



Results

4th Quarter and Financial Year 2017/18

1 April 2017 to 31 March 2018



Agenda

- | | |
|-----------------------------------|-------------------|
| 1. LEM at a Glance and Highlights | Frank Rehfeld |
| 2. Business Review | François Gabella |
| 3. Financial Review | Andrea Borla |
| 4. Strategy and Outlook | Frank Rehfeld |
| 5. Proposals to Shareholders | Andreas Hürlimann |



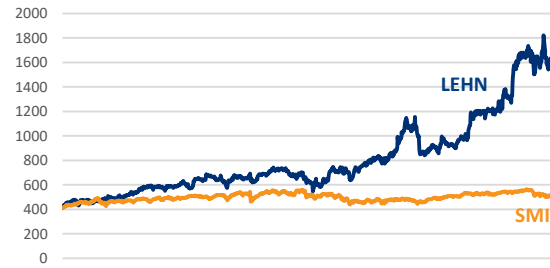
1. Global Market Leader

Market Position



- Global market share of 50+% in Industry
- Strong market position in the green cars business
- 4 production sites in Europe and Asia
- Benchmark in service and product quality

Performance



Source: Bloomberg

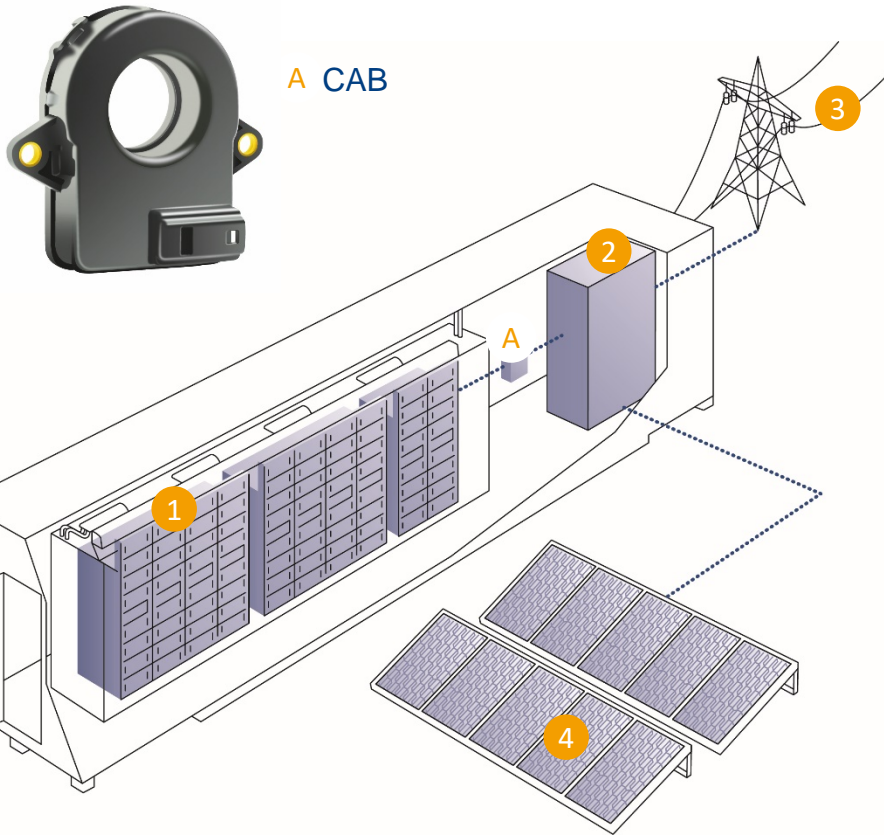
- Sales of CHF 301.2m in 2017/18
- Continued sales growth and strong margins
- High and steady dividend payout-ratio

Perspectives



- Solid growth perspectives due to underlying trends
- Reinforced investment in innovation
- Strong foothold in China and the rest of Asia

1. Application: Stationary Battery



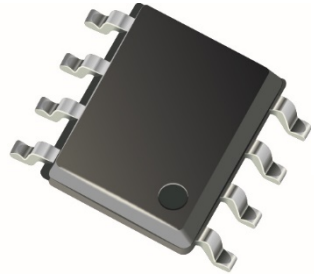
- 1 Battery
- 2 Inverter
- 3 Grid
- 4 Photovoltaic plant

Utility-scale battery storage is used to stabilize the grid in remote areas with distributed energy resources.

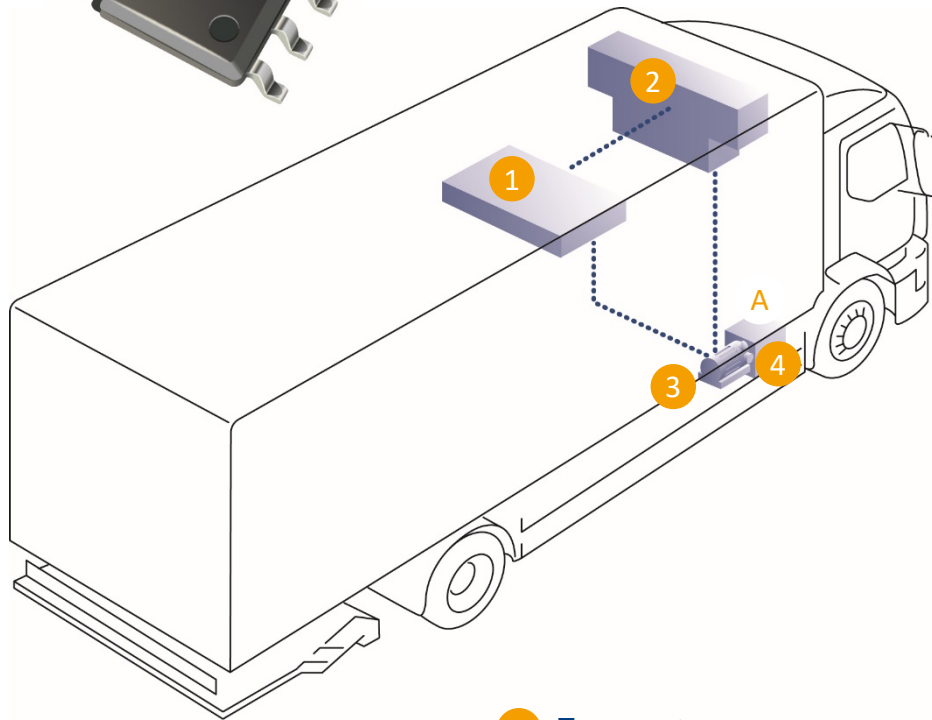
The control, protection, and state of charge calculation of the battery require an accurate measurement of the current into or out of the battery. The biggest challenge is with small standby currents that are very difficult to measure. Accumulated over a long period of time, these small currents may bias the state of charge estimation.

LEM's CAB 500 provides excellent accuracy for both large and small currents. This allows for an accurate state of charge calculation, which improves the performance, working life, and reliability of the battery.

1. Application: Refrigerator Truck



A GO



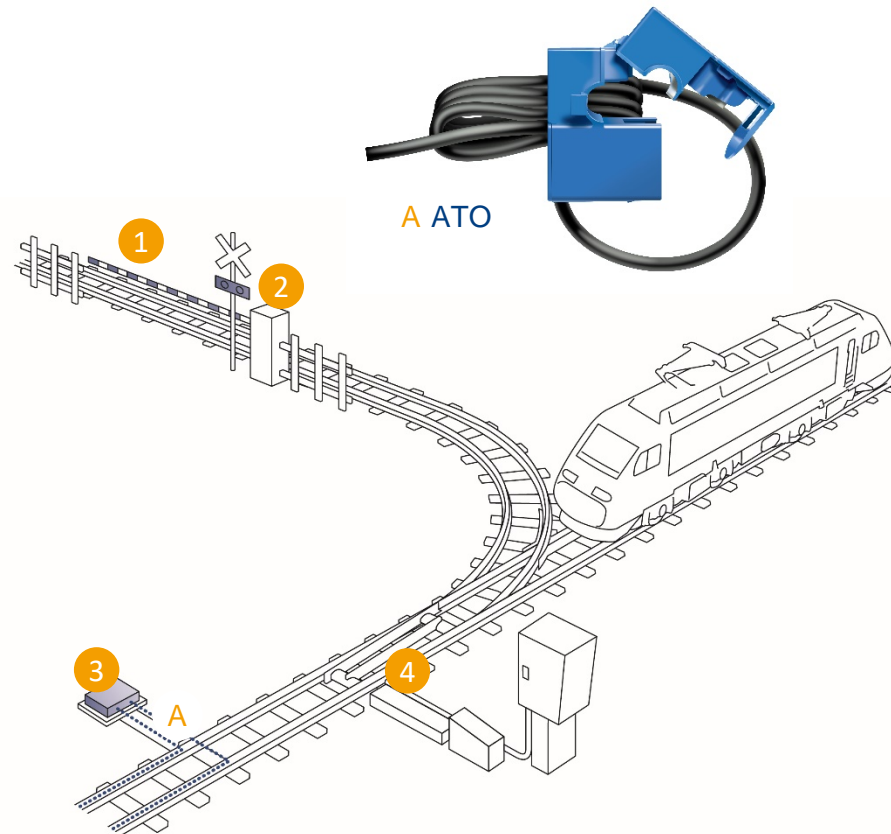
- 1 Evaporator
- 2 Front mount condenser
- 3 Compressor
- 4 Controller

The refrigerated truck is used to store and deliver fresh goods like fruits, vegetables, or meat. Its electricity-powered refrigeration unit is rooftop mounted and driven by the vehicle's battery.

The refrigeration system has to be highly efficient, i.e. energy efficient, quick to cool, and reliable. This requires good control of the compressor's motor, where current measurement is a key parameter.

LEM's GO is an economical, compact, reliable, and accurate current measurement solution for refrigeration and air conditioning applications.

1. Application: Track Circuit Monitoring



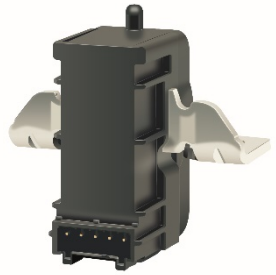
- 1 Crossing gate
- 2 Lamp monitoring
- 3 Track circuit monitoring
- 4 Point machine

A track circuit detects the presence of a train on a rail block. It typically has power applied to each rail and a relay wired across them. When no train is present, the relay is energized. When a train approaches, its axles connect the rails. The current to the track relay drops and the relay is de-energized.

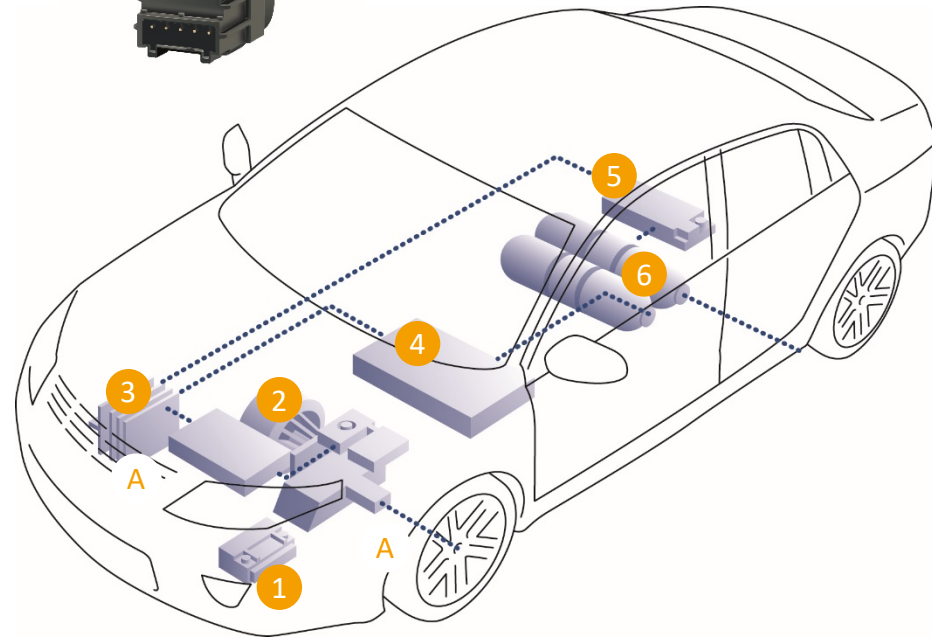
The condition-monitoring system identifies deterioration in track circuit performance and alerts to allow maintenance before failure. It provides early-stage detection of rail head or wheel contamination, ballast or insulation problems, and track circuit equipment faults. This reduces the downtime of a railway line.

Since existing signaling systems cannot be modified without costly recertification, LEM's ATO, with its nonintrusive and easy setup, is an ideal solution for retrofit purposes on track circuit monitoring systems.

1. Application: Fuel Cell Car



A HAM



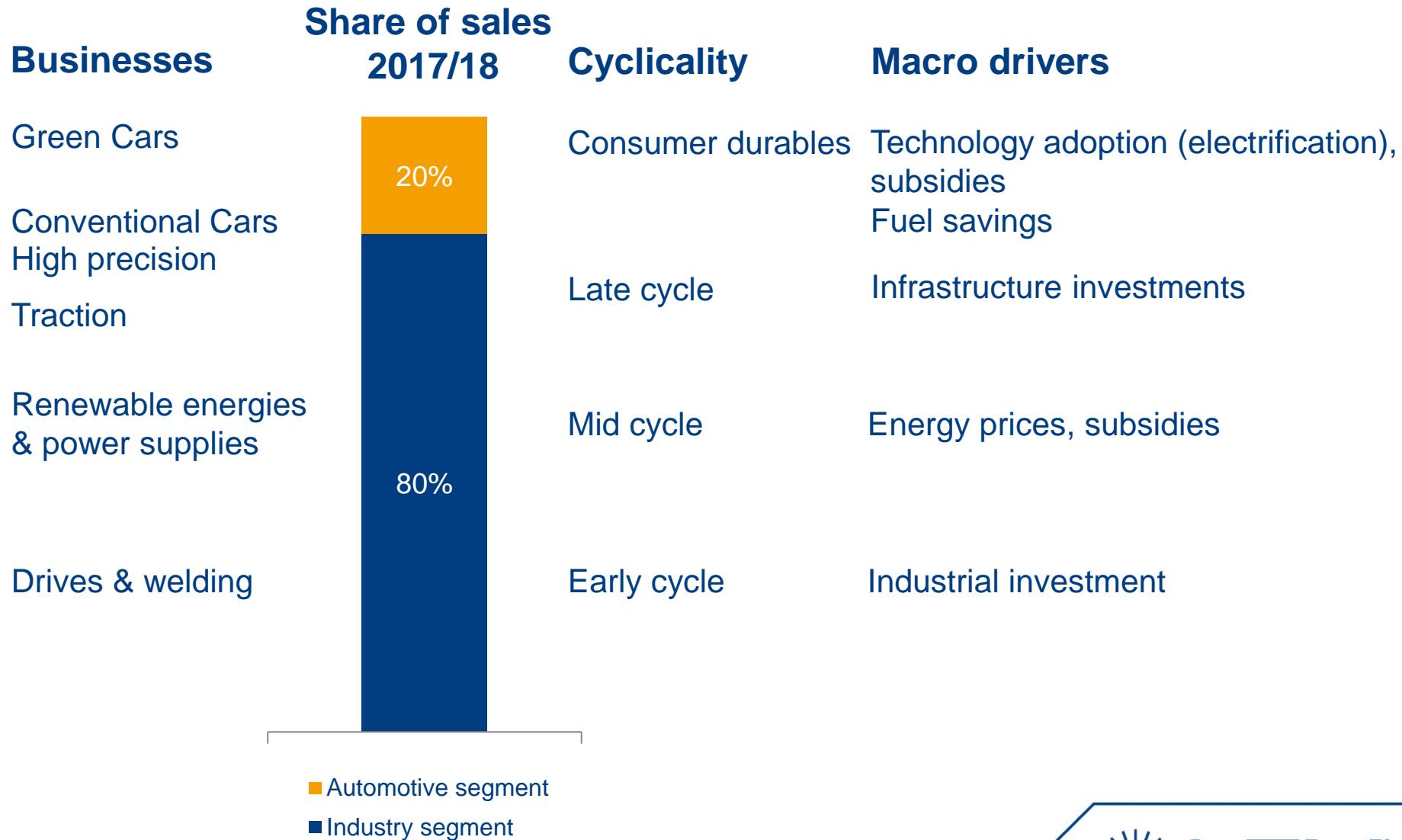
- 1 Battery 12 V
- 2 Electric traction motor
- 3 DC-DC converter
- 4 Fuel-cell stack
- 5 Battery pack
- 6 Fuel tank (hydrogen)

Fuel cell electric vehicles (FCEVs) use a propulsion system similar to electric vehicles, where energy is stored as hydrogen converted to electricity by the fuel cell. The power converter regulates the power between the fuel cell and the electric drive.

In order to adapt the power between the fuel cell and the electric drive, the converter monitors current and voltage from energy storage elements (fuel cell, battery pack) to respond to the powertrain's power needs.

LEM's HAM measurement frequency is considerably higher than standard sensors. This is important for power electronics based on silicon carbide or gallium nitride technologies with increased efficiency and switching frequency. Thus, HAM is highly suitable for technologies used in fuel cell power converters.

1. Diverse Target Markets – Diversified Businesses



1. Double-Digit Sales Growth and Robust Margins

CHF m, %	2017/18	2017/18 vs. 2016/17	Q4 2017/18 vs. Q4 2016/17
Orders	319.7	+17.9%	+18.3%
Sales	301.2	+13.9%	+14.2%
EBIT	61.7	+10.7%	+8.1%
Net profit	53.3	+19.6%	+28.3%

- Strongest sales growth since 2010/11
- Positive economic momentum globally
- All businesses but the conventional cars contributed to sales growth
- Support from long term trends automation, renewable energies and green cars
- Robust operating margins
- Ongoing strategy execution with focus on innovation

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Frank Rehfeld

François Gabella

Andrea Borla

Frank Rehfeld

Andreas Hürlimann

ATO



2. Industry Product Launches 2017/18

LES/LESR/LKSR



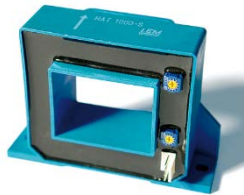
- Proprietary ASIC for Closed Loop Hall Effect technology
- Matching fluxgate performance
- Similar performance at better cost than CAS/CASR
- Used in drives, Solar and UPS markets

LXS/LXSR



- Proprietary ASIC for Closed Loop Hall Effect technology
- Similar/better performance at better cost than LTS/LTSR
- Performance 5 times better compared to LTS
- Widely used in drives

HAT



- New open loop design with 2 times better drift
- Cost effective design
- Widely used in solar and wind applications

2. Automotive Product Launches 2017/18

HAM



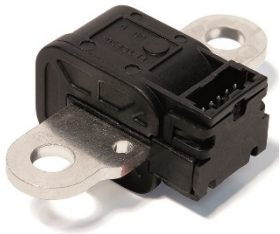
- Patented very high bandwidth sensor 500kHz
- Integrated busbar
- Fuel-cell DC/DC sensor

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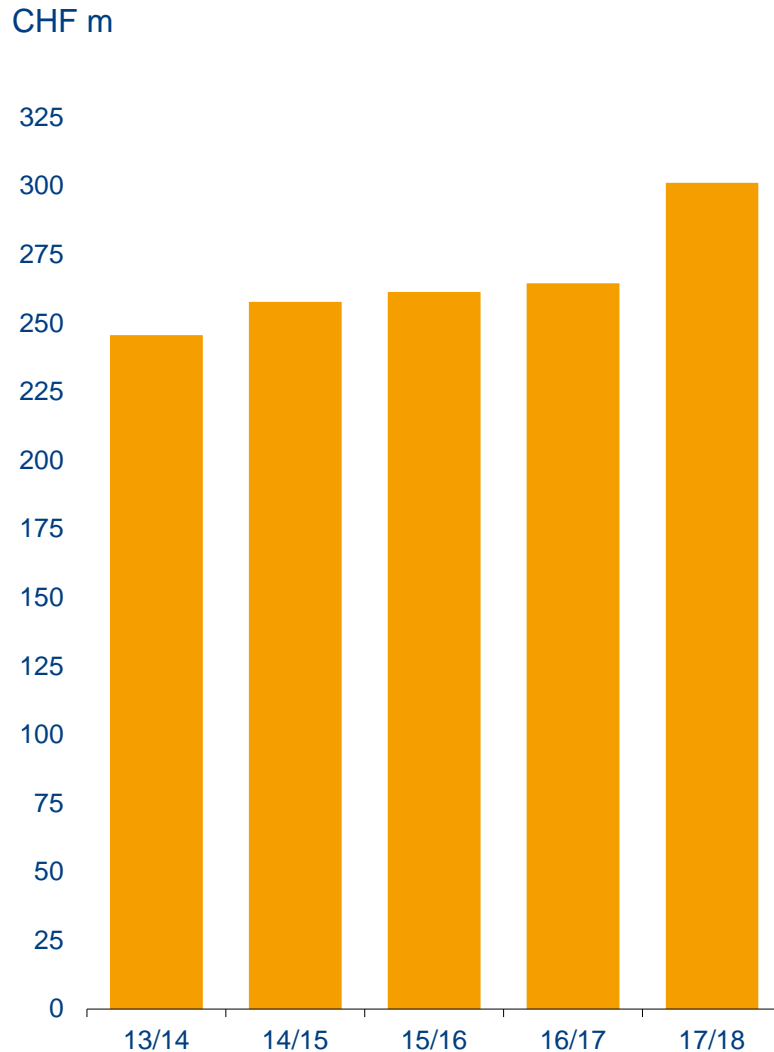
- Compatible with HP Drive from Infineon
- 3 phase sensor with very high accuracy
- Designed for motor control

HSNDR / HSNBV



- Integrated busbar open loop sensor
- Very compact design
- Battery management or motor control version available
- Customizable busbar

2. Net Sales

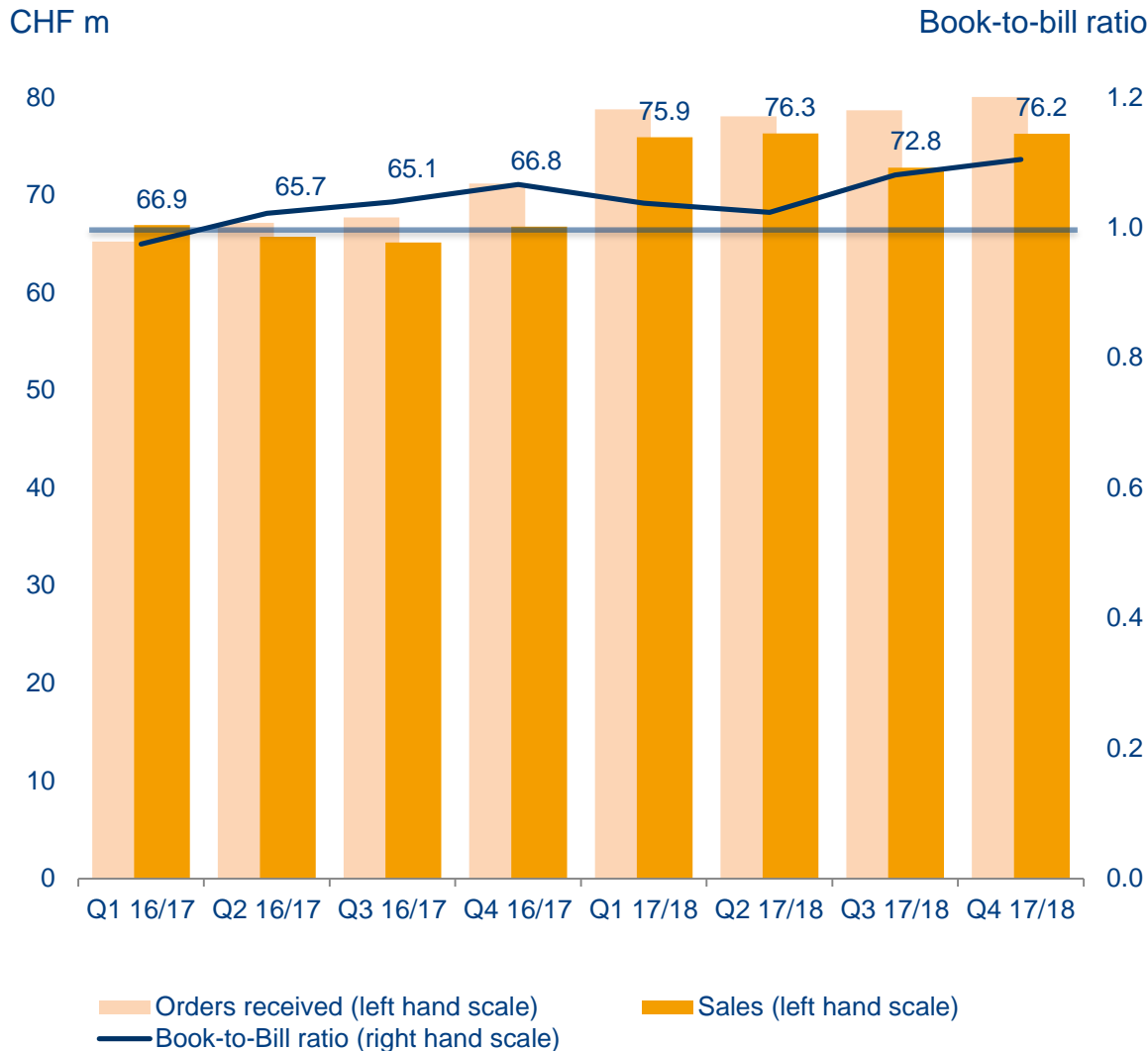


CHF m, %

	Sales	YoY		Q4 vs. Q4
		as reported	at constant currencies	
Industry	242.2	+13.0%	+11.9%	+12.6%
Automotive	59.0	+17.5%	+19.0%	+21.7%
Total	301.2	+13.9%	+13.2%	+14.2%

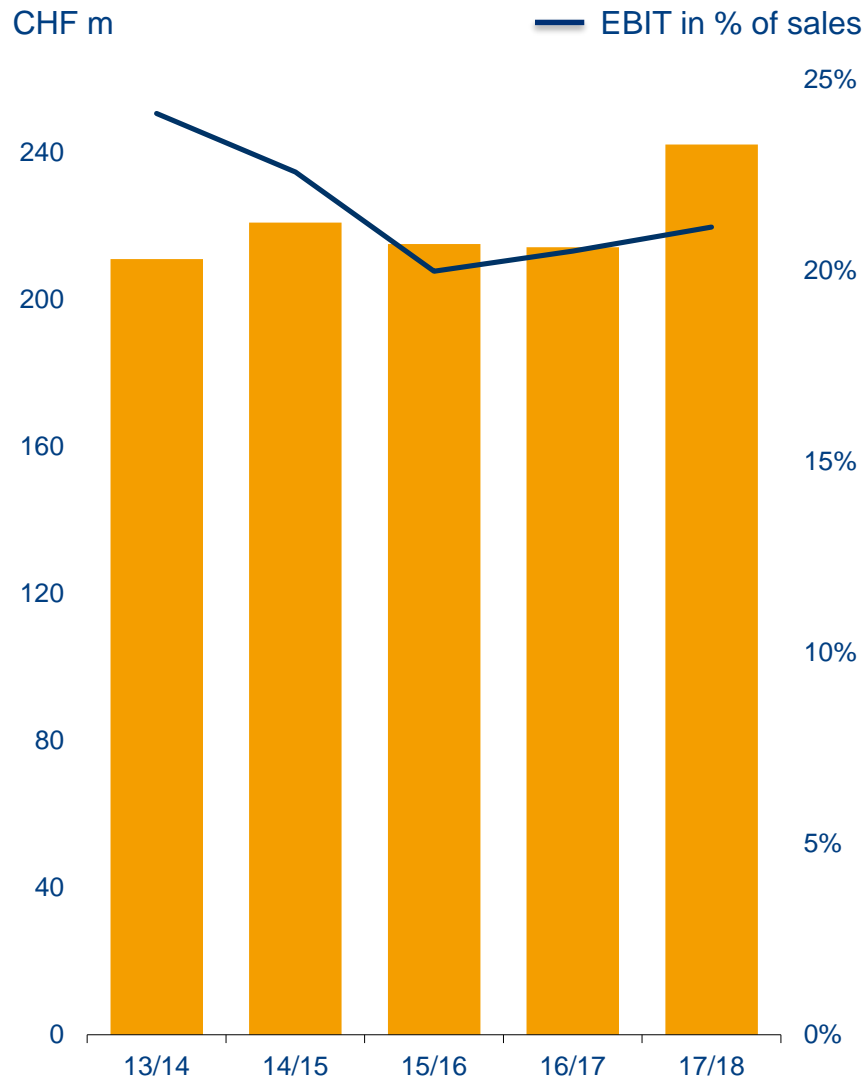
- Positive economic sentiment translated into sales growth
- Asia and Europe driving business performance in most businesses
- LEM sales in North America affected by negative currency impact

2. Quarterly View



- 7th consecutive quarter with book-to-bill ratio higher than 1
- Book-to-bill ratio increased to 1.10 in Q4 of 17/18
- Improving book-to-bill ratio pointing to improving market conditions

2. Industry Segment: Business Development



Businesses and Applications

Drives & welding (YoY +8%)

- Robust growth in all regions, driven by automation and energy savings applications
- Strong interest in new product families

Renewable energies & power supplies (+15%)

- High demand from solar in China and Europe
- US manufacturing moving to Europe and Asia
- Pipeline of Smart-Grid projects

Traction (+24%)

- Energy metering, trackside and retrofit orders in Europe and India
- Light rail and locomotive projects in China and India

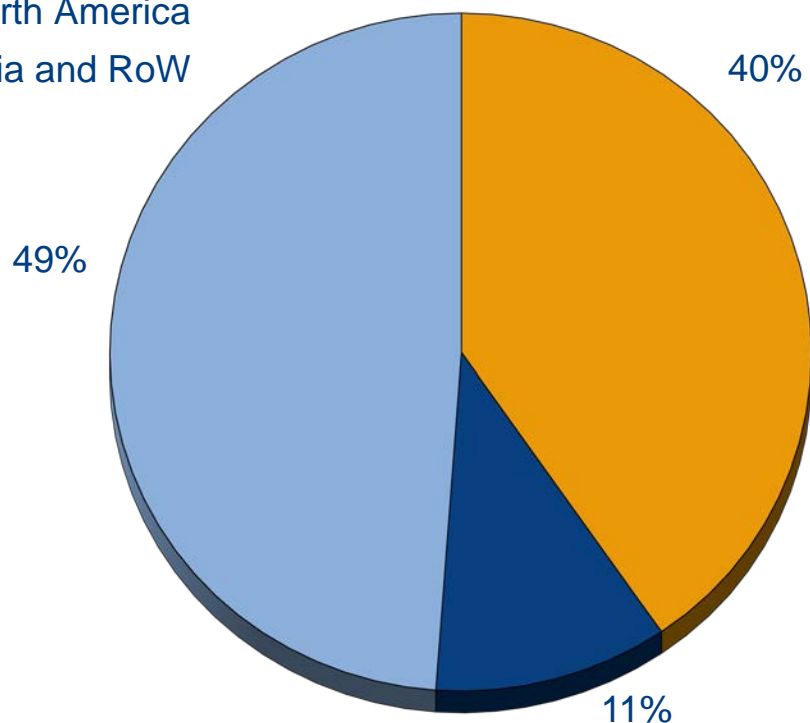
High-precision (+7%)

- HVDC projects in China completed 2016/17; no follow-up projects
- Growth in test & measurement market, mainly for green cars test benches



2. Industry Segment: Regional Markets

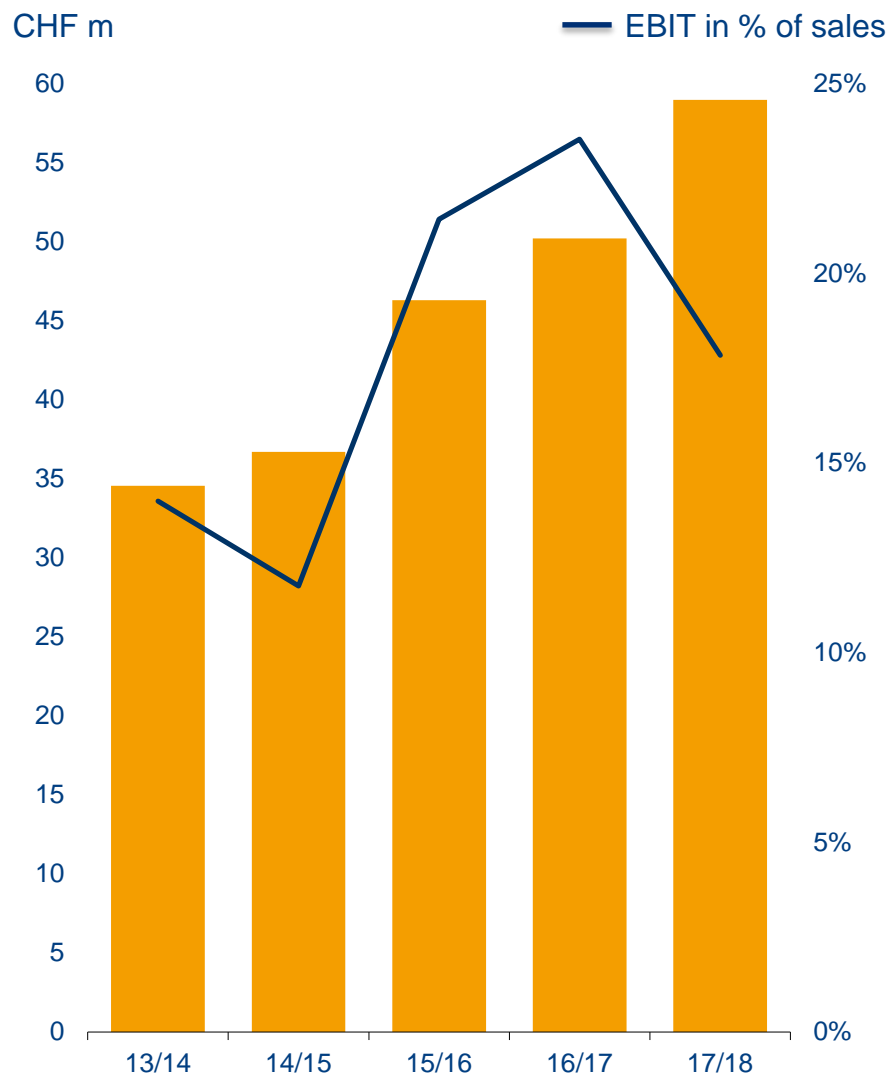
- Europe
- North America
- Asia and RoW



CHF m, %	Sales	Growth YoY	Growth Q4 vs. Q4
Europe	97.8	+16.3%	+26.9%
N. America	26.2	-2.4%	-3.7%
Asia and ROW	118.3	+14.4%	+3.8%
Total	242.2	+13.0%	+12.6%

- Strongest growth in China and Germany
- China the single most important country representing 31% of sales
- Orders grew by 16.6%

2. Automotive Segment: Business Development



Businesses and Applications

Green cars (HEV, EV) (YoY: +75%)

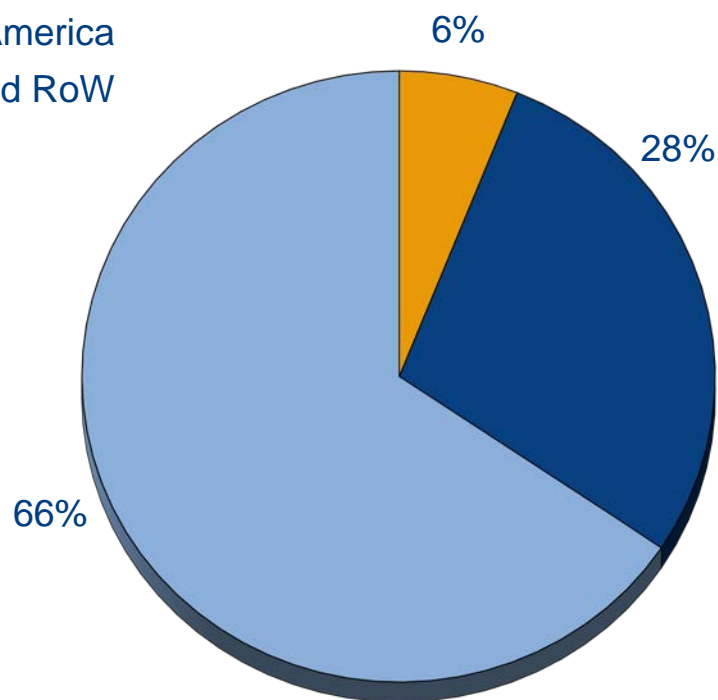
- Asian green cars market growing fast
- Leading market position in China
- Trends to electrification and strong commitment to green cars from automakers around the world
- Increasing consumer acceptance and government support globally for green cars to underpin future growth
- Increasing attractiveness of the market lures new competitors and affects margins

Conventional cars (-17%)

- Weaker US business linked to anticipated technology change

2. Automotive Segment: Regional Markets

- Europe
- North America
- Asia and RoW



CHF m, %	Sales	Growth YoY	Growth Q4 vs. Q4
Europe	3.6	-13.3%	-14.1%
N. America	16.8	-14.4%	-12.4%
Asia and RoW	38.7	+45.8%	+55.8%
Total	59.0	+17.5%	+21.7%

- Sales numbers reflect destination of product shipment, not OEM
- Performance driven by green cars business growth across all regions
- Strengthened Automotive organization
- Won two customer awards for quality
- Participated in green car shows

2. Business Development Bulgaria

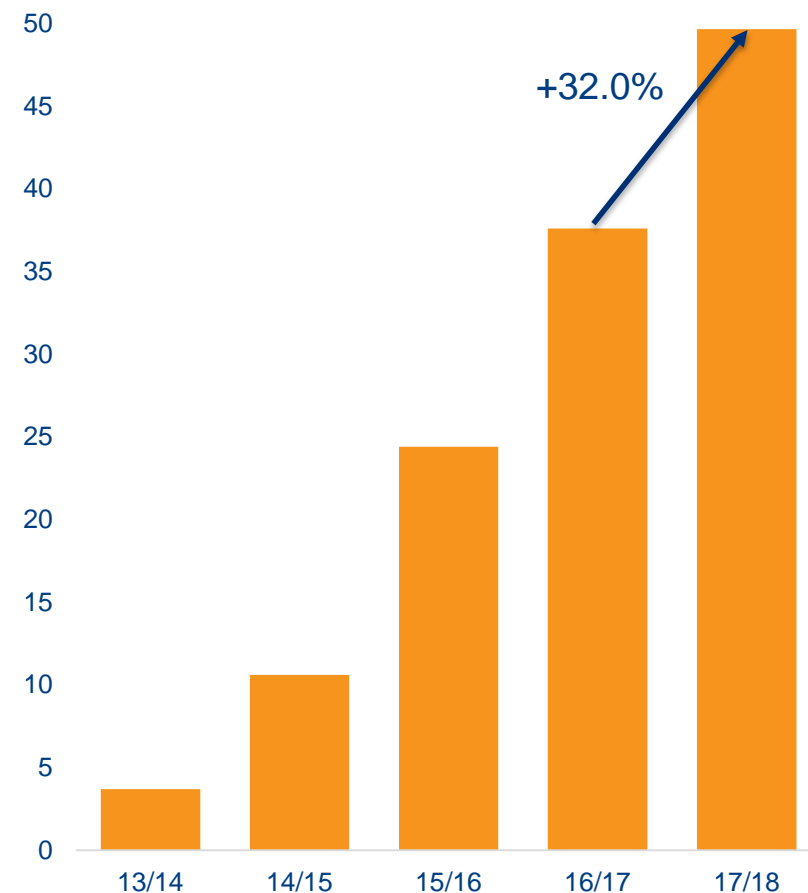


Development of the site

- Added 20% workshop surface
- Added R&D capacities
- Develop shared services for LEM Group
- 16.5% of total production
- Global top quality standards

Production

CHF m

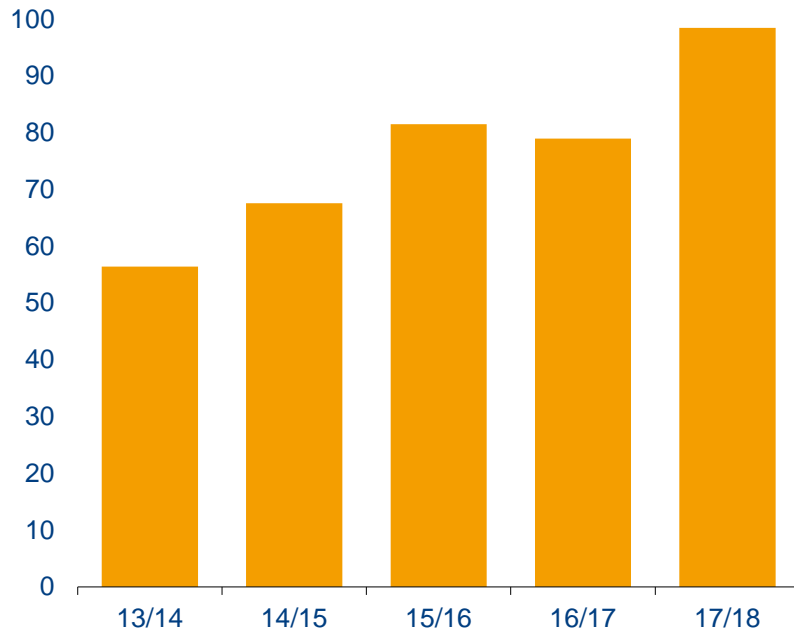


2. Business Development China

Sales

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

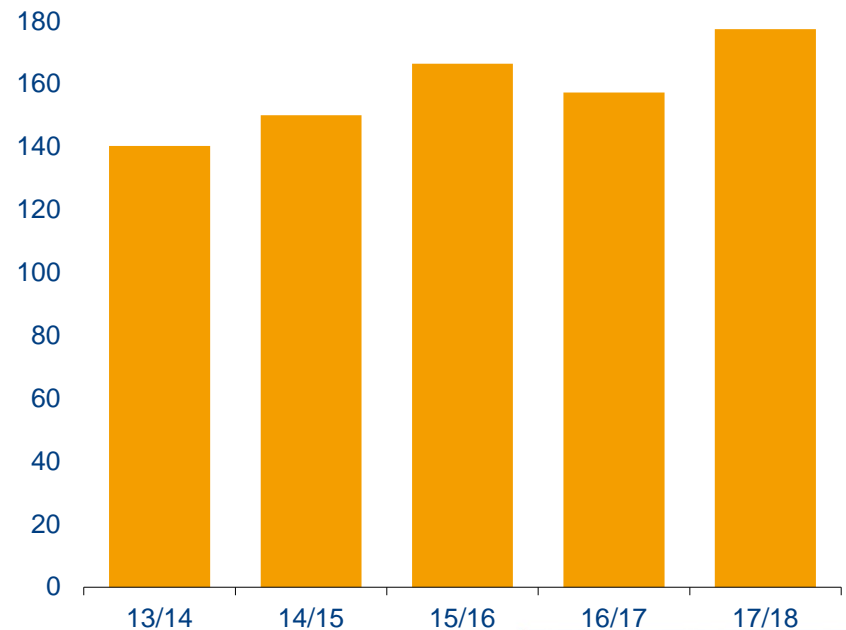
CHF m



Production

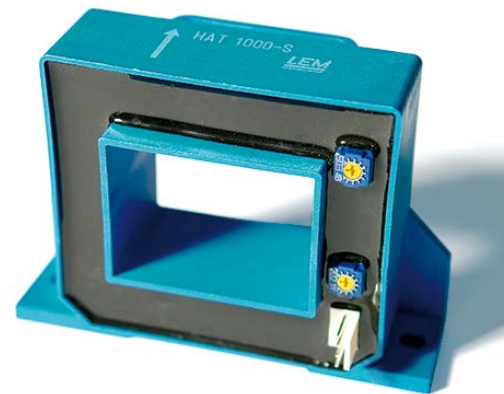
- China is LEM's largest manufacturing site: 59% of total production (59% in 2016/17)
- Global top quality standards

CHF m



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HAT

3. Financial Highlights

- Robust profitability
 - EBIT up 10.7% to CHF 61.7m
 - Net profit up 19.6% to CHF 53.3m
- Strong balance sheet
 - Equity ratio of 59.2%
 - Net cash of CHF 12.6m
- Stable cash generation
 - Operating cash flow up 2.5% to CHF 54.1m
 - CAPEX increased by 14.5% to CHF 15.1m

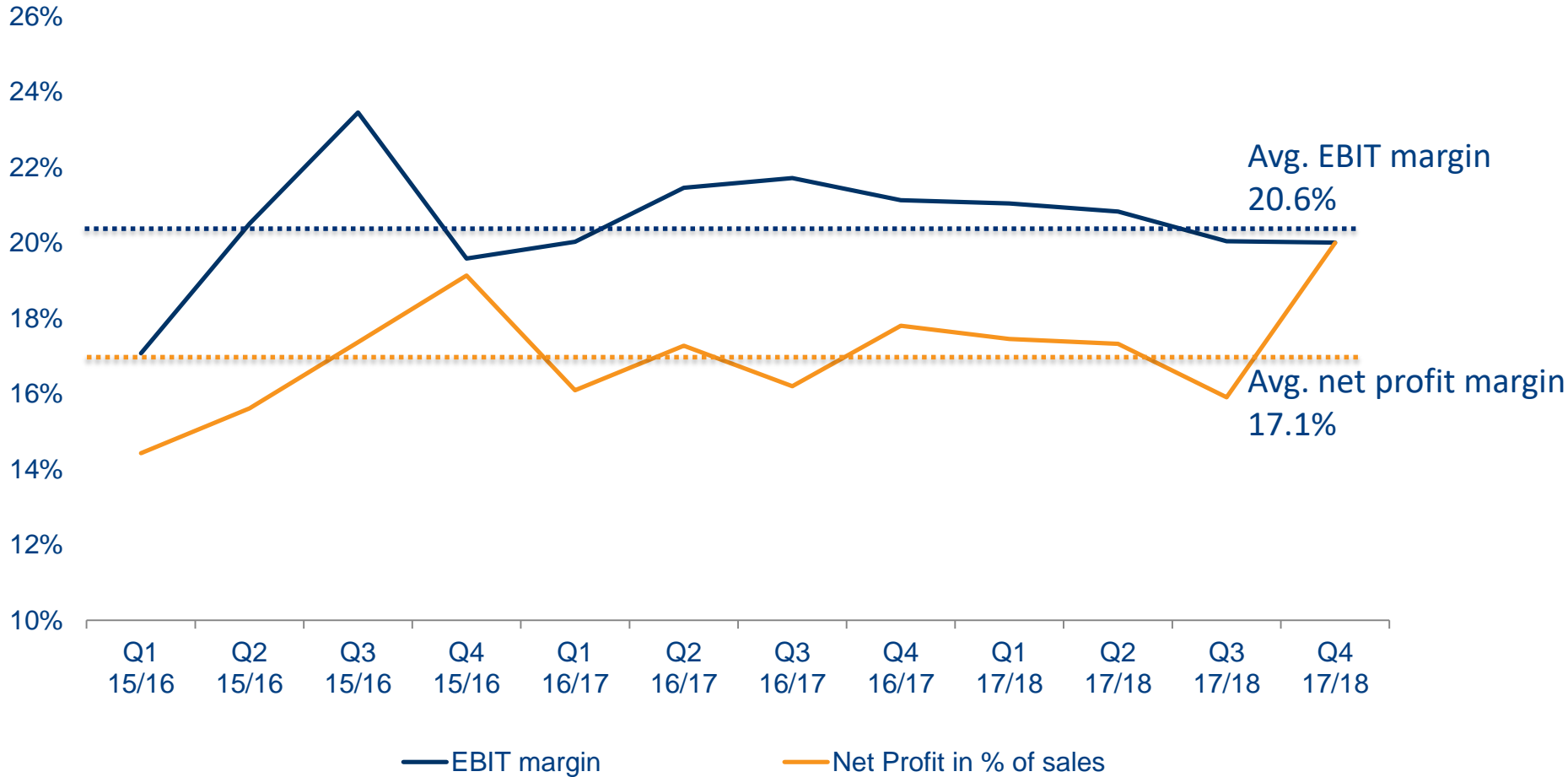
3. Income Statement

CHF m

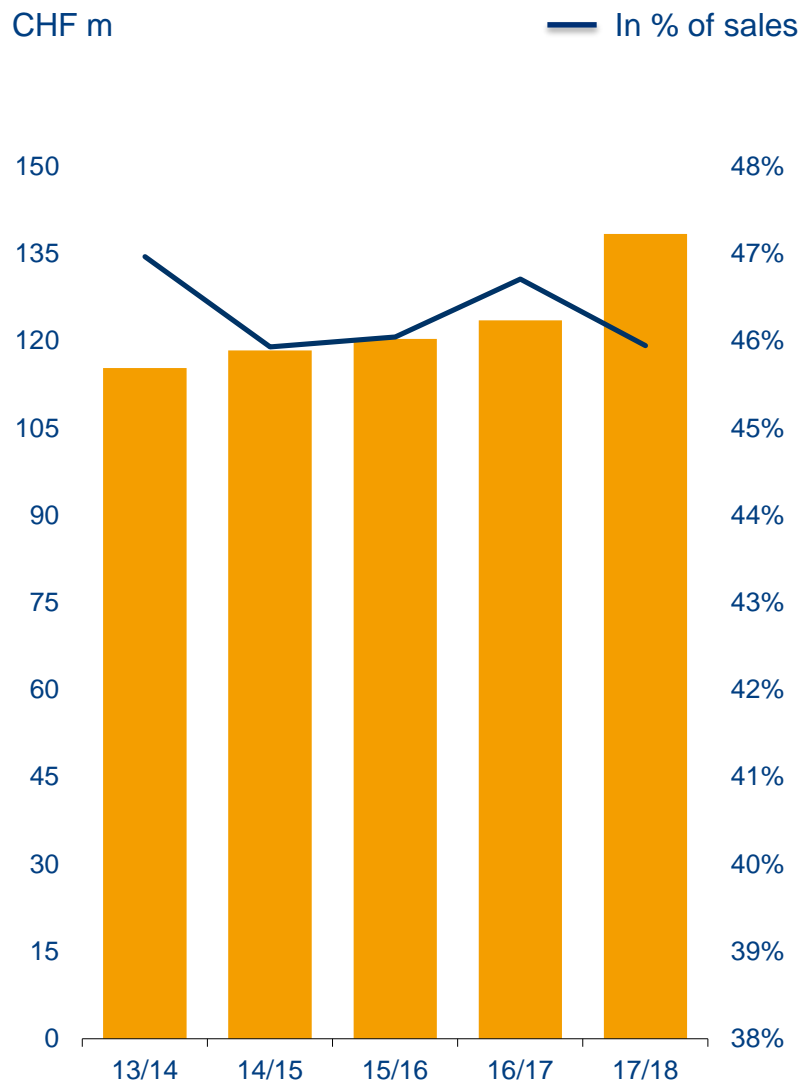
	2016/17	2017/18	Change	Q4 2016/17	Q4 2017/18	Change
Sales	264.5	301.2	+13.9%	66.8	76.2	+14.2%
Gross margin	46.7%	45.9%	-0.8pt	45.9%	46.6%	+0.7pt
Operating expense	-67.8	-76.7	+13.1%	-16.5	-20.2	+22.4%
EBIT	55.8	61.7	+10.7%	14.1	15.3	+8.1%
<i>EBIT margin</i>	21.1%	20.5%	-0.6pt	21.1%	20.0%	-1.1pt
Net financial exp.	-0.8	1.2	NM	-0.0	-0.4	NM
Income tax	-10.4	-9.6	-7.8%	-2.2	0.4	NM
Net profit	44.6	53.3	+19.6%	11.9	15.3	+28.3%
<i>Net profit margin</i>	16.8%	17.7%	+0.8pt	17.8%	20.0%	+2.2pt

3. Results by Quarter

In % of sales



3. Gross Margin

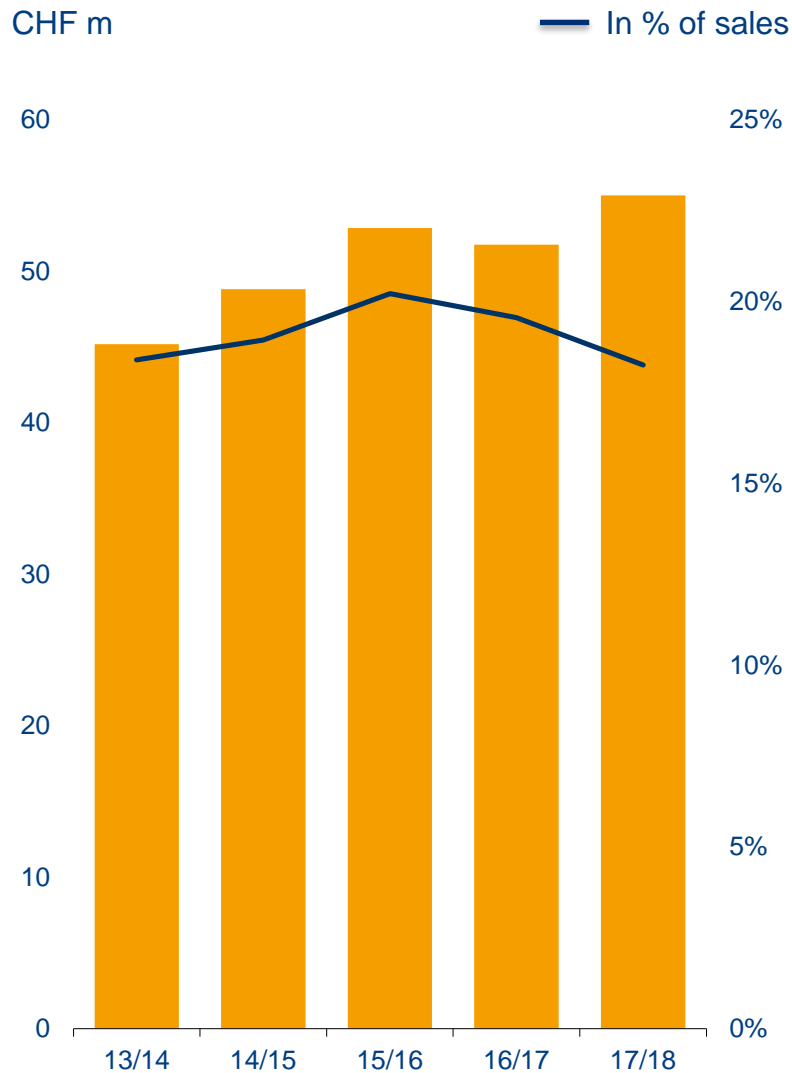


	2016/17	2017/18	Q4 2016/17	Q4 2017/18
Gross margin CHF m	123.6	138.4	30.6	35.5
Gross margin in % of sales	46.7%	45.9%	45.9%	46.6%

- Price pressure and changing product mix negatively affected the gross margin
- Footprint optimization program impacted gross margin by -0.2% in 2017/18
- Increasing share of cost competitive production and efficiency improvements counteracted negative effects



3. SG&A

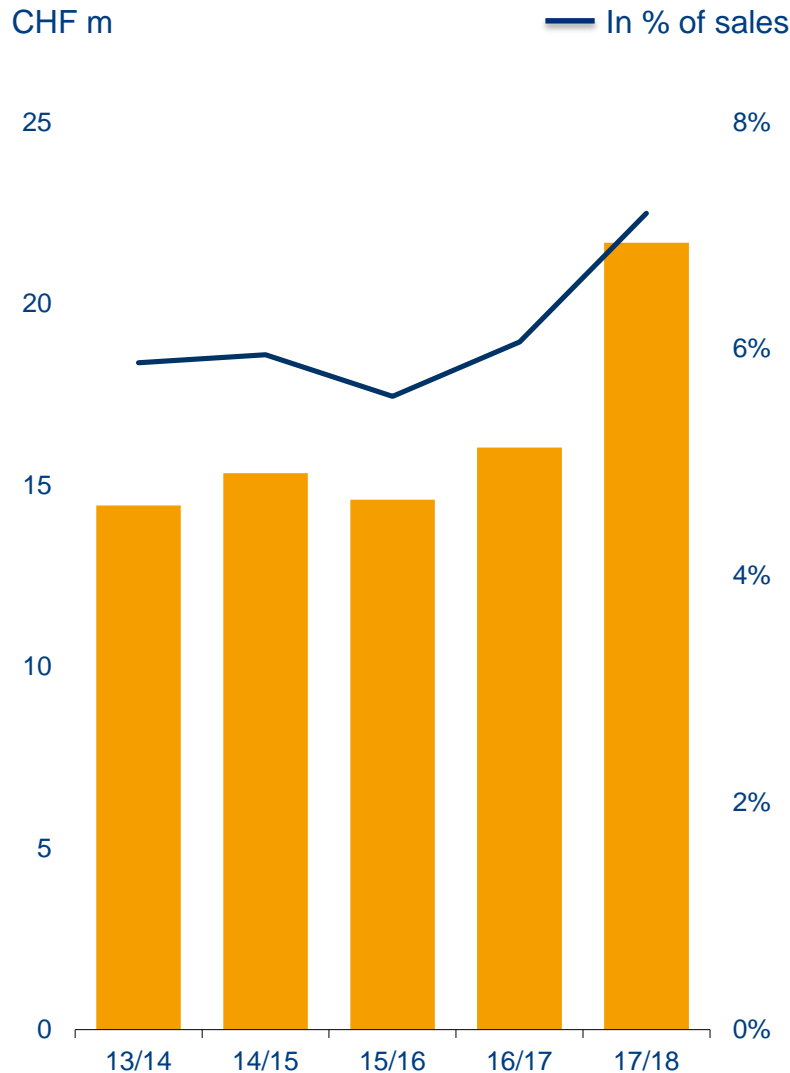


	2016/17	2017/18	Q4 2016/17	Q4 2017/18
SG&A CHF m	51.8	55.0	12.3	14.0
SG&A in % of sales	19.6%	18.3%	18.5%	18.4%

- Higher sales, lower administration expense
- Cost savings thanks to process improvements and cost control
- SG&A in percent of sales dropped by 1.3%pt



3. R&D Expense



	2016/17	2017/18	Q4 2016/17	Q4 2017/18
R&D expense CHF m	16.0	21.7	4.2	6.2
R&D expense in % of sales	6.1%	7.2%	6.3%	8.2%

- R&D expenses increased by 35.2%, reflecting the strategy to strengthen technology leadership
- Increased R&D team by more than 20% in four locations
- Acquire new technologies to address new markets
- Ongoing renewal of product portfolio



3. Financial Expense

CHF m

	2016/17	2017/18	Q4 2016/17	Q4 2017/18
Exchange effect	-0.6	+1.3	+0.0	-0.4
Other financial expense & income	-0.1	-0.2	-0.1	-0.1
Total	-0.8	+1.2	-0.0	-0.4

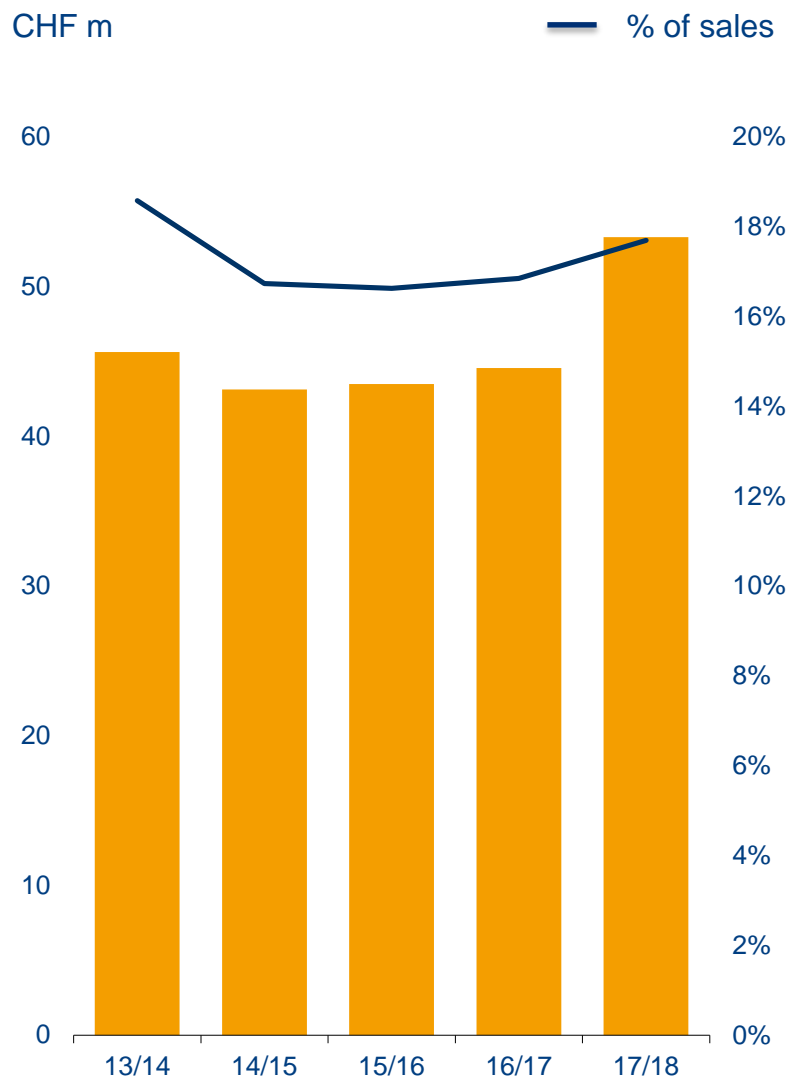
- Exchange effect mainly driven by appreciation of EUR generating foreign exchange gains (between booking and settling a receivable)
- Currency hedging impact nearly neutral due to losses on EUR compensated by gains on USD

3. Income Taxes

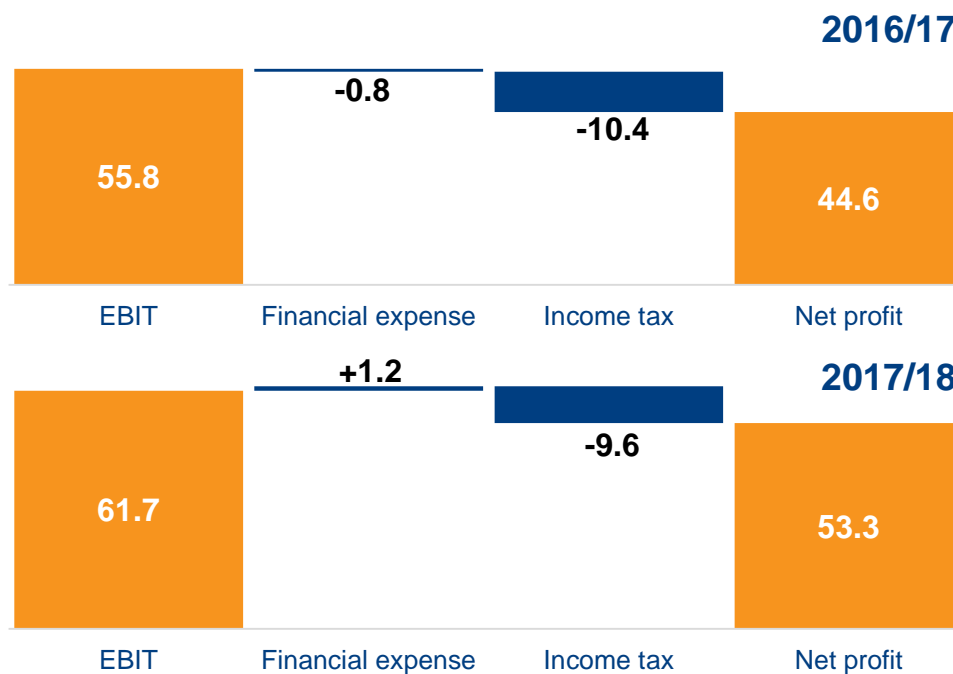
	2016/17	2017/18
Expected income tax rate	16.6%	11.5%
Expected withholding tax rate	1.2%	1.2%
Expected tax rate	17.8%	12.7%
Other differences	+1.2%	+2.6%
Effective tax rate	18.9%	15.2%

- LEM IP sold to LEM Electronics (China) Co. Ltd the Intellectual Property for all products manufactured and sold in China during 2017/18
- Transaction generated one-off positive tax impact of CHF+4.3 m

3. Net Profit



	2016/17	2017/18	Q4 2016/17	Q4 2017/18
Net profit CHF m	44.6	53.3	11.9	15.3
Net profit in % of sales	16.8%	17.7%	17.8%	20.0%



3. Balance Sheet Analysis

CHF m	31.3.2017	31.3.2018
Net working capital	40.6	45.5
Noncurrent assets	44.4	61.5
Noncurrent liabilities	-7.4	-10.6
Net operating assets	77.7	96.4
Net cash / (debt)	12.8	12.6
Equity	90.5	109.0
Equity ratio	60.7%	59.2%
Days of sales outstanding	71	72
Days of inventory outstanding	79	80
Days of payables outstanding	55	46

3. Cash Flow Statement

CHF m	2016/17	2017/18
Profit before taxes	55.0	62.9
Adjustment for noncash items and taxes paid	-2.8	-1.2
Cash flow from changes in net working capital	+0.7	-7.6
Cash flow from operating activities	52.8	54.1
Cash flow from investing activities	-13.2	-15.1
Free cash flow	39.6	39.0
Cash flow from financing activities	-40.3	-34.8
Change in cash and cash equivalents	-0.7	+4.2
Cash and cash equivalents at the end of the period	12.8	17.6

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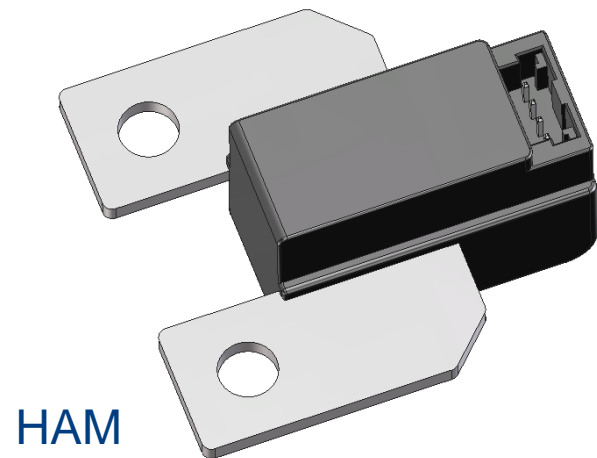
Frank Rehfeld

François Gabella

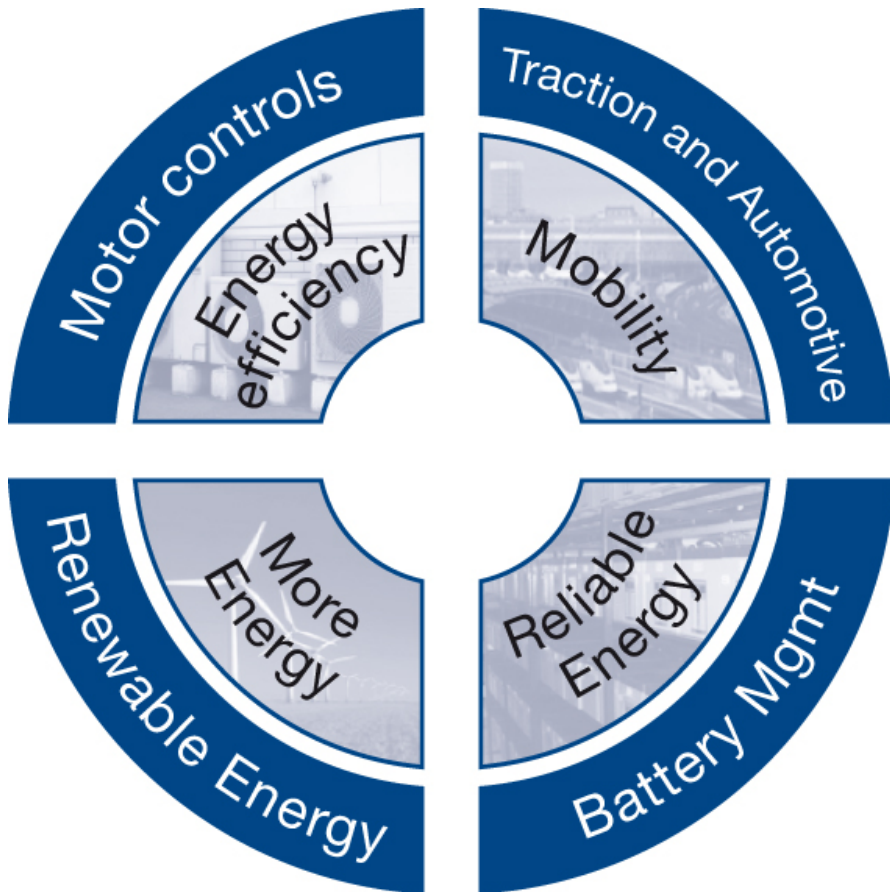
Andrea Borla

Frank Rehfeld

Andreas Hürlimann



4. Market Factors and Strategy

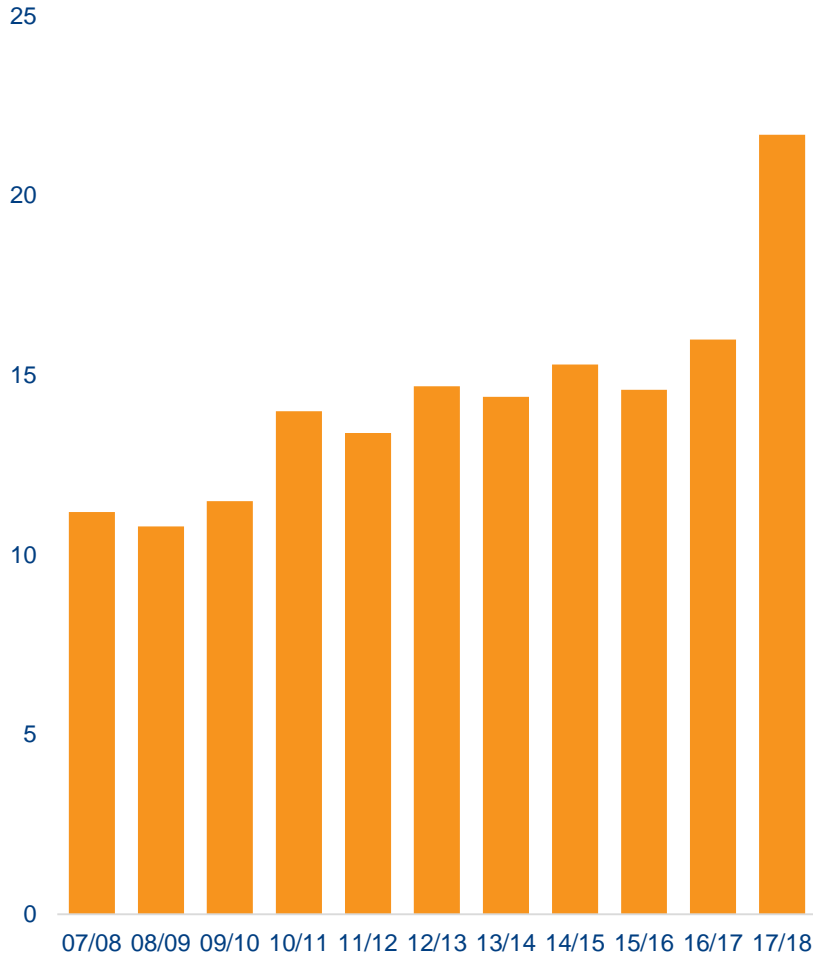


- We firmly believe in our strategic direction and the 4 drivers for our business remain unchanged
- We will continue to capitalize on the drivers of LEM's markets through
 - pure play components company
 - diversification across geographies and businesses

4. Strategy Execution: Technology Leadership

R&D expense

CHF m



Key strategic initiative

- Reinforce multidisciplinary innovation team
- Add functionality beyond pure transducer
- Improve cost per functionality

Achievements 2017/18

- *Continuous launch of new products*
- *Increased R&D team by more than 20% and R&D spend by more than 30%*
- *Inaugurated LEM Tech France SA*
- *Focus on new technologies*



4. Strategy Execution: Technology Leadership

Significantly increase investment in R&D

- Focus on new technologies in areas of Integrated Primaries, embedded software, Smart Grid, Internet of Things
- Enhance R&D capacities in Beijing and Sofia
- Establish partner network (R&D partners, universities, research institutes)

R&D centers



Geneva, Switzerland

- Innovation center
- Industry and Automotive



Sofia, Bulgaria

- Operations support
- Product adaptation
- Industry



Beijing, China

- Market focus Asia
- Product adaptation
- Industry and Automotive

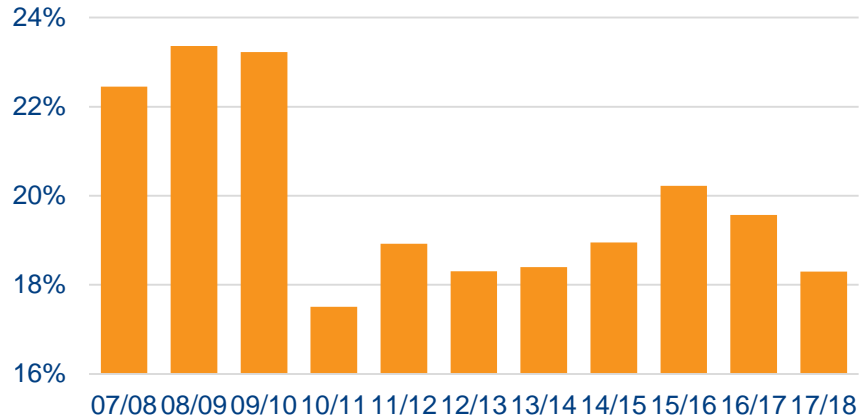


Lyon, France

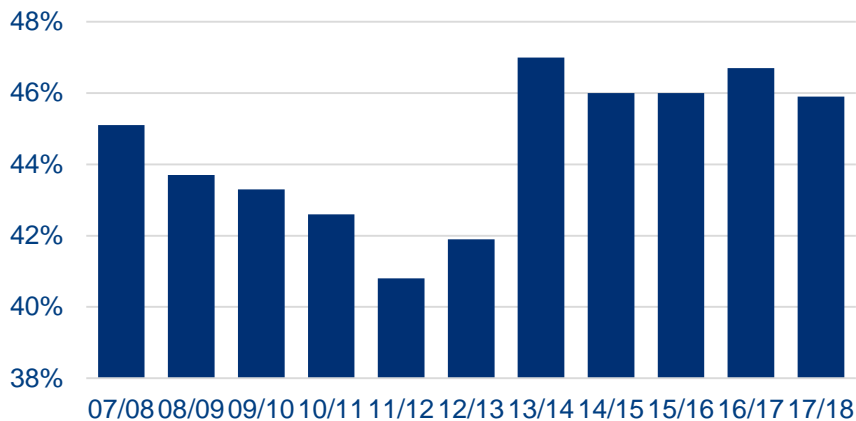
- Focus on new technologies
- Industry and Automotive
- Operational since April 2017

4. Strategy Execution: Efficiency of Operations

SG&A in % of Sales



Gross Margin in % of Sales



Key strategic initiative

- Focus on product cost by increasing production efficiency and reducing supply chain cost
- Benchmarking and simplification of processes

Achievements 2017/18

- *Increased production in cost effective sites to more than 80% of total*
- *Grew teams in Sofia and Beijing*
- *Constant productivity increases*
- *Accelerated automation*
- *Shared services in Sofia*

4. Outlook: Robust Financial Year Expected

- **Industry businesses 2018/19**
 - Positive economic momentum to accompany the Industry businesses
 - Growth driven by trends to increased automation in Asia and worldwide investments into renewable energies
- **Automotive businesses 2018/19**
 - Continued growth in the green cars business
 - Government policies remain an important factor
 - Intensifying competition in green cars will put additional pressure on prices
- Increased investment in R&D and high number of product launches
- Geopolitical tensions or new trade barriers may pose a risk to global growth and LEM's businesses

4. Strengthen LEM's Growth Ambition

Leading product portfolio

- Broadest product range
- Quality: zero defect mindset
- Flexible product adaptation

Innovation

- Increase functionality
- Accelerated time to market
- Early involvement with customers

Competitive differentiation

Global footprint

- Prepare for future growth
- Capitalize on synergies between businesses
- Increase automation in production

Human Resources

- Add new competencies
- Leadership and talent development
- Employee well-being programs



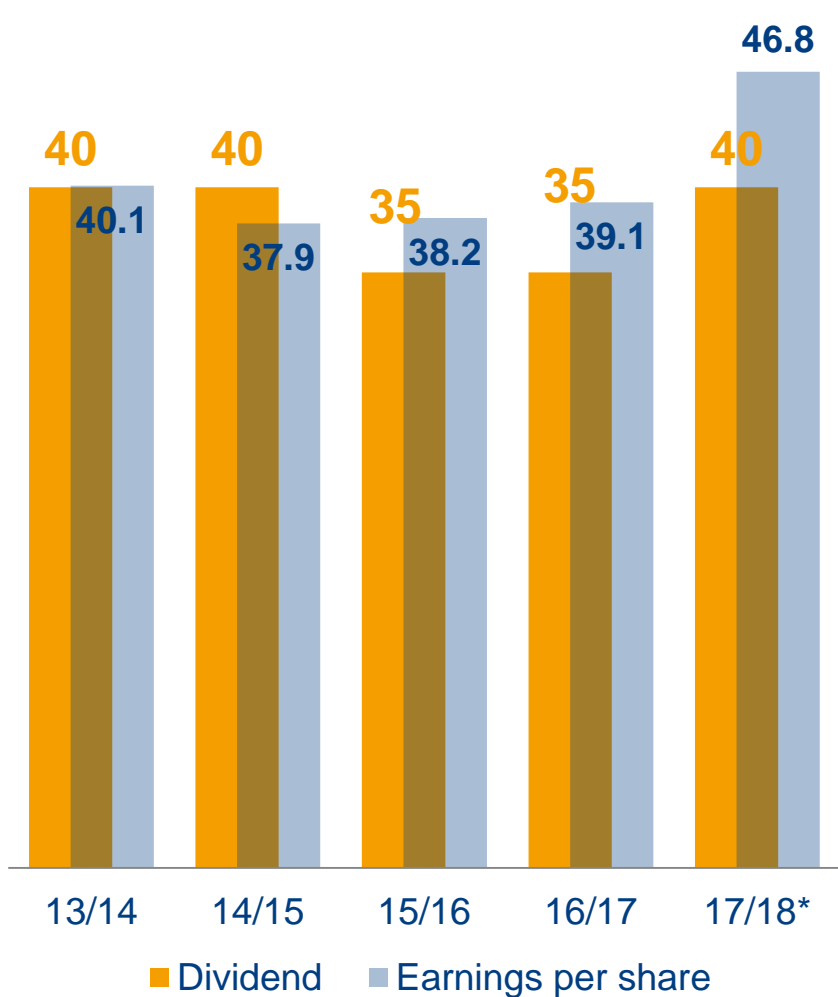
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5. Dividend Proposal



- Dividend policy of distributing significantly more than 50% of consolidated net profit to shareholders
- Ordinary dividend of CHF 40 per share proposed
- Payment corresponds to a payout ratio of 85.5%
- Represents a dividend yield of 2.5% (as per 31 March 2018)
- Sign of trust in the Company's future

* Proposal to General Meeting of Shareholders on 28 June 2018

5. Thanks to François Gabella, CEO until 31.3.2018

- Major achievements under François Gabella's leadership (2010-2018)
 - Gained market share in Industry businesses around the world
 - Won more than 40 Automotive OEMs and Tier1 as new customers
 - Grew sales to CHF 301.2m
 - Accelerated innovation resulting in launches of numerous new products and affirming technology leadership
 - Augmented R&D resources with a new center in Lyon/France
 - Expanded production footprint to Sofia/Bulgaria and introduced dual-education system at LEM Bulgaria
 - Strengthened leadership team
 - Grew net profit to CHF 53.3m
 - Distributed CHF 279m in dividends to shareholders

5. Proposed New Board Member

François Gabella



- Chief Executive Officer of LEM Group from July 2010 to March 2018
- Previously Chief Executive Officer TESA Ltd, Senior Vice President Areva T&D Ltd, and General Manager-Power Transformers ABB Switzerland Ltd
- Other notable activities: member of the Committee of Swissmem (Zurich), Chairman of the Board of Directors of Winterthur Instruments Ltd (Winterthur), member of the Board of Directors of Optotune Ltd (Dietikon) and member of the Board of Directors of Switzerland Global Enterprise (Zurich)
- M.Sc. Microtechnics of École Polytechnique Fédérale de Lausanne (EPFL) and MBA from IMD Lausanne
- Age 60, Swiss citizen



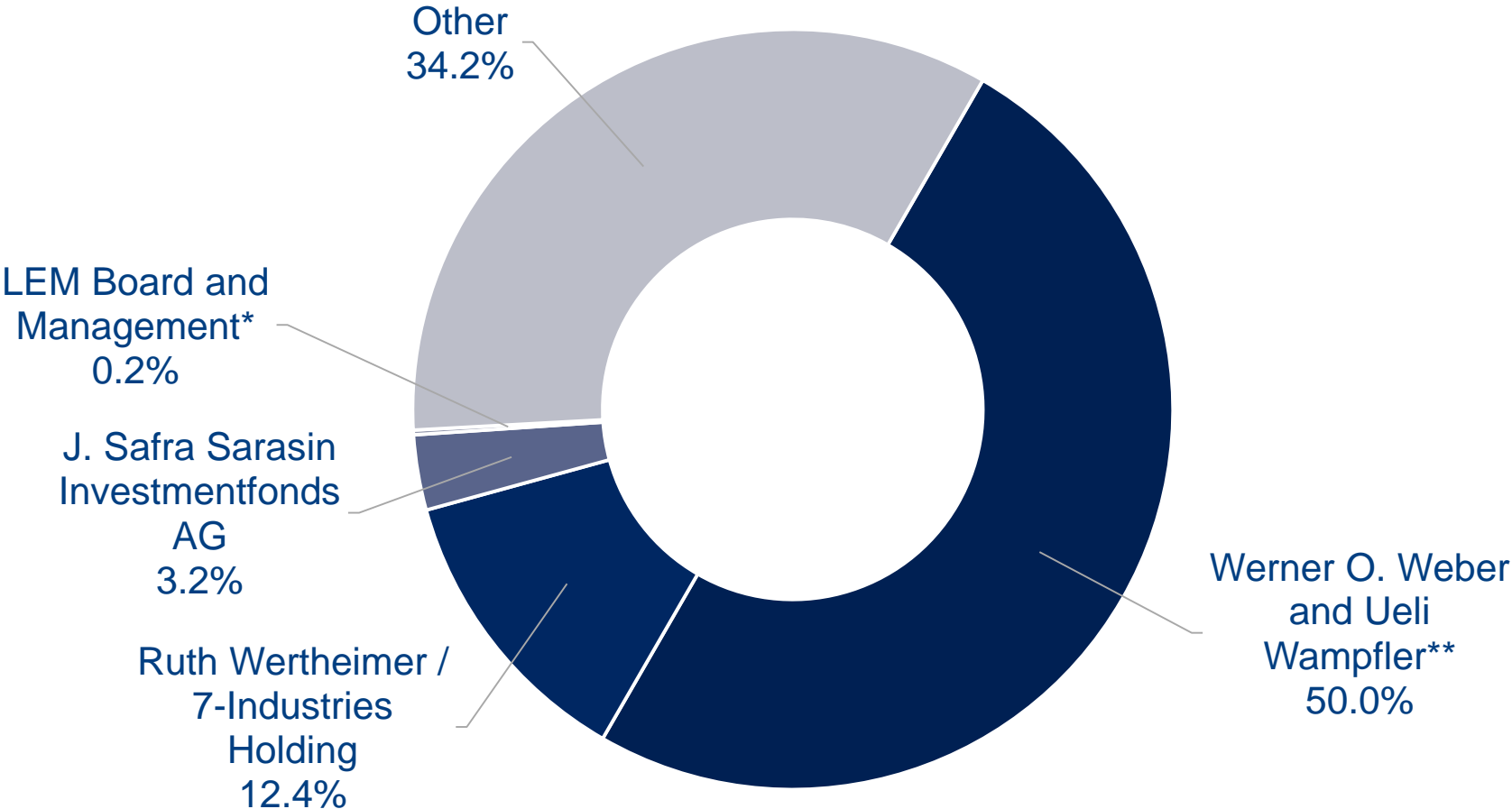
LEM[®]

At the heart of power electronics.

The background is a collage of images related to power electronics and energy. It includes a large industrial tank, a modern glass skyscraper, wind turbines, a high-speed train, and a car's interior dashboard.

Q&A

Shareholder Structure per 31 March 2018



* Excludes shareholdings of Ueli Wampfler and Werner C. Weber

** Opting out clause introduced in LEM's articles of incorporation by the shareholders' meeting on 25 June 2010



Financial Calendar and Contact Details

Financial calendar

The financial year runs from 1 April to 31 March

28 June 2018	Annual General Meeting of Shareholders for 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 2018/19
2 July 2019	Dividend ex-date
4 July 2019	Dividend payment date

For further information

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