



LEM

Results
First Half-Year 2018/19
1 April 2018 to 30 September 2018

6 November 2018

Agenda

- | | |
|-----------------------------------|----------------------|
| 1. LEM at a Glance | Frank Rehfeld |
| 2. Highlights and Business Review | Frank Rehfeld |
| 3. Financial Review | Andrea Borla |
| 4. Strategy and Outlook | Frank Rehfeld |



1. LEM at a Glance

LEM is the market leader in providing innovative and high-quality solutions for measuring electrical parameters.

Sales 2017/18	CHF 301.2 m (+13.9%)
EBIT margin 2017/18	20.5%
Dividend 2017/18	CHF 40
Number of employees	1530*
SIX listed since	1986

Main locations	Geneva, Switzerland
	Beijing, China
	Sofia, Bulgaria
	Tokyo, Japan
	Lyon, France



*FTEs as of 30 September 2018

1. At the Heart of Power Electronics

Core applications



Businesses

Automotive		Industry			
Green cars	Conventional cars	Drives & Welding	Renewable energies	Traction	High-Precision

H1 2018/19
Sales

CHF 37.4 m

CHF 131.6 m

Sales growth
H1 vs. H1

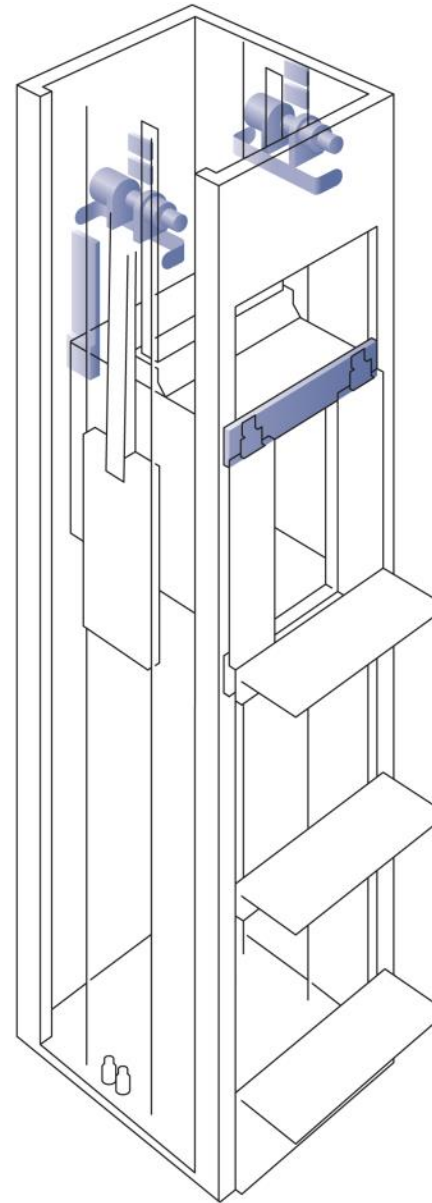
+31.2%

+6.4%



1. Drives & Welding

- Global market position: #1
- Market trends
 - Automation
 - Small currents (servo, robots)
- Applications
 - Automation & Robotics
 - Elevators & Cranes
 - Processing Machines
 - Air Conditioning
 - Oil & Gas, Mining
 - Textile machinery
 - All other industrial applications using motor drives

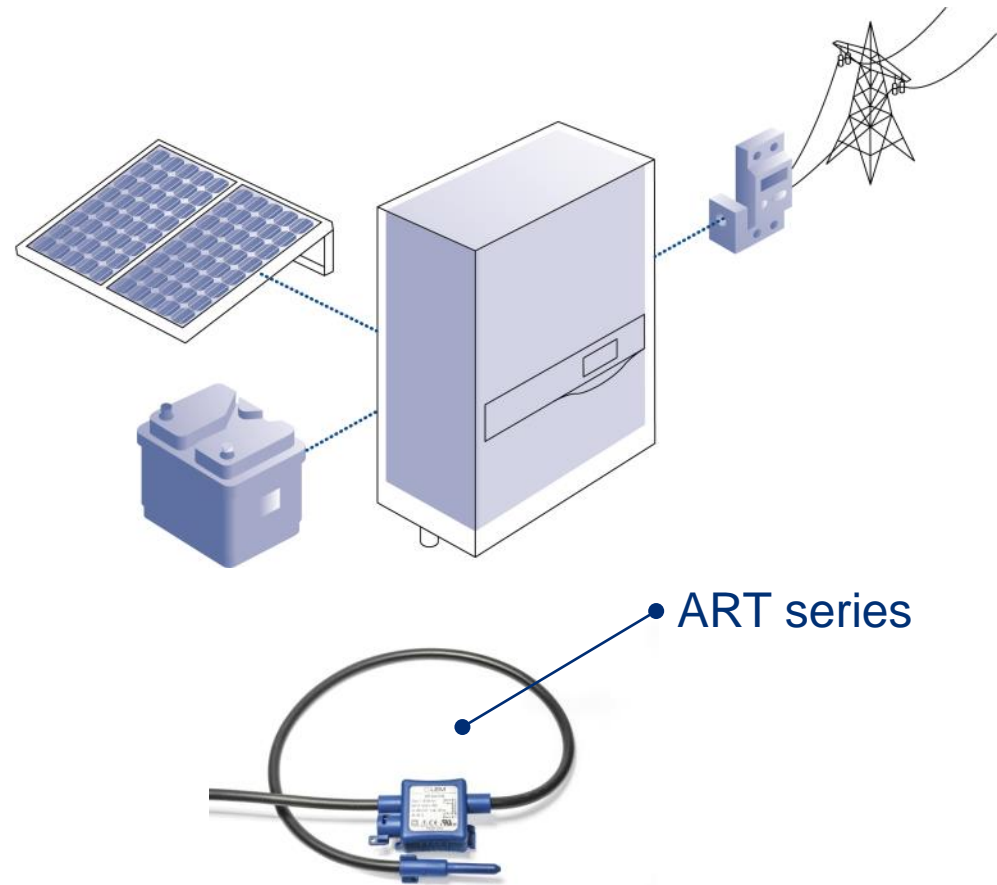


• HLSR series



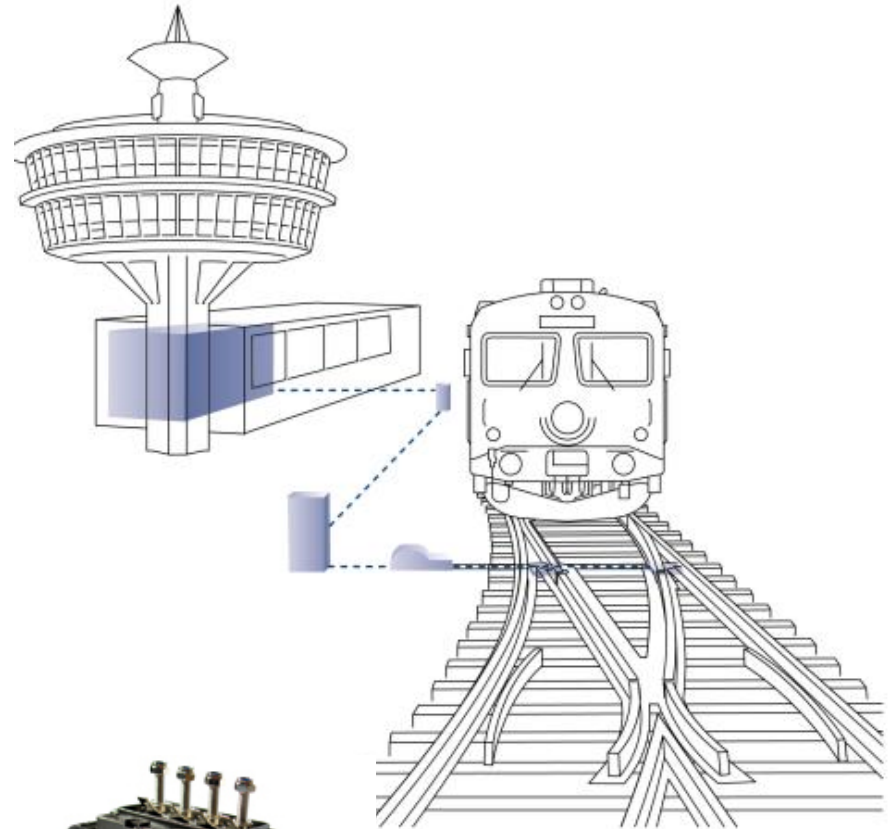
1. Renewable Energies & Power Supplies

- Global market position: #1
- Market trends
 - Power grid evolution to “Smart Grid”
 - Need to measure electricity production/consumption of the *prosumer*
- Ongoing growth of newly installed solar and wind capacities



1. Traction

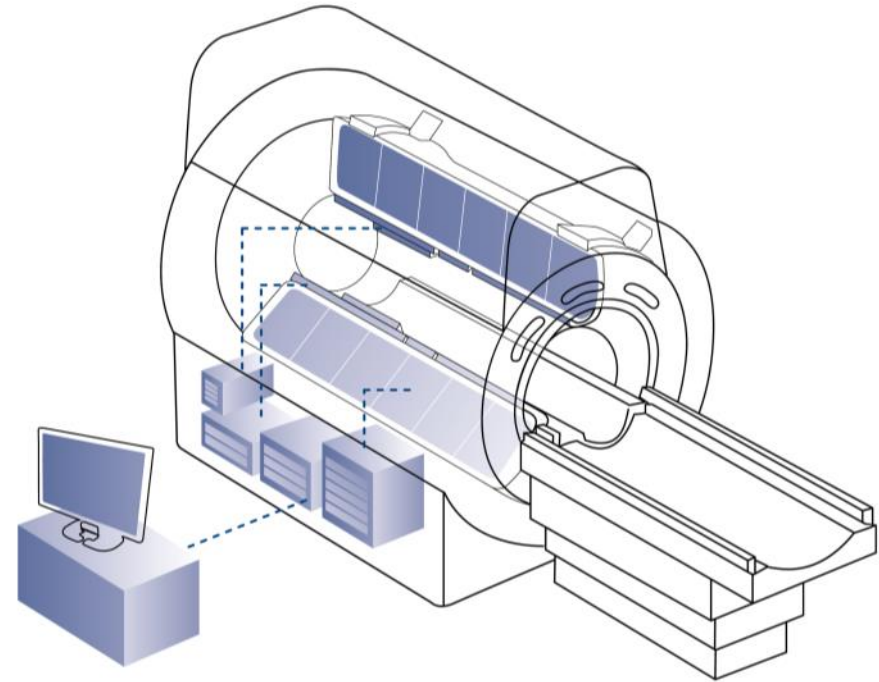
- Global market position: #1
- Market trend onboard
 - Compact sensors with higher currents for space optimization and faster performance
- Market trends trackside
 - Railway infrastructures under high stress: continuous traffic growth, need for fast and reliable train connections
 - Solutions to increase punctuality, optimize preventive maintenance, increase security levels



• LTC series

1. High-Precision

- Global market position: #1
- Market trends medical
 - Introduction of high-resolution MRI
 - Developing markets: improved access to healthcare
 - High accuracy / low noise sensors compliant with best-in-class standards
- Market trends test & measurement
 - Green cars industry demand for test equipment
 - Stability at high operating temperatures

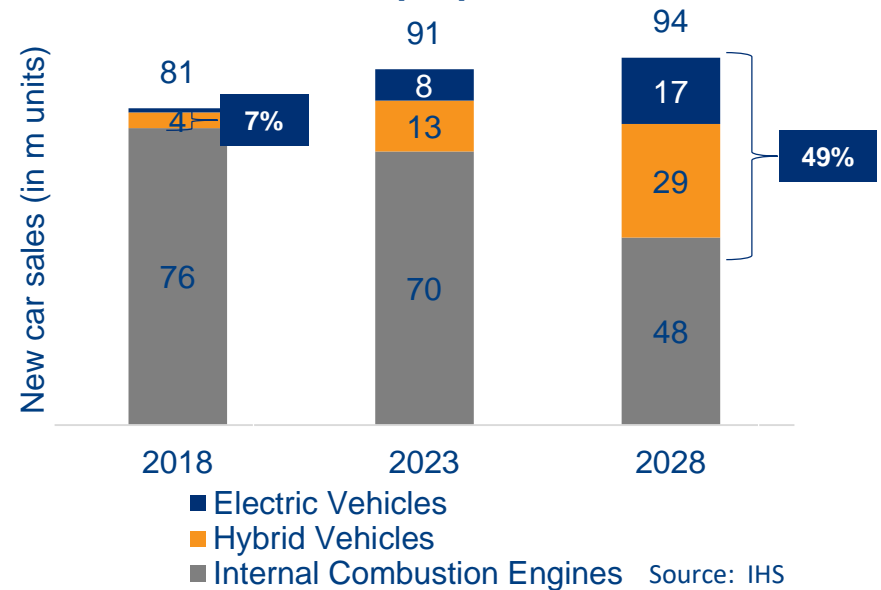


• IN 1000-s series

1. Automotive

- Market Position
 - #1 in China
 - Leading position in Rest of World
- ~50% of annual car production world-wide based on hybrid or electric powertrains by 2028
- Demand for current sensors set for strong expansion over the next decade
 - Market growth 16% p.a. until 2028
 - China to account for ~50% of market
- LEM products cover all current sensor applications
 - Battery Management
 - Motor Control
 - Charging Systems

New car sales – propulsion share



Volume of sensors driven by number of current phases measured



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ATO



2. Growth in Green Cars Sales, Strong Margins

CHF m, %	H1 2018/19	H1 2018/19 vs. H1 2017/18	Q2 2018/19 vs. Q2 2017/18
Orders	166.0	+5.9%	+2.6%
Sales	169.0	+11.0%	+6.1%
EBIT	35.6	+11.6%	+7.0%
Net profit	27.3	+3.2%	+4.7%

- Strong, broad based growth in Q1 – mixed performance in Q2
- Green cars business with continuous strong sales growth
- Maintained robust operating margins
- Ongoing strategy execution with focus on innovation
- Increasing economic uncertainties

2. Industry Product Launches H1 of 2018/19

LDSR



- Proprietary ASIC for Closed Loop Hall Effect technology
- Measures leakage current of 300 mA nominal up to 2 KHz frequency
- Alternative to expensive fluxgate solutions
- Used in solar inverters on low power 1 and 3 phase

DVC 1000-P



- Isolating amplifier technology
- 1000 V_{RMS} measuring range in a compact size
- To be mounted on a printed circuit board for a total volume of only 37.4 cm³
- Overall accuracy of +/- 1.5% from -40°C to +85°C
- Used in traction

IN 1000-S



- Embedded software: digital signal processing
- Patented Fluxgate technology
- Low noise and high accuracy, large temperature range
- For high precision applications like medical and T&M

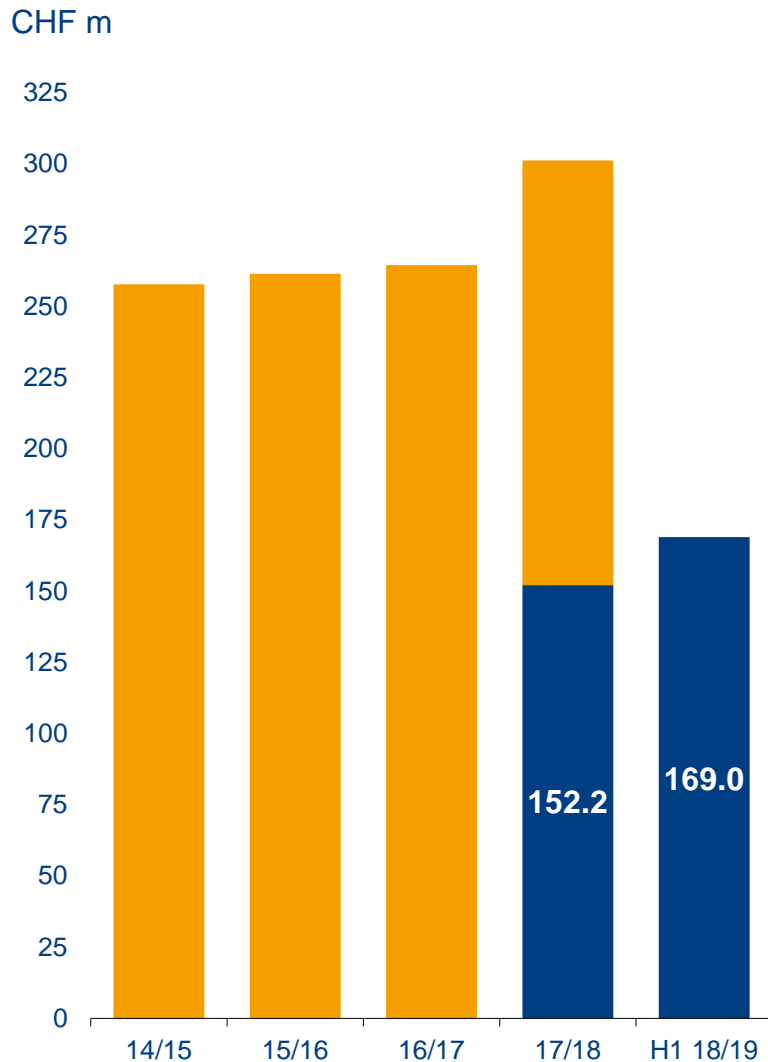
2. Automotive Product Launches H1 of 2018/19

CAB 500



- Galvanic isolated, contactless measurement
- Up to +/- 500 A of DC current measurement, overcurrent detection
- Accuracy better than 0.5%
- For EV/HEV battery management and stationary battery systems

2. Net Sales

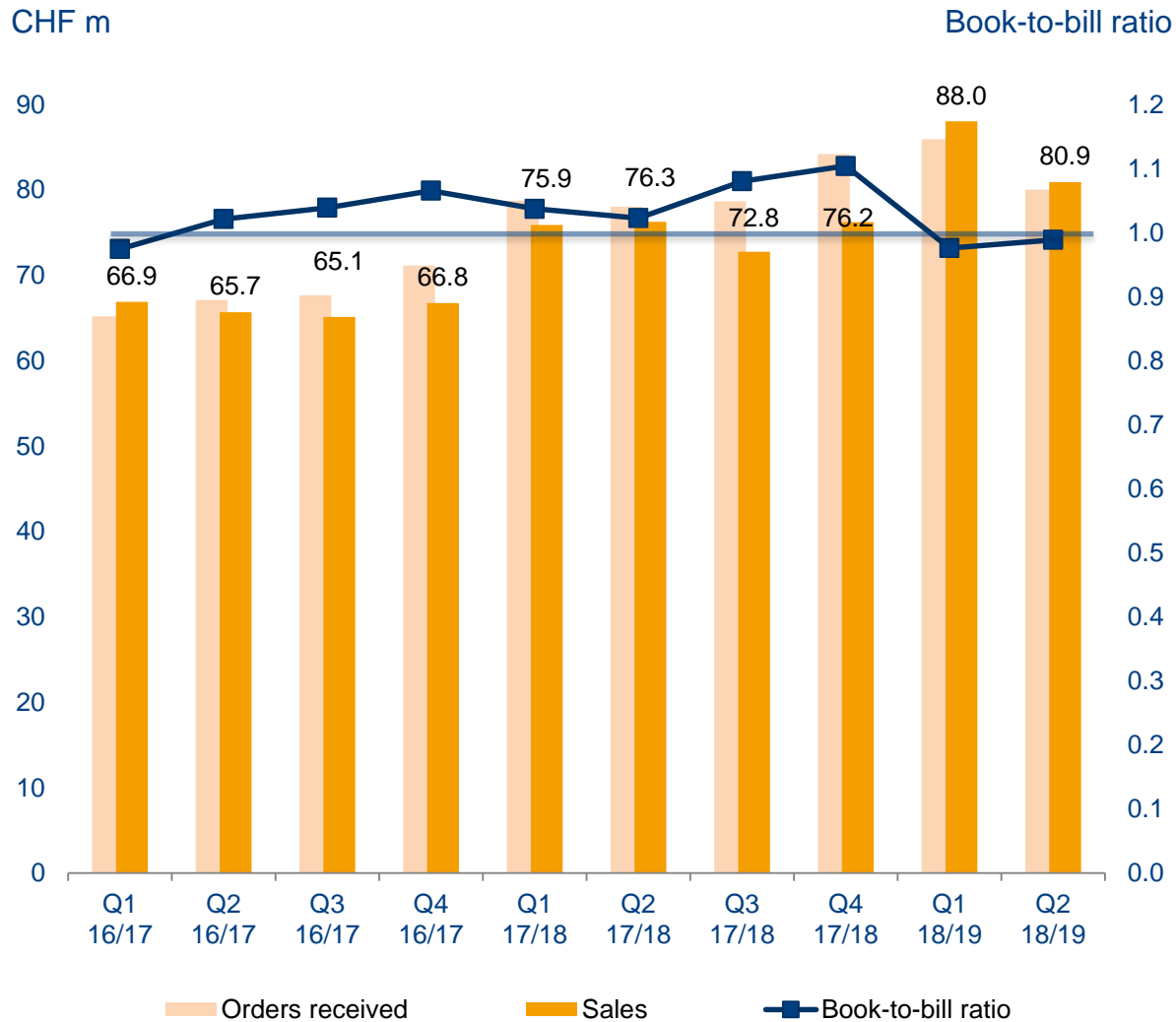


CHF m, %

	Sales	H1 vs. H1		Q2 vs. Q2
		as reported	at constant currencies	
Industry	131.6	+6.4%	+3.3%	-0.5%
Automotive	37.4	+31.2%	+28.2%	+32.4%
Total	169.0	+11.0%	+8.0%	+6.1%

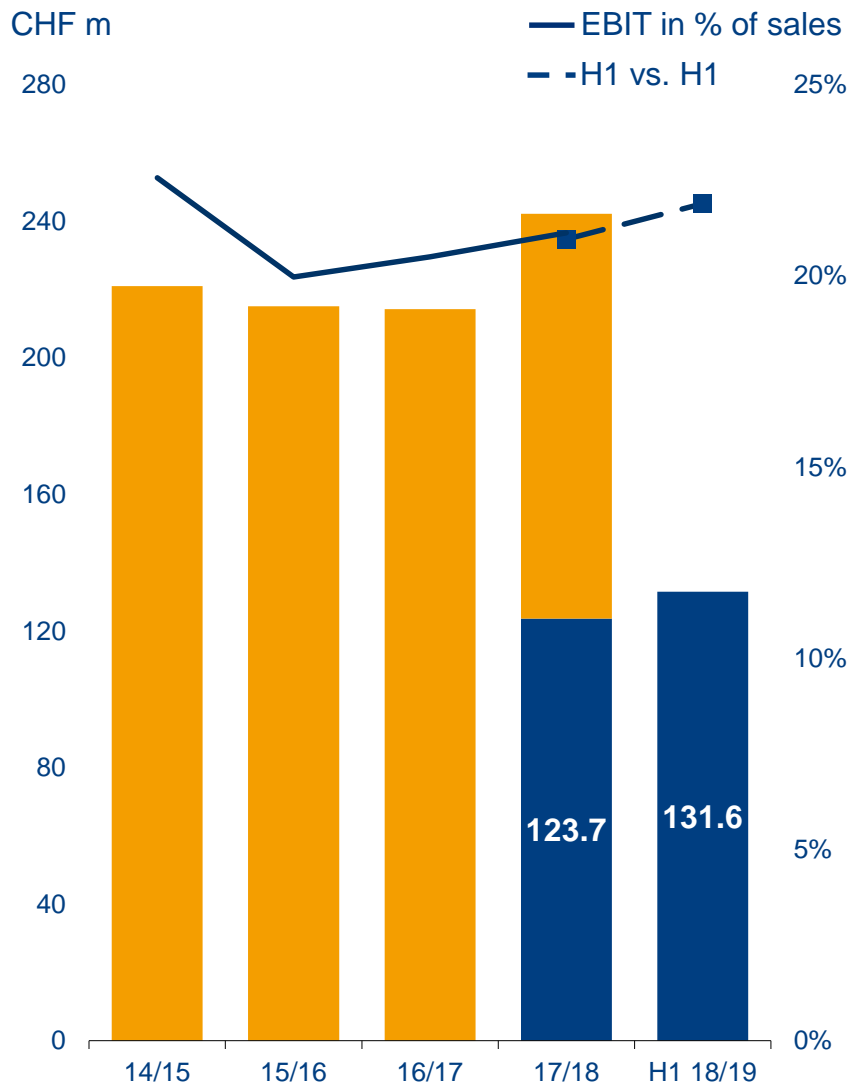
- Positive economic sentiment
- Policy changes in China and subdued investment sentiment affected sales in Q2
- Positive currency impact on sales

2. Quarterly View



- Economic uncertainty translated into short-term bookings

2. Industry Segment: Business Development



Businesses and Applications

Drives & welding (H1 vs. H1: +5.4%)

- Higher sales in all regions except China
- Other regions growth in all product categories

Renewable energies & power supplies (-0.1%)

- Weakened sales in China
- High demand in Europe, India, USA

Traction (+16.2%)

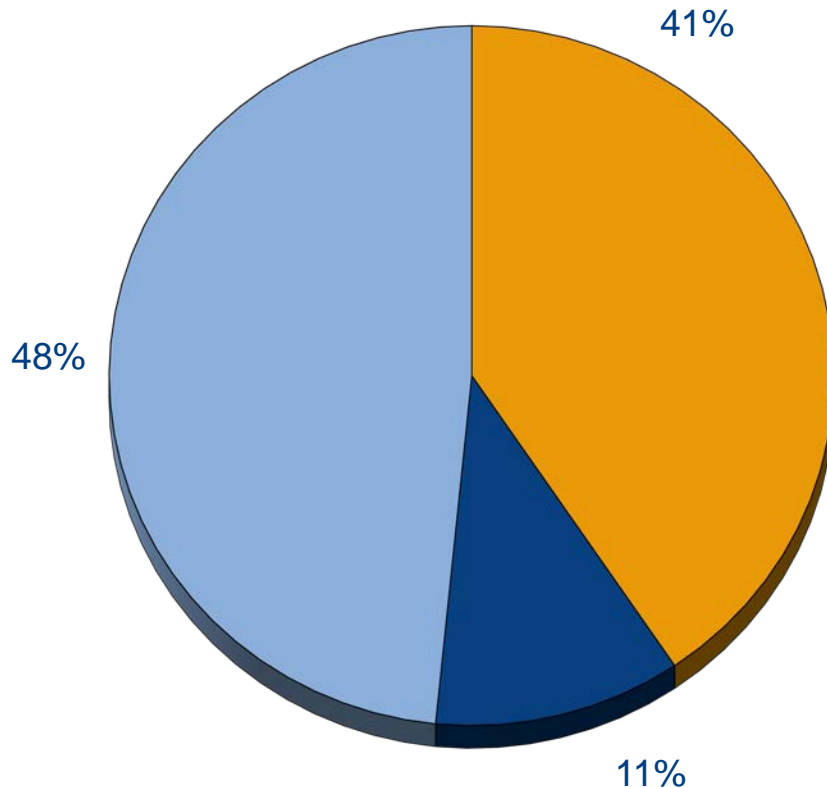
- Increased infrastructure investments in all regions
- Most activity for locomotives for high-speed trains in Asia and freight traffic in Europe

High-precision (+27.4%)

- Growth in test & measurement market, mainly for green cars test benches
- Capitalized on the introduction of new products

2. Industry Segment: Regional Markets

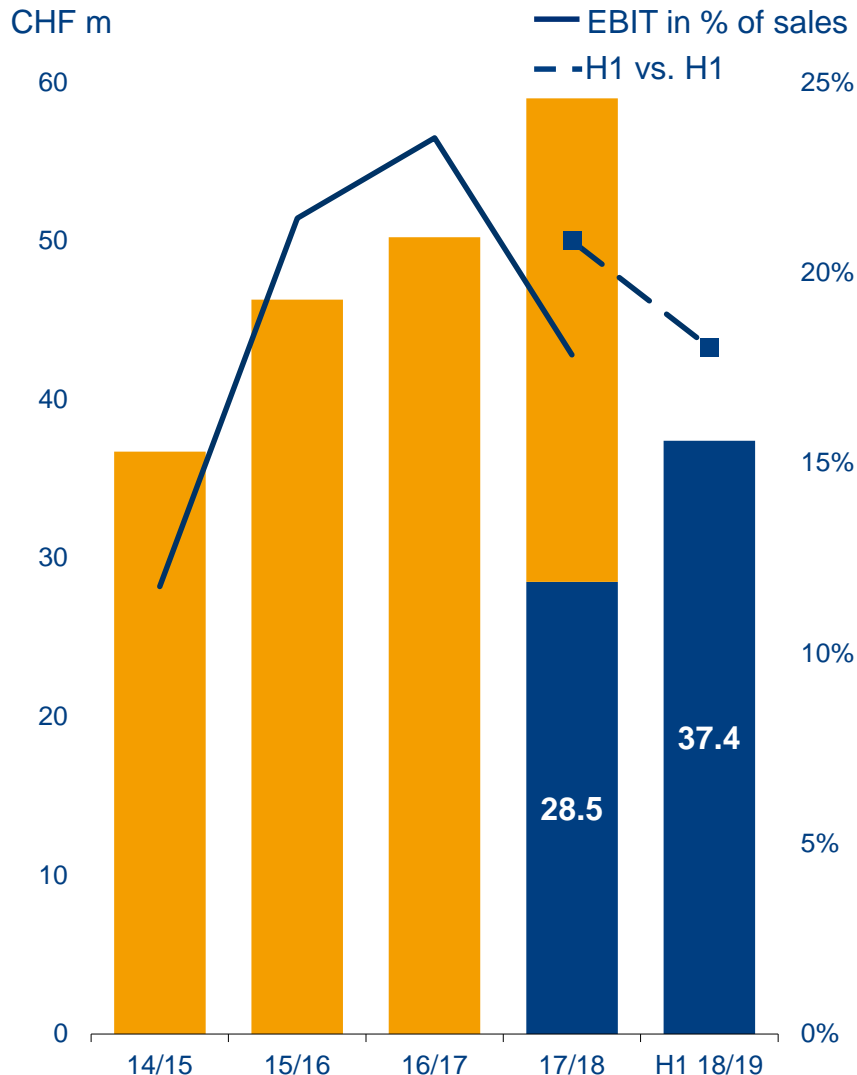
- Europe
- North America
- Asia and ROW



CHF m, %	Sales	Growth H1 vs. H1	Growth Q2 vs. Q2
Europe	53.3	+13.6%	+6.1%
N. America	14.5	+11.1%	+8.7%
Asia and ROW	63.7	+0.1%	-7.9%
Total	131.6	+6.4%	-0.5%

- Slowing sales in China after strong sales growth in 2017/18
- Double-digit growth in Asia excluding China, Europe and USA
- China remains single most important country representing 29.9% of sales
- Orders increased by 1.7%
- Won market share

2. Automotive Segment: Business Development



Businesses and Applications

Green cars (HEV, EV) (H1 vs. H1: +65.2%)

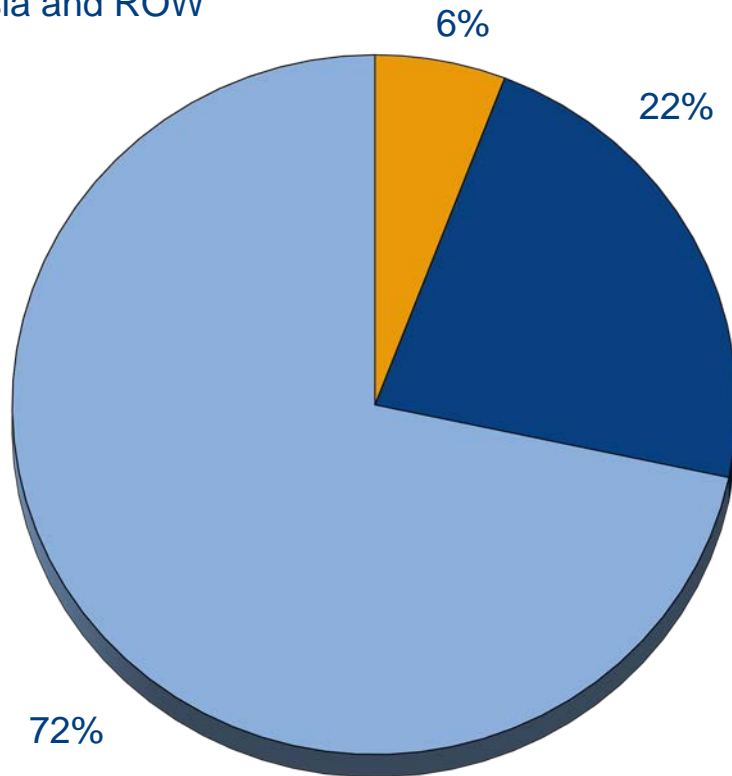
- Asian (China, Japan, Korea) green cars market growing fast
- Leading market position in China
- Increasing activity from US and European car manufacturers
- Increasing attractiveness of the market lures new competitors and affects margins

Conventional cars (-6.8%)

- Expected decline continues, but at slower pace
- All regions equally affected

2. Automotive Segment: Regional Markets

- Europe
- North America
- Asia and ROW



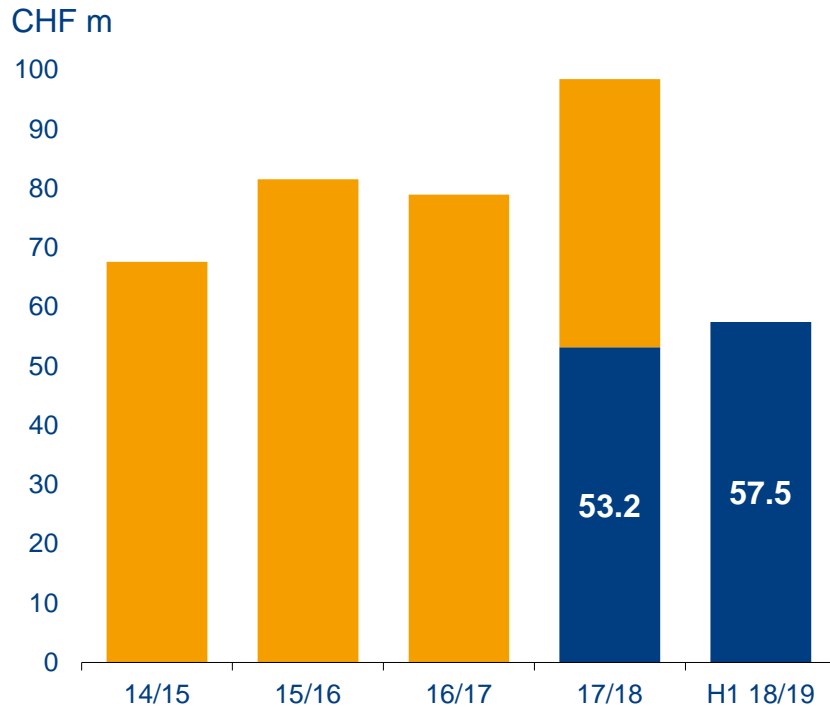
CHF m, %	Sales	Growth H1 vs. H1	Growth Q2 vs. Q2
Europe	2.2	+22.8%	+6.9%
N. America	8.4	-1.7%	+12.1%
Asia and RoW	26.8	+47.5%	+42.0%
Total	37.4	+31.2%	+32.4%

- Sales reflect destination product shipment, not OEM
- Performance driven by green cars business growth across all regions
- Development of Automotive organization to keep up with current and expected growth

2. Business Development China

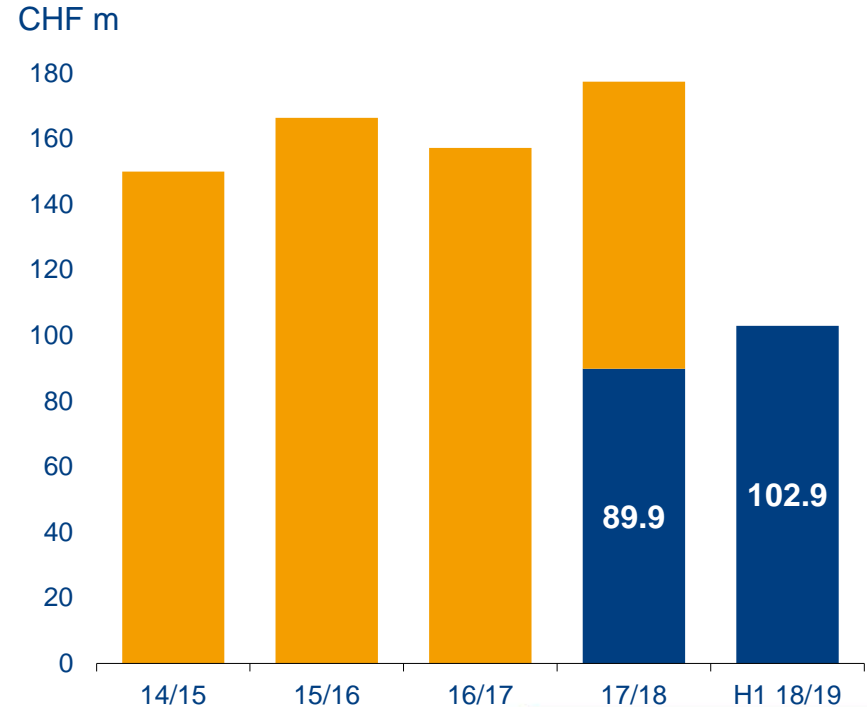
Sales

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



Production

- LEM China is the largest manufacturing site of the Group: 61% of total production (59% in financial year 2017/18)
- “Made by LEM” quality



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3. Financial Highlights

- Robust profitability
 - Gross margin of 45.9%, up from 45.6%
 - EBIT margin of 21.0%, up from 20.9%
 - Net profit of CHF 27.3 million, up from CHF 26.5 million
- Increased investment in innovation
- Strong balance sheet with equity ratio of 46.3%
- Free cash flow of CHF 15.3 million, up from CHF 6.5 million

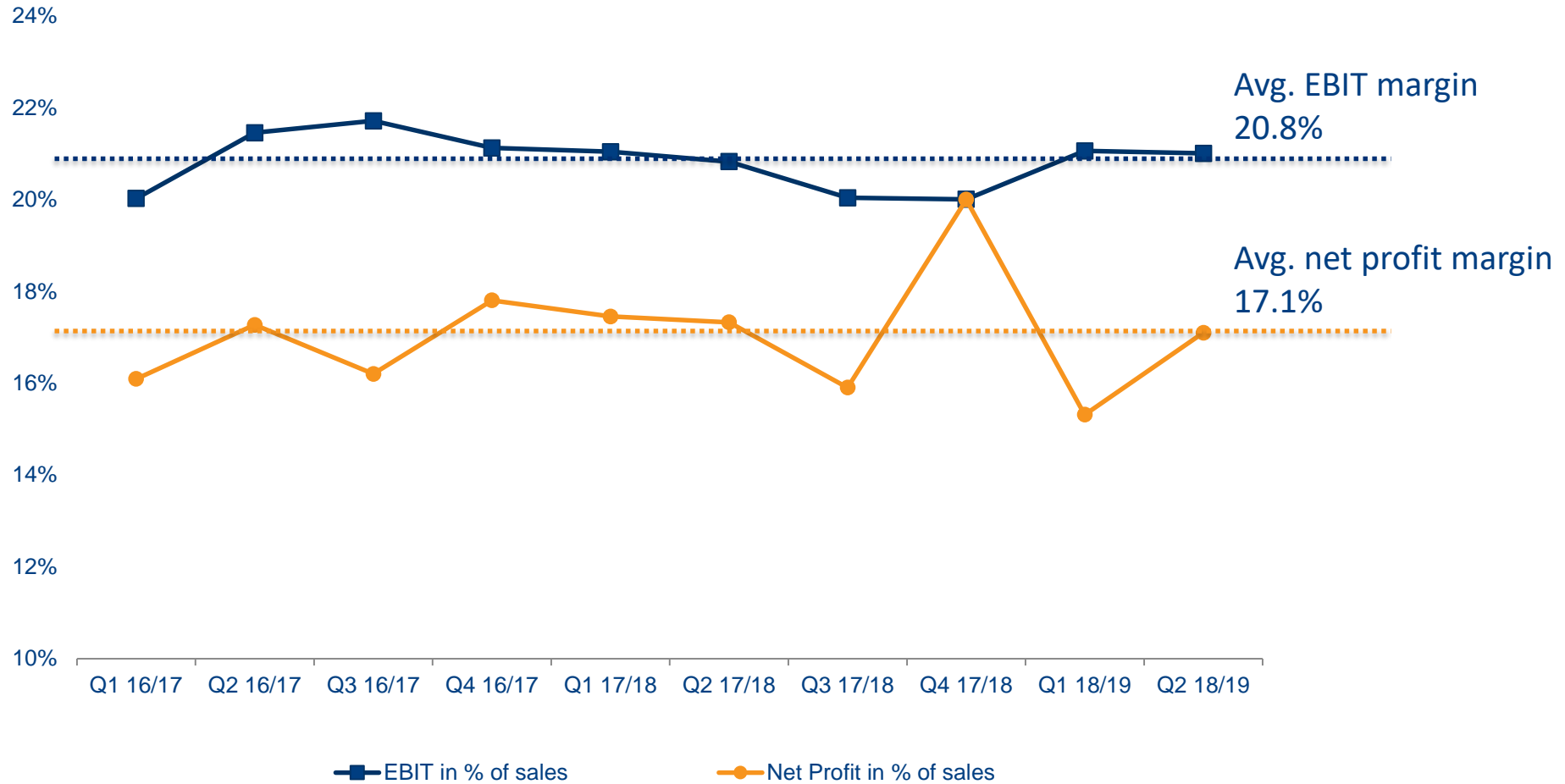
3. Income Statement

CHF m

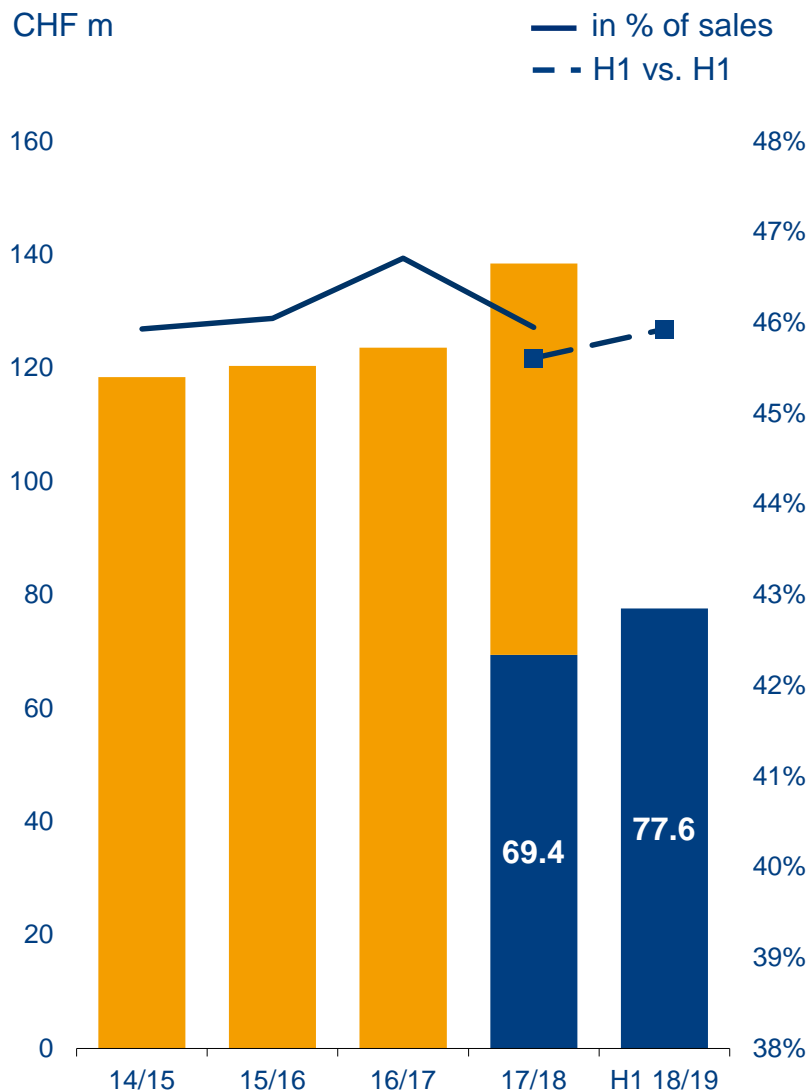
	H1 2017/18	H1 2018/19	Change	Q2 2017/18	Q2 2018/19	Change
Sales	152.2	169.0	+11.0%	76.3	80.9	+6.1%
Gross margin	45.6%	45.9%	+0.3pt	45.2%	46.7%	+1.5pt
Operating expense	-37.5	-42.1	+12.0%	-18.6	-20.8	+11.8%
EBIT	31.9	35.6	+11.6%	15.9	17.0	+7.0%
<i>EBIT margin</i>	20.9%	21.0%	+0.1pt	20.8%	21.0%	+0.2pt
Net financial exp.	+1.4	-1.1	NM	+0.8	+0.1	NM
Income tax	-6.8	-7.1	+4.1%	-3.5	-3.2	-6.7%
Net profit	26.5	27.3	+3.2%	13.2	13.8	+4.7%
<i>Net profit margin</i>	17.4%	16.2%	-1.2pt	17.3%	17.1%	-0.2pt

3. Results by Quarter

In % of sales



3. Gross Margin

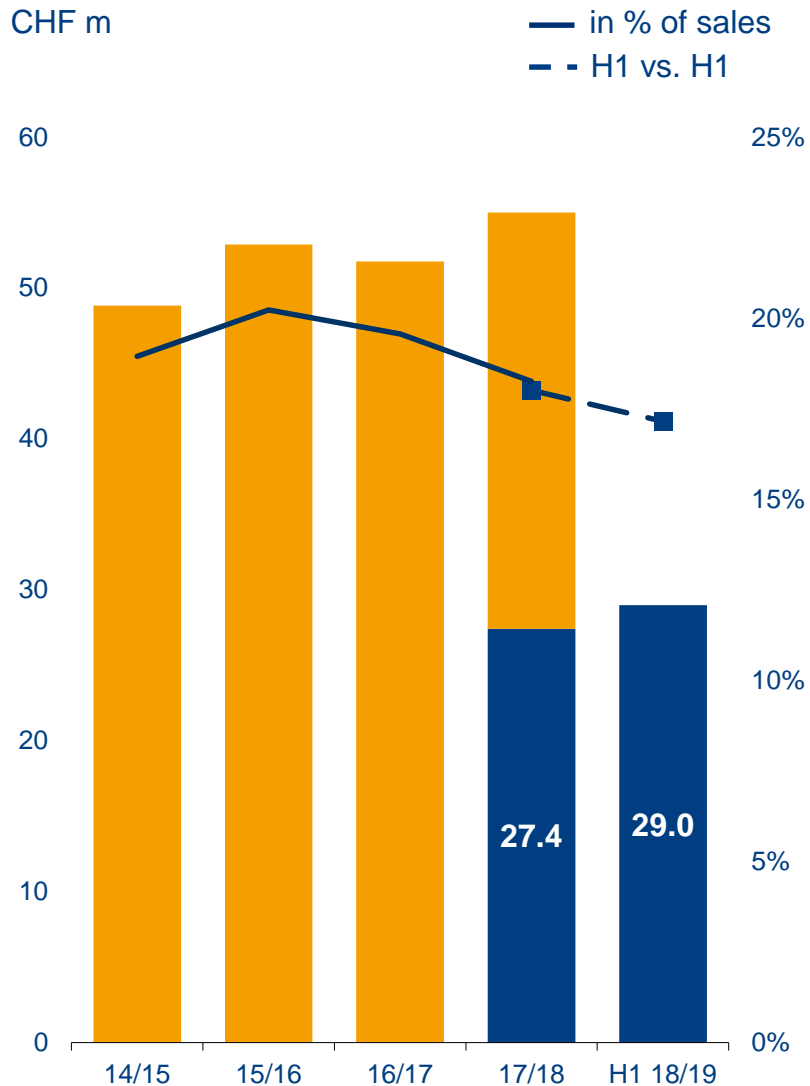


	H1 2017/18	H1 2018/19	Q2 2017/18	Q2 2018/19
Gross margin CHF m	69.4	77.6	34.5	37.8
Gross margin in % of sales	45.6%	45.9%	45.2%	46.7%

- Continuous price pressure, especially in Automotive
- Compensating effects:
 - Increasing share of cost competitive production sites
 - Increasing automation in production



3. SG&A

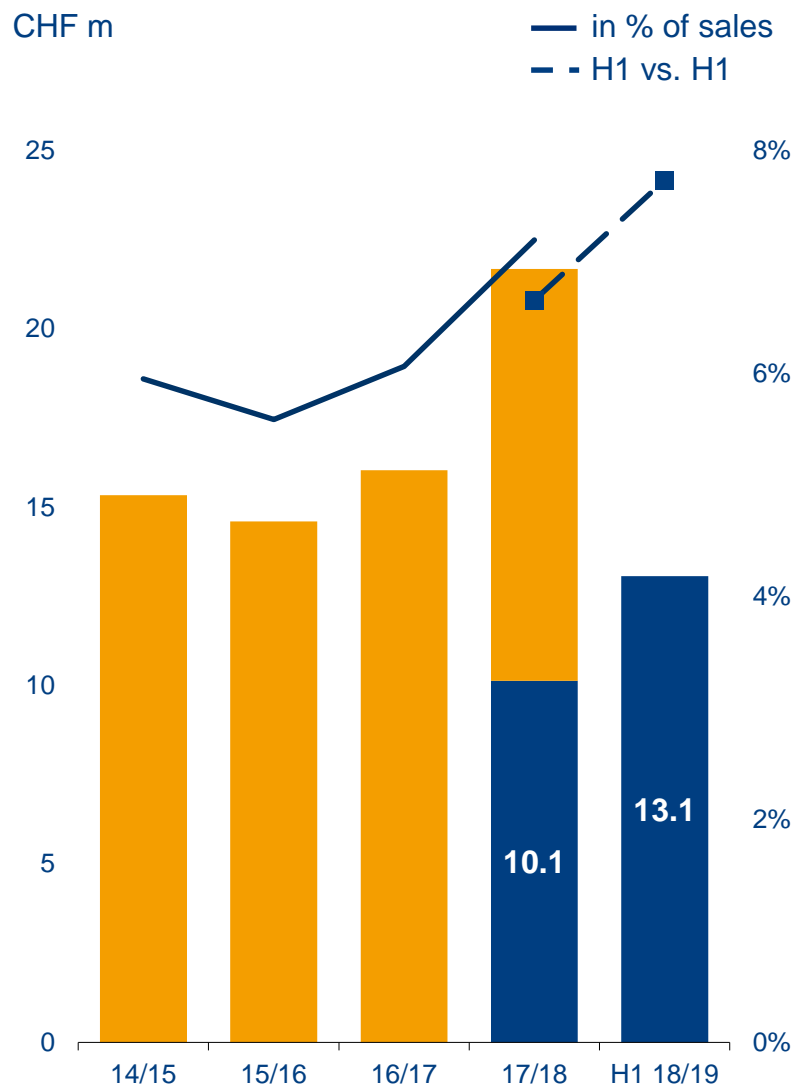


	H1 2017/18	H1 2018/19	Q2 2017/18	Q2 2018/19
SG&A CHF m	27.4	29.0	13.2	14.2
SG&A in % of sales	18.0%	17.2%	17.3%	17.6%

- Structure cost increase below sales growth
- SG&A in % of sales dropped by 0.8%pt
- Cost management through process improvements and cost control



3. R&D Expense



	H1 2017/18	H1 2018/19	Q2 2017/18	Q2 2018/19
R&D expense CHF m	10.1	13.1	5.4	6.6
R&D expense in % of sales	6.7%	7.7%	7.1%	8.1%

- Ongoing renewal of product portfolio
- In addition acquisition of new technologies to address new markets
- R&D expenses increased by 29.0%, reflecting the strategy to strengthen technology leadership



3. Financial Expense

CHF m

	H1 2017/18	H1 2018/19	Q2 2017/18	Q2 2018/19
Exchange effect	+1.5	-1.0	+0.8	+0.1
Other financial expense & income	-0.1	-0.1	-0.1	-0.0
Total	+1.4	-1.1	+0.8	+0.1

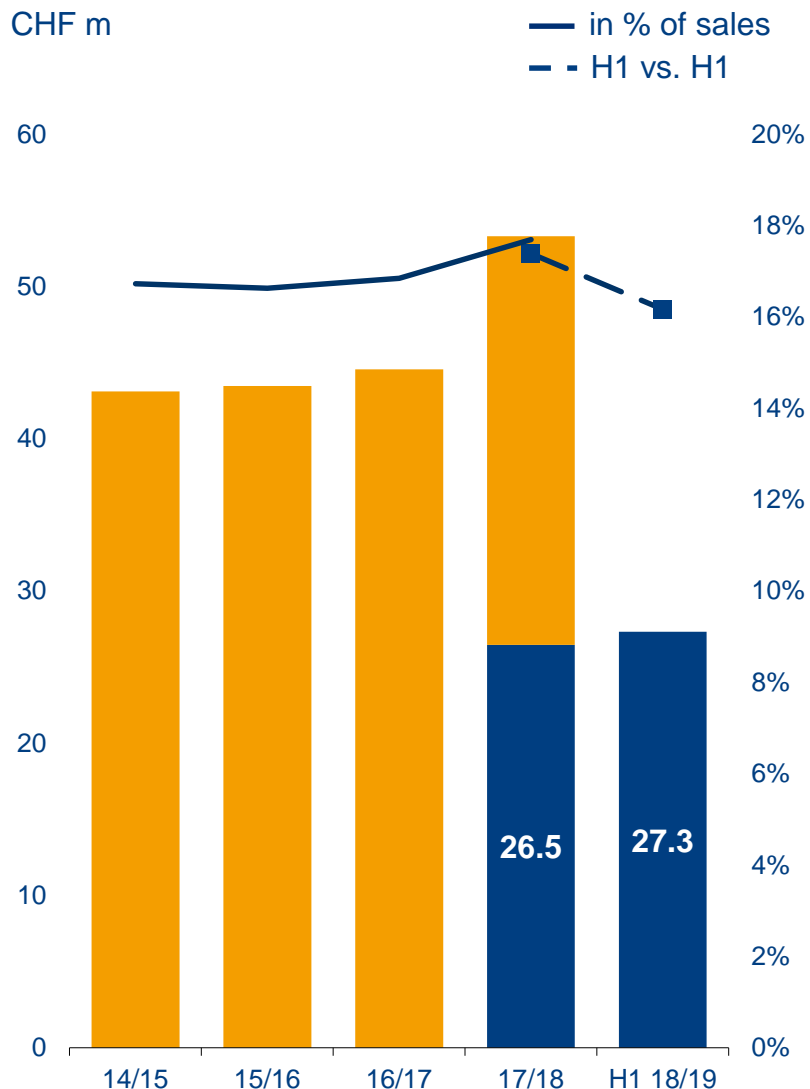
- Exchange effect mainly driven by appreciation of USD generating foreign exchange losses on hedging positions

3. Income Taxes

	H1 2017/18	H1 2018/19
Expected income tax rate	18.3%	19.8%
Expected withholding tax rate	1.9%	1.0%
Expected tax rate	20.2%	20.8%
Other differences	0.3%	-0.1%
Effective tax rate	20.5%	20.7%

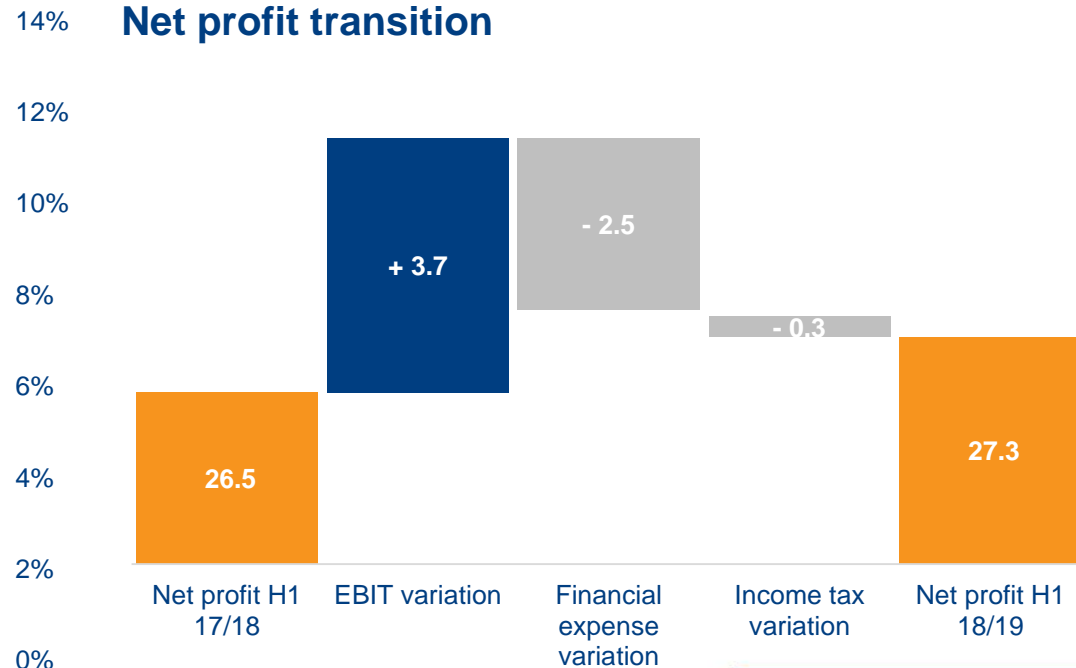
- Stable tax rate compared to previous year
- Application for HNTE status in China submitted

3. Net Profit



	H1 2017/18	H1 2018/19	Q2 2017/18	Q2 2018/19
Net profit CHF m	26.5	27.3	13.2	13.8
Net profit in % of sales	17.4%	16.2%	17.3%	17.1%

Net profit transition



3. Balance Sheet Analysis

CHF m	31.3.2018	30.9.2018
Net working capital	45.5	56.4
Noncurrent assets	61.5	60.8
Noncurrent liabilities	-10.6	-8.9
Net operating assets	96.4	108.4
Net cash / (debt)	12.6	-19.1
Equity	109.0	89.3
Equity ratio	59.2%	46.3%
Days of sales outstanding	72	74
Days of inventory outstanding	80	80
Days of payables outstanding	46	37

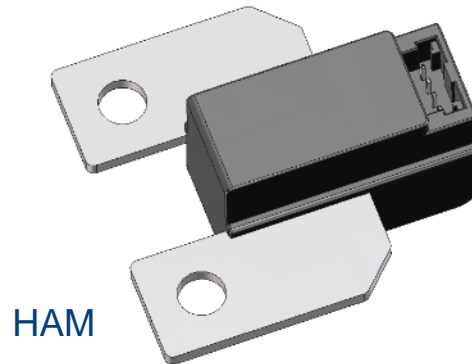
3. Cash Flow Statement

CHF m

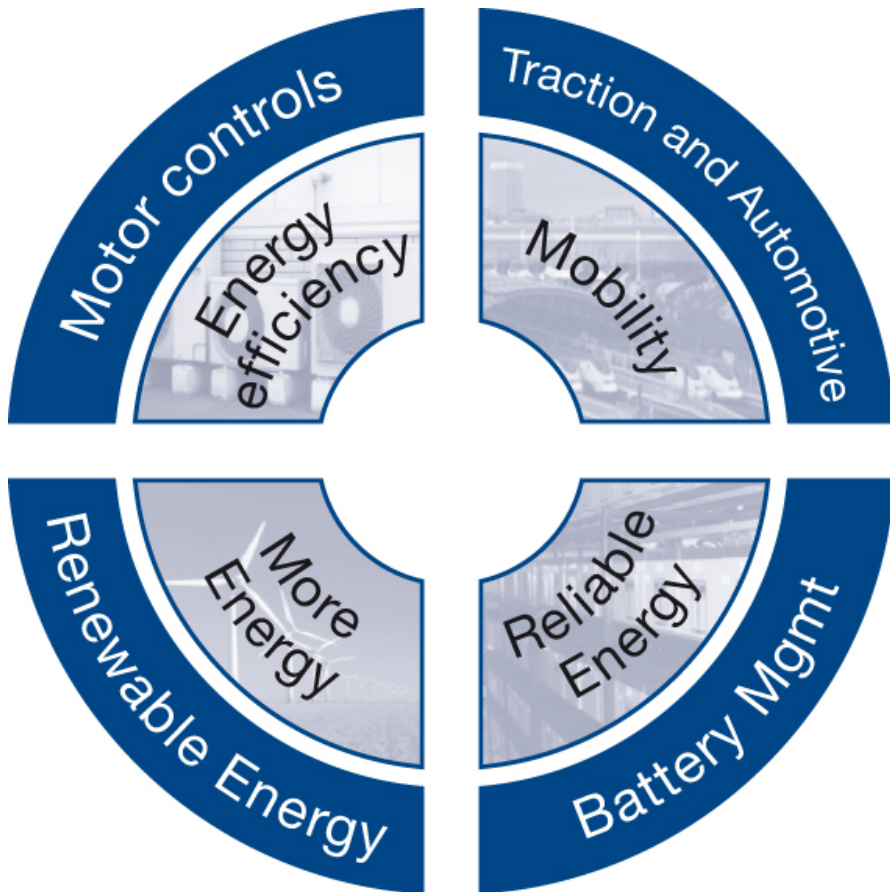
	H1 2017/18	H1 2018/19
Profit before taxes	33.3	34.4
Adjustment for noncash items and taxes paid	-0.7	-1.4
Cash flow from changes in net working capital	-18.0	-10.6
Cash flow from operating activities	14.5	22.4
Cash flow from investing activities	-8.0	-7.1
Free cash flow	6.5	15.3
Cash flow from financing activities	-5.6	-10.9
Change in cash and cash equivalents	0.9	4.4
Cash and cash equivalents at the end of the period	13.9	20.9

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4. **Strategy and Outlook** **Frank Rehfeld**



4. Market Factors and Strategy



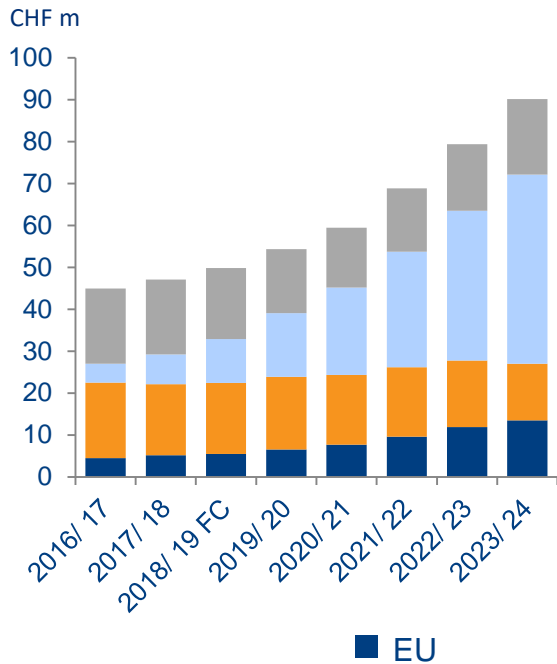
- We firmly believe in our strategic direction and the 4 drivers for our business remain unchanged
- We will continue to capitalize on the drivers of LEM's markets through
 - pure play components company
 - diversification across geographies and businesses

4. R&D Initiatives to Increase Addressable Market

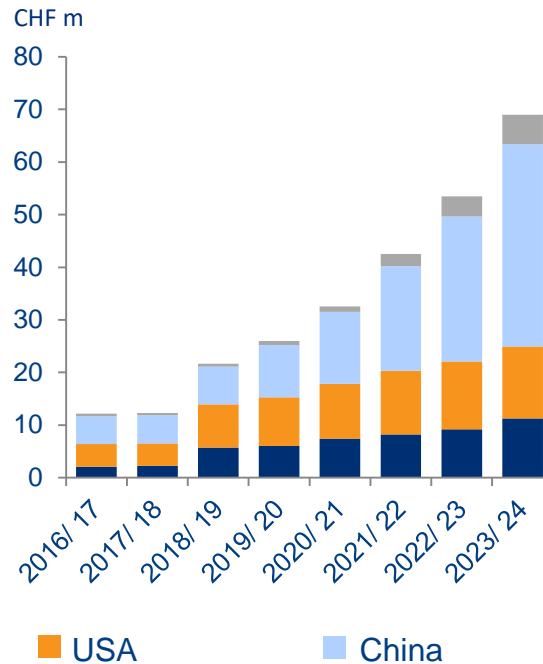
Expected market developments for new R&D initiatives in Industry segment

(only sensor markets, own estimates)

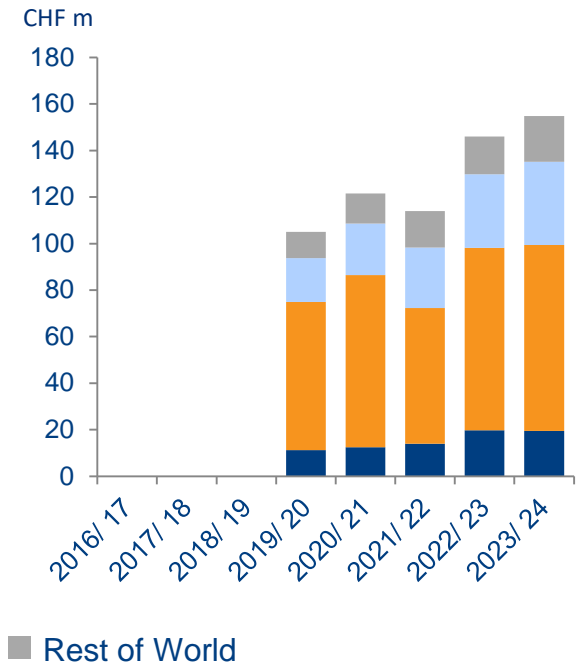
Integrated Primaries (excl. Automotive)



Chargers and Storage Systems



Smart Grid



Total addressable market for LEM Industry to increase by up to 75% by 2024



4. Outlook

- Geopolitical tensions or new trade barriers may pose a risk to global growth
- Industry businesses 2018/19
 - Subdued investment sentiment in target markets
 - Reduction of government support for renewable energy in China
- Automotive businesses 2018/19
 - Continued growth in the green cars business
 - Government policies to remain an important factor
- Ongoing high investment in R&D and a high number of product launches
- Expectation for the full financial year 2018/19
 - Sales of around CHF 320 million
 - EBIT margin around 20%



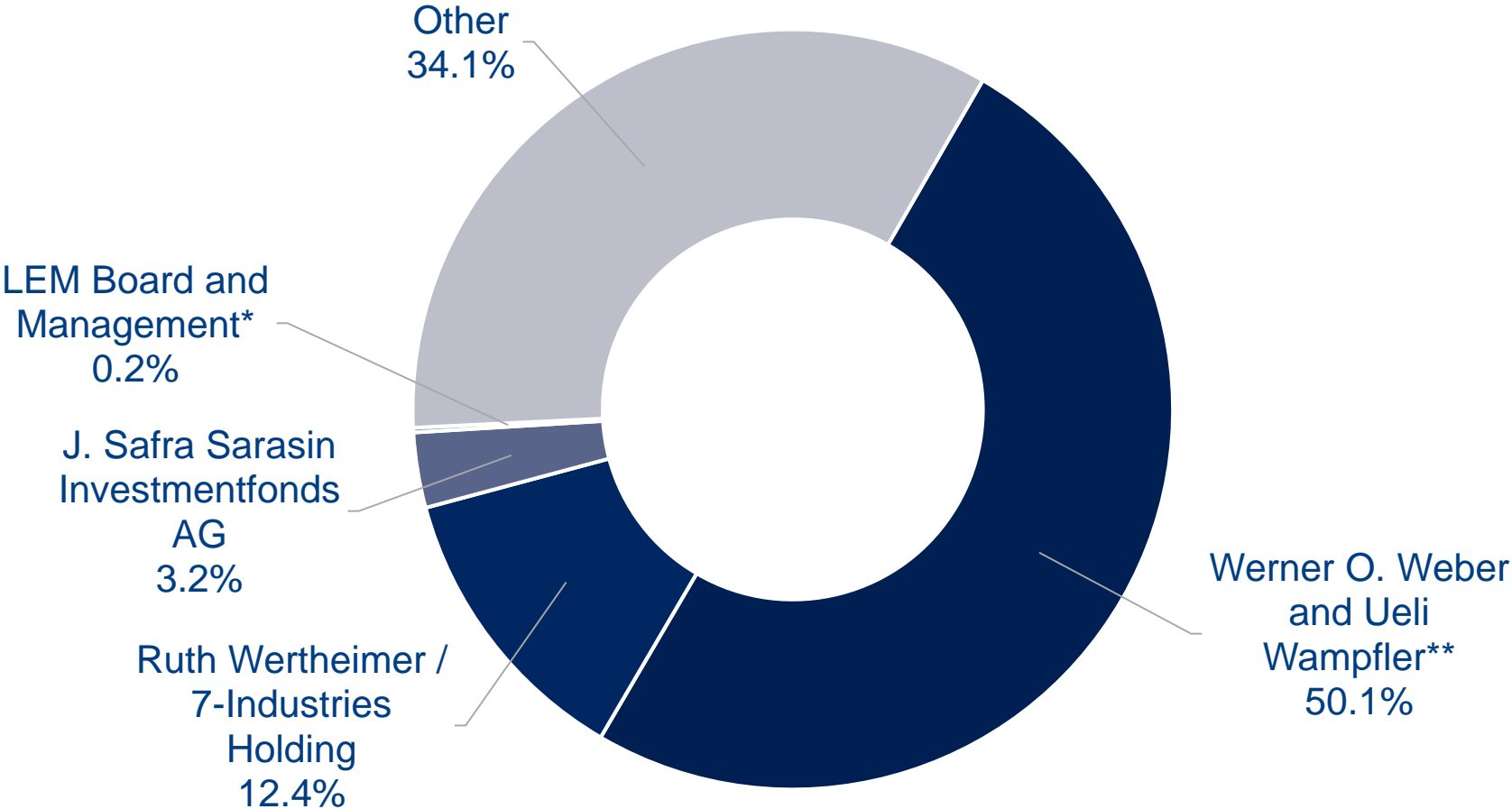
LEM[®]

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, a high-speed train, and a car. The text 'Q&A' is overlaid on the train image.

Q&A

Shareholder Structure per 30 September 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

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 the financial year 2018/19
2 July 2019	Dividend ex-date
4 July 2019	Dividend payment date

For further information

Andrea Borla, CFO

Phone: +41 22 706 12 50

E-mail: investor@lem.com

