

Results

First half year 2014/15

1 April 2014 to 30 September 2014

13 November 2014



Agenda

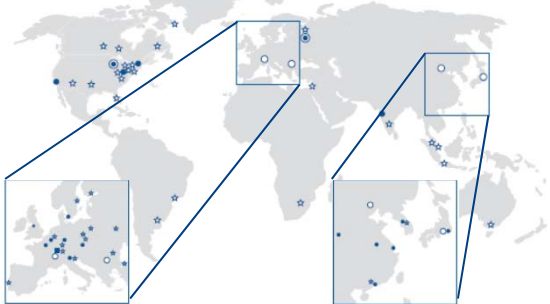
1. **LEM at a Glance**
2. Highlights and Business Review
3. Financial Review
4. Strategy and Outlook



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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 245.6 million in 2013/14

Performance



Source: Swissquote

- Continued sales growth and margin improvements
- Dividend yield >5% in each year since 2009

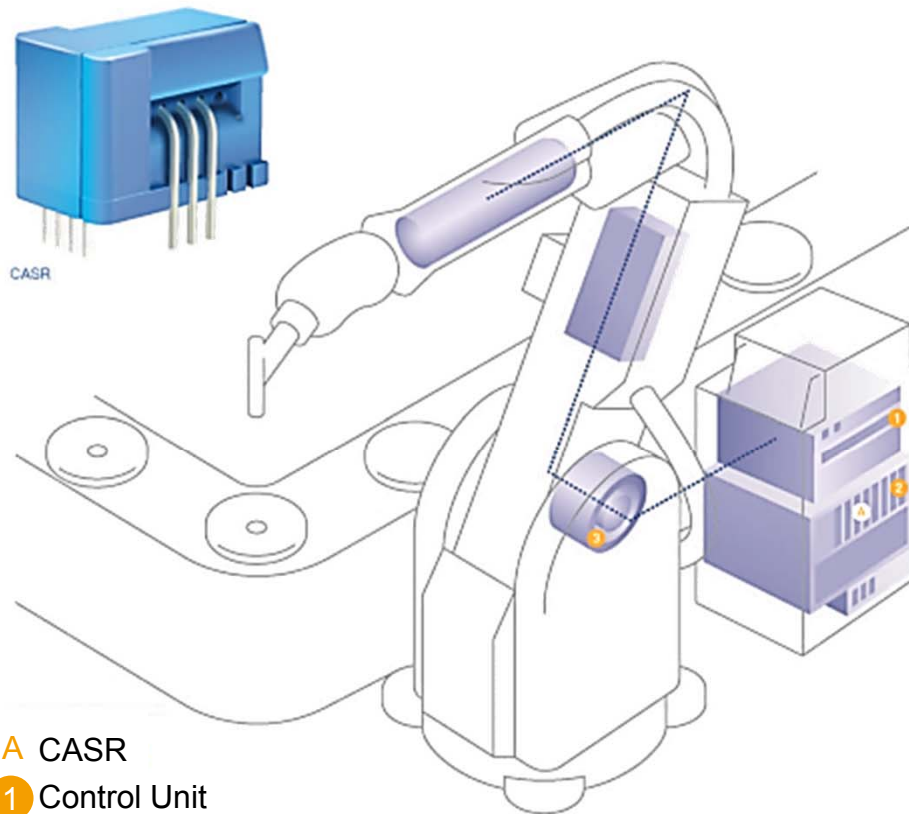
Perspectives



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

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1. LEM Applications: Robot



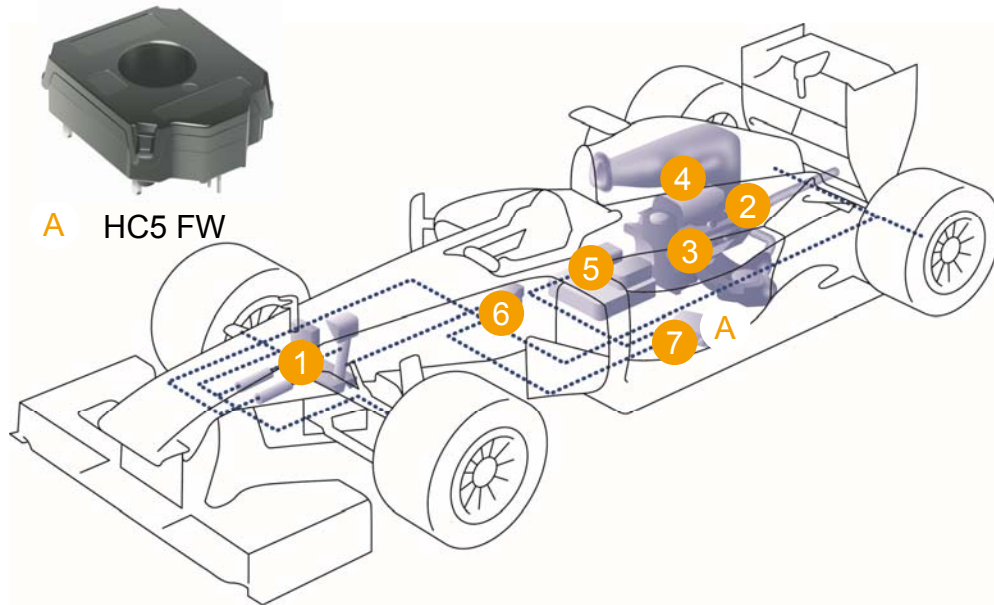
- A CASR
- 1 Control Unit
- 2 Inverter
- 3 Motor

Industrial robots require movements in 3-6 axes in order to move the end of the arm in every position. Applications are accomplished with high endurance, speed and precision.

The robot arm is moved by electrical motors: usually one motor for each axis. The power inverter (2) the motor (3) from one position to the next and stops precisely in position. To do so, an accurate measurement of the current is needed.

Transducers (A) are used to measure the current and, together with the position sensor, they are responsible for controlling the fast movement and the precision to stop the arm in the new position.

1. LEM Applications: Formula 1 Energy Recovery System



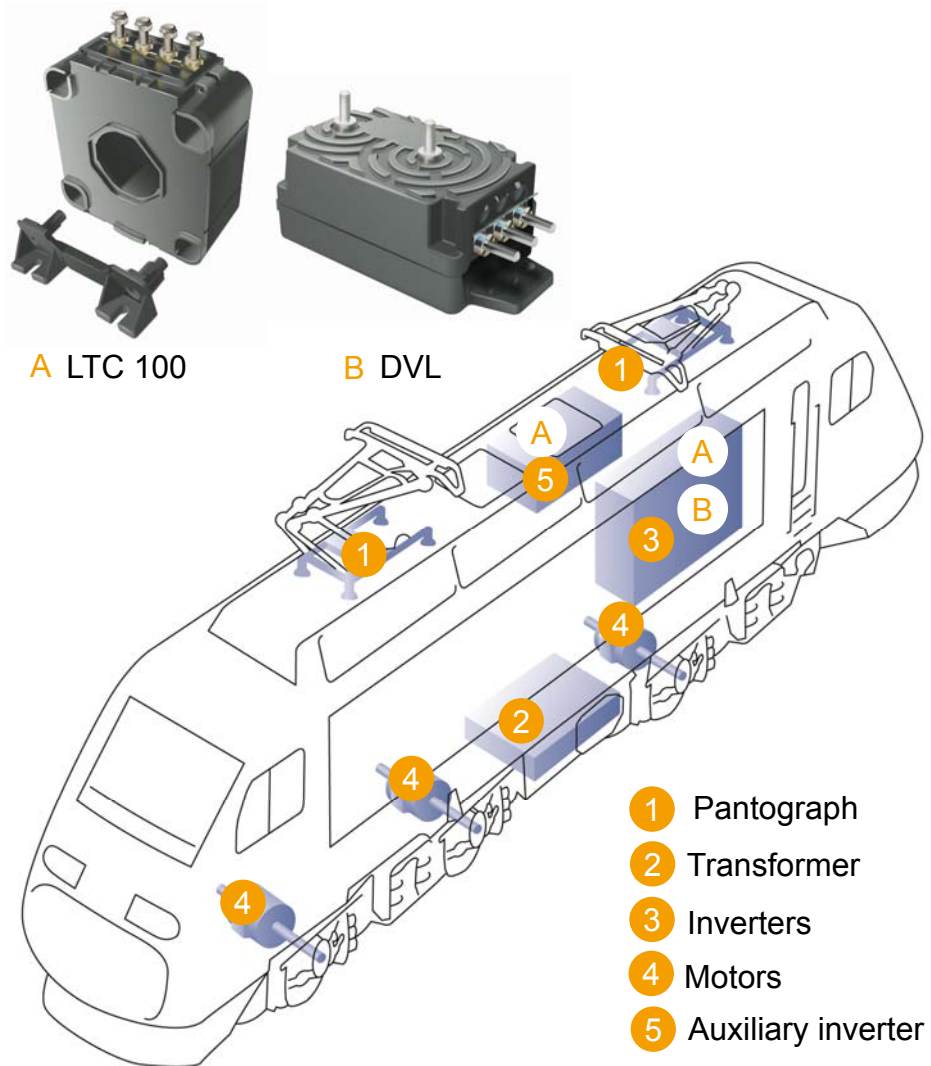
- 1 Pedals (accelerator, break)
- 2 Turbocharger
- 3 MGU-K
- 4 MGU-H
- 5 Battery
- 6 ERS break pressure valve
- 7 Engine control unit

2014 Formula 1 cars include a revised energy recovery system (ERS). Engine specifications impose a 440 kW turbocharged (2) engine combined with an ERS (3, 4) providing additional 120 kW for over 30 seconds per lap.

The ERS uses two distinct energy sources to provide the extra power: kinetic energy from braking and thermal energy from the exhaust gases. The energy is converted into electricity. The electricity is fed into a battery (5) and controlled by the ERS control unit (7).

LEM's HC5 FW (A) family of automotive current transducers measure the electric currents generated by each source, and allow the control unit to make the best decision of how and where to direct the available power.

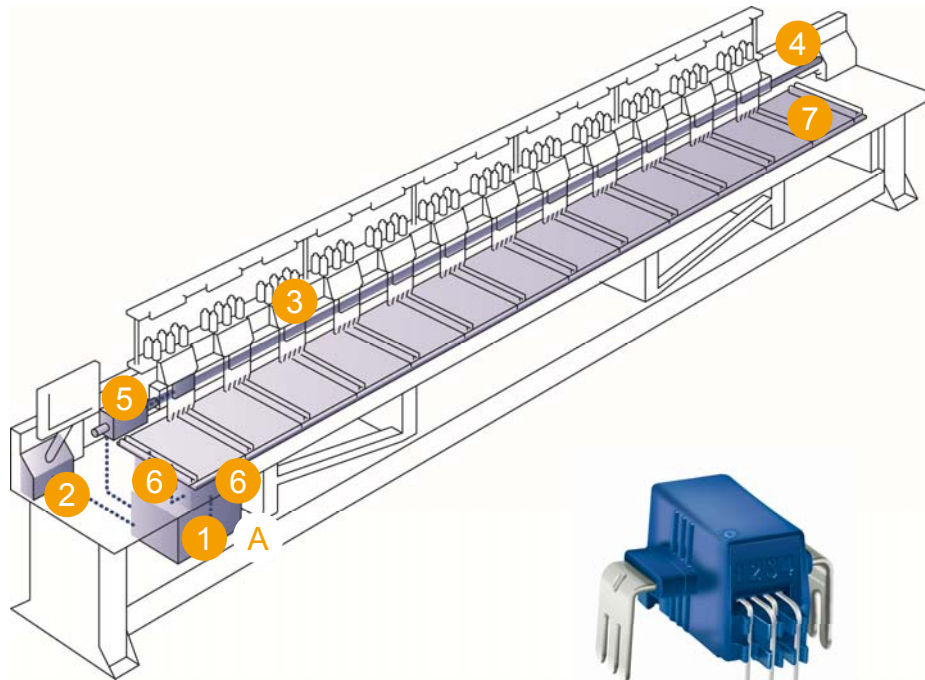
1. LEM Applications: Locomotive



Inverters (3) are used to transform the energy into the right voltage and current to drive the motors (4). Voltage and current transducers (A,B) are used to measure the current and the voltage on the secondary side of the transformer (2) and on the DC-side. Special differential transducers are implemented at the secondary side of the transformer to detect any leakage current flowing in the train.

Additional inverters are used for heating, air-conditioning and ventilation. Transducers (A) are used to measure the motor currents in order to optimize their efficiency.

1. LEM Applications: Sewing Machine/Embroidery Machine



- 1 Servo drives
- 2 Control unit
- 3 Head
- 4 Main axis
- 5 Motor
- 6 Linear motors
- 7 Working table



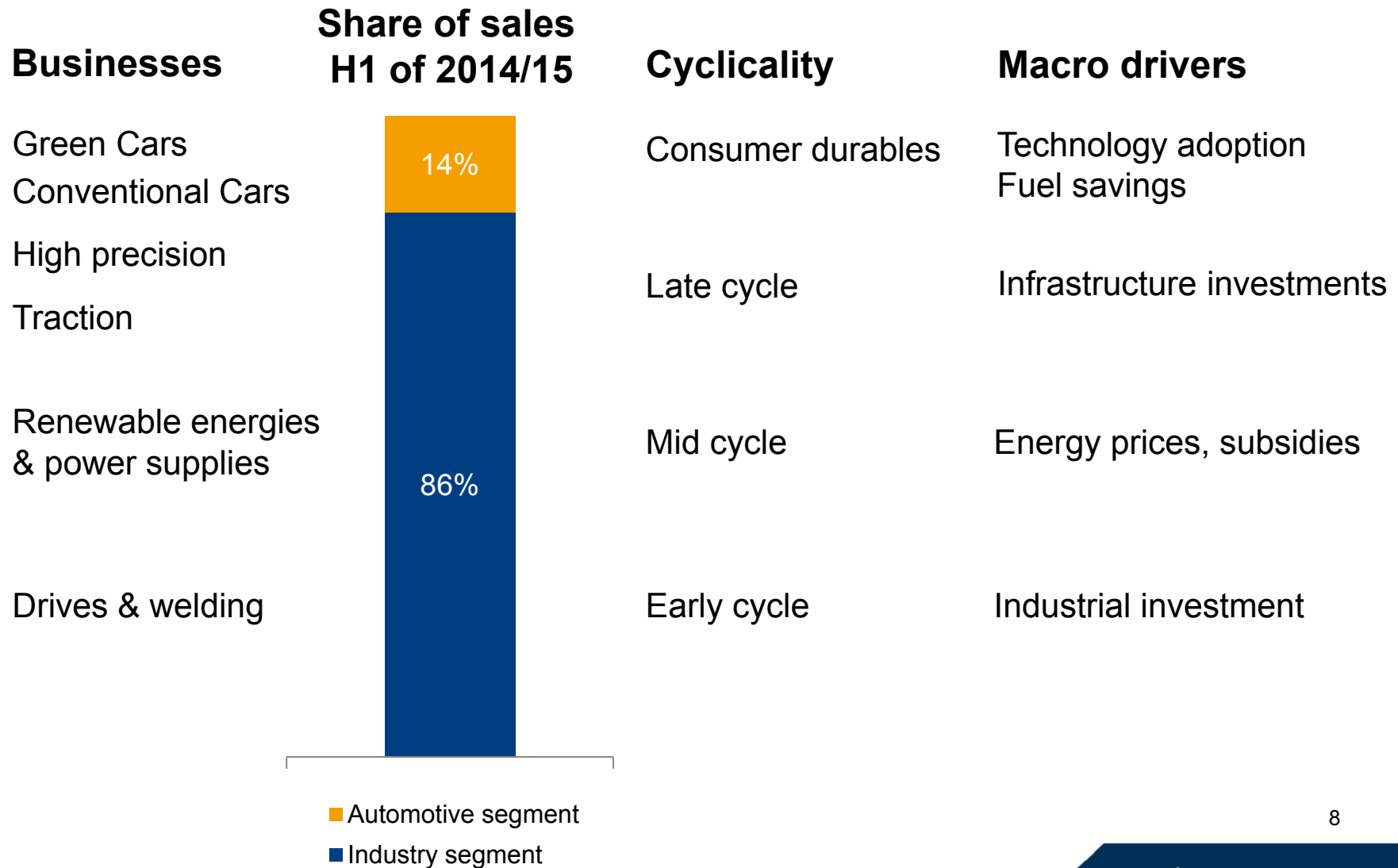
A HLSR 10-P

Full servo control allows for speed and precision in industrial sewing/embroidery machines.

Accuracy and speed of the table movements, as well as the correct, accurate and regulated rotation speed of the main axis for the needles are directly linked to the currents provided to the motor (5) through a servo drive (1). The working table (7) is moving in horizontal X and Y directions thanks to linear motors (6) controlled by two position servo drives (1).

Current transducers (A) are used in each servo drive to measure two of its three phase output AC currents. Their accuracy, high performance, high temperature working environment, low temperature drift contribute to a very stable, quick, reactive, reliable and precise system.

1. Diverse Target Markets – Diversified Businesses



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2. Highlights H1 of 2014/15: Strong EBIT Margin

In CHF millions, %	H1 2014/15	H1 2014/15 vs. H1 2013/14	Q2 2014/15 vs. Q1 2014/15
Orders	126.6	+1.9%	-4.4%
Sales	131.5	+3.6%	+2.2%
EBIT	29.6	-2.1%	+18.4%
Net profit	21.5	-12.4%	+0.4%

- Effective strategy execution turning into tangible results
- Sales growth across most businesses and strong EBIT margin above target range of 15-20%
- Expanded activities in Bulgaria
- Continuing growth in China
- Asia the biggest region for LEM in terms of sales, for the first time

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2. Product Launches H1 2014/15

HO 150 NP

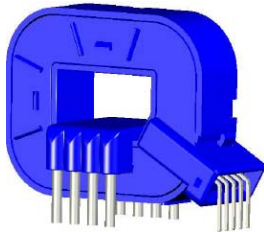


- Proprietary ASIC
- High performance, over-current detection
- Compact size
- Low cost



Industry

HO 250-P



- Proprietary ASIC
- High performance, over-current detection
- Replaces older products



Industry

HAH3 DR S02



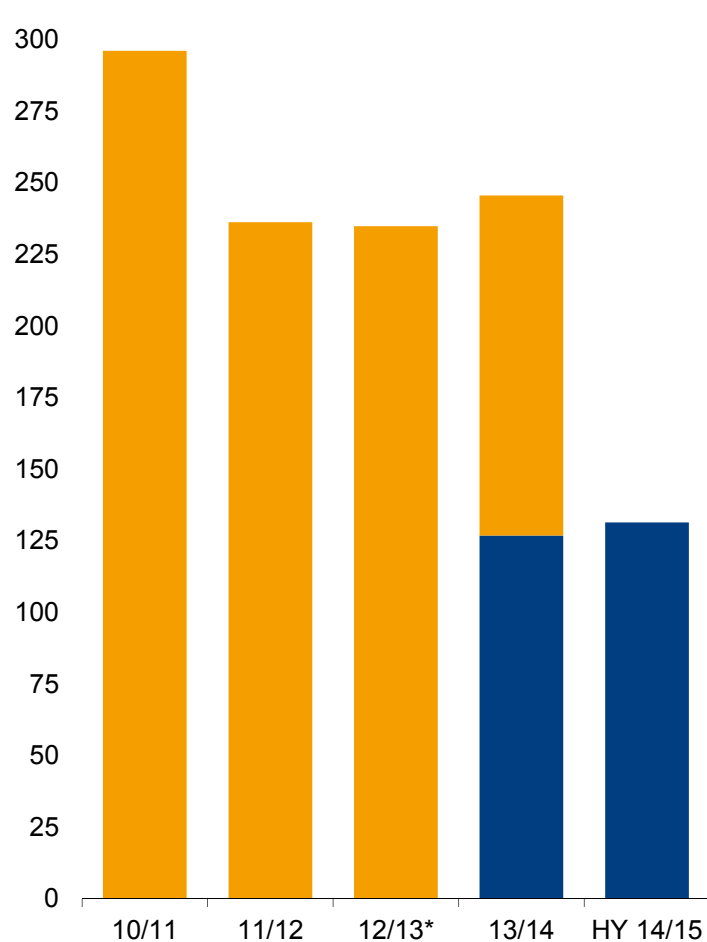
- 3-phase transducer
- Improved performance at lower cost
- For drive applications in hybrid cars



Automotive

2. Net Sales

In CHF millions

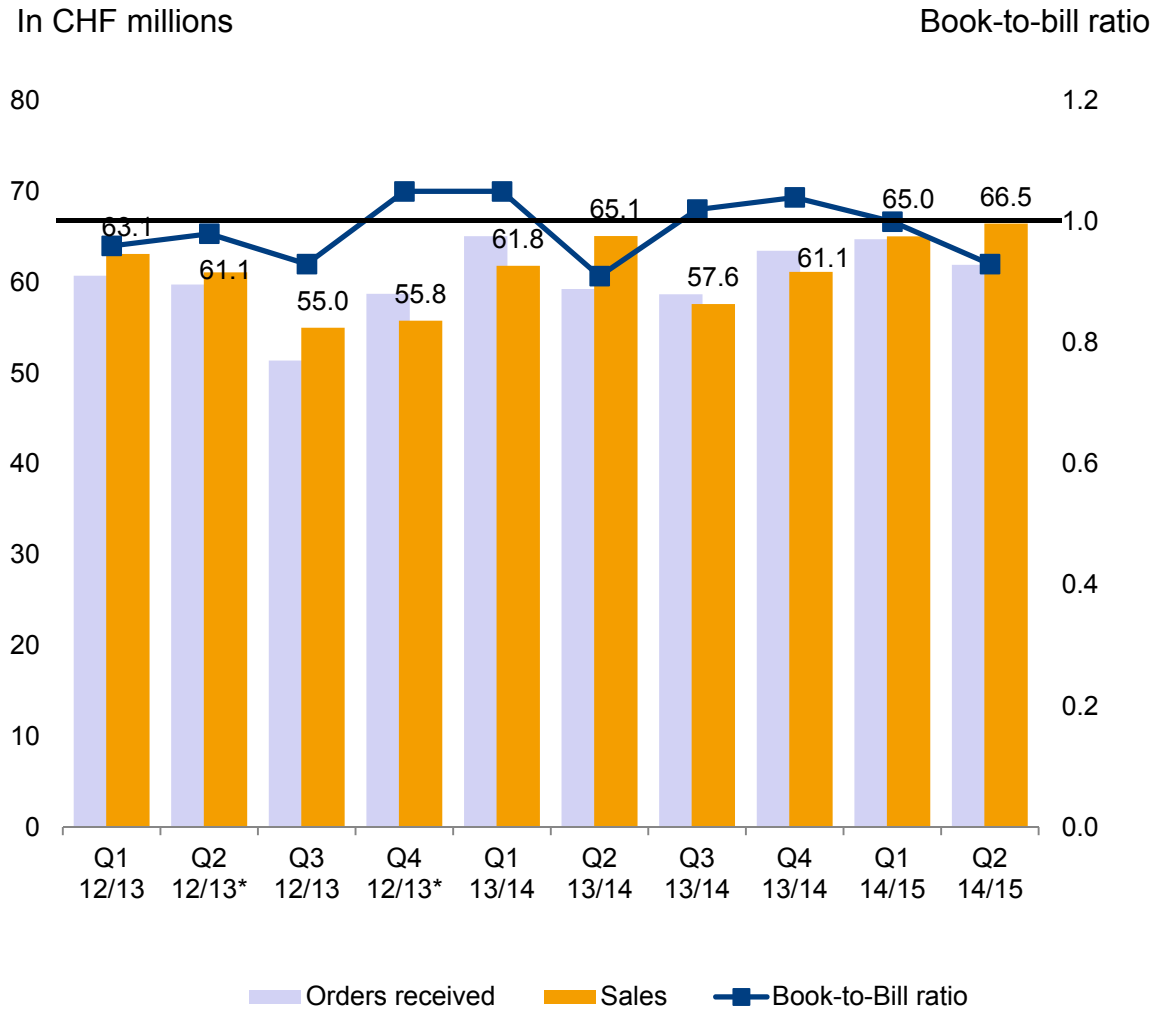


*Restatement following IAS 19R application (pensions)

In CHF millions, %	Sales	H1 vs. H1		Q2 vs. Q1
		as reported	at constant currencies	
Industry	113.6	+3.4%	+6.8%	+1.0%
Automotive	17.9	+5.0%	+9.7%	+9.8%
Total sales	131.5	+3.6%	+7.2%	+2.2%

- Sustained growth from Industry businesses; increased market share
- Growth in Automotive businesses supported by improved performance in the green cars markets
- Negative currency impact on sales

2. Quarterly View

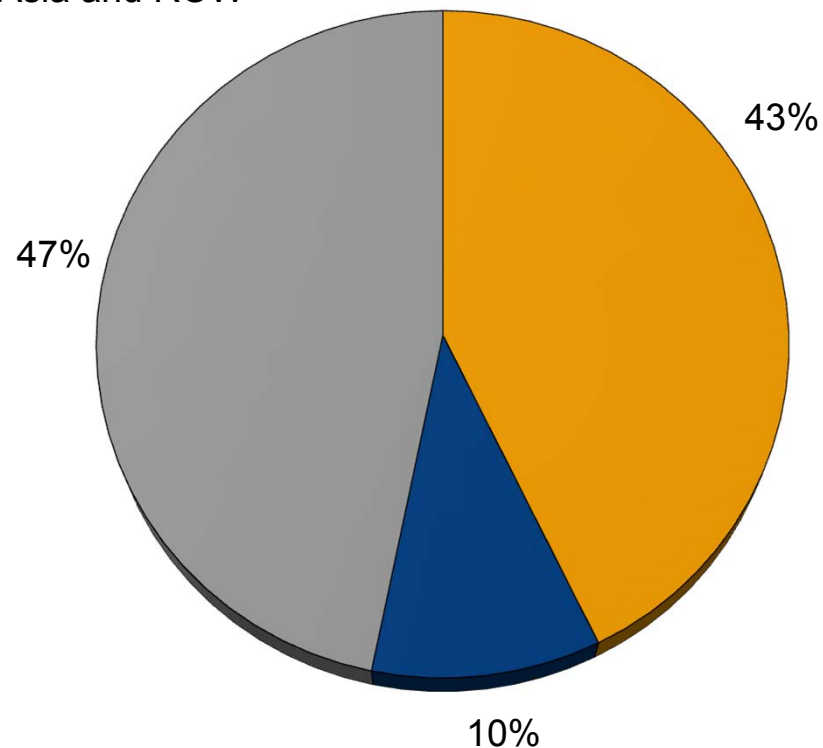


- Booking down by 4.4% Q2 vs. Q1
- Seasonal low in bookings
- Customers' requested lead times and stock levels continue to trend downwards

* Restatement following IAS 19R application (pensions)

2. Industry Segment: Regional Markets

- Europe
- North America
- Asia and ROW

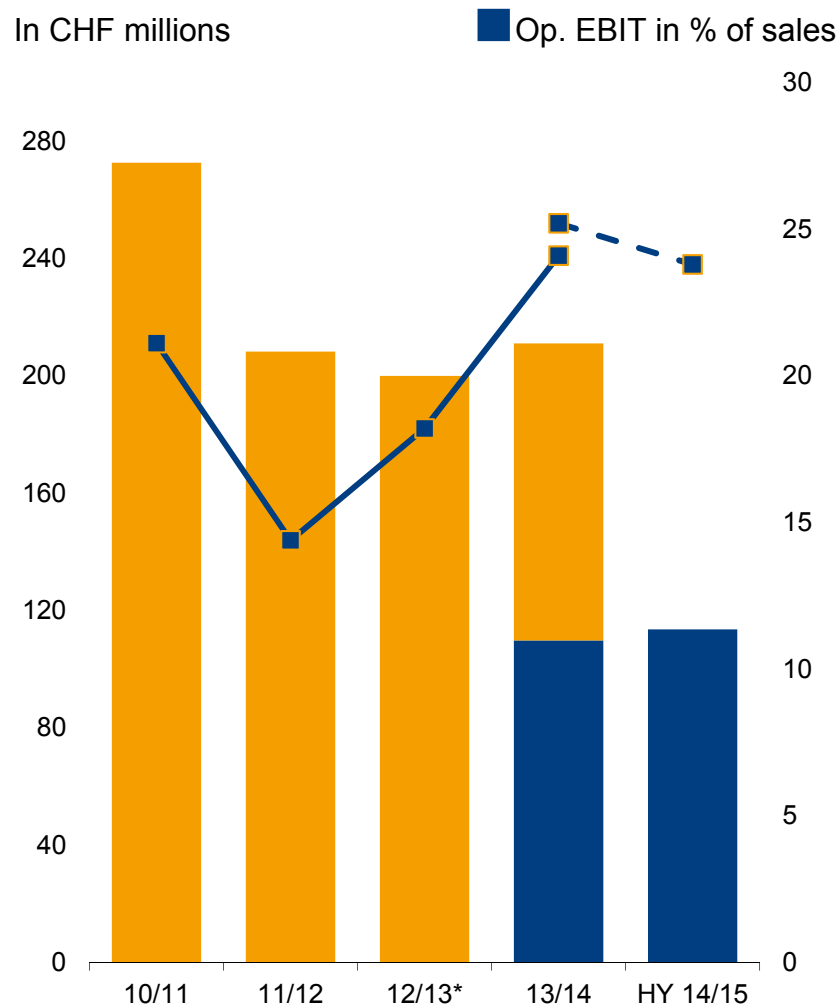


In CHF millions, %	Sales	Growth H1 vs. H1	Growth Q2 vs. Q1
Europe	48.6	+2.2%	+5.7%
N. America	11.8	-17.0%	+7.3%
Asia and RoW	53.1	+10.7%	-4.3%
Total	113.6	+3.4%	+1.0%

- Growth and market share gains across most businesses
- Japan: local industry's export-led growth
- Asia the most important sales region
- Success with recently launched products

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2. Industry Segment: Business Development



Businesses and Applications

Drives & welding (growth H1 vs. H1: +1%)

- Sustained transfer of customers' production to Asia
- Weakening trend in Europe and North America

Renewable energies & power supplies (-3%)

- Growing investments in renewable energies in China, India and Japan
- Support from offshore wind projects in Europe

Traction (+35%)

- High activity in light rail applications
- Success with high speed train projects in China and with energy metering in Europe

High-precision (-26%)

- Weak demand across all businesses

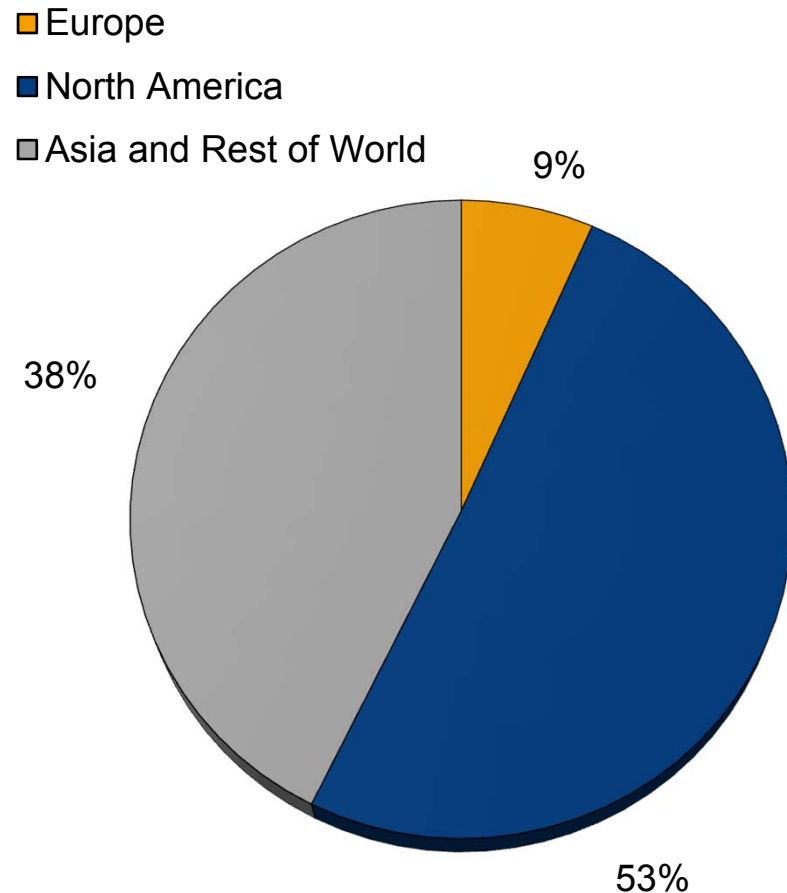
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* Restatement following IAS 19R application (pensions)

At the heart of power electronics



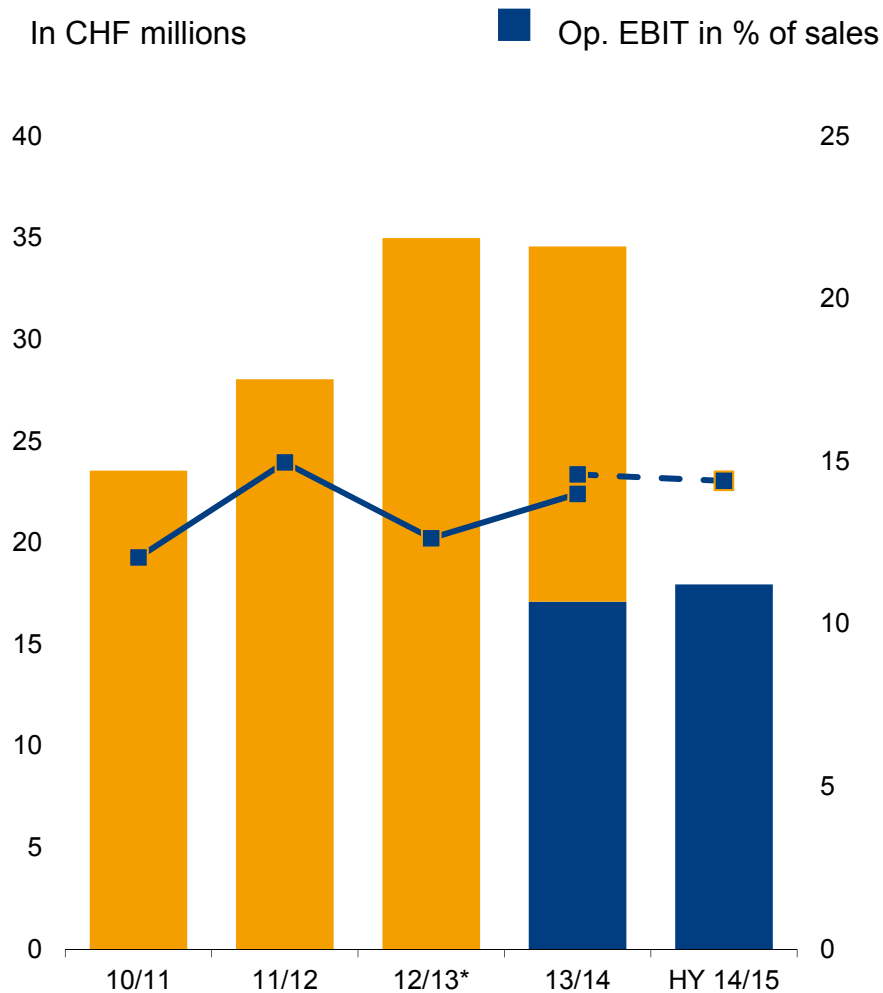
2. Automotive Segment: Regional Markets



In CHF millions, %	Sales	Growth H1 vs. H1	Growth Q2 vs. Q1
Europe	1.2	-14.5%	+17.5%
N. America	9.1	-2.2%	+9.2%
Asia and RoW	7.7	+19.7%	+9.1%
Total	17.9	+5.0%	+9.7%

- Focus on Asian and North American markets
- Conventional cars business driving performance
- New projects in green cars businesses in China

2. Automotive Segment: Business Development



Businesses and Applications

Conventional cars (growth H1 vs. H1: +2%)

- Consistent battery management business
- Some growth in USA, China and Japan

Green cars (HEV, EV) (+20%)

- Pick-up of activity with hybrid car applications
- Successes with new products

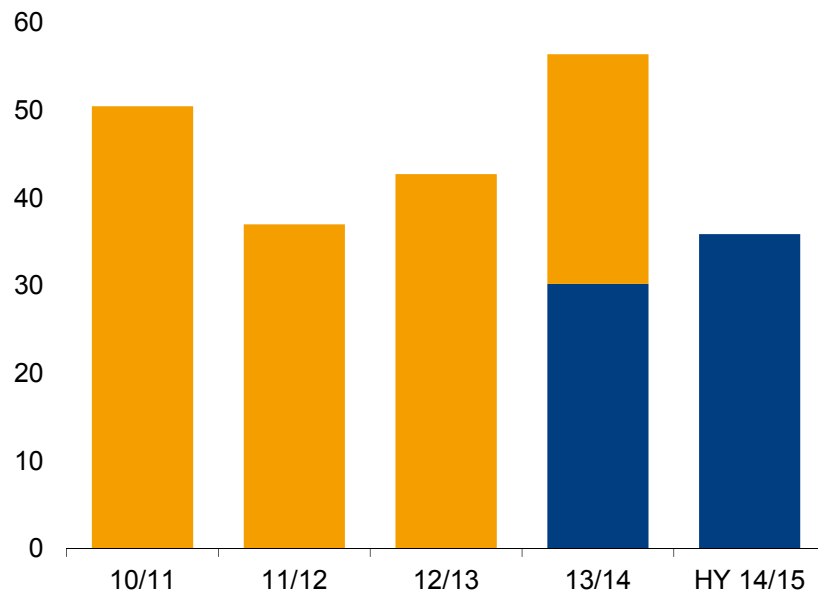
*Restatement following IAS 19R application (pensions)

2. Business Development China

Sales

- Market share of over 50%
- Most important market with 27% of total sales

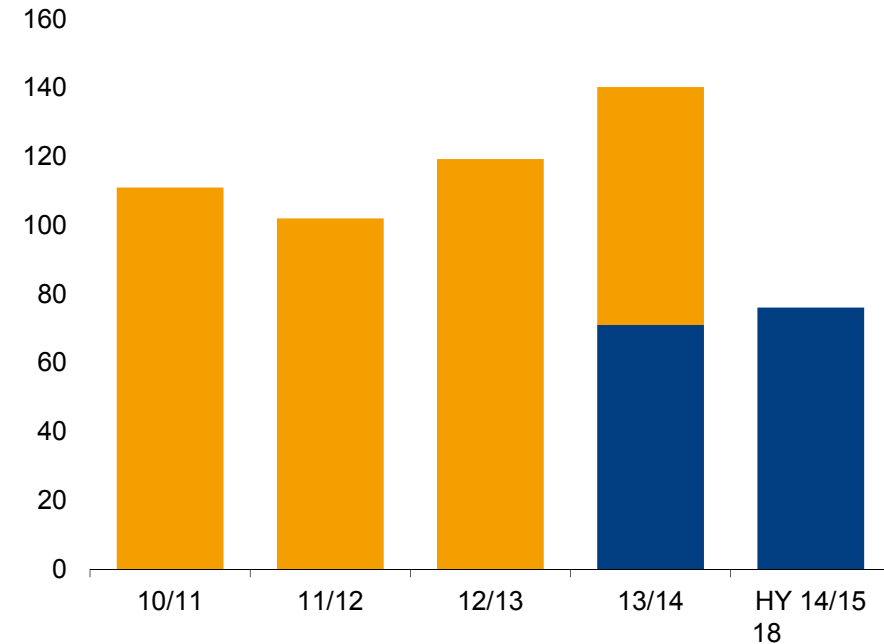
In CHF millions



Production

- LEM China stabilizes its #1 position as largest manufacturing site of the Group (58% of total production, compared to 56% in financial year 2013/14)
- “Made by LEM” quality

In CHF millions



2. New Production Site in Sofia (Bulgaria)

- Objectives of the new 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
- Achievements
 - Investment of CHF 2 million into new site
 - Production started 1 October 2013
 - Delivery approvals from customers received
 - Expansion since October 2013
 - Headcount from 27 to 96
 - Production lines from 1 to 3
 - 30 products in production
 - Production represents 4% of global output in Q2 of 2014/15



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3. Financial Highlights H1 of 2014/15

- Strong balance sheet
 - Dividend payment of CHF 45.6 million to shareholders in July 2014
 - Equity at CHF 73.8 million, equity ratio 52.7% (57.3% per 30.9.2013)
- Increase in net working capital of CHF 2.3 million (since 31.3.14) to prepare movement of production lines
- Robust profitability
 - Gross margin of 46.3% (46.5% in H1 of 2013/14)
 - EBIT margin of 22.5% (23.8% in H1 of 2013/14)
 - Net profit CHF 21.5 million (24.5 million in H1 of 2013/14)
- Strong free cash flow of CHF 21.6 million
(CHF 10.9 million in H1 of 2013/14)

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3. Balance Sheet Analysis

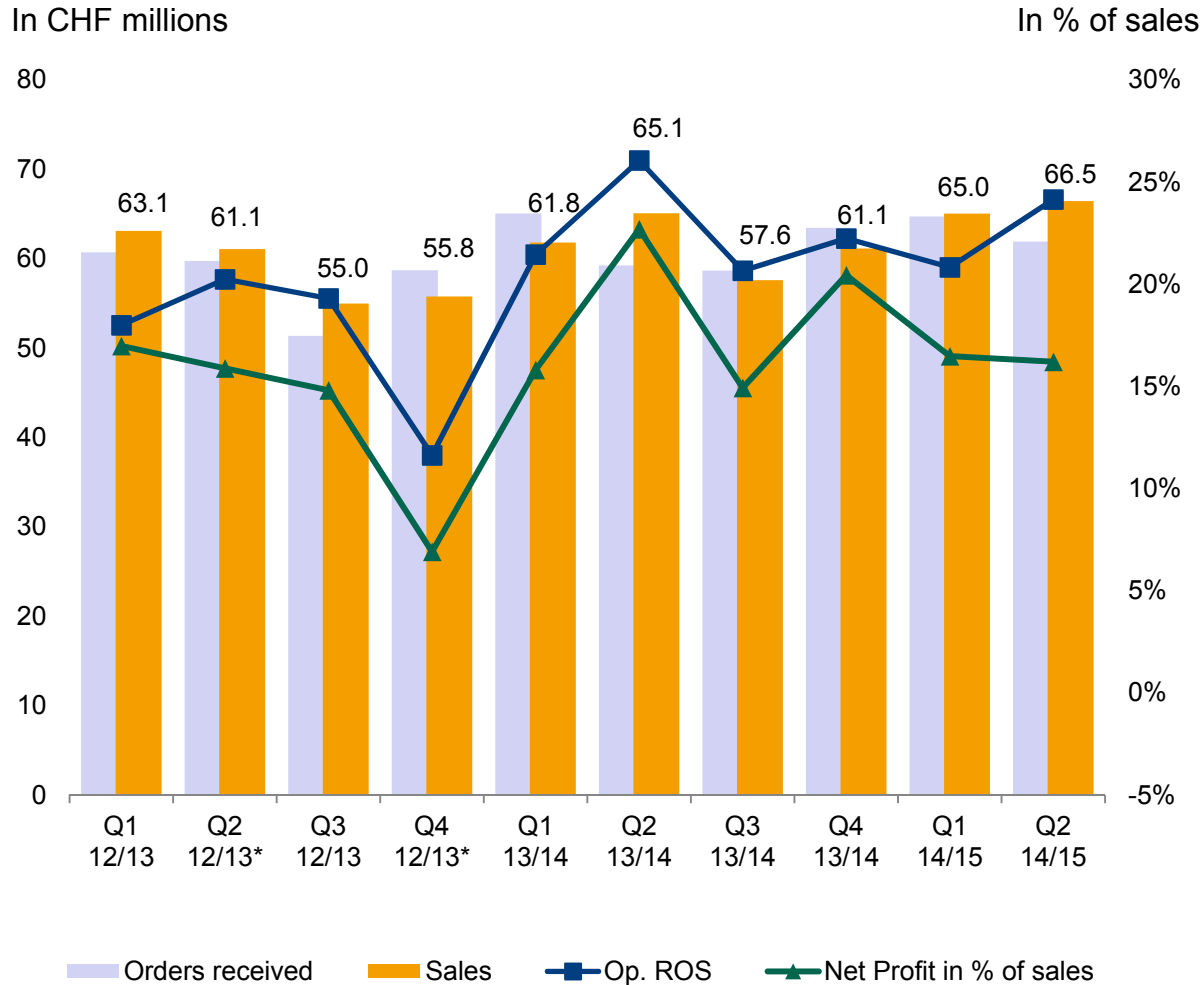
In CHF millions	30.9.2014	31.3.2014
Net working capital	41.0	38.7
Fixed assets	38.4	37.8
Noncurrent liabilities	-6.9	-6.9
Net operating assets	72.5	69.6
Net cash / (debt)	1.3	24.6
Equity	73.8	94.2
Equity ratio	52.7%	65.1%
Days of sales outstanding	68	65
Days of inventory outstanding	83	80
Days of payables outstanding	45	49

3. Income Statement

In CHF millions

	H1 2013/14	H1 2014/15	Change	Q1 2014/15	Q2 2014/15	Change
Sales	126.9	131.5	+3.6%	65.0	66.5	+2.2%
Gross margin	46.5%	46.3%	-0.1pt	45.3%	47.4%	+2.1pt
Operating expense	-28.7	-31.3	+9.0%	-15.9	-15.4	-2.8%
EBIT	30.2	29.6	-2.1%	13.6	16.0	+18.4%
Net financial exp.	-0.7	-1.8	+144%	+0.1	-2.0	N/A
Income tax	-4.9	-6.3	+27.3%	-3.0	-3.3	+12.3%
Net profit	24.5	21.5	-12.4%	10.7	10.8	+0.4%

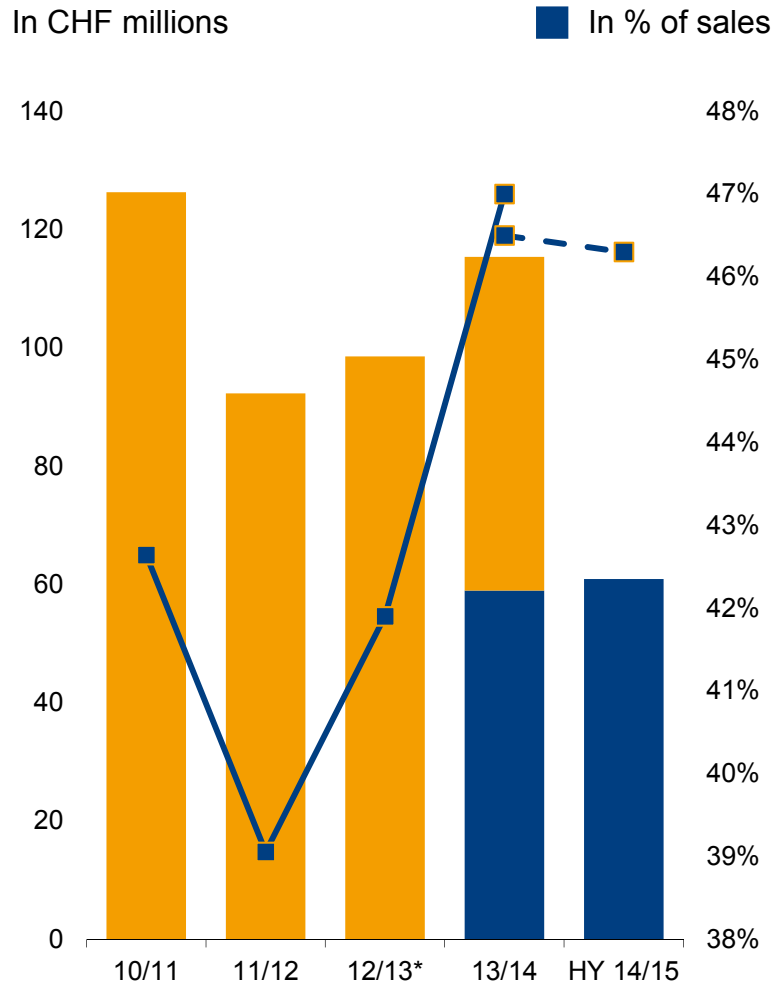
3. Results by Quarter



- Sixth consecutive quarter with EBIT margin above 20%
- Positive volume leverage effect on margins
- Q4 of 2012/13 included a restructuring charge of CHF 1.9 million

* Restatement following IAS 19R application (pensions)

3. Gross Margin

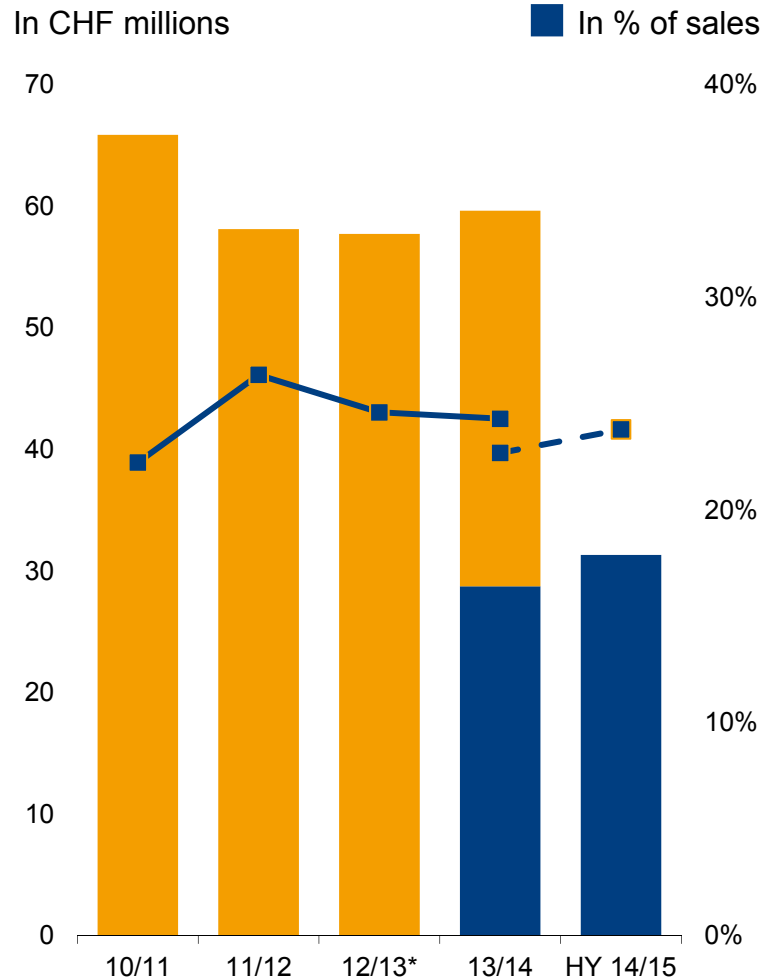


	H1 2013/14	H1 2014/15	Q1 2014/15	Q2 2014/15
Gross margin in CHF millions	59.0	60.9	29.4	31.5
Gross margin in % of sales	46.5%	46.3%	45.3%	47.4%

- Gross margin in line with last years' margin, in accordance with seasonal sales mix
- Q2 impacted by increased volumes, continued cost reductions

* Restatement following IAS 19R application (pensions)

3. Operating Expense

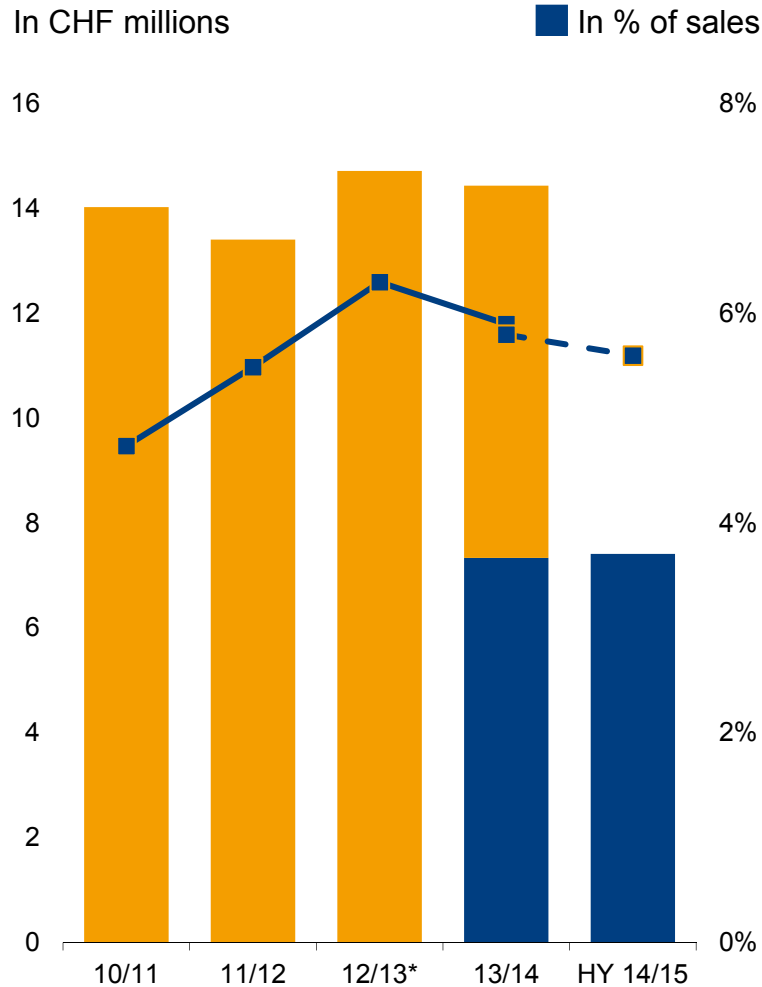


	H1 2013/14	H1 2014/15	Q1 2013/14	Q2 2014/15
Operating expense in CHF millions	28.7	31.3	15.9	15.4
Operating expense in % of sales	22.7%	23.8%	24.4%	23.2%

- Higher administration expense driven by LEM Bulgaria development and strategy consultancy
- Ongoing strict cost control measures
- Operating expense as a percentage of sales remain on low levels

*Restatement following IAS 19R application (pensions)

3. R&D Expense

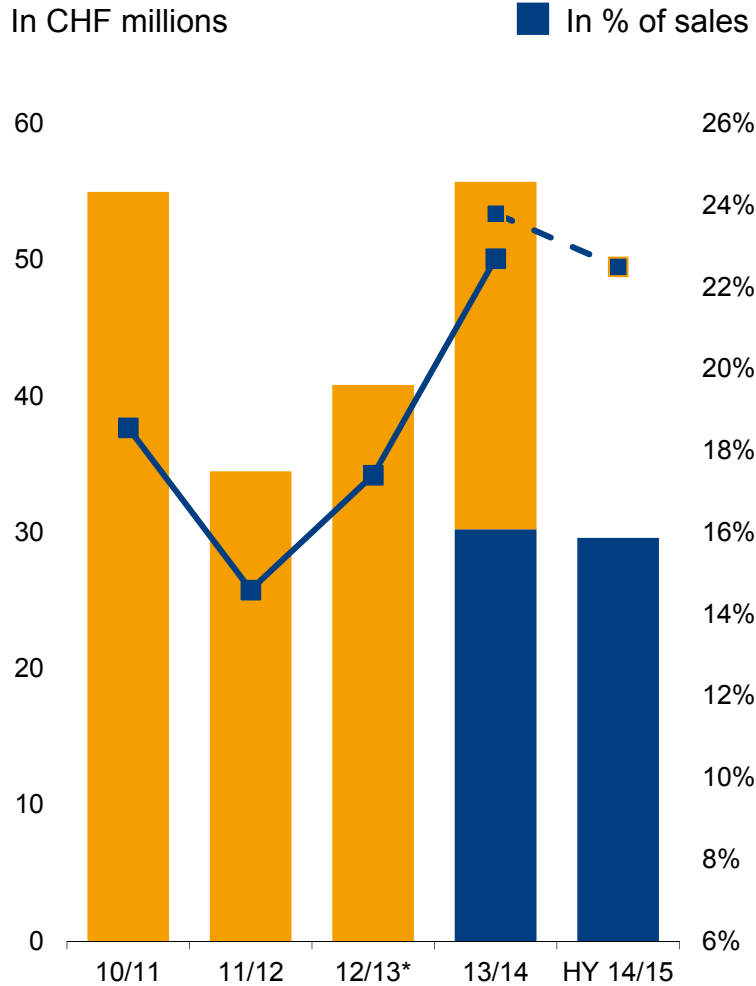


*Restatement following IAS 19R application (pensions)

	H1 2013/14	H1 2014/15	Q1 2014/15	Q2 2014/15
R&D expense in CHF millions	7.3	7.4	3.9	3.5
R&D expense in % of sales	5.8%	5.6%	6.0%	5.3%

- 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

3. EBIT



	H1 2013/14	H1 2014/15	Q1 2014/15	Q2 2014/15
EBIT in CHF millions	30.2	29.6	13.5	16.0
EBIT in % of sales	23.8%	22.5%	20.8%	24.1%

- Continued cost control and high gross margins
- Profitability above target range of 15 to 20%

*Restatement following IAS 19R application (pensions)

3. Financial Expense

In CHF millions

	H1 2013/14	H1 2014/15	Q1 2014/15	Q2 2014/15
Exchange effect*	-0.7	-1.8	+0.1	-2.0
Other financial expense & income	-0.0	+0.0	+0.0	+0.0
Total	-0.7	-1.8	+0.1	-2.0

- H1 2014/15 exchange effect mainly driven by hedge losses following appreciation of CNY and USD vs. CHF
- Foreign exchange hedging policy
 - EUR: 100% of net exposure 12 months forward
 - USD: 100% of net exposure 12 months forward

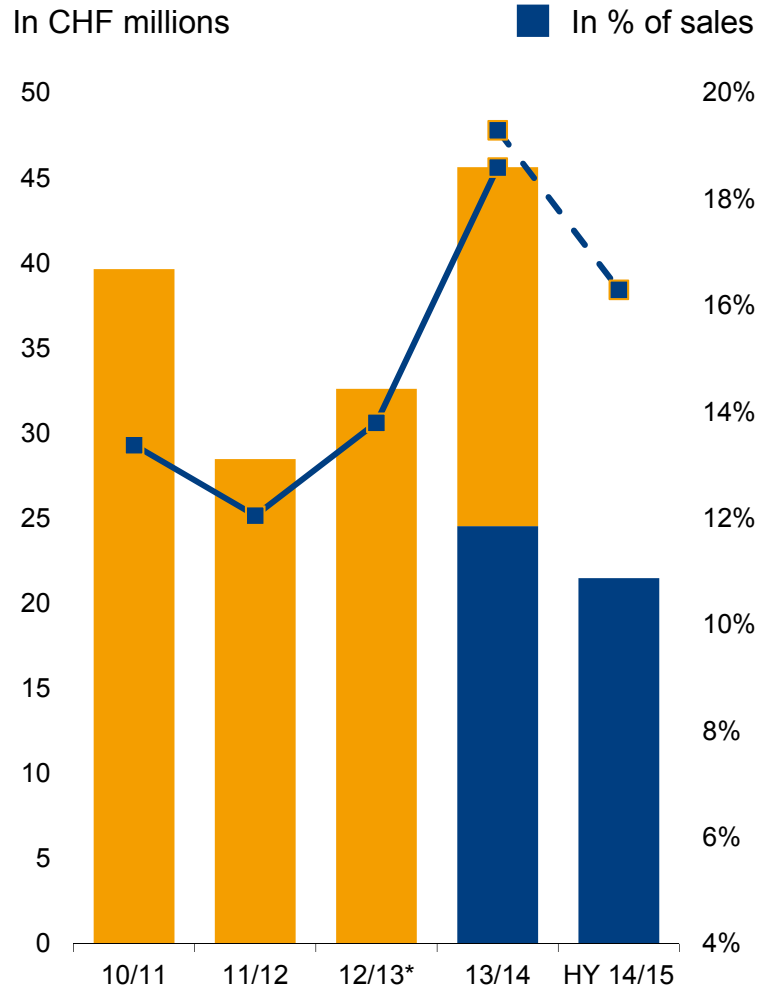
* The line “exchange effect” in the financial result is mainly due to currency volatility during the time between booking and settling a receivable/payable. Over and above this line, foreign exchange rates impact every P&L line through the rate at which each transaction is booked and at which it is consolidated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

3. Income Taxes

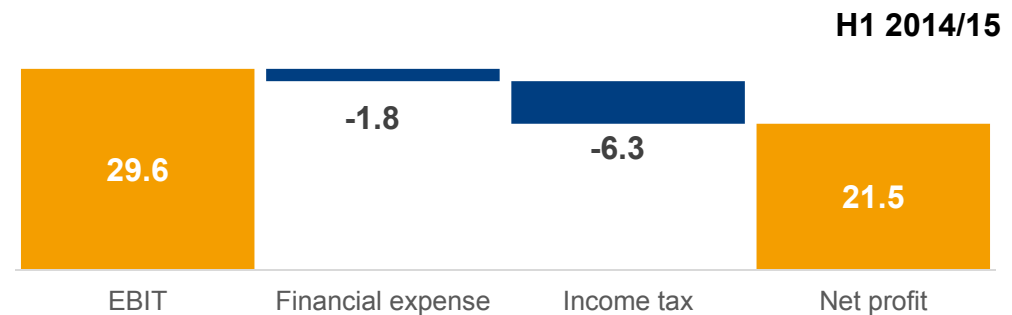
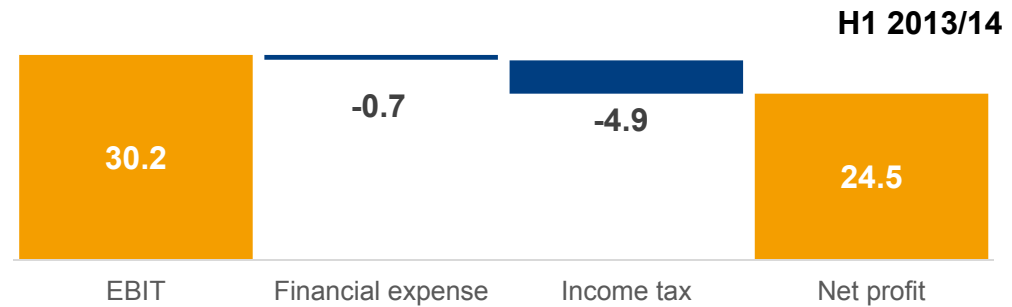
	H1 2013/14	H1 2014/15
Expected income tax rate	14.1%	19.7%
Expected withholding tax rate	2.2%	2.6%
Expected tax rate	16.3%	22.3%
Other differences	0.4%	0.3%
Effective tax rate	16.7%	22.6%

- Higher expected tax rate due to the decision to abandon the HNTE status in China (+3.2%-pts for half year)
- Expect positive evolution in H2 of 2014/15 linked to lower withholding tax rate in China

3. Net Profit



	H1 2013/14	H1 2014/15	Q1 2013/14	Q2 2014/15
Net profit in CHF millions	24.5	21.5	10.7	10.8
Net profit in % of sales	19.3%	16.3%	16.5%	16.2%



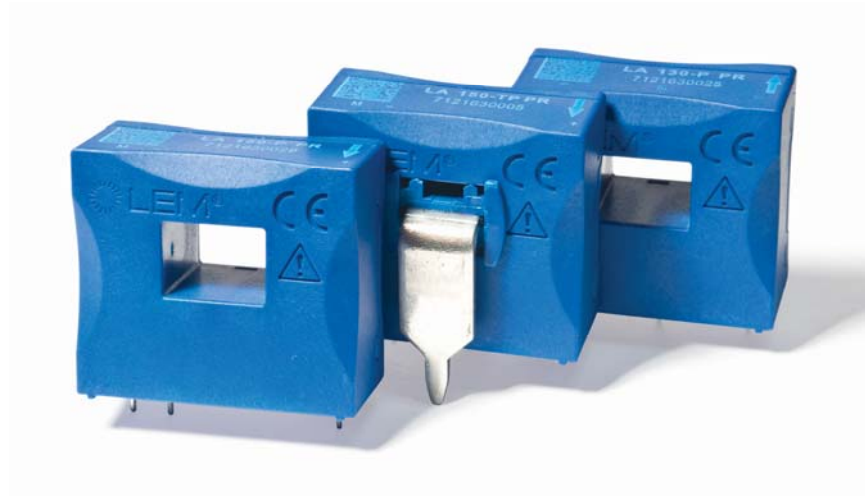
* Restatement following IAS 19R application (pensions)

3. Cash Flow Statement

In CHF millions	2013/14	2014/15
Profit before taxes	29.5	27.8
Adjustment for noncash items and taxes paid	-5.4	4.0
Cash flow from changes in net working capital	-8.6	-6.6
Cash flow from operating activities	15.5	25.2
Cash flow from investing activities	-4.6	-3.6
Free cash flow	10.9	21.6
Cash flow from financing activities	-25.3	-33.6
Change in cash and cash equivalents	-14.3	-12.0
Cash and cash equivalents at the end of the period	12.8	13.3

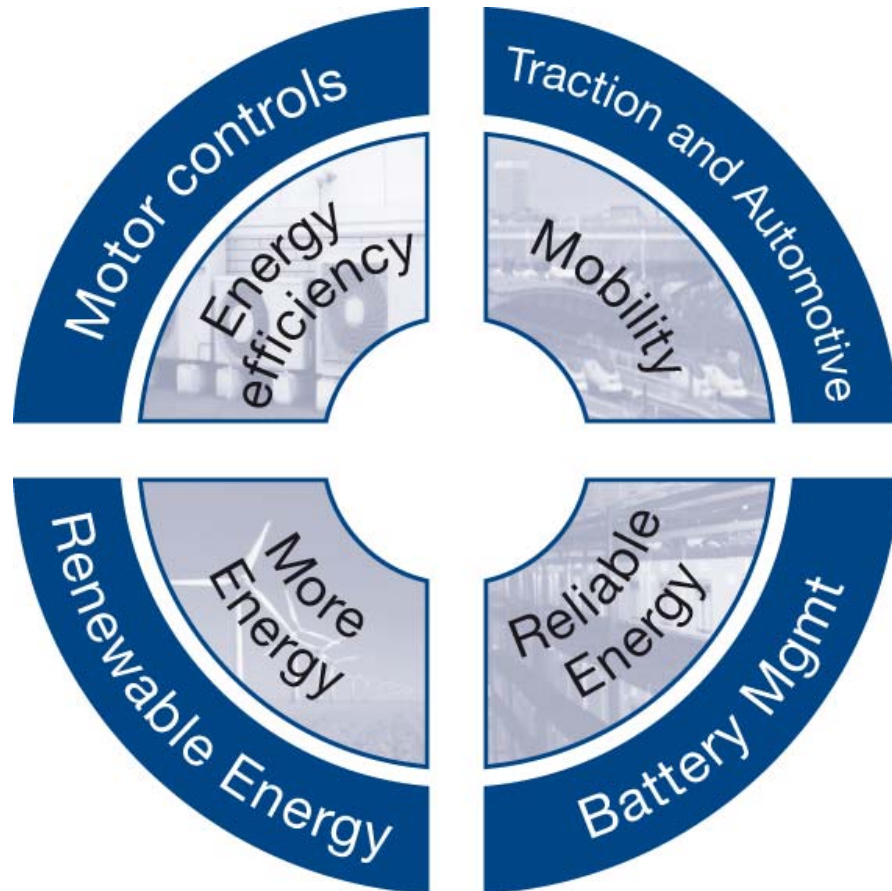
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4. Market Factors and Strategy



- 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

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4. Executing Strategy

Strategic priorities

Achievements in H1 2014/15

Increase technology leadership

- Reinforce multidisciplinary innovation team
 - Increase number of product launches
 - Constantly improve performance of products
- Launched 3 new products
 - Started development & engineering team in Sofia, Bulgaria

Increase efficiency

- Reduce product cost through cost-competitive sourcing and manufacturing
 - Reduce complexity of organization
- Doubled activities in Sofia, Bulgaria
 - ERP upgrade in progress

Increase production flexibility

- Develop systems to better forecast demand fluctuations
 - Improve supply chain management
- Increased production capacity
 - Maintained high level of flexibility and on-time delivery
-

4. Outlook

- For H2 of 2014/15 we expect
 - Slowing activity in Industry segment due to seasonality in the solar business during the winter months, weaker Q3 due to fewer working days and slowing activity in Europe
 - Continuing sales growth in the Automotive segment due to start of production of new platforms
 - High number of product launches
 - Continuing product price pressure across all businesses
- Financial year 2014/15 outlook
 - Sales of CHF 250 to 260 million
 - EBIT margin above 20%

Q&A

Financial Calendar and Contact Details

Financial calendar

17 February 2015	Third quarter 2014/15 results
4 June 2015	Year-end 2014/15 results
25 June 2015	Ordinary Shareholders' Meeting for the financial year 2014/15
30 June 2015	Dividend ex-date
2 July 2015	Dividend payment date

For further information

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