

Results

Q1 of 2016/17

11 August 2016



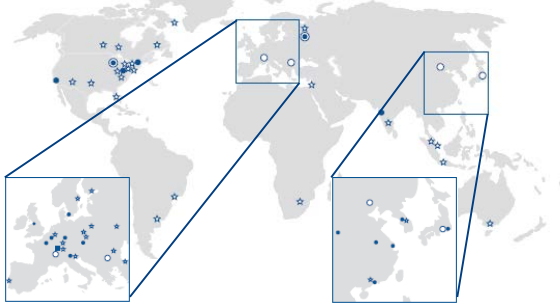
# Agenda

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



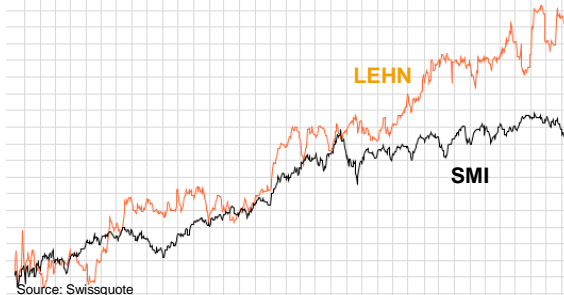
# 1. Global Market Leader in Current and Voltage Transducers

## 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 261.5 million in 2015/16

## Performance



- Market capitalization of CHF 1 billion
- Dividend yield >4% in each year since 2009
- Continued sales growth and strong margins

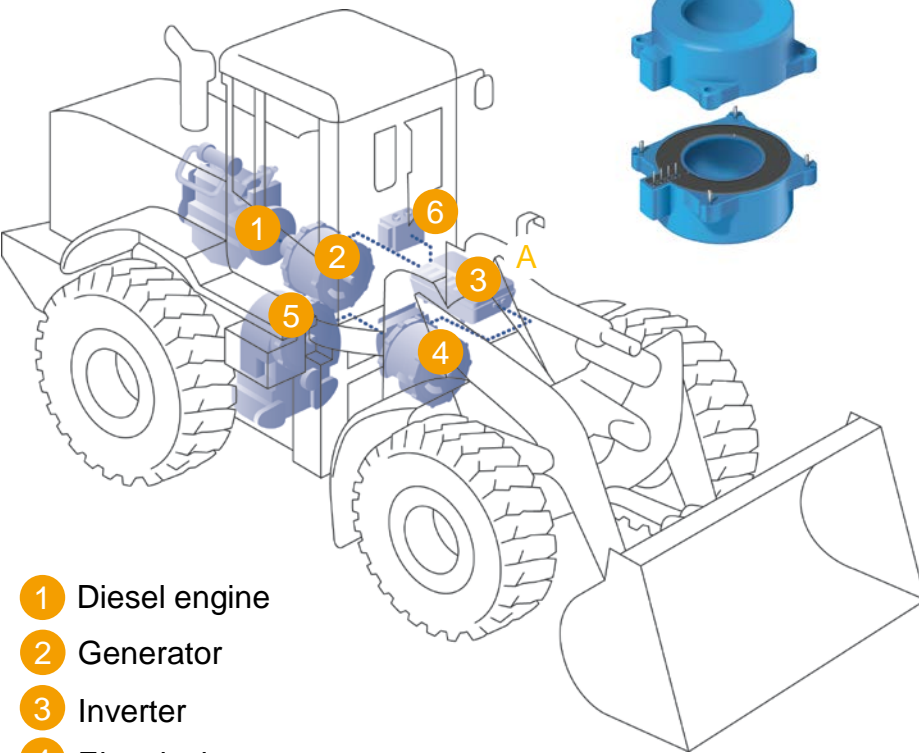
## Perspectives



- 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: Hybrid Loader

A HTFS 800-P



- 1 Diesel engine
- 2 Generator
- 3 Inverter
- 4 Electrical motor
- 5 Transmission
- 6 Battery

A hybrid loader boosts fuel economy by up to 25%, increases the system performance and is half as loud as a conventional loader.

The special internal combustion engine (1) drives an AC generator (2) for the bucket moves. The generator converts the engine's mechanical energy into electrical energy, which is converted by the inverter (3) to supply the electrical motor (4) to drive the transmission and the wheels.

The currents are measured with current transducers (A) to control the inverter. The accuracy of the current measurements allows to maximize the motor torque and overall motor efficiency. The transducers also enable the control system to sense over-current situations signaling a potential defect.

# 1. LEM Applications: Hybrid-electric vehicles / electric vehicles

1 High voltage battery

2 Charger

3 Motor controller

4 Electric motor and transaxle

5 DC/DC converter

A DHAB V2



D CAB500



D

D

C HSN



B HAH3



## Battery management

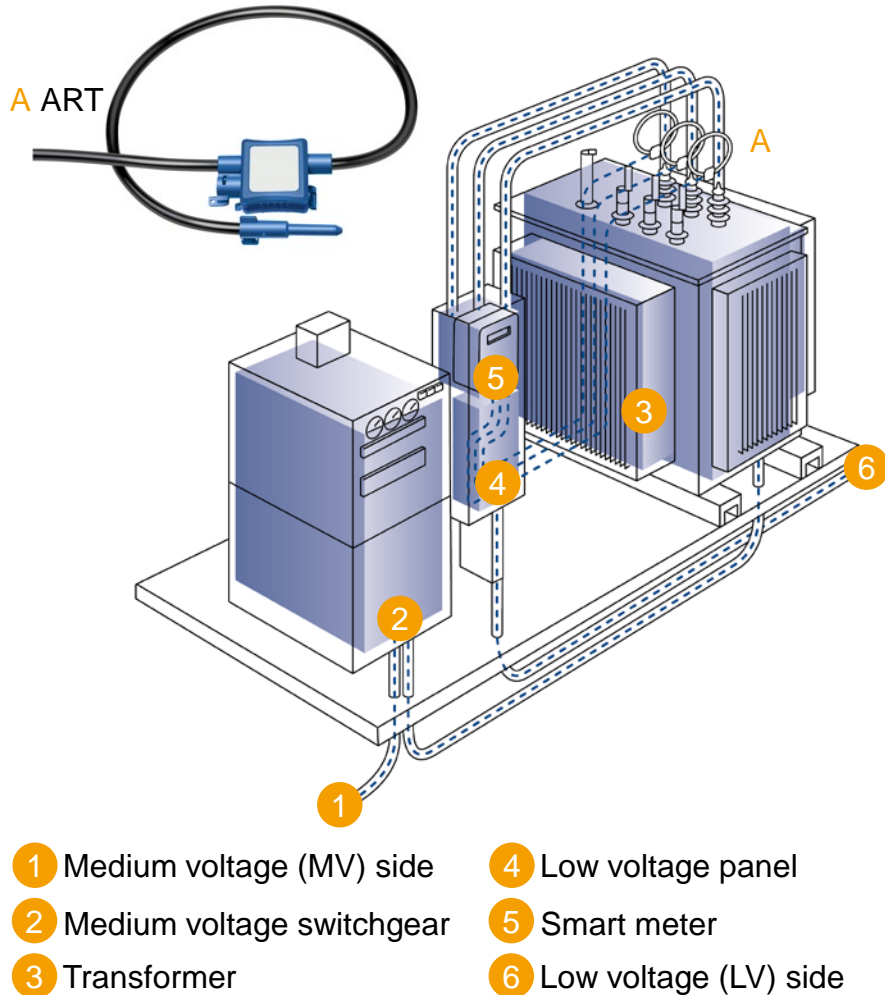
The battery management system (BMS) adjusts the charging process through the combustion engine in a hybrid-electric vehicle or gives the information for external charging of the high-voltage battery (1) in an electric vehicle. CAB (D), DHAB (A) provide all necessary current information at high accuracy level to the BMS to improve the efficiency of the charging process.

## Motor control

The motor control (3) takes power from the batteries and delivers it to the electric motor (4). The accelerator pedal gives the signals. HAH3 (B), HSN (C) are integrated in the inverter modules (5) and provide current signals at very high speed in order to assure a smooth and jerk-free acceleration.

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# 1. LEM Applications: MV/LV substation

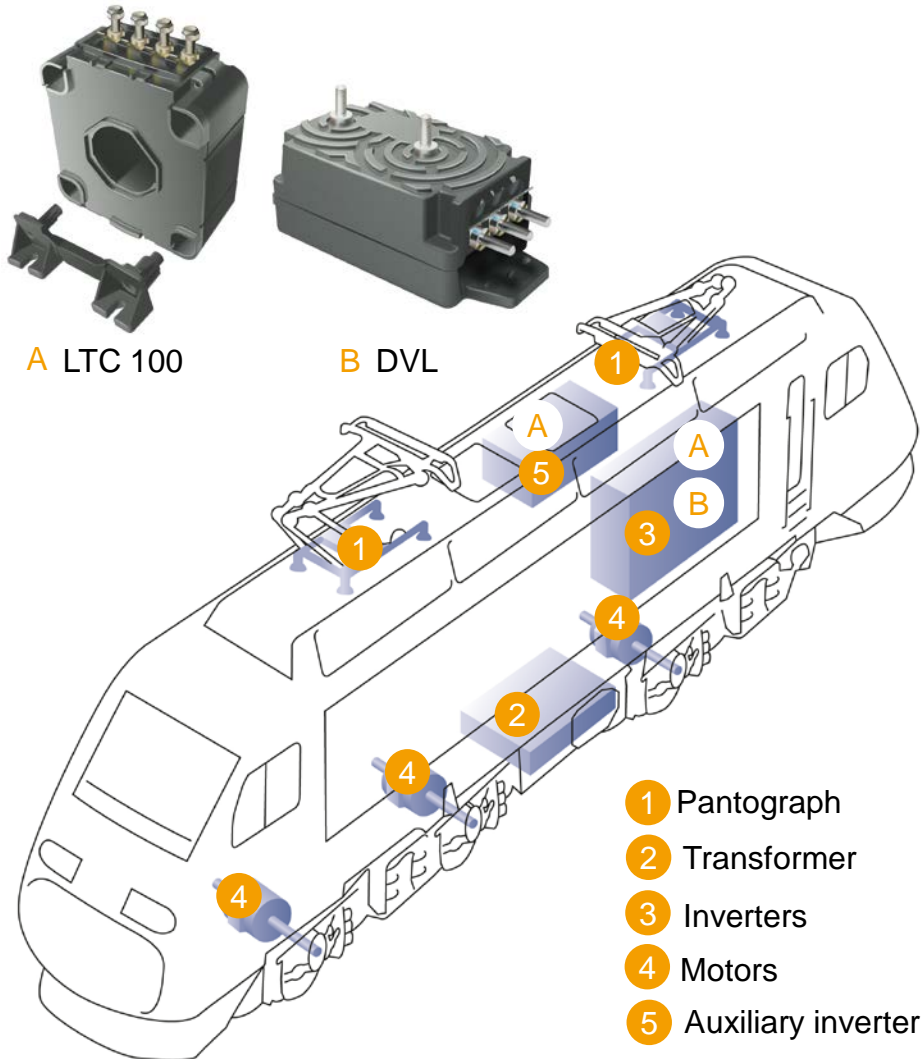


High voltage (HV) is adapted twice along its way to consumers in order to simplify its transmission and also in order to supply applications with the right levels of voltage.

The last adaptation is realized inside a MV/LV substation adapting the voltage from medium voltage (MV) to low voltage (LV).

Within the MV/LV substation, the incoming power flow from the MV side (1) is managed by the MV switchgear (2) before being converted by the transformer (3) into LV (6). The smart meter (5) installed in the LV panel (4) measures the transformer's (3) health with three independent ART (A) current sensors. Its design allows safe commissioning of the smart meter on an operating transformer.

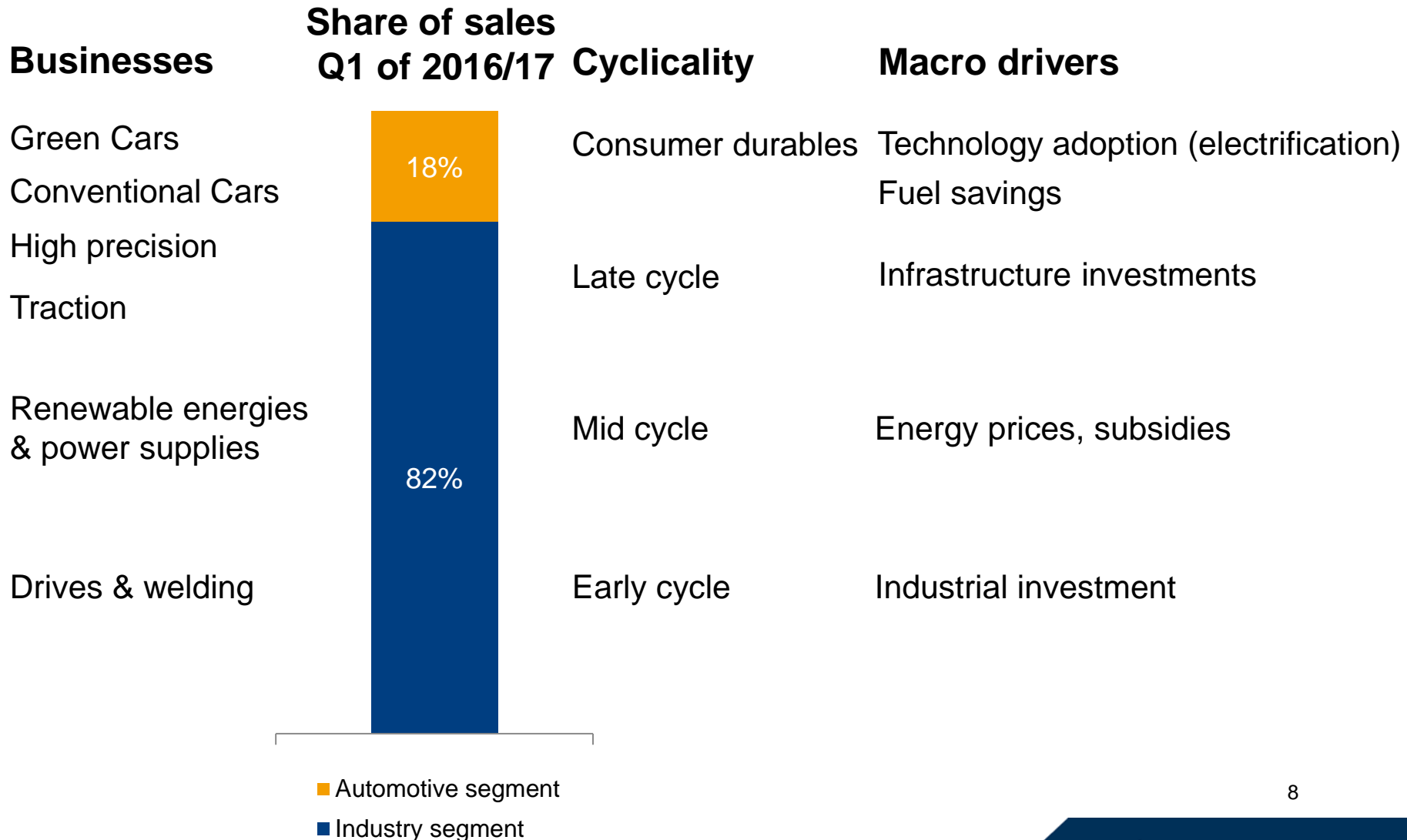
# 1. LEM Applications: Locomotive



Inverters are used to transform the energy into the right voltage and current to drive the motors. Voltage and current transducers are used to measure the current and the voltage on the secondary side of the transformer 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 are used to measure the motor currents in order to optimize their efficiency.

# 1. Diverse Target Markets – Diversified Businesses





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4. Market Factors and Strategy



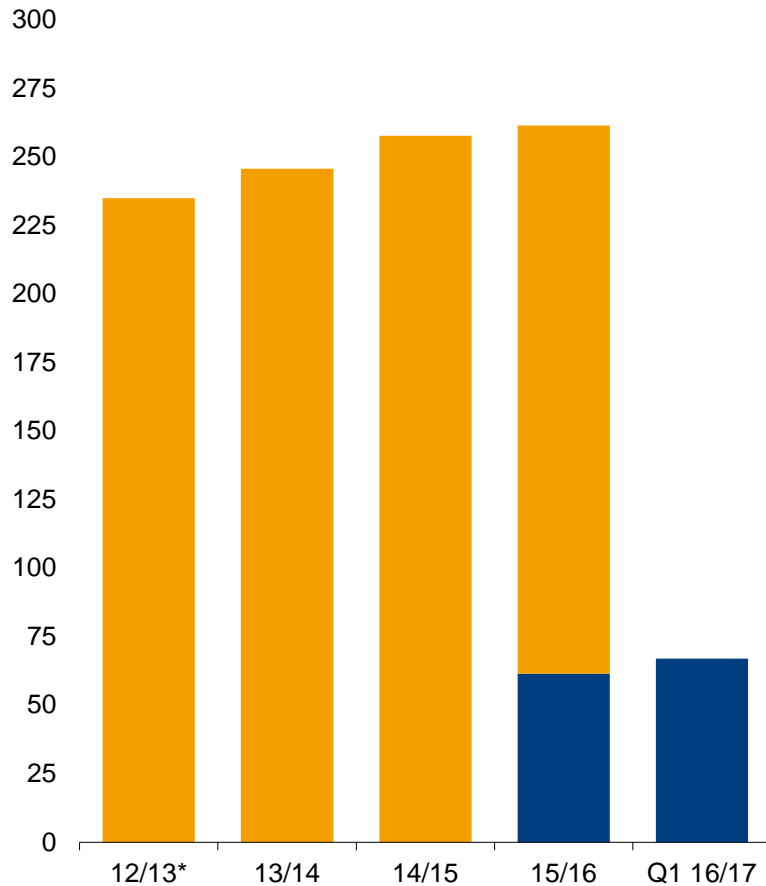
## 2. Highlights: Sales Growth and Strong EBIT Margin

In CHF millions, %	Q1 2016/17	Q1 2016/17 vs. Q1 2015/16
Orders	65.2	+7.2%
Sales	66.9	+8.7%
EBIT	13.4	+27.5%
Net profit	10.8	+21.3%

- Sales growth in all regional markets
- Maintained high profitability
- Added production capacity for recently launched products
- Launched highly innovative digital output versions of HO and HLSR open loop Hall Effect current transducers
- Increasing demand for LEM's engineering and development support

## 2. Net Sales

In CHF millions

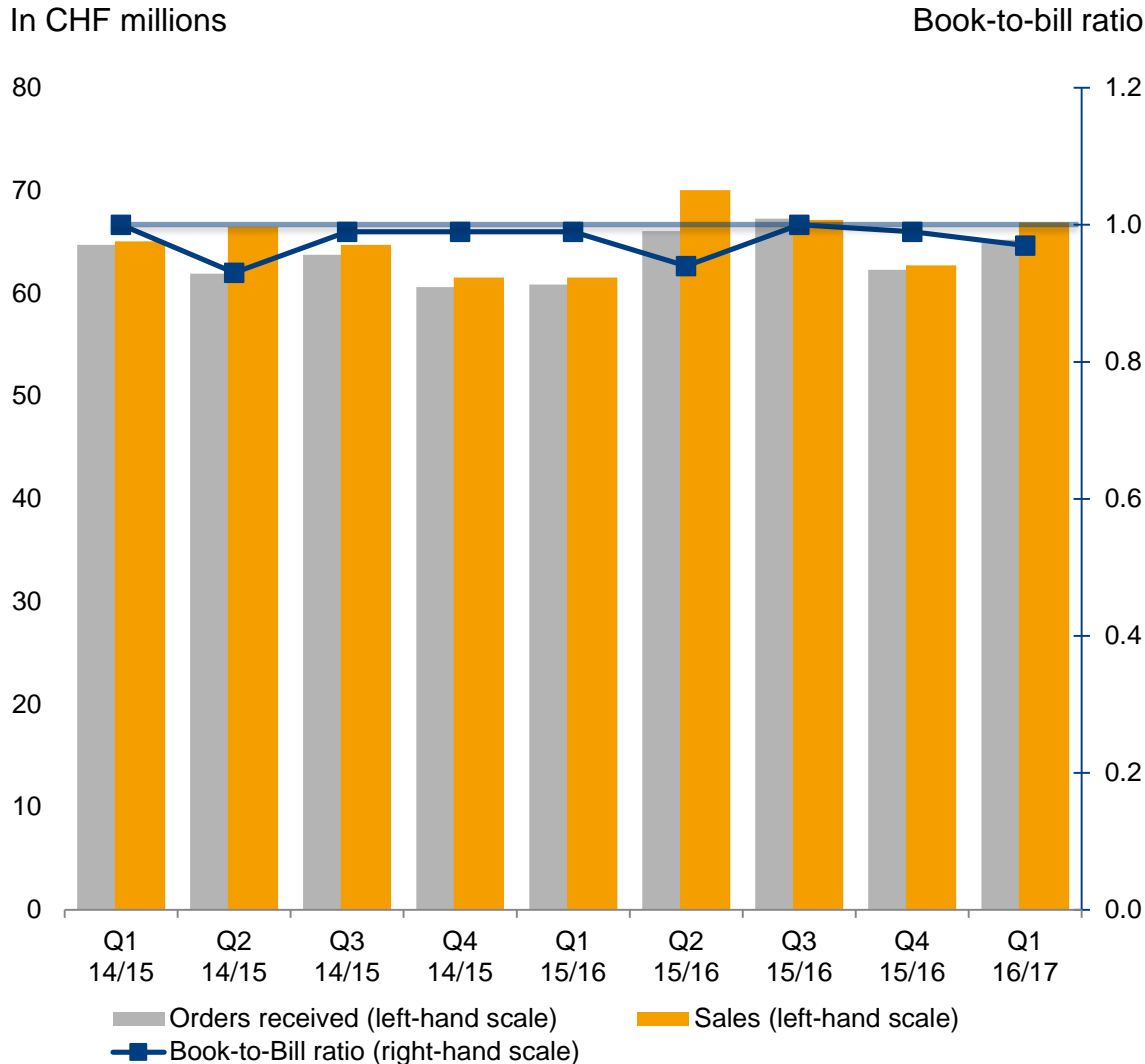


In CHF millions, %	Sales	Q1 vs. Q1	
		as reported	at constant currencies
Industry	54.9	+5.4%	+2.8%
Automotive	12.0	+27.1%	+24.2%
<b>Total sales</b>	<b>66.9</b>	<b>+8.7%</b>	<b>+6.1%</b>

- Sales growth driven by drives & welding and green cars businesses
- Sales growth in China slowing
- Positive currency impact

\* Restatement following IAS 19R application (pensions)

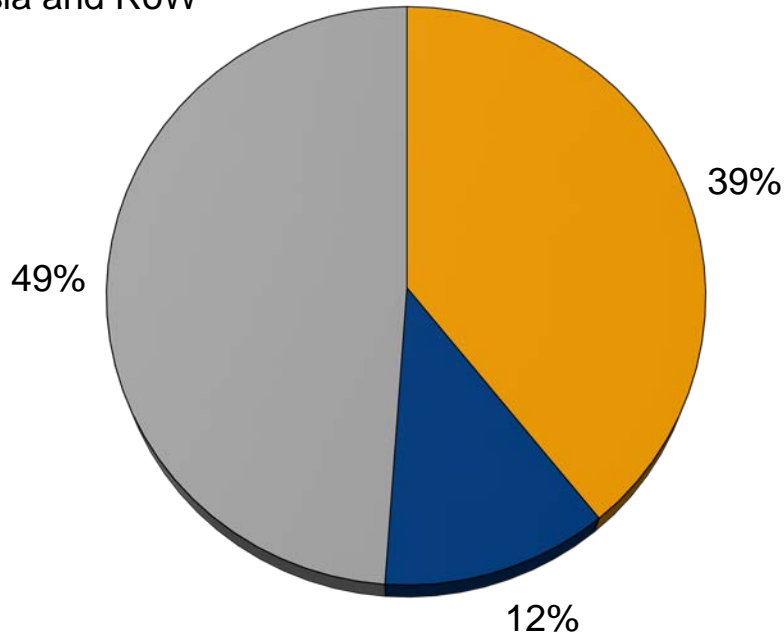
## 2. Quarterly View



- Booking increased by 4.8% Q1 vs. Q4
- 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 and RoW

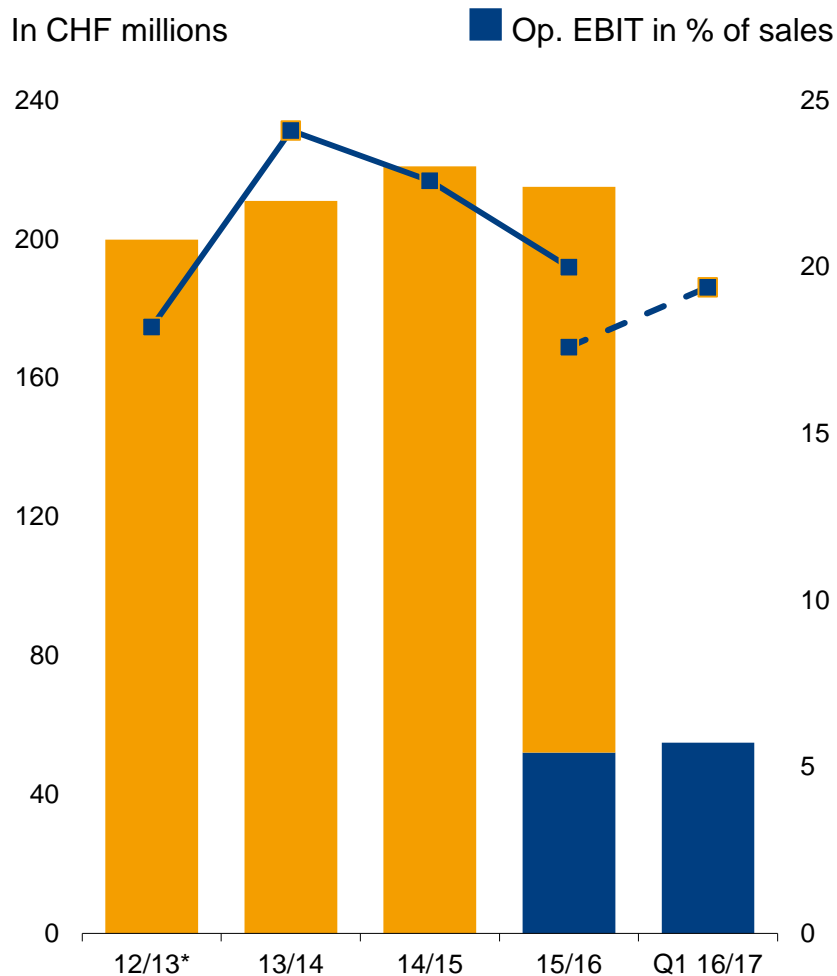


In CHF millions, %

	Sales	Growth Q1 vs. Q1
Europe	21.6	+10.2%
N. America	6.5	+8.7%
Asia and RoW	26.8	+1.2%
<b>Total</b>	<b>54.9</b>	<b>+5.4%</b>

- Strong growth in Germany, France and USA
- Mixed contribution of businesses
- China the single most important country representing 31% of sales, but growth slowed

## 2. Industry Segment: Business Development



### Businesses and Applications

#### Drives & welding (growth YoY: +18%)

- Better market environment in Europe and USA
- Increased activity in machinery and automation equipment

#### Renewable energies & power supplies (-6%)

- Seasonal upswing, but less pronounced than in previous years
- Continued growth of renewable energies in China
- Slowing activity in Europe and North America due to relocation of production capacities to China

#### Traction (-7%)

- Strong sales in Germany and India
- Drop in sales in China due to investments not yet placed; catch-up expected

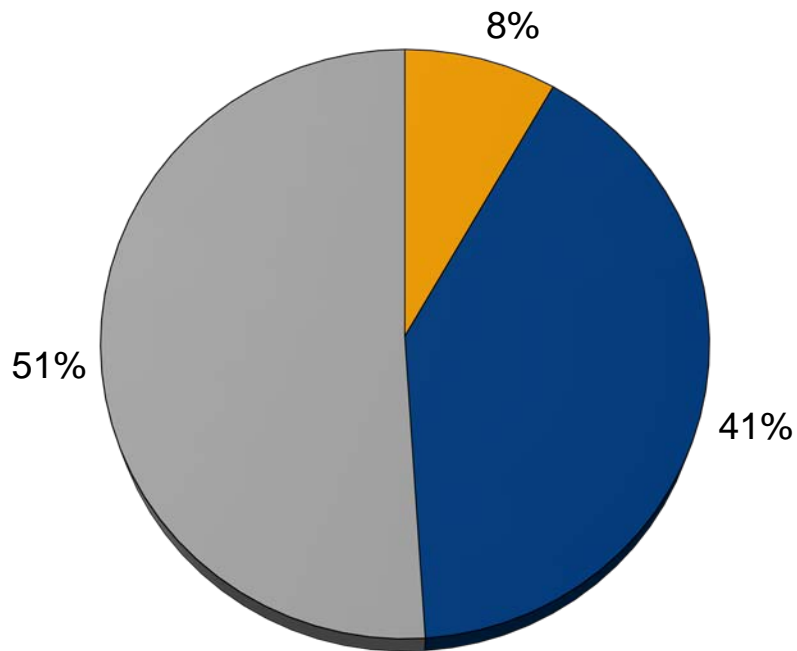
#### High-precision (+26%)

- Robust performance across regions and applications

\* Restatement following IAS 19R application (pensions)

## 2. Automotive Segment: Regional Markets

- Europe
- North America
- Asia and ROW



In CHF millions, %

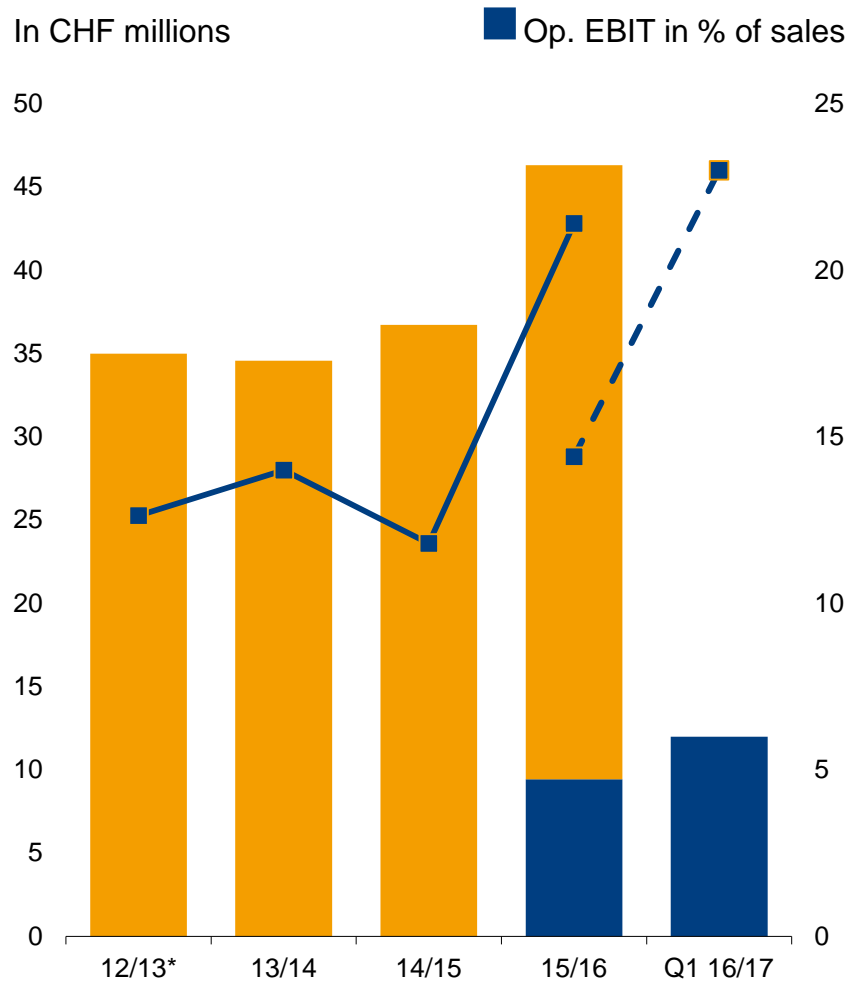
Sales

Growth  
Q1 vs. Q1

Europe	1.0	+24.2%
N. America	4.9	+5.7%
Asia and ROW	6.1	+52.2%
Total	12.0	+27.1%

- Performance driven by growth of green cars business across all regions

## 2. Automotive Segment: Business Development



### Businesses and Applications

#### Conventional cars (YoY: +2%)

- Stable demand for battery management business
- Growth in Europe – decreasing sales in USA and China
- Increasing use of smart-shunts for start/stop applications

#### Green cars (HEV, EV) (+150%)

- LEM well represented in newly launched electric and hybrid-electric vehicles
- Won first fuel cell platform project with new HAM sensor
- Increasing consumer acceptance and new government support for green cars in Germany to support future growth

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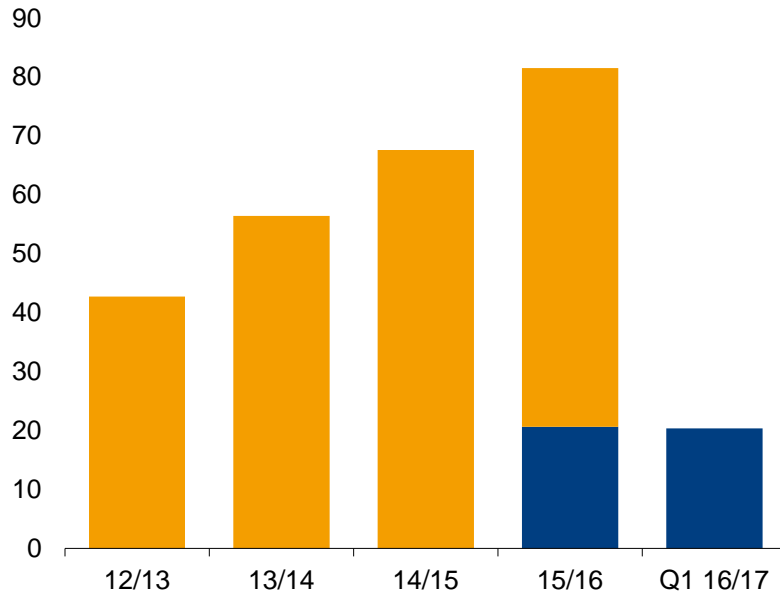


## 2. Business Development China

### Sales

- Market share of over 50%
- Most important country with 30% of total sales

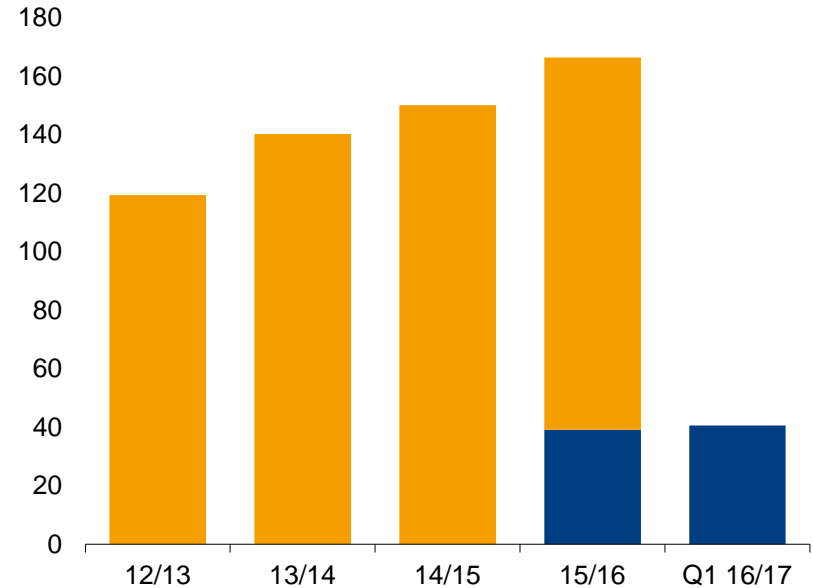
In CHF millions



### Production

- LEM China maintained its #1 position as largest manufacturing site of the Group (61% of total production, compared to 64% in financial year 2015/16)
- “Made by LEM” quality

In CHF millions



## 2. Business Development Sofia (Bulgaria)



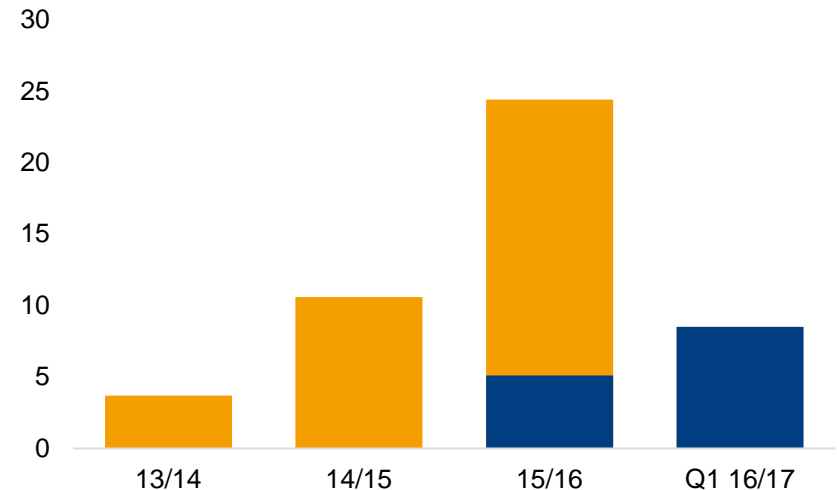
### Objectives of the site

- 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

- 15 production lines relocated from Japan and Switzerland to Bulgaria
- Headcount at 188 FTE
- Introduced a local development team to support production

In CHF millions



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### 3. Income Statement

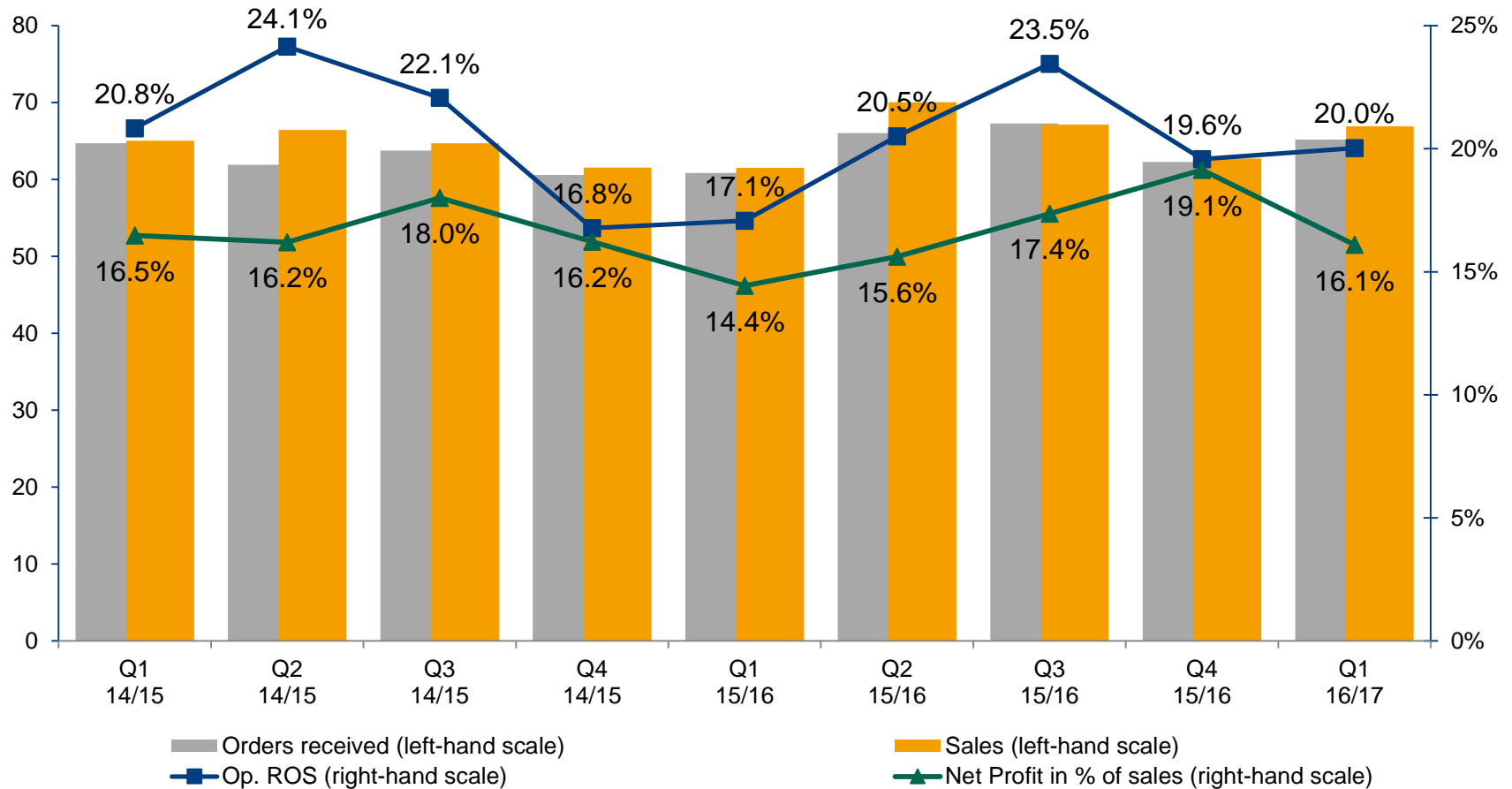
In CHF millions

	FY 2015/16	Q1 2015/16	Q1 2016/17	Change
<b>Sales</b>	<b>261.5</b>	<b>61.5</b>	<b>66.9</b>	<b>+8.7%</b>
Gross margin	46.0%	45.0%	45.7%	+0.7pt
Operating expense	-67.5	-17.2	-17.2	+0.1%
<b>EBIT</b>	<b>52.9</b>	<b>10.5</b>	<b>13.4</b>	<b>+27.5%</b>
Net financial exp.	+0.7	+0.5	+0.0	-96.5%
Income tax	-10.2	-2.1	-2.6	+25.1%
<b>Net profit</b>	<b>43.5</b>	<b>8.9</b>	<b>10.8</b>	<b>+21.3%</b>

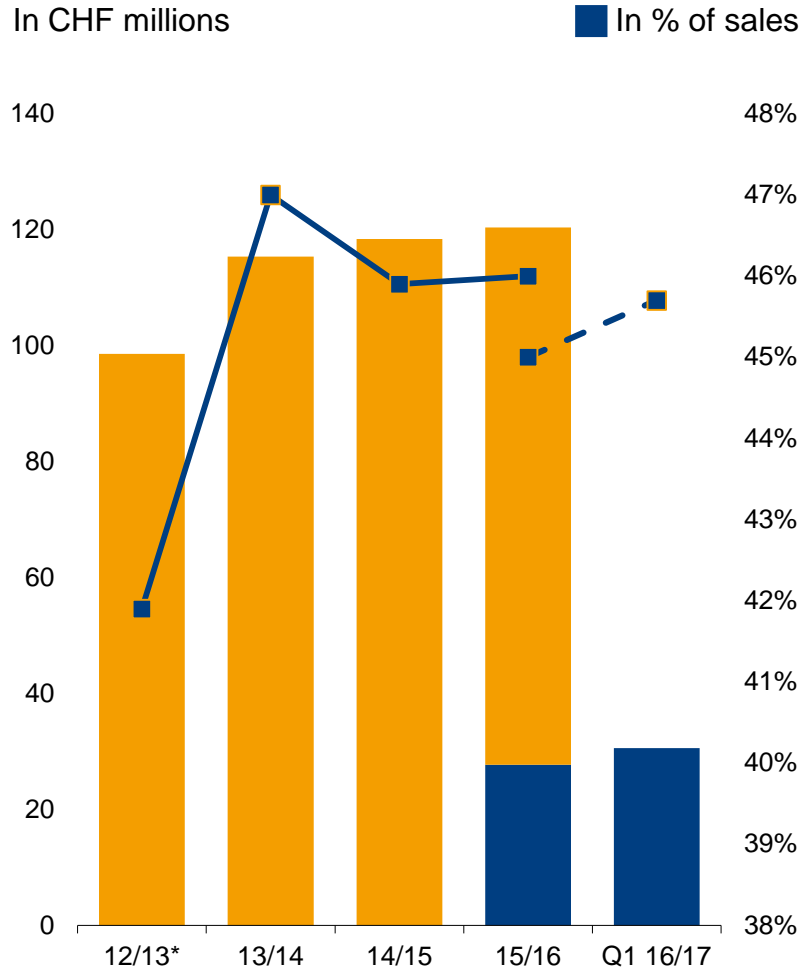
# 3. Results by Quarter

In CHF millions

In % of sales



# 3. Gross Margin

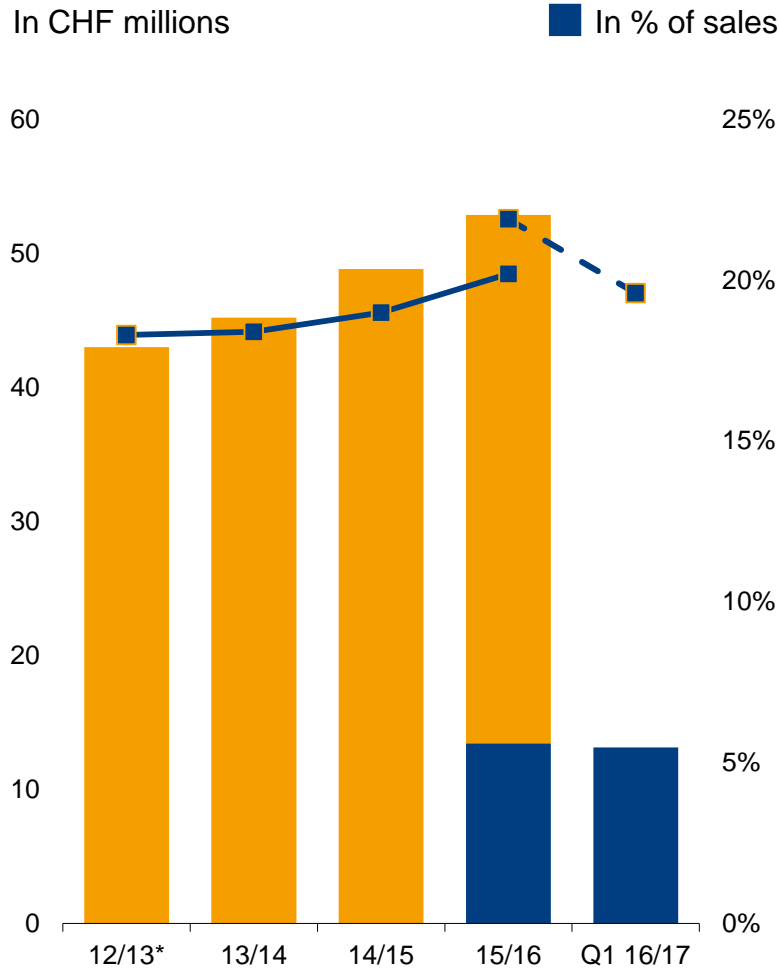


	FY 2015/16	Q1 2015/16	Q1 2016/17
Gross margin in CHF millions	120.4	27.7	30.6
Gross margin in % of sales	46.0%	45.0%	45.7%

- Positive foreign exchange impact
- Continuous price pressure

\* Restatement following IAS 19R application (pensions)

# 3. SG&A

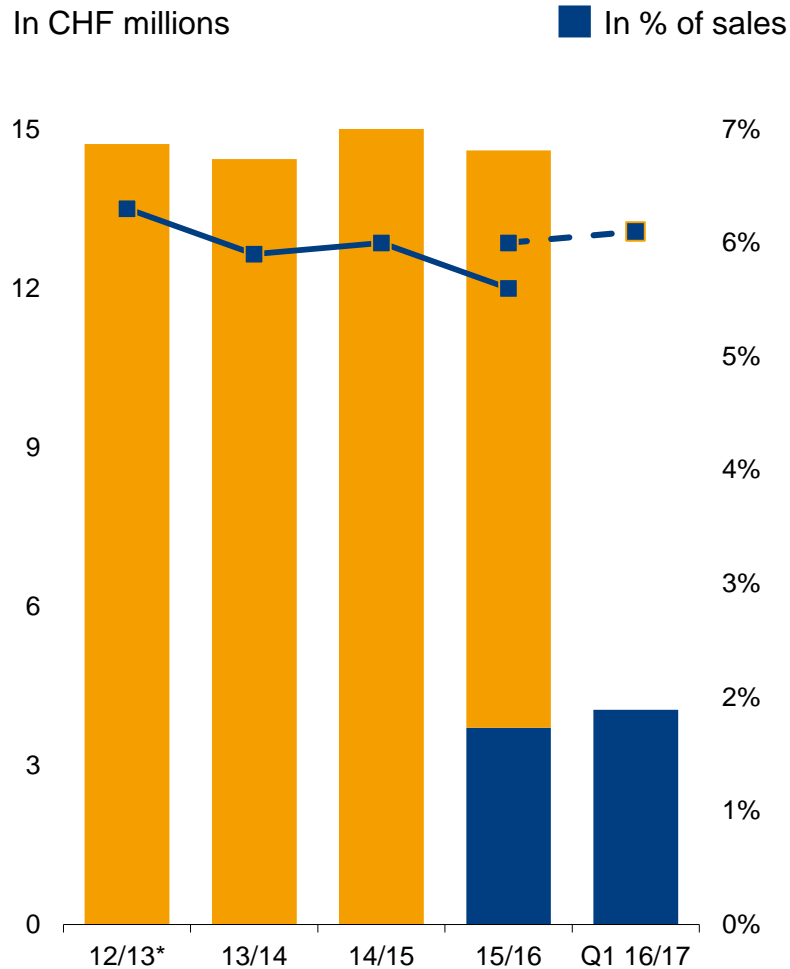


	FY 2015/16	Q1 2015/16	Q1 2016/17
SG&A in CHF millions	52.9	13.5	13.1
SG&A in % of sales	20.2%	21.9%	19.6%

- Sales and administration expense in long-term average
- Ongoing recruitment in Beijing and Sofia
- One-off cost in Q1 of 2015/16 due to Organizational changes, introduction of new ERP release, build-up of European logistics and distribution platform

\* Restatement following IAS 19R application (pensions)

# 3. R&D Expense



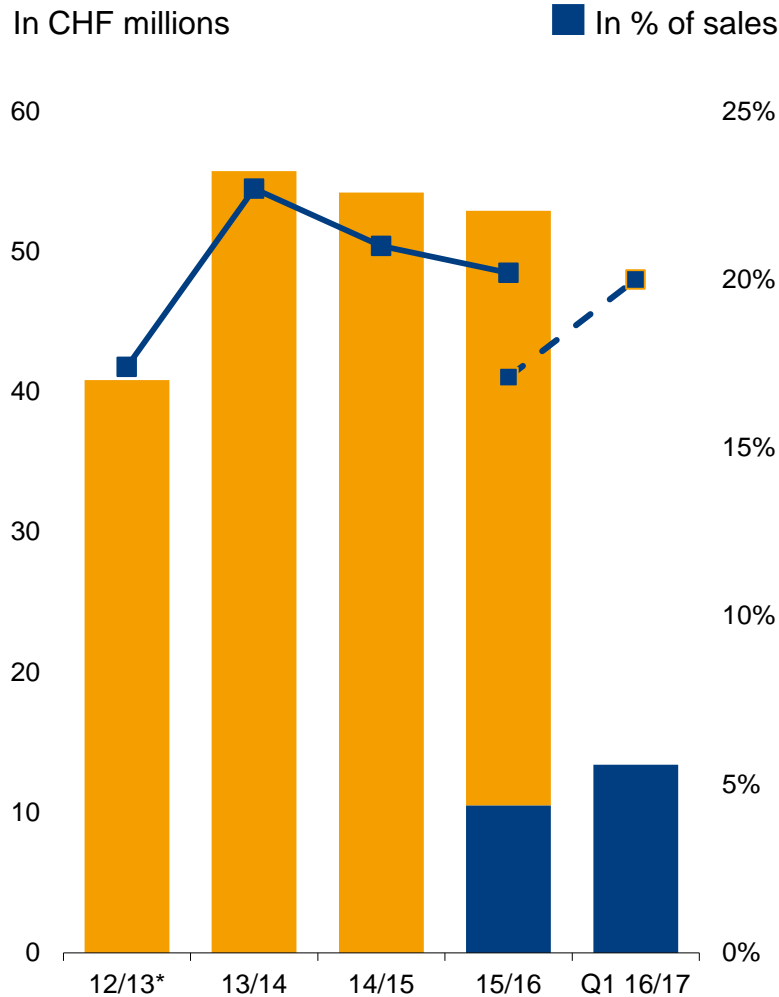
	FY 2015/16	Q1 2015/16	Q1 2016/17
R&D expense in CHF millions	14.6	3.7	4.0
R&D expense in % of sales	5.6%	6.0%	6.1%

- Continued 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
- Develop new technologies to tap new markets

\* Restatement following IAS 19R application (pensions)



# 3. EBIT



	FY 2015/16	Q1 2015/16	Q1 2016/17
EBIT in CHF millions	52.9	10.5	13.4
EBIT in % of sales	20.2%	17.1%	20.0%

- Operational profitability maintained
- Positive foreign exchange impact of CHF 1.8 million
- Continued cost control and productivity improvements

\* Restatement following IAS 19R application (pensions)

### 3. Financial Expense

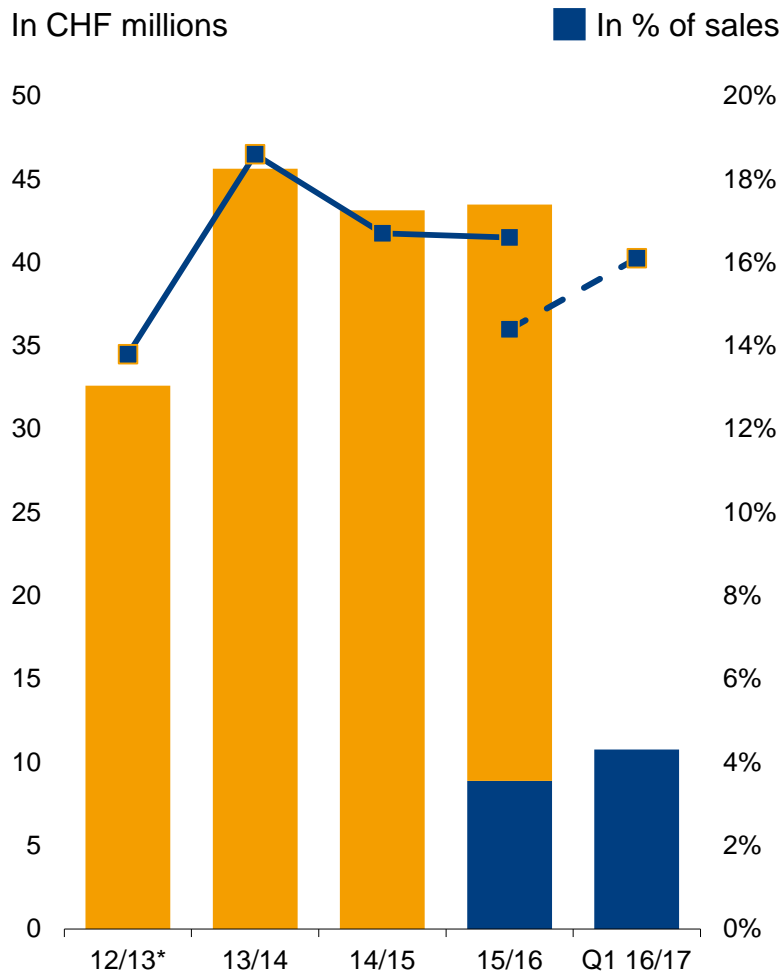
In CHF millions

	FY 2015/16	Q1 2015/16	Q1 2016/17
Exchange effect*	+1.0	+0.5	+0.0
Other financial expense & income	-0.2	+0.0	+0.0
<b>Total</b>	<b>+0.7</b>	<b>+0.5</b>	<b>+0.0</b>

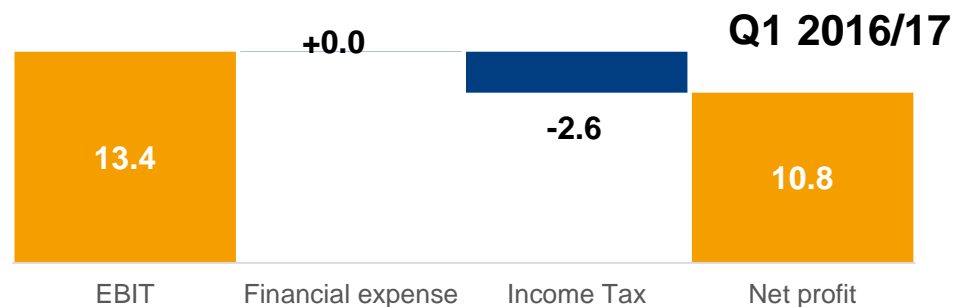
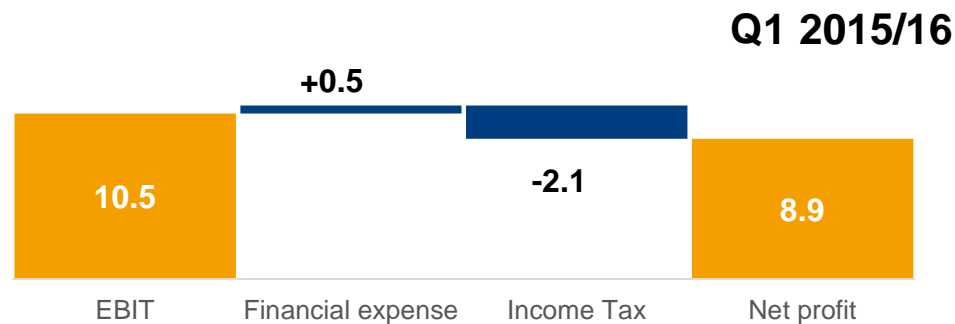
- Foreign exchange hedging policy (unchanged)
  - EUR: 100% of net exposure 12 months forward
  - USD: 100% of net exposure 12 months forward

\* 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. Net Profit



	FY 2015/16	Q1 2015/16	Q1 2016/17
Net profit in CHF millions	43.5	8.9	10.8
Net profit in % of sales	16.6%	14.4%	16.1%



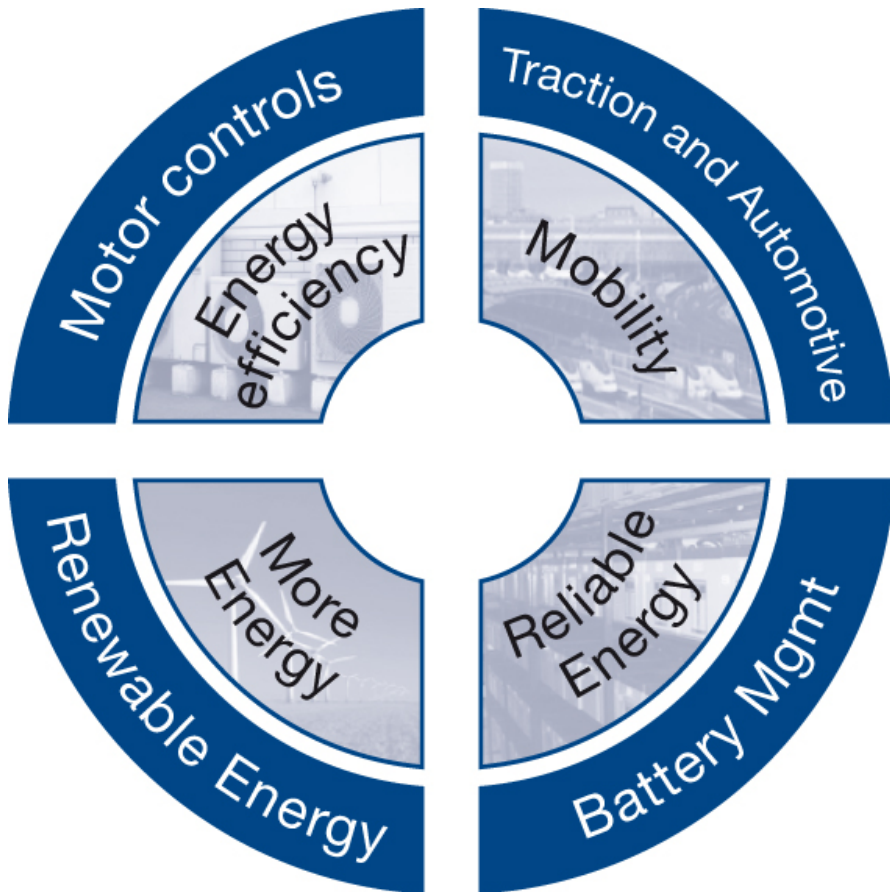
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## 4. Market Factors and Strategy



- 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

# Financial Calendar and Contact Details

## Financial calendar

*The financial year runs from 1 April to 31 March*

10 November 2016	Half-year results 2016/17
16 February 2017	Third quarter results 2016/17
1 June 2017	Year-end results 2016/17
22 June 2017	Ordinary General Meeting of Shareholders for the year 2016/17
30 June 2017	Dividend ex-date
4 July 2017	Dividend payment date

## For further information

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