EBIT margin to be higher than 20% (previous forecast 15 to 20%)
- International currency fluctuations remain a challenge
  - Continuous reevaluation of all processes to determine their optimal location



# Q&A

# Financial Calendar and Contact Details

## Financial calendar

9 June 2016	Year-end 2015/16 results
30 June 2016	Ordinary General Meeting of the Shareholders for the year 2015/16
5 July 2016	Dividend ex-date
7 July 2016	Dividend payment date

## For further information

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