

Results

Q1 of 2015/16

1 April 2015 to 30 June 2015



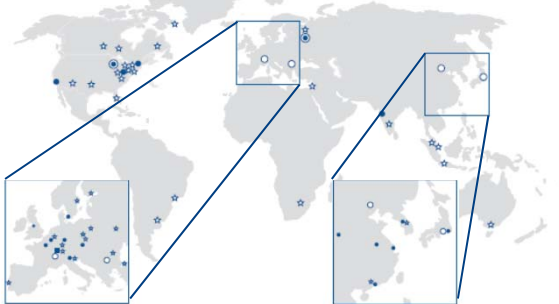
Agenda

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



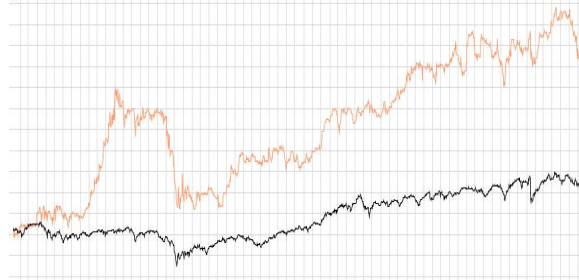
1. Global Market Leader in Current and Voltage Transducers

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



Source: Swissquote

- 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%

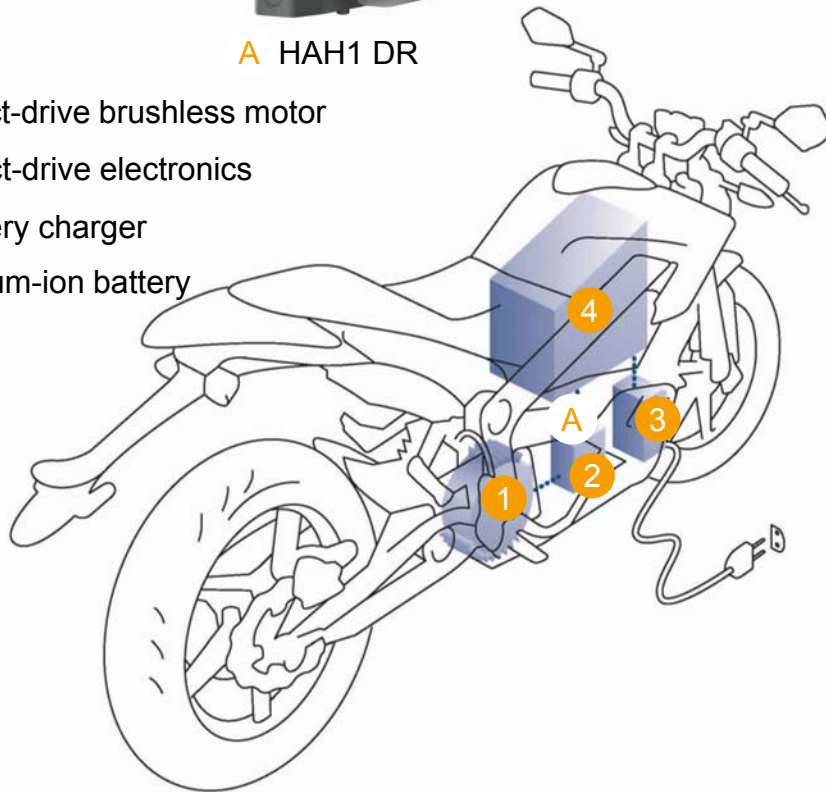
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1. LEM Applications: Electric Motorcycle



A HAH1 DR

- 1 Direct-drive brushless motor
- 2 Direct-drive electronics
- 3 Battery charger
- 4 Lithium-ion battery

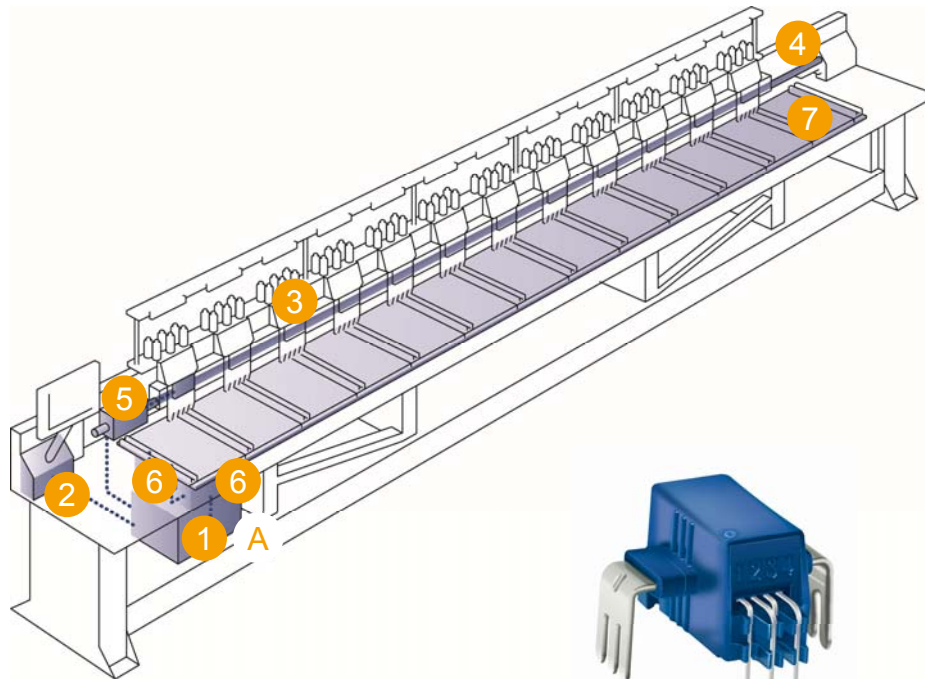


The direct-drive power train of an electric motorcycle is highly efficient and maintenance-free, but requires a highly accurate torque control.

The electricity is stored in a rechargeable lithium-ion battery (4), which supplies the direct-drive electronics (2). The direct-drive electronics controls the direct-drive brushless motor (1). The direct-drive motor requires no shifting and offers instant torque. Electric motorcycles provide for recharging the battery with the battery charger (3).

The HAH1 DR transducers (A) are used by the direct-drive electronics for a dynamic and accurate torque control.

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).

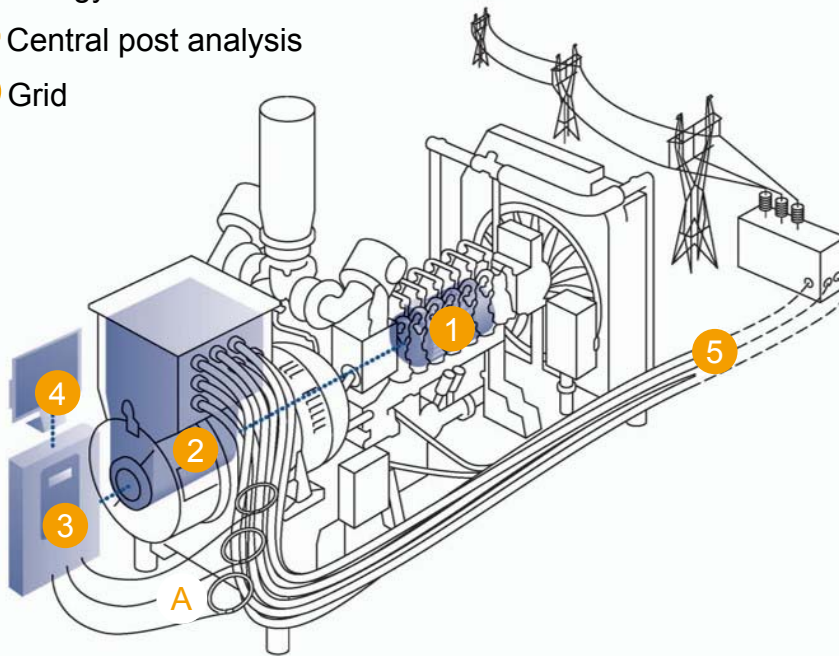
Current transducers (A) are used in each servo drive to measure two of its three phase output AC currents. Their accuracy, high performance, high temperature working environment, low temperature drift contribute to a very stable, quick, reactive, reliable and precise system.

1. LEM Applications: Power Generator

- 1 Motor
- 2 Alternator
- 3 Energy meter
- 4 Central post analysis
- 5 Grid



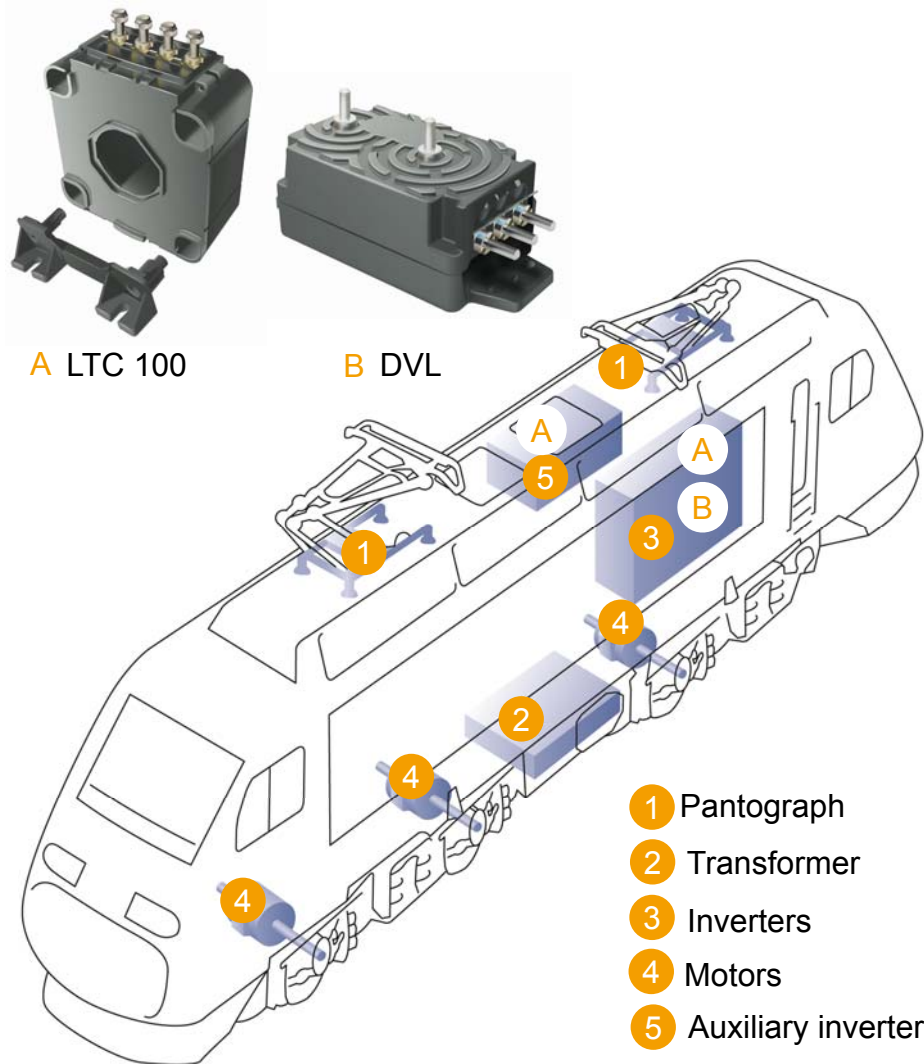
A RT 2000



The diesel driven engine (1) activates an alternator (2), which converts mechanical energy into electricity. The electricity is conducted to the network and measured at the output of the alternator through the RT Rogowski coil, which is connected to the energy meter (3). The energy meter transmits the information to the central post analysis (4) to adapt the power generation to demand.

To measure real-time electricity production, the RT 2000 (A) offers advantages: the transducer installation on the generator does not require any interruption of production, their size is minimal, and their robustness ensures high reliability and long-term service.

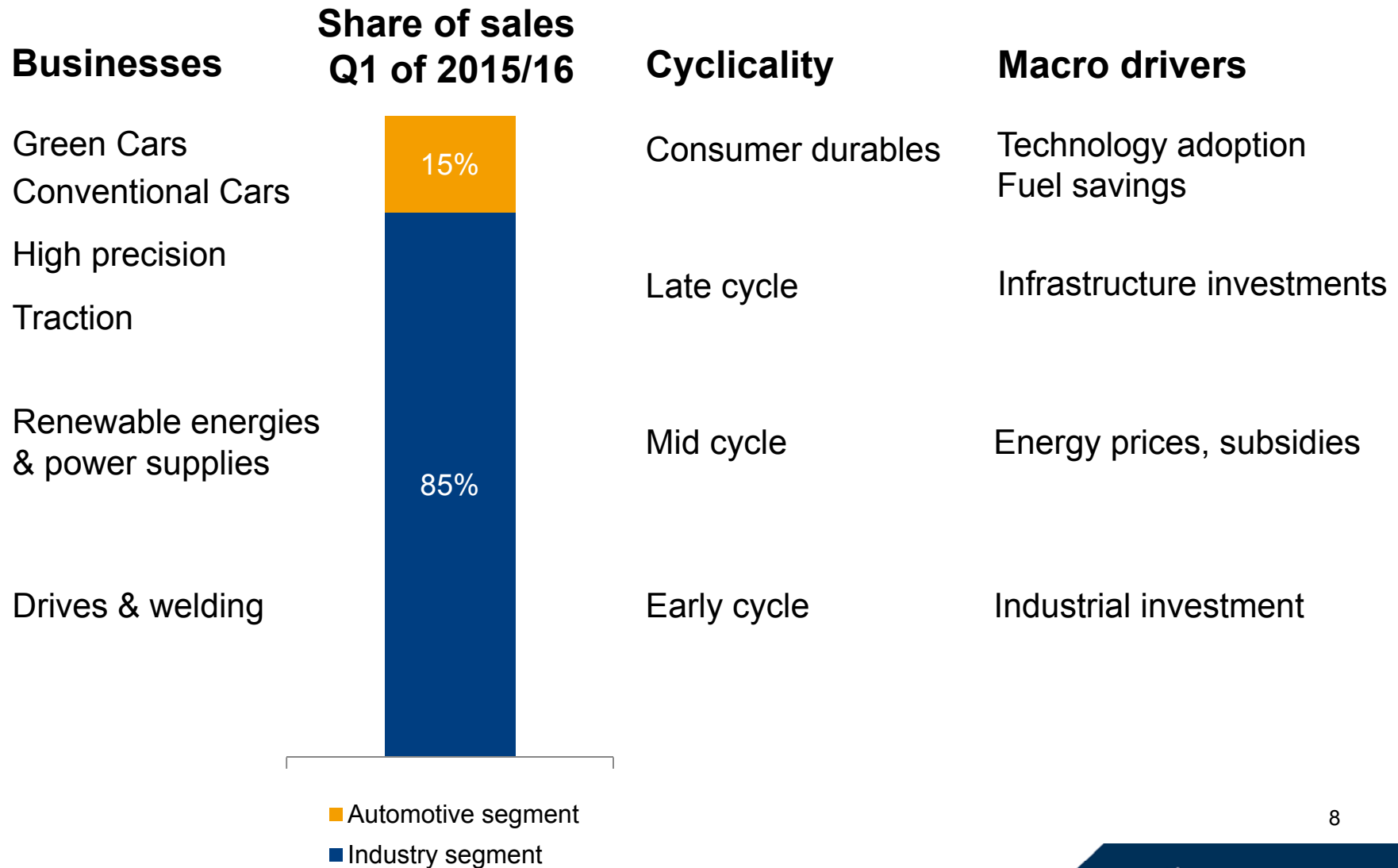
1. LEM Applications: Locomotive



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. Strategy and Outlook



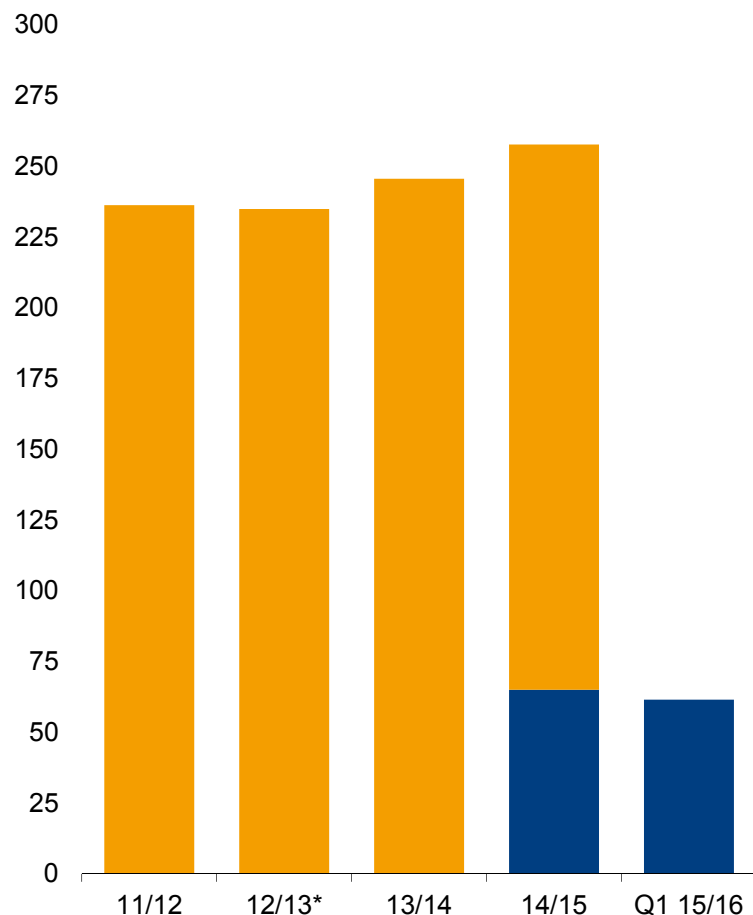
2. Highlights: CHF appreciation weighs on sales and margins

| In CHF millions, % | Q1 2015/16 | Q1 2015/16 vs. Q1 2014/15 | Q1 2015/16 vs. Q4 2014/15 |
|--------------------|------------|------------------------------|------------------------------|
| Orders | 60.9 | -6.0% | +0.4% |
| Sales | 61.5 | -5.4% | -0.0% |
| EBIT | 10.5 | -22.5% | +1.7% |
| Net profit | 8.9 | -17.2% | -11.1% |

- Continuing strong growth in China
- Appointments of new General Managers for Automotive and Industry
- One-off cost due to change of ERP systems and organizational changes
- Lower net profit due to non-renewal of positive one-off tax effects in Q4 of 2014/15

2. Net Sales

In CHF millions

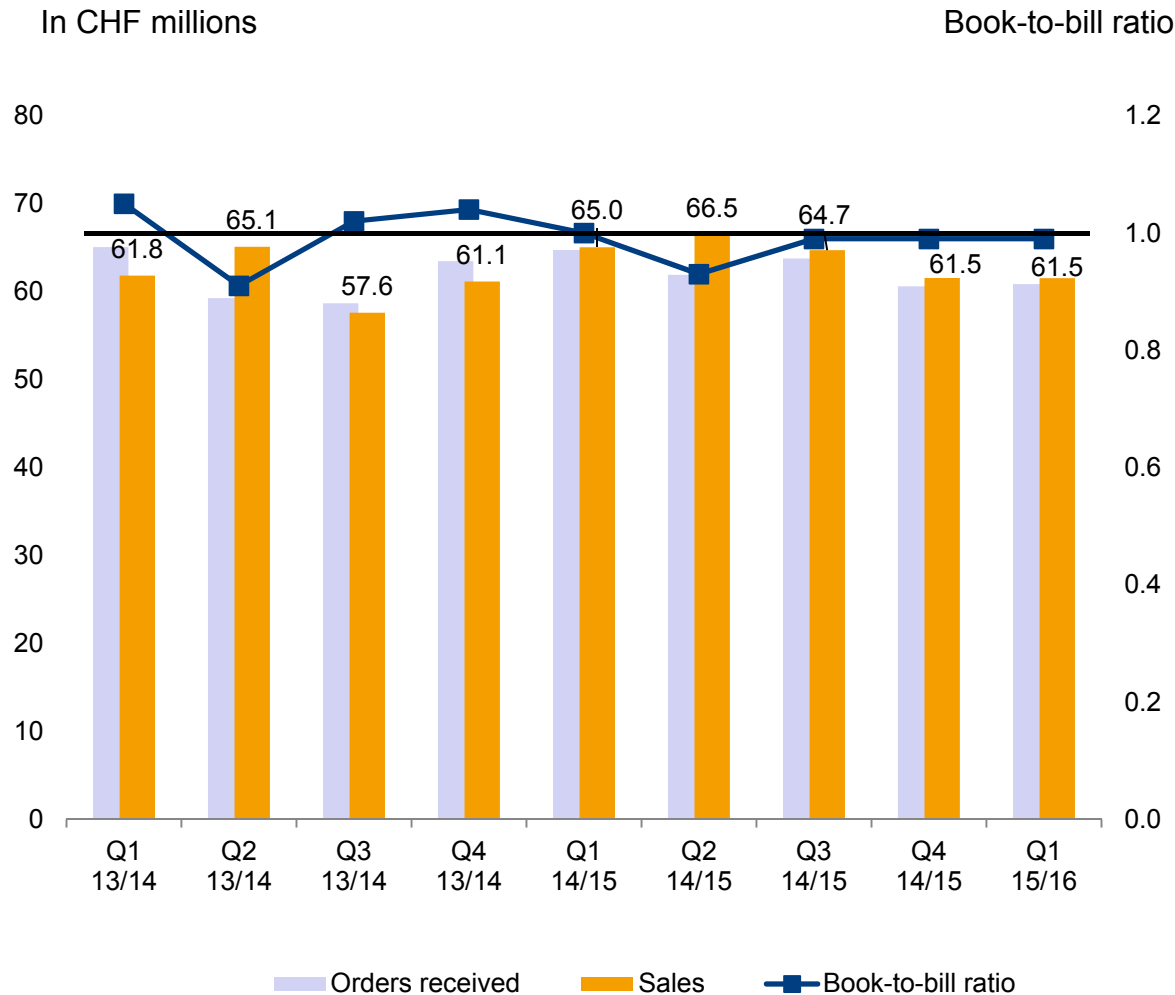


| In CHF millions, % | Sales | Q1 vs. Q1 | | Q1 vs. Q4 |
|--------------------|-------------|--------------|------------------------|--------------|
| | | as reported | at constant currencies | |
| Industry | 52.1 | -7.8% | -4.5% | +1.1% |
| Automotive | 9.4 | +10.2% | +6.1% | -5.8% |
| Total sales | 61.5 | -5.4% | -3.1% | -0.0% |

- Stable business development Q1 vs. Q4
- Strong sales growth in China across all businesses
- Negative currency impact

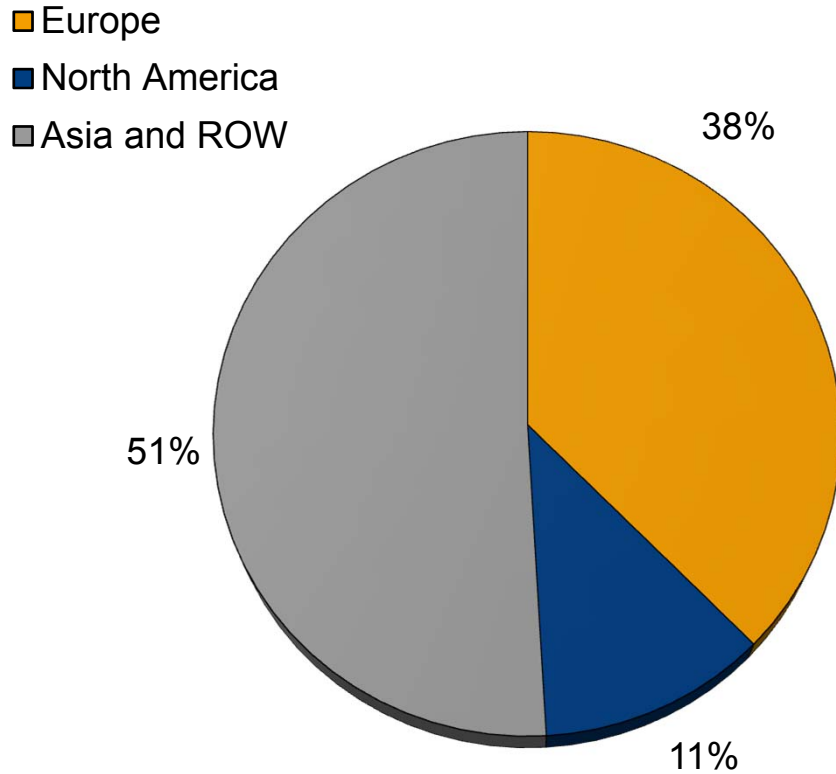
* Restatement following IAS 19R application (pensions)

2. Quarterly View



- Booking increased by 0.4% Q1 vs. Q4
- Currency impact on sales and bookings
- Book-to-bill ratio stable at around 1

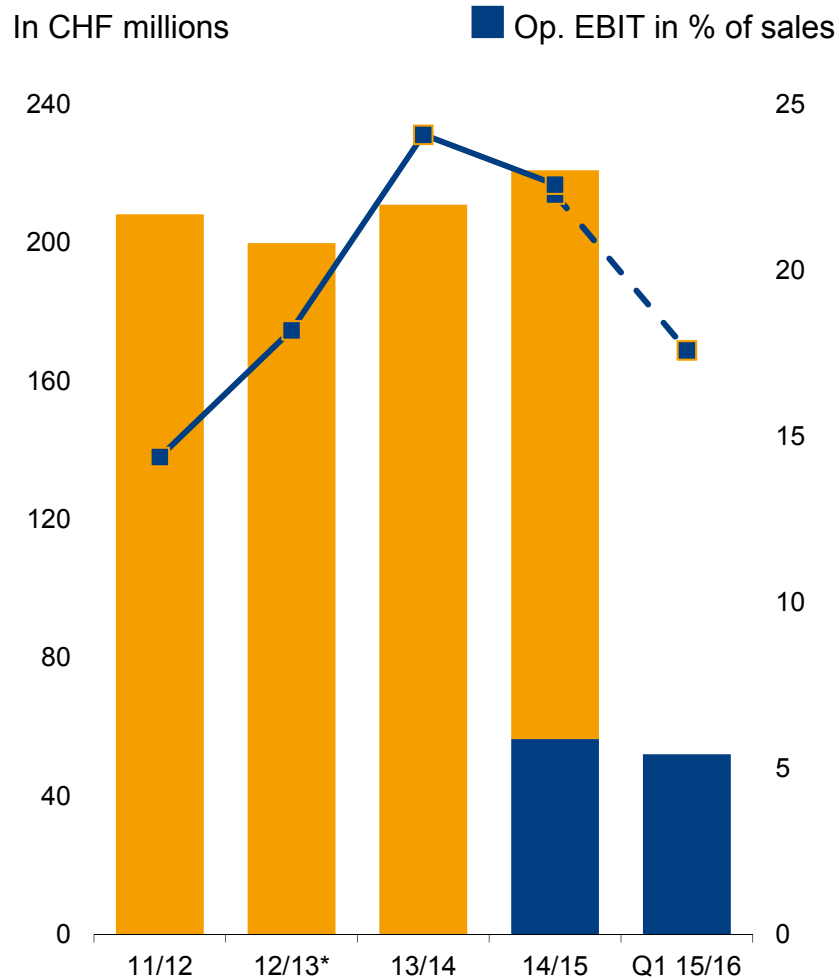
2. Industry Segment: Regional Markets



| In CHF millions, % | Sales | Growth Q1 vs. Q1 | Growth Q1 vs. Q4 |
|--------------------|-------------|------------------|------------------|
| Europe | 19.6 | -17.2% | -15.2% |
| N. America | 6.0 | +5.2% | -13.2% |
| Asia and RoW | 26.5 | -2.3% | +23.2% |
| Total | 52.1 | -7.8% | +1.1% |

- Strong underlying growth along with seasonal recovery in China
- Weak development in Europe, North America and Asia excluding China
- Asia the most important sales region
- Success with recently launched products

2. Industry Segment: Business Development



Businesses and Applications

Drives & welding (growth QoQ: -7%)

- Strong sales in China – other regions slow
- Won projects with new products
- Maintained market share

Renewable energies & power supplies (+14%)

- Seasonal effects and growing investments in renewable energies in China
- Investments in offshore wind projects in Europe

Traction (+5%)

- Strong performance in USA following introduction of new locomotive standards
- Ongoing growth in China

High-precision (-17%)

- Stronger competition and new players
- All regions weak, except China

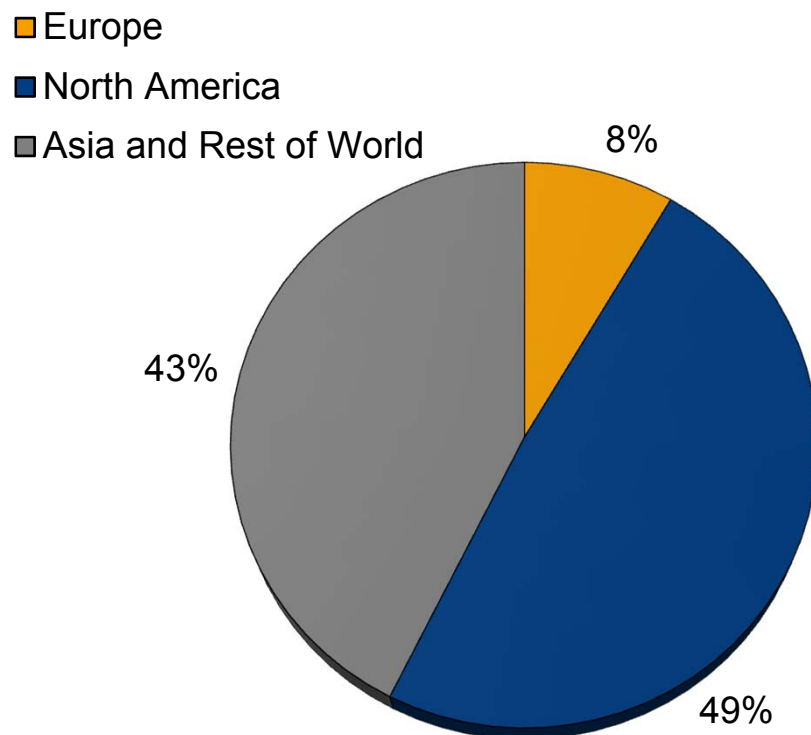
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* Restatement following IAS 19R application (pensions)

At the heart of power electronics



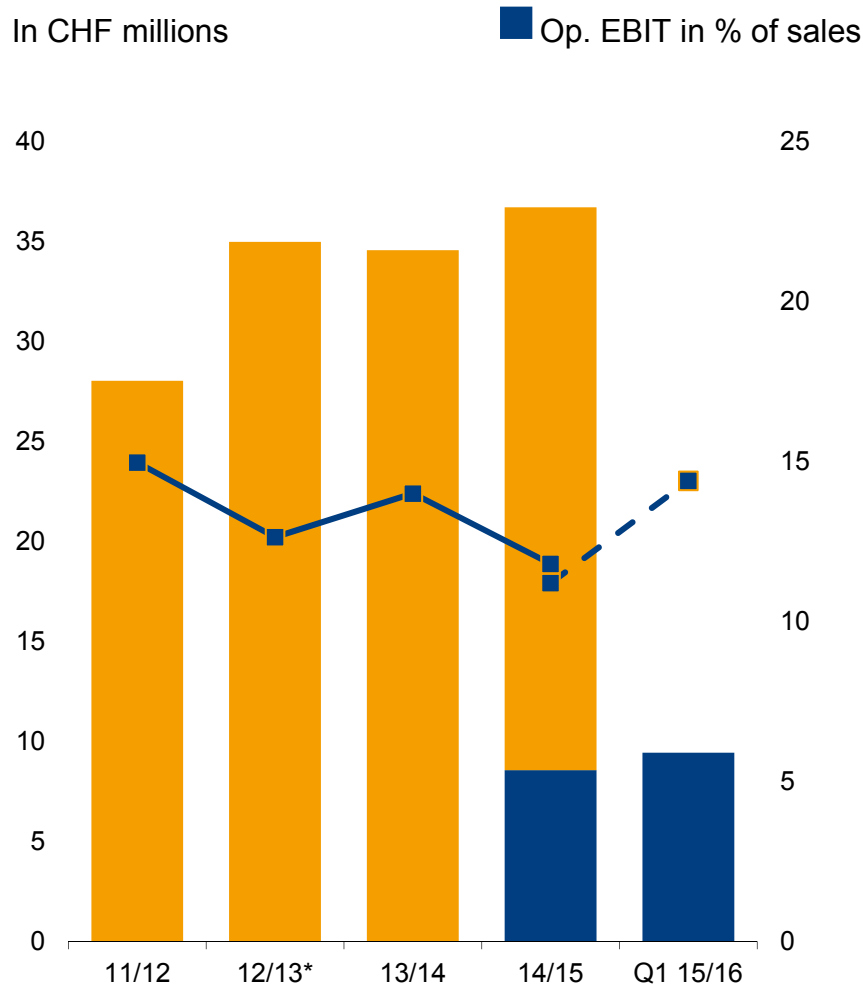
2. Automotive Segment: Regional Markets



| In CHF millions, % | Sales | Growth Q1 vs. Q1 | Growth Q1 vs. Q4 |
|--------------------|------------|------------------|------------------|
| Europe | 0.8 | +46.3% | -22.0% |
| N. America | 4.6 | +6.1% | -2.8% |
| Asia and RoW | 4.0 | +9.6% | -5.3% |
| Total | 9.4 | +10.2% | -5.8% |

- Focus on Asian and North American markets
- Good performance in China and Korea
- Decline in Japan due to lower volumes and foreign exchange effects

2. Automotive Segment: Business Development



Businesses and Applications

Conventional cars (QoQ: -4%)

- Stable demand for battery management business
- Growth in China and Germany – decreasing sales in USA and Japan

Green cars (HEV, EV) (-14%)

- Weak business in Europe and Japan
- Won market share in China, now in all new models of local Chinese car manufacturers
- Won market share with Korean battery makers

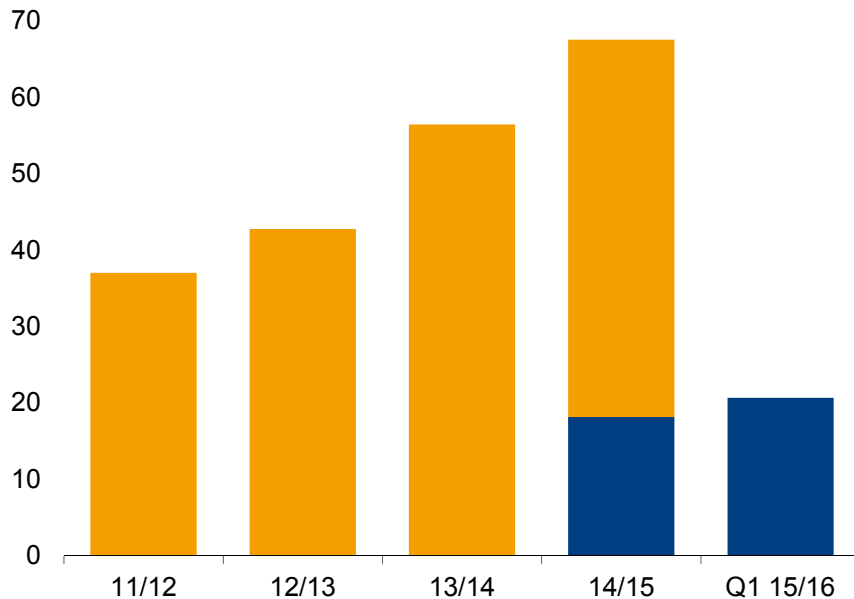
*Restatement following IAS 19R application (pensions)

2. Business Development China

Sales

- Market share of over 50%
- Most important market with 34% of total sales

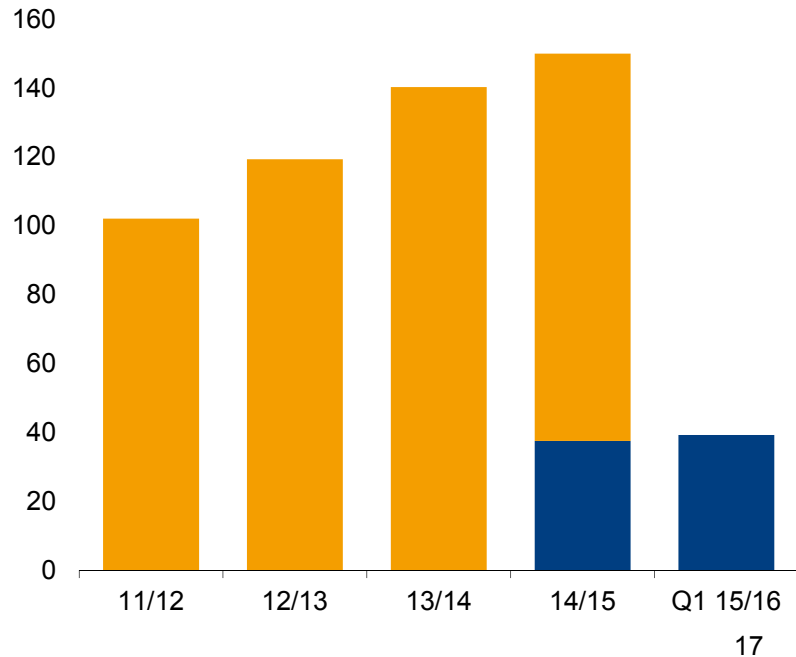
In CHF millions



Production

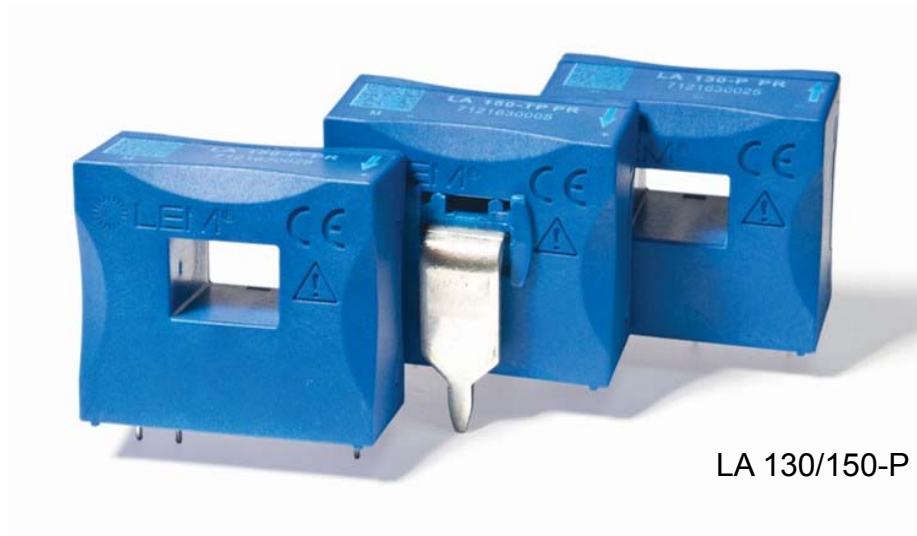
- LEM China increased its #1 position as largest manufacturing site of the Group (64% of total production, compared to 58% in financial year 2014/15)
- “Made by LEM” quality

In CHF millions



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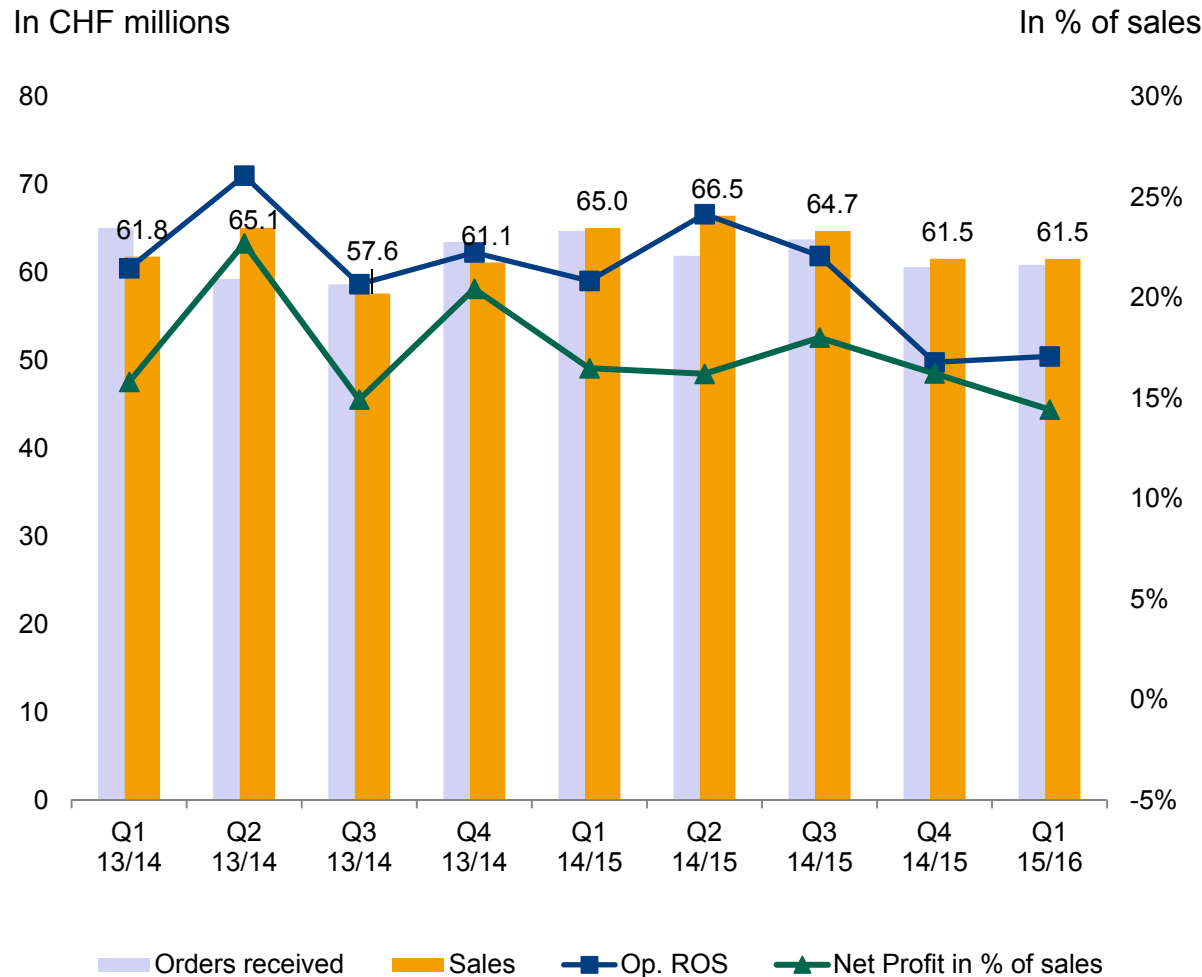
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3. Income Statement

In CHF millions

| | Q4 2014/15 | Q1 2015/16 | Change | Q1 2014/15 | Change |
|--------------------|---------------|---------------|---------------|---------------|---------------|
| Sales | 61.5 | 61.5 | -0.0% | 65.0 | -5.4% |
| Gross margin | 44.8% | 45.0% | +0.2pt | 45.3% | -0.3pt |
| Operating expense | -17.2 | -17.2 | -0.3% | -15.9 | +8.0% |
| EBIT | 10.3 | 10.5 | +1.7% | 13.5 | -22.5% |
| Net financial exp. | +0.5 | +0.5 | -10.6% | +0.1 | +268.2% |
| Income tax | -0.9 | -2.1 | +137.8% | -3.0 | -28.5% |
| Net profit | 10.0 | 8.9 | -11.1% | 10.7 | -17.2% |

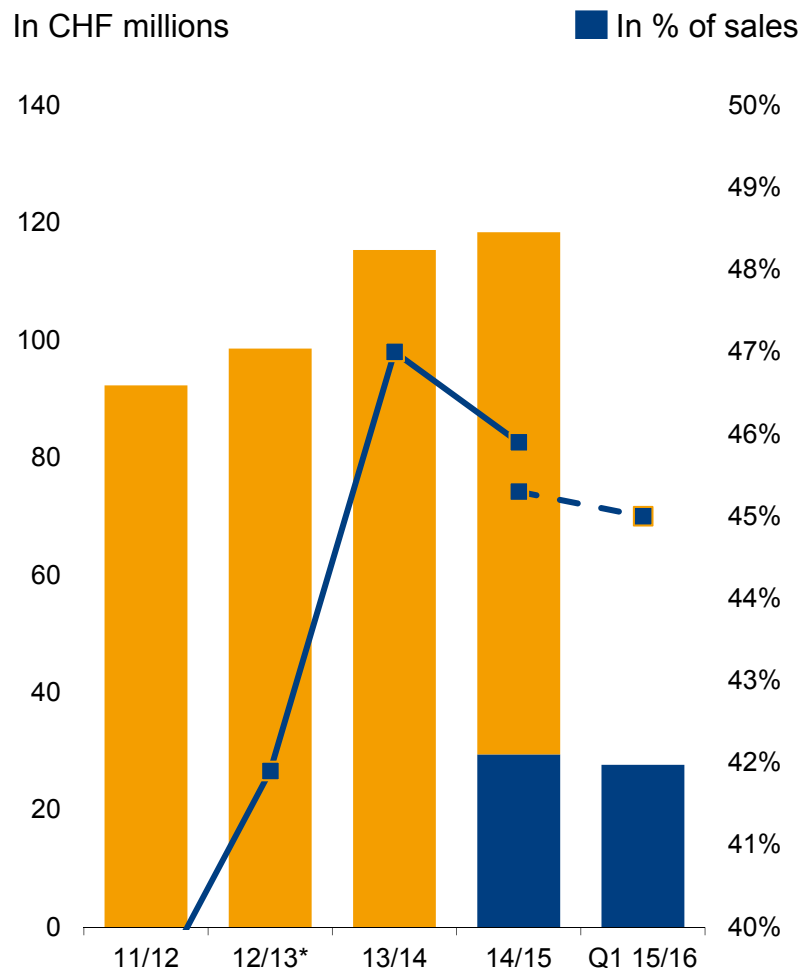
3. Results by Quarter



- CHF 2 million foreign exchange impact on EBIT margin in Q4 of 2014/15
- Q1 vs. Q4 lower net profit margin due to non-renewal of one-off tax effects in Q4 of 2014/15

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3. Gross Margin

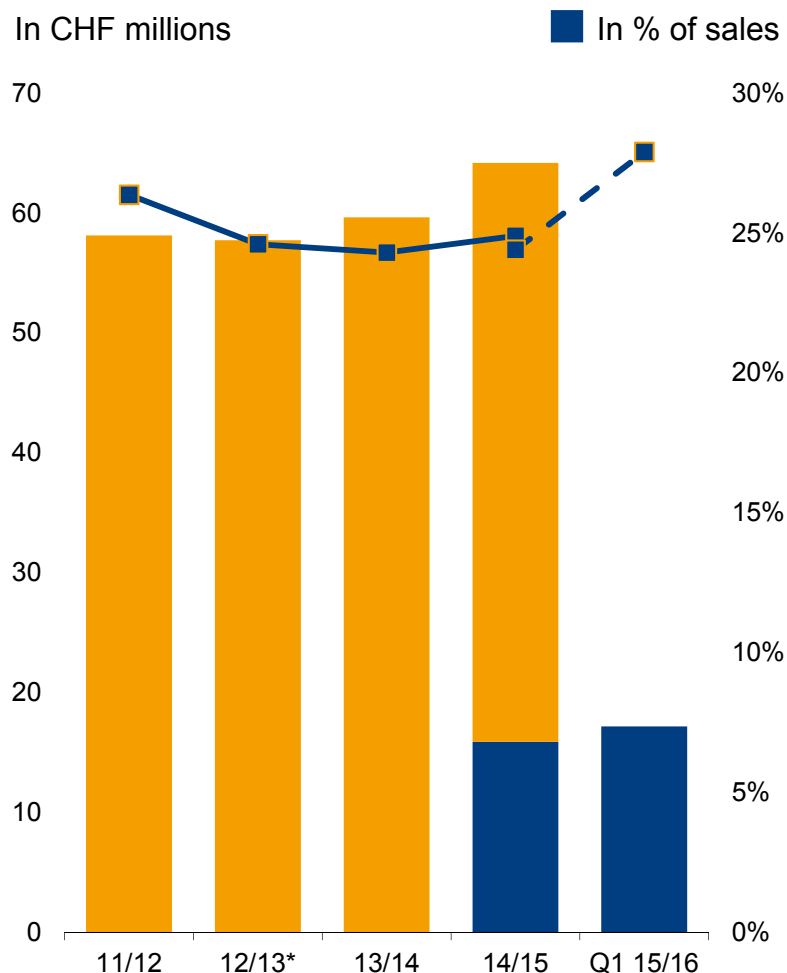


| | Q1 2014/15 | Q4 2014/15 | Q1 2015/16 |
|------------------------------|------------|------------|------------|
| Gross margin in CHF millions | 29.4 | 27.5 | 27.7 |
| Gross margin in % of sales | 45.3% | 44.8% | 45.0% |

- Adverse foreign exchange impact on gross margin
- Positive impacts on gross margin due to focus on
 - Raw material sourcing
 - Internal productivity
 - Relocation to cost-competitive manufacturing sites

* Restatement following IAS 19R application (pensions)

3. Operating Expense

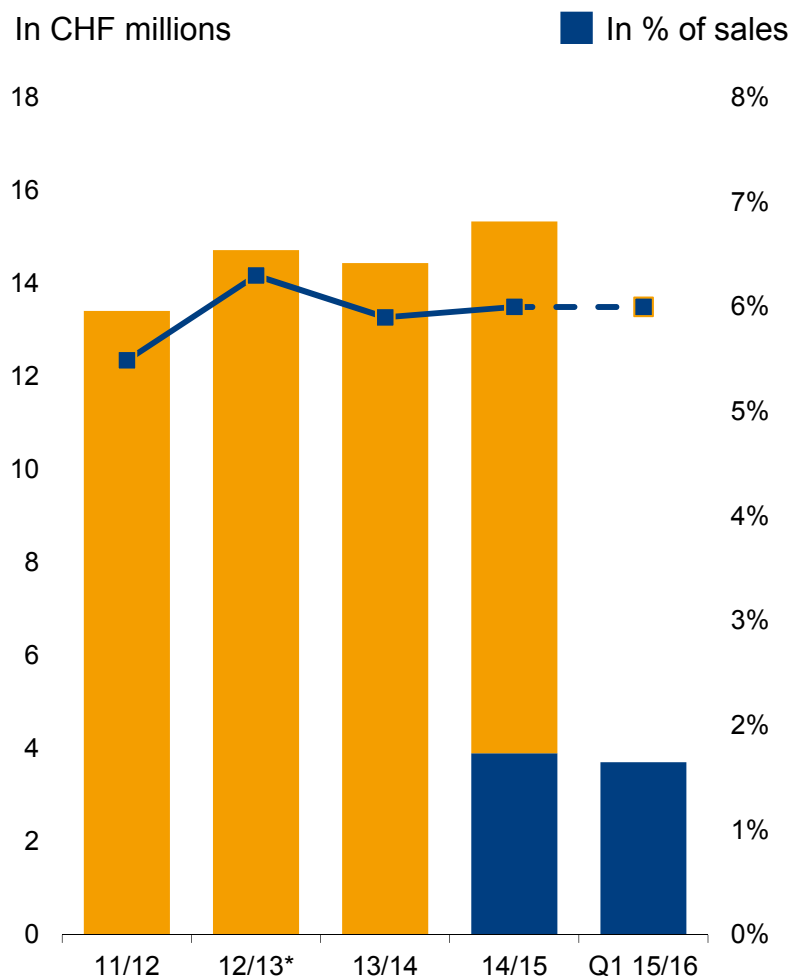


| | Q1 2014/15 | Q4 2014/15 | Q1 2015/16 |
|-----------------------------------|---------------|---------------|---------------|
| Operating expense in CHF millions | 15.9 | 17.2 | 17.2 |
| Operating expense in % of sales | 24.4% | 28.0% | 27.9% |

- Higher administration expense due to introduction of new ERP system and organizational changes

*Restatement following IAS 19R application (pensions)

3. R&D Expense

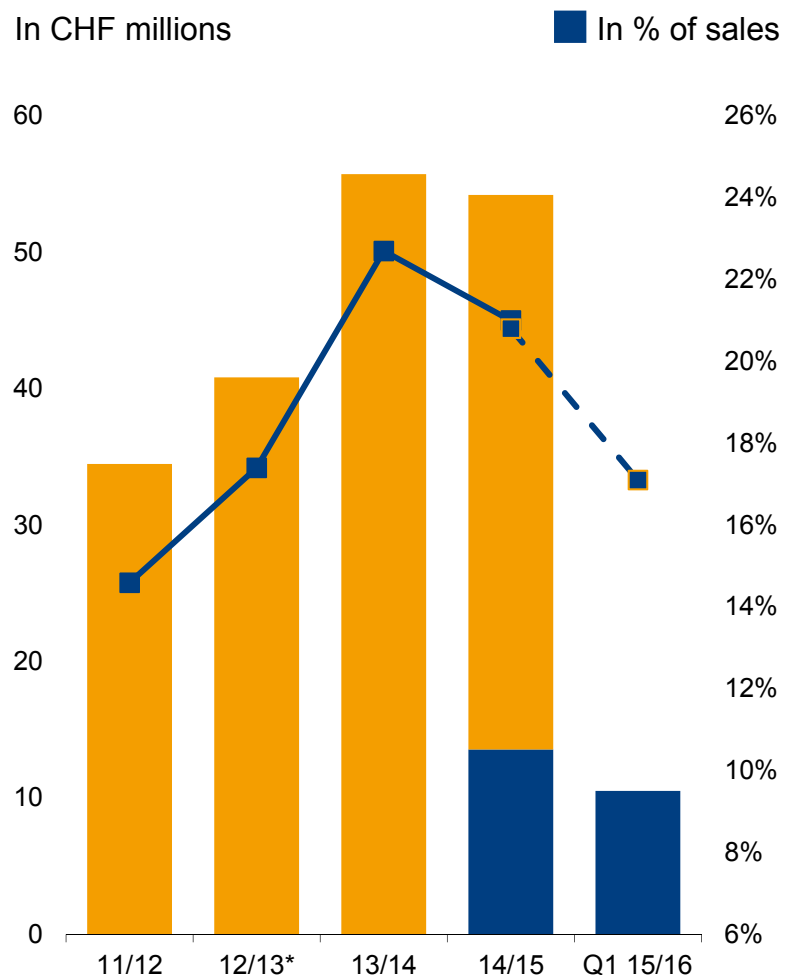


| | Q1 2014/15 | Q4 2014/15 | Q1 2015/16 |
|--------------------------------|---------------|---------------|---------------|
| R&D expense in CHF millions | 3.9 | 4.3 | 3.7 |
| R&D expense in % of sales | 6.0% | 6.9% | 6.0% |

- 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



| | Q1 2014/15 | Q4 2014/15 | Q1 2015/16 |
|-------------------------|---------------|---------------|---------------|
| EBIT in CHF millions | 13.5 | 10.3 | 10.5 |
| EBIT in % of sales | 20.8% | 16.8% | 17.1% |

- Continued cost control and high gross margins
- Adverse foreign exchange impact

*Restatement following IAS 19R application (pensions)

3. Financial Expense

In CHF millions

| | Q1 2014/15 | Q4 2014/15 | Q1 2015/16 |
|----------------------------------|---------------|---------------|---------------|
| Exchange effect* | +0.1 | +0.6 | +0.5 |
| Other financial expense & income | +0.0 | -0.0 | +0.0 |
| Total | +0.1 | +0.5 | +0.5 |

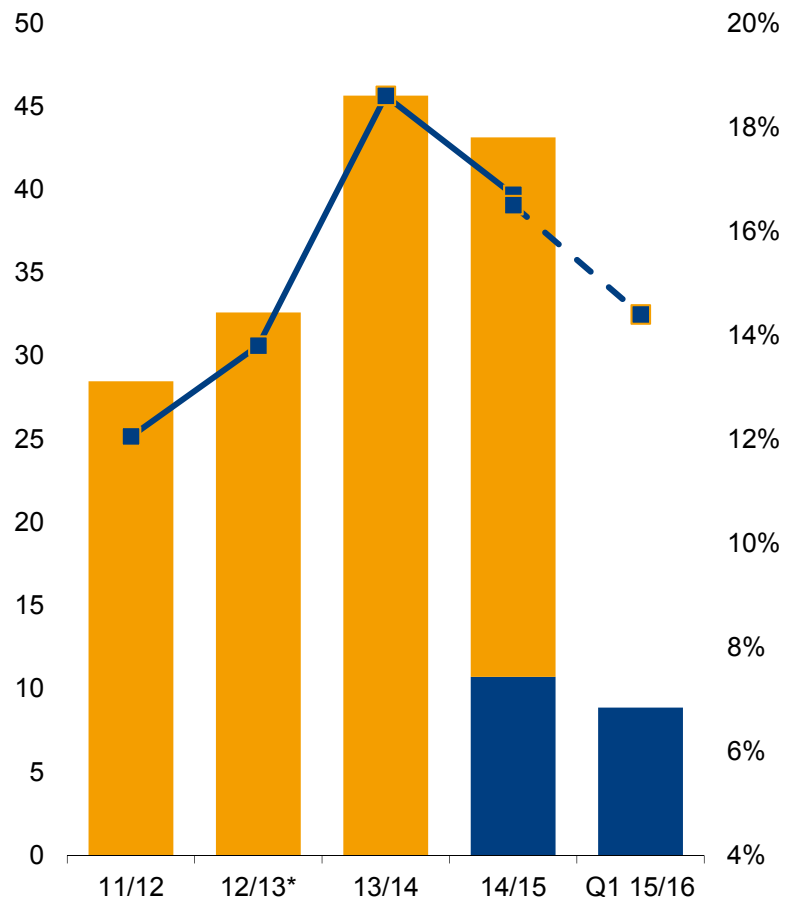
- Positive exchange effect mainly driven by appreciation of USD
- Foreign exchange hedge gain of CHF 1 million in Q4 of 2014/15
- Foreign exchange hedging policy (unchanged)
 - EUR: 100% of net exposure 12 months forward
 - USD: 100% of net exposure 12 months forward

* 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.

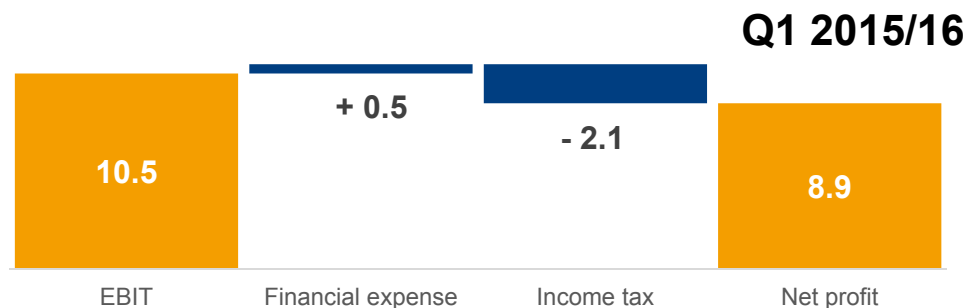
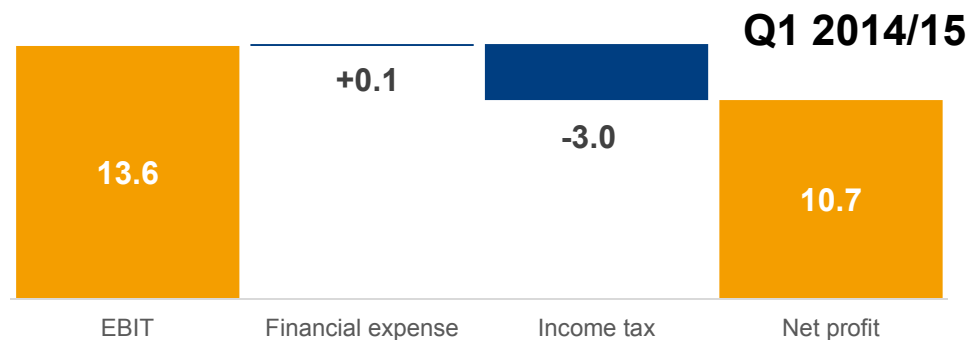
3. Net Profit

In CHF millions

■ In % of sales



| | Q1 2014/15 | Q4 2014/15 | Q1 2015/16 |
|-------------------------------|---------------|---------------|---------------|
| Net profit in CHF millions | 10.7 | 10.0 | 8.9 |
| Net profit in % of sales | 16.5% | 16.2% | 14.4% |



* Restatement following IAS 19R application (pensions)

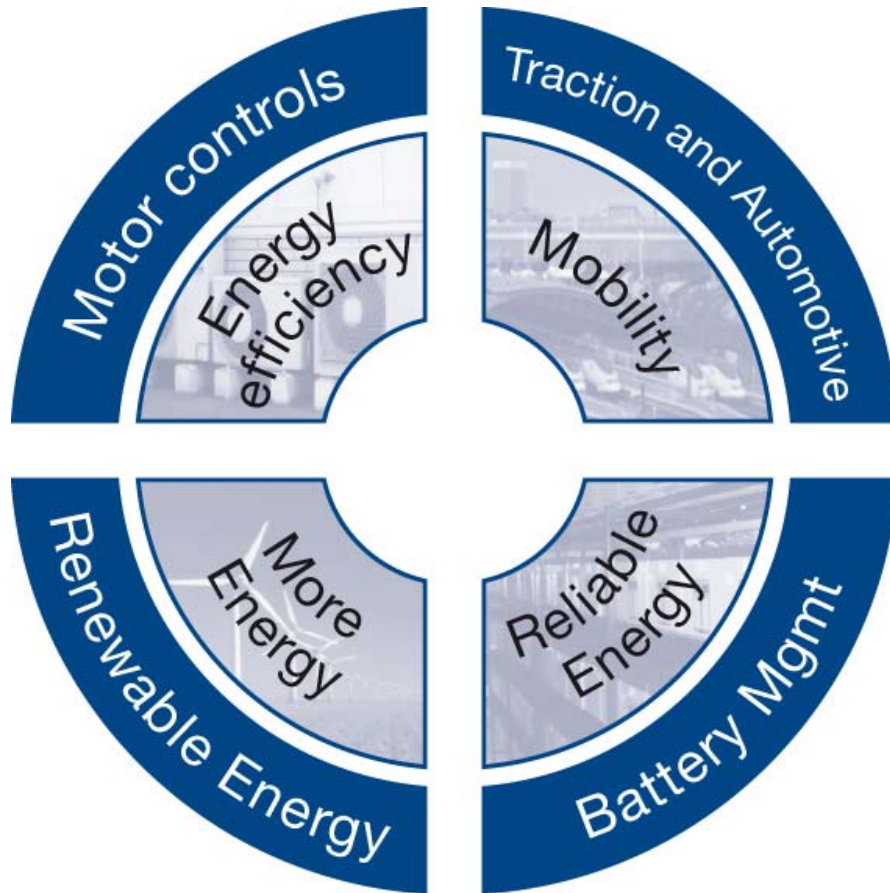
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4. Market Factors and Strategy



- 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 2015/16 we expect
 - Volume growth (in number of transducers) in both segments
 - Price pressure und foreign exchange effects may adversely affect LEM, leading to uncertainty regarding sales growth
 - EBIT margin expected to be within the target range of 15 to 20%
- Swiss franc to remain strong vs. euro
 - Continuous reevaluation of all processes to determine their optimal location

Financial Calendar and Contact Details

Financial calendar

| | |
|------------------|---|
| 11 November 2015 | Half-year 2015/16 results |
| 16 February 2016 | Third quarter 2015/16 results |
| 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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