



Results

Q4 of 2014/15

Financial Year 2014/15

Media and Analyst Conference

Zurich, 4 June 2015

# Agenda

## 1. LEM at a Glance

2. Highlights and Business Review
3. Financial Review
4. Strategy and Outlook
5. Proposals to Shareholders Meeting

## François Gabella

François Gabella

Julius Renk

François Gabella

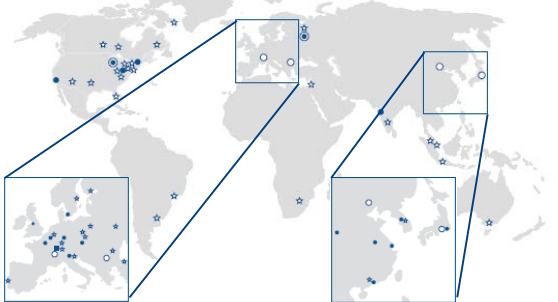
Andreas Hürlimann





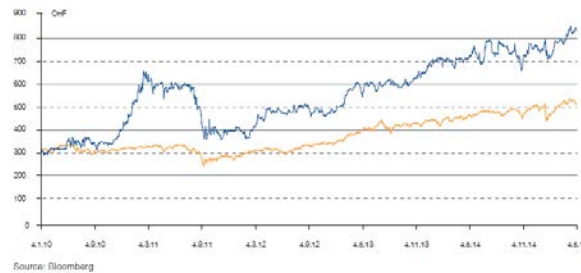
# 1. Global Market Leader in Current and Voltage Transducers

## 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



- 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%

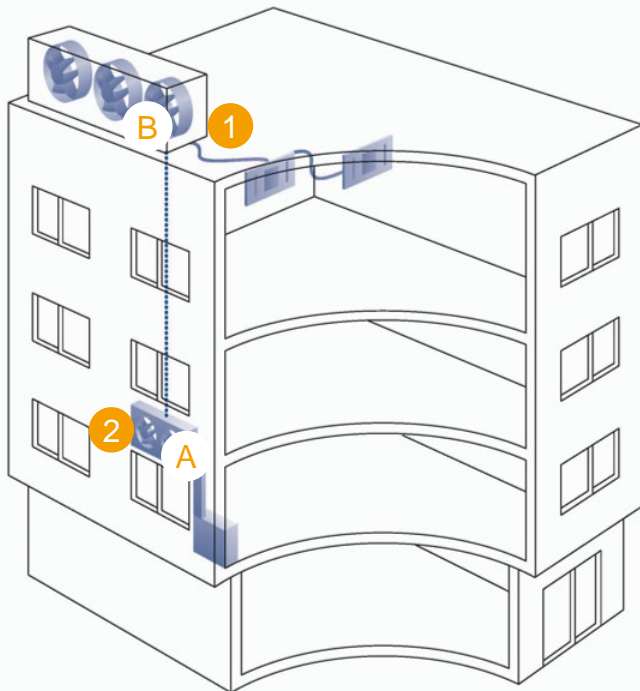
# 1. LEM Applications: Air Conditioner



B HO xxx-S



A HLSR



In central air conditioning (1) (and increasingly residential system (2)), the air is cooled by blowing it over an evaporator filled with a refrigerant. Then the refrigerant is pumped into a condenser where it releases the heat. A pump or compressor is used to move the refrigerant, and a motor runs the compressor.

Inverters control the motors, which drive the pumps and fans. Robust current measurement devices like the HLSR models (A) or HO xxx-S models (B) are used to reach the desired temperature quicker while consuming less electricity and operating more quietly.

① Central air-conditioning system

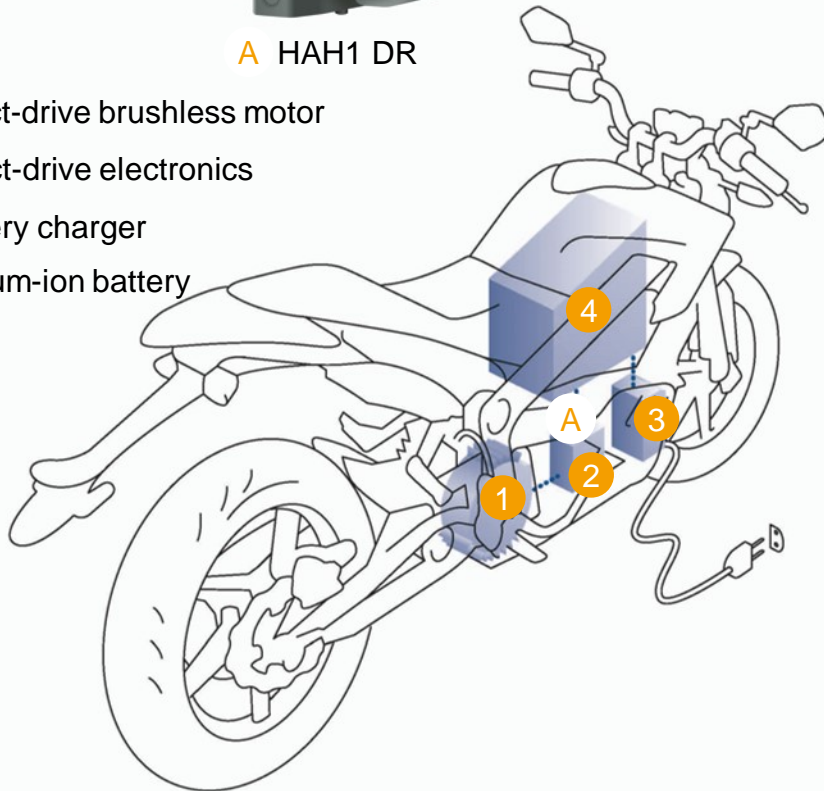
② Room air conditioner

# 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).

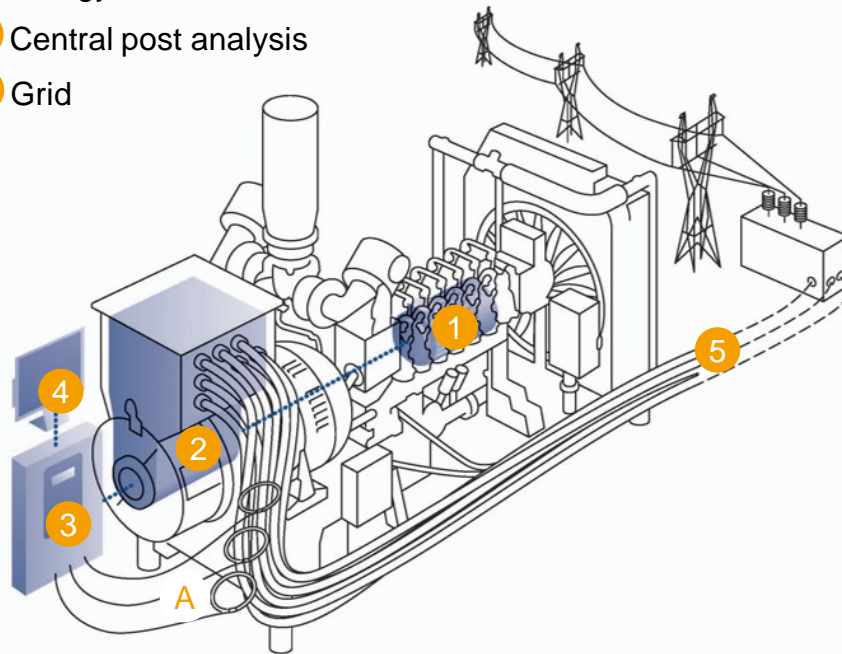
The HAH1 DR transducers (A) are used by the direct-drive electronics for a dynamic and accurate torque control.

# 1. LEM Applications: Power Generator

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



A RT 2000

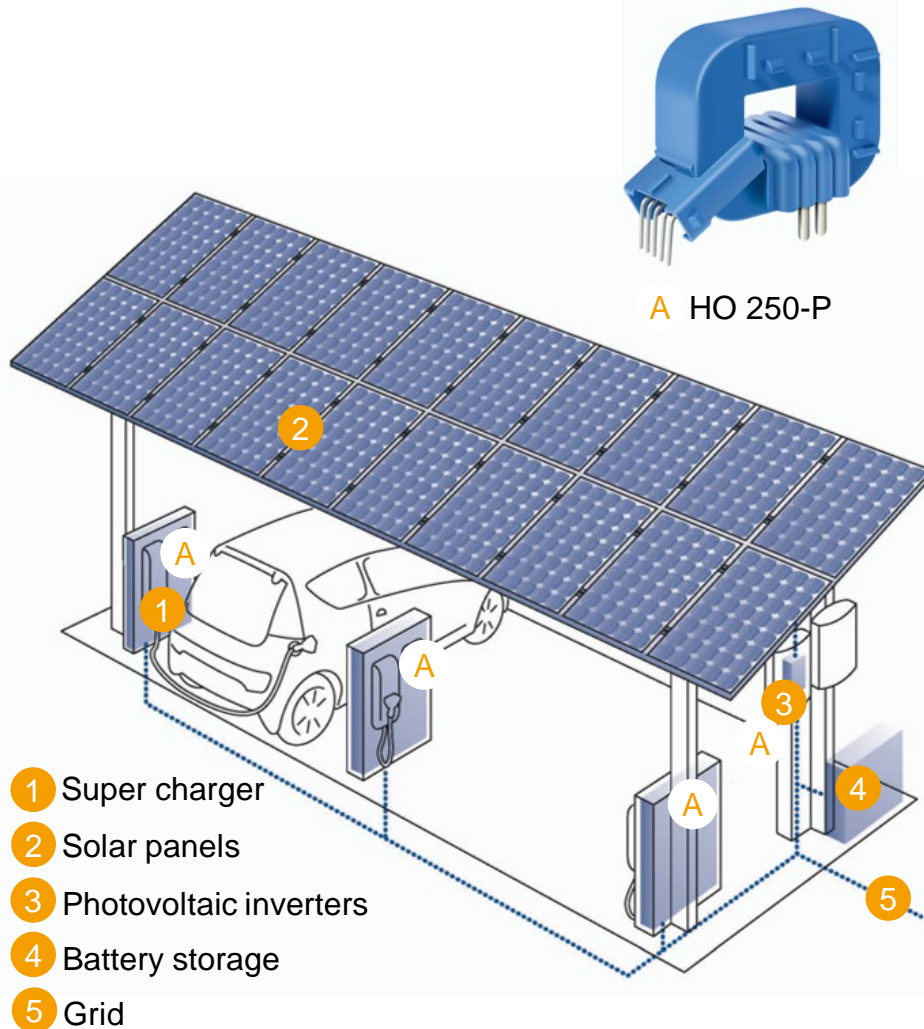


The diesel driven engine (1) activates an alternator (2), which converts mechanical energy into electricity. The electricity is conducted to the network and measured at the output of the alternator through the RT Rogowski coil, which is connected to the energy meter (3). The energy meter transmits the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



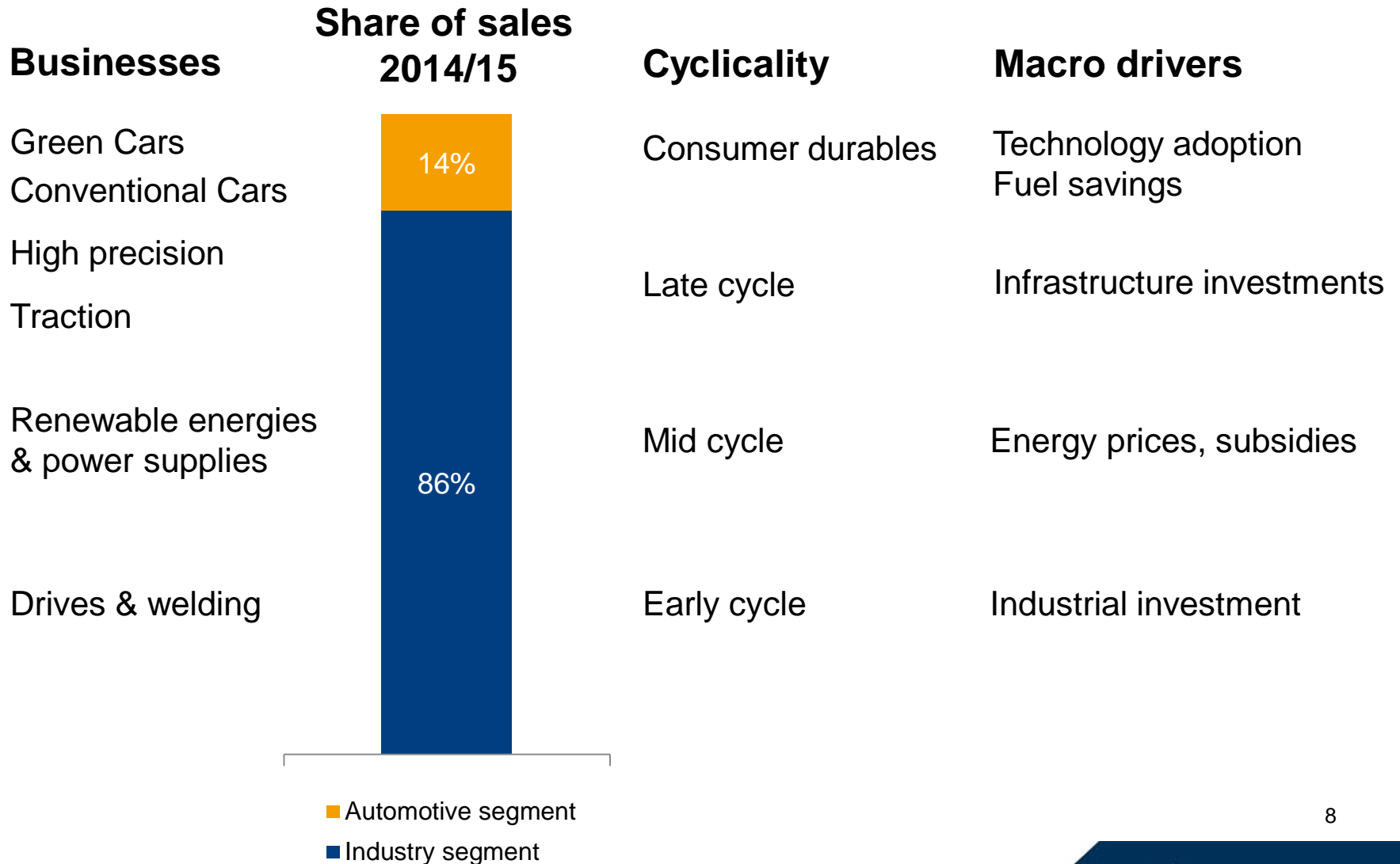
# 1. LEM Applications: Super Charger Station for Electric Vehicles



A super charger (1) operates using several 400V DC chargers in parallel. 1MW would be required from the grid (5) if 10 cars were charged simultaneously. Charging stations therefore often include a photovoltaic plant with solar panels (2) and a battery storage system (4). Stored energy is used to reduce energy peaks and to best use photovoltaic energy.

The chargers use the HO 250-P (A) to measure the DC current while the photovoltaic inverter (3) uses up to 7 transducers, such as CASRs, HLSRs and CTSRs to measure DC, AC and residual currents.

# 1. Diverse Target Markets – Diversified Businesses





# Agenda

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| 5. Proposals Shareholders Meeting        | Andreas Hürlimann       |



## 2. Highlights : Sales Growth and High Margins

In CHF millions, %	2014/15	2014/15 vs. 2013/14	Q4 2014/15 vs. Q3 2014/15
Orders	251.0	+1.9%	-4.9%
Sales	257.8	+4.9%	-4.9%
EBIT	54.2	-2.7%	-27.7%
Net profit	43.1	-5.5%	-14.3%

- Appreciation of Swiss franc versus euro adversely affected Q4 results
- Market share gains in Industry businesses
- Continuing growth in China
- Expansion of activities in Bulgaria in line with plans
- High number of product launches
- High customer and employee satisfaction

## 2. Product Launches 2014/15 (1/2)

### HO xxx-S



- Three new products in the HO xxx-S family
- Proprietary ASIC with twice improved accuracy
- High performance, over-current detection
- Compact size for panel mounting
- “Chameleon” allows three interchangeable mounting ways



Industry

### HOI



- Customer specific transducer
- Proprietary ASIC with twice improved accuracy
- High performance
- Compact size for high current



Industry

### LF product family



- Four new products in the LF family
- Proprietary ASIC for closed loop hall effect technology
- High performance, matching fluxgate performance
- Higher immunity against surrounding perturbations



Industry

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## 2. Product Launches 2014/15 (2/2)

IT xx5



- Variety of models to cover 60A to 600A nominal
- High accurate fluxgate closed loop technology
- Exceptional accuracy expressed in ppm over the temperature range
- Wide operating temperature range



Industry

HAH3 DR S03



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



Automotive

DAH BV2



- Less offset and better gain than version 1
- Lower cost
- Smallest connector
- For green cars battery pack monitoring



Automotive

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## 2. LEM Perceived as the Global Leader in Providing Transducers to Measure Electrical Parameters

2014 customer satisfaction survey conducted in all territories

### **What our customers say:**

- Quality of LEM products rated even higher than in 2012
- Positive perception of LEM products in terms of reliability, quality, performance and innovation
- Products have a positive impact on the value and performance of customers' own products
- LEM improved the quality of relations since 2012
- LEM understands customers' requests and expectations, both from a commercial and a technical perspective
- Appreciate working with LEM
- Rate LEM as a reliable business partner

## 2. Employees are strongly committed to the company and proud to work for LEM

2014 global employee engagement survey conducted

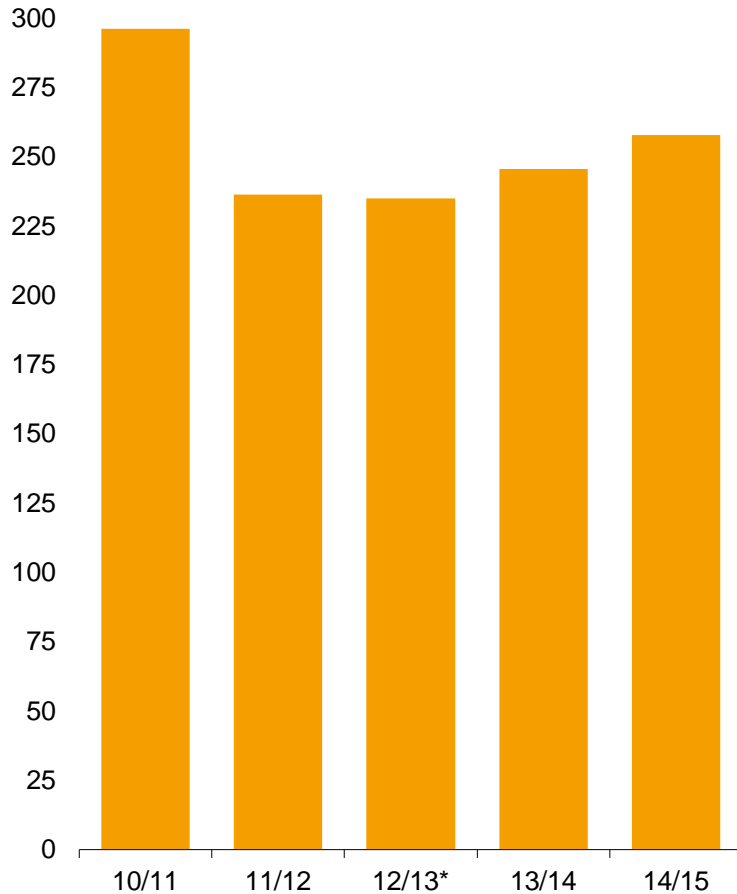
### **What our employees say:**

- LEM is more customer focused and much more able to meet customers' needs than in 2012
- LEM is more efficient and result driven
- Highest engagement level at the new site in Sofia
- Higher confidence about the future of LEM
- LEM strategy better understood and perceived as a strength



## 2. Net Sales

In CHF millions

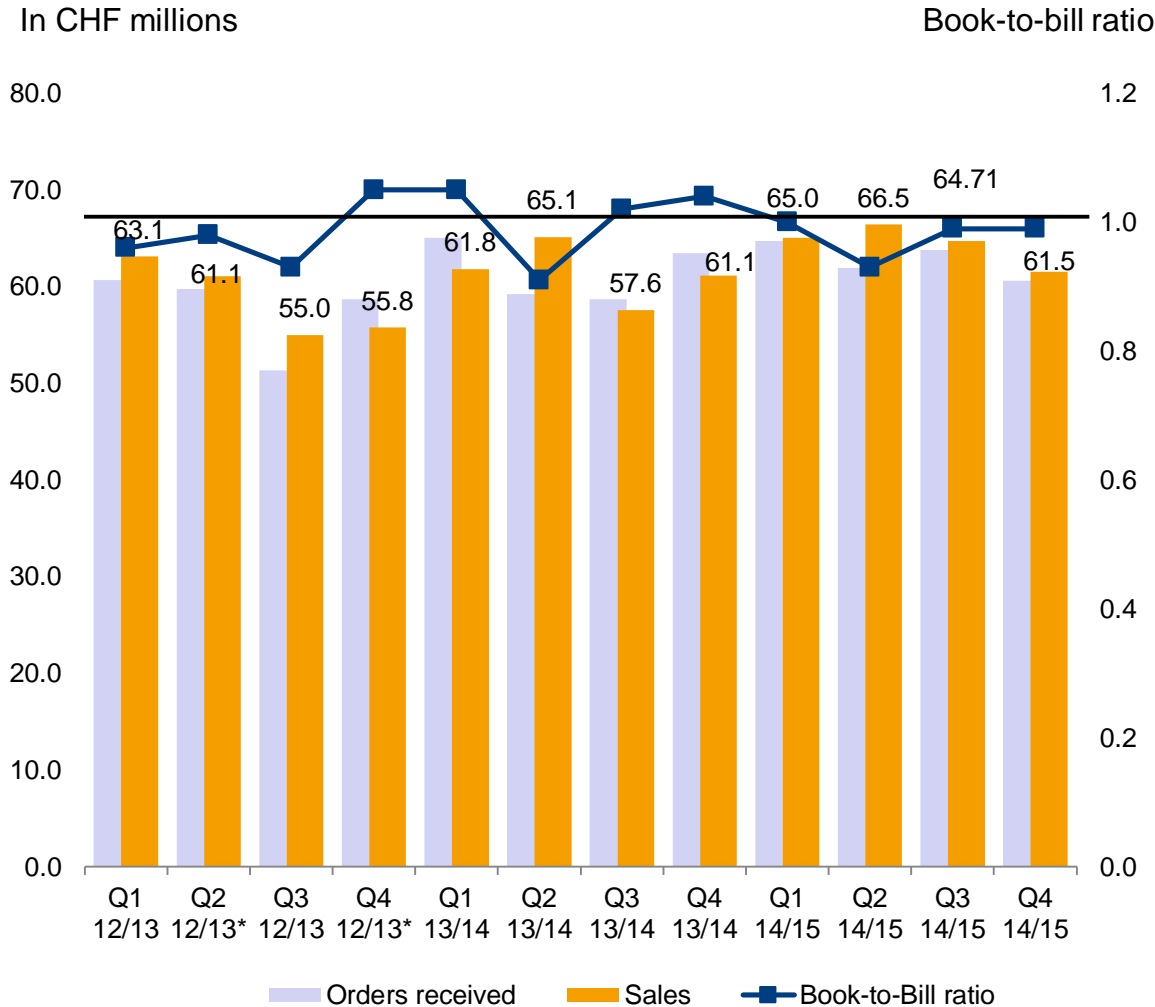


\* Restatement following IAS 19R application (pensions)

In CHF millions, %	Sales	YoY		Q4 vs. Q3
		as reported	at constant currencies	
Industry	221.0	+4.7%	+6.7%	-7.9%
Automotive	36.7	+6.2%	+6.4%	+14.2%
<b>Total sales</b>	<b>257.8</b>	<b>+4.9%</b>	<b>+6.7%</b>	<b>-4.9%</b>

- 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

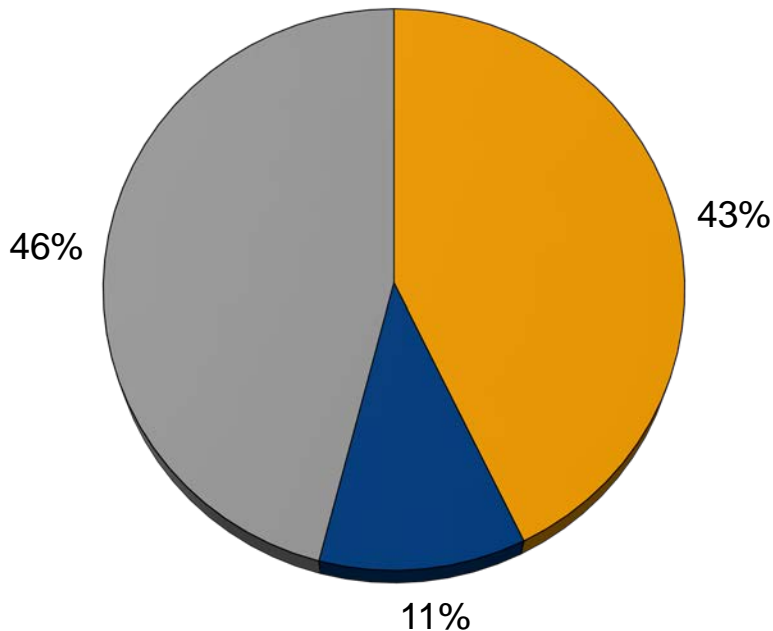


- Booking down by 4.9% Q4 vs. Q3
- Currency impact in Q4
- Book-to-bill ratio stable at around 1
- Customers' requested lead times and stock levels continue to trend downwards

\*Restatement following IAS 19R application (pensions)

## 2. Industry Segment: Regional Markets

- Europe
- North America
- Asia and ROW

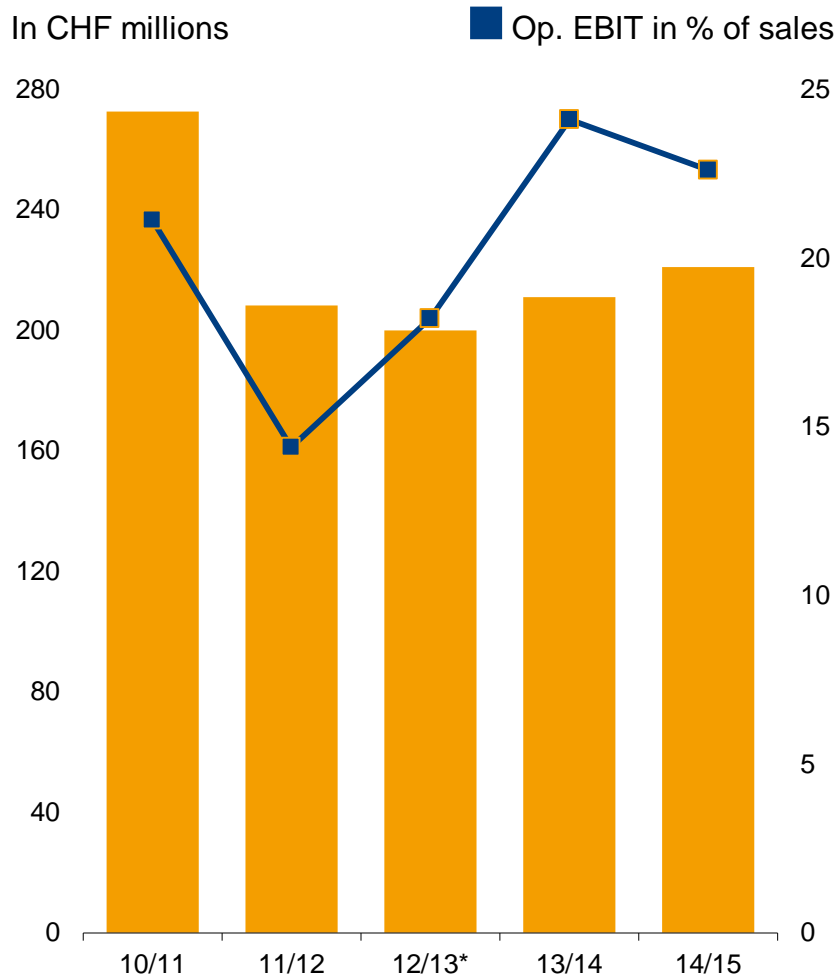


In CHF millions, %	Sales	Growth YoY	Growth Q4 vs. Q3
Europe	94.6	+0.2%	+0.6%
N. America	24.9	-8.1%	+13.3%
Asia and RoW	101.6	+13.3%	-19.9%
<b>Total</b>	<b>221.0</b>	<b>+4.7%</b>	<b>-7.9%</b>

- Growth and market share gains across most businesses
- Strong growth in China
- Asia the most important sales region
- Success with recently launched products
- Chinese New Year (fewer working days) impacted Q4 in Asia



## 2. Industry Segment: Business Development



\* Restatement following IAS 19R application (pensions)

### Businesses and Applications

#### Drives & welding (growth YoY: +1%)

- Transfer of customers' production to Asia
- Weakening trend in Europe and North America
- Positive performance in Asia

#### Renewable energies & power supplies (+1%)

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

#### Traction (+26%)

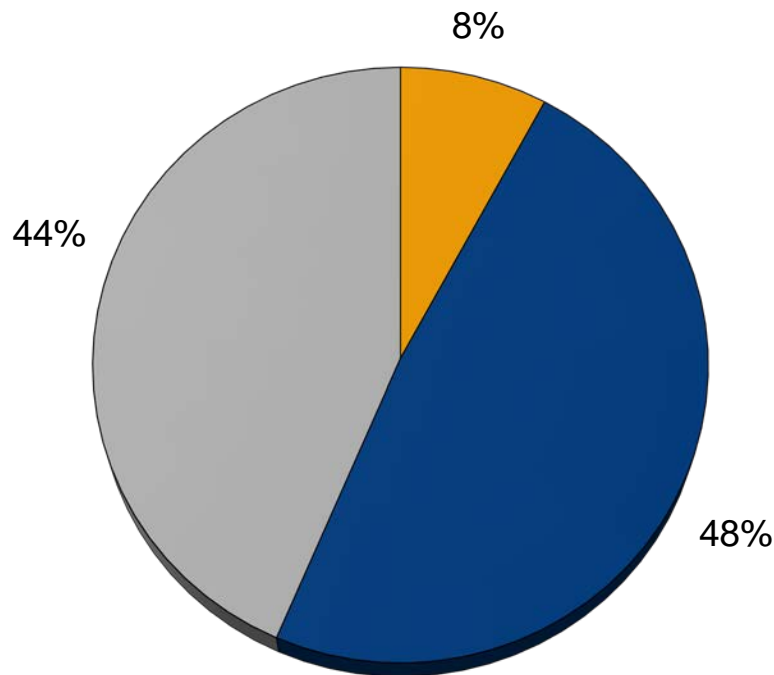
- Recovery of infrastructure investments
- High activity in China, India and Korea; for local and export markets
- High activity in light rail applications

#### High-precision (-13%)

- Stable medical applications
- Weak demand in test & measurement

## 2. Automotive Segment: Regional Markets

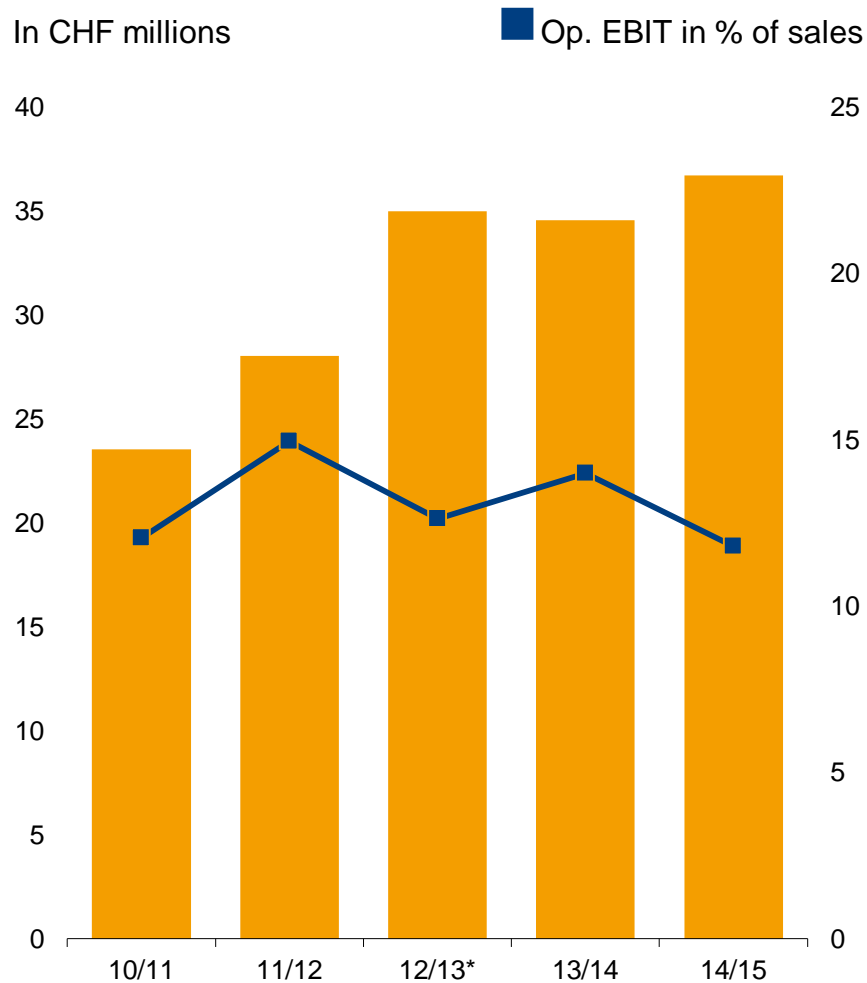
- Europe
- North America
- Asia and Rest of World



In CHF millions, %	Sales	Growth YoY	Growth Q4 vs. Q3
Europe	2.9	-2.7%	+48.9%
N. America	17.8	-1.0%	+18.6%
Asia and RoW	16.0	+17.7%	+4.1%
<b>Total</b>	<b>36.7</b>	<b>+6.2%</b>	<b>+14.2%</b>

- Focus on Asian and North American markets
- Robust battery management sales
- New projects in green cars businesses in China

## 2. Automotive Segment: Business Development



### Businesses and Applications

#### Conventional cars (YoY: +4%)

- Consistent battery management business
- New customers and new platforms with existing customers
- New start/stop application for niche markets

#### Green cars (HEV, EV) (+15%)

- China promotion to use green cars triggering a sharp growth at the end of 2014
- New projects with Chinese manufacturers
- Recovery of hybrid vehicle applications

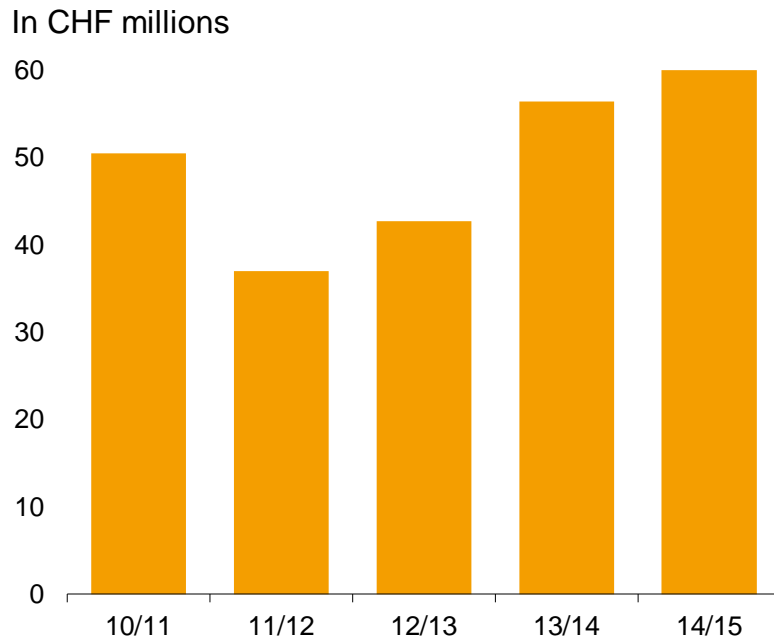
\* Restatement following IAS 19R application (pensions)



## 2. Business Development China

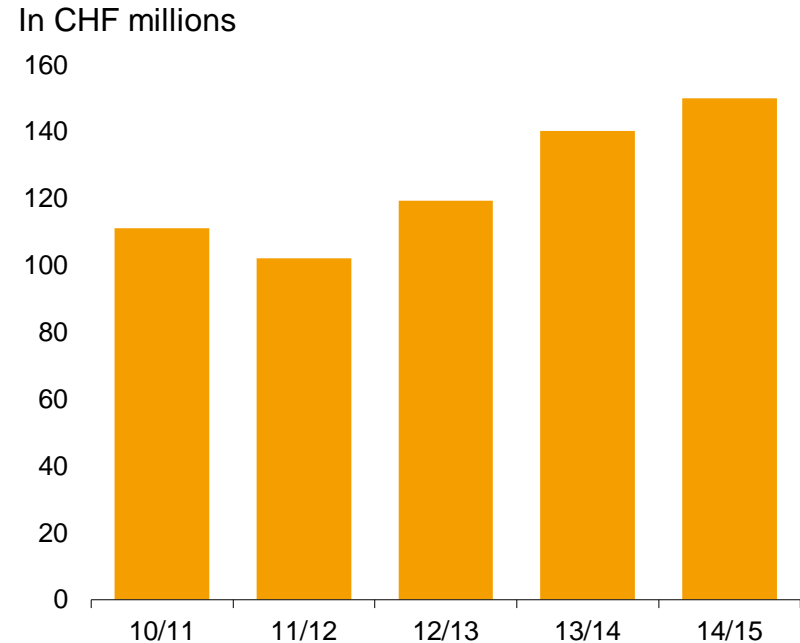
### Sales

- Market share of over 50%
- Most important market with 26% of total sales



### Production

- LEM China stabilizes its #1 position as largest manufacturing site of the Group (58% of total production, compared to 57% in financial year 2013/14)
- “Made by LEM” quality



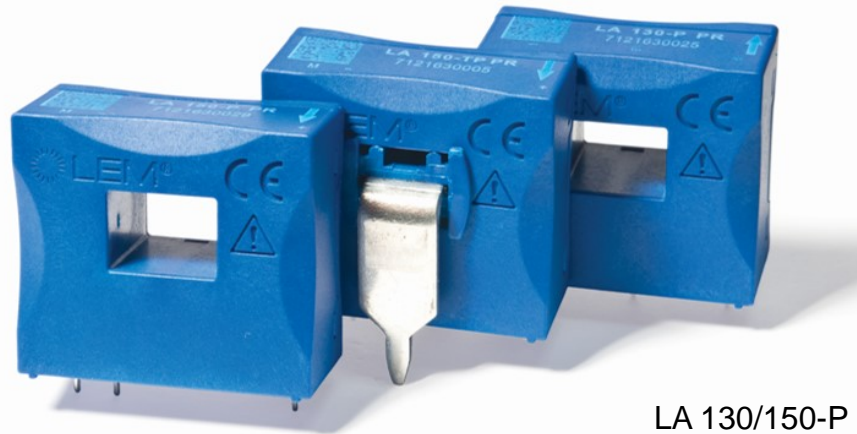
## 2. New Production Site in Sofia (Bulgaria)

- 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
    - 118 employees
    - 5 production lines
    - 8 product families with more than 100 different products
    - Production represents 5.9% of global output in Q4 of 2014/15



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LA 130/150-P

### 3. Financial Highlights

- Robust profitability
  - Gross margin of 45.9%
  - EBIT margin of 21.0%
  - CHF 2 million negative impact on EBIT due to foreign exchange developments in Q4 of 2014/15
  - Net profit CHF 43.1 million
- Low tax rate of 16.3%, due to one-off effects
- Strong balance sheet with equity ratio of 65.0%
- Reduced net working capital by CHF 0.8 million
- Strong free cash flow of CHF 40.5 million

### 3. Balance Sheet Analysis

In CHF millions

	31.3.2014	31.3.2015
Net working capital	38.7	37.9
Fixed assets	37.8	39.9
Noncurrent liabilities	-6.9	-6.8
<b>Net operating assets</b>	<b>69.6</b>	<b>71.0</b>
Net cash / (debt)	24.6	20.9
<b>Equity</b>	<b>94.2</b>	<b>91.9</b>
Equity ratio	65.1%	65.0%
Days of sales outstanding	65	66
Days of inventory outstanding	80	72
Days of payables outstanding	49	28

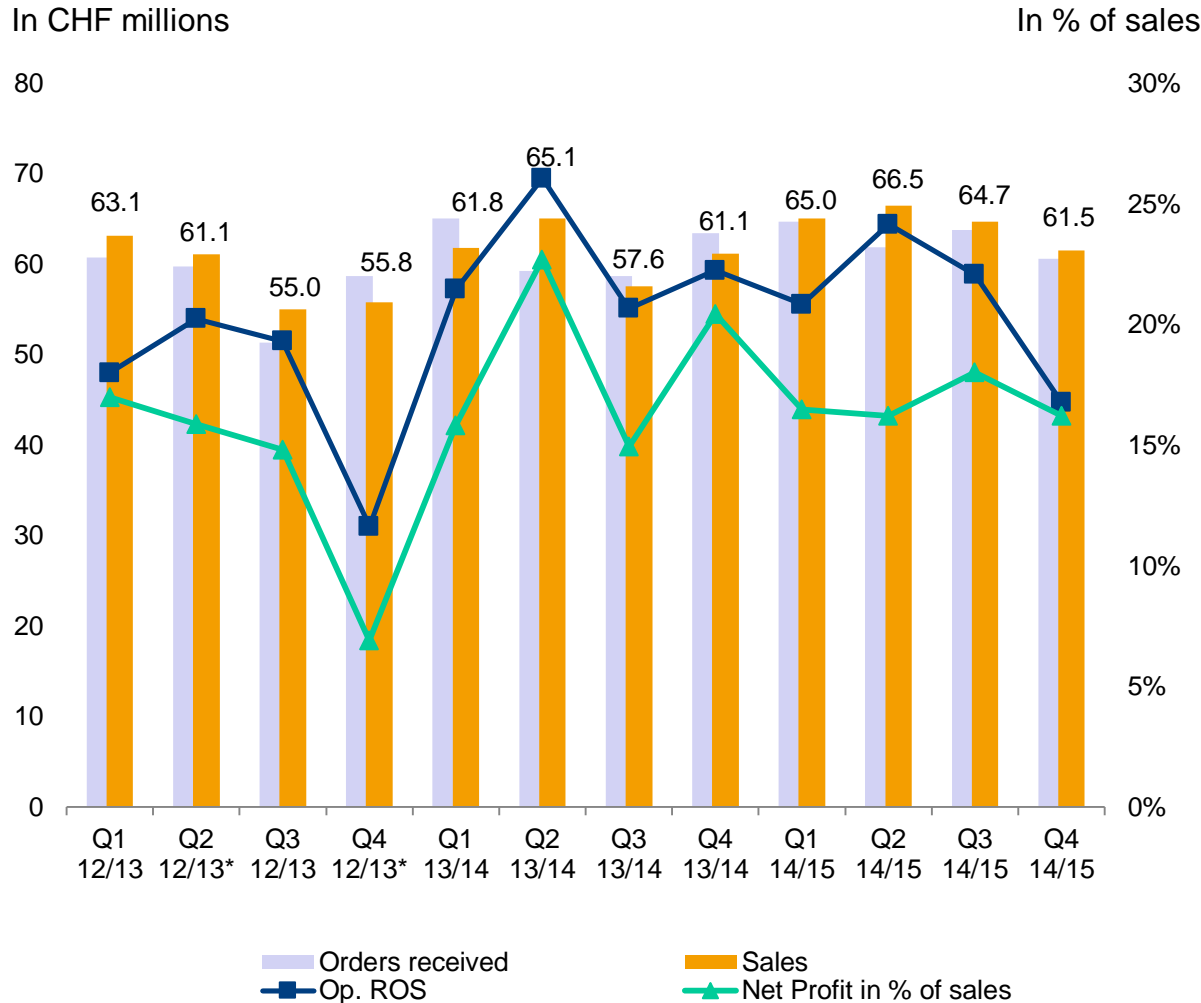


### 3. Income Statement

In CHF millions

	2013/14	2014/15	Change	Q3 2014/15	Q4 2014/15	Change
<b>Sales</b>	<b>245.6</b>	<b>257.8</b>	<b>+4.9%</b>	<b>64.7</b>	<b>61.5</b>	<b>-4.9%</b>
Gross margin	47.0%	45.9%	-1.1pt	46.2%	44.8%	-1.5pt
Operating expense	-59.6	-64.2	+7.6%	-15.6	-17.2	+10.1%
<b>EBIT</b>	<b>55.7</b>	<b>54.2</b>	<b>-2.7%</b>	<b>14.3</b>	<b>10.3</b>	<b>-27.7%</b>
Net financial exp.	-1.4	-2.7	+94.0%	-1.4	0.5	-139.1%
Income tax	-8.7	-8.4	-3.5%	-1.2	-0.9	-27.6%
<b>Net profit</b>	<b>45.6</b>	<b>43.1</b>	<b>-5.5%</b>	<b>11.7</b>	<b>10.0</b>	<b>-14.3%</b>

# 3. Results by Quarter



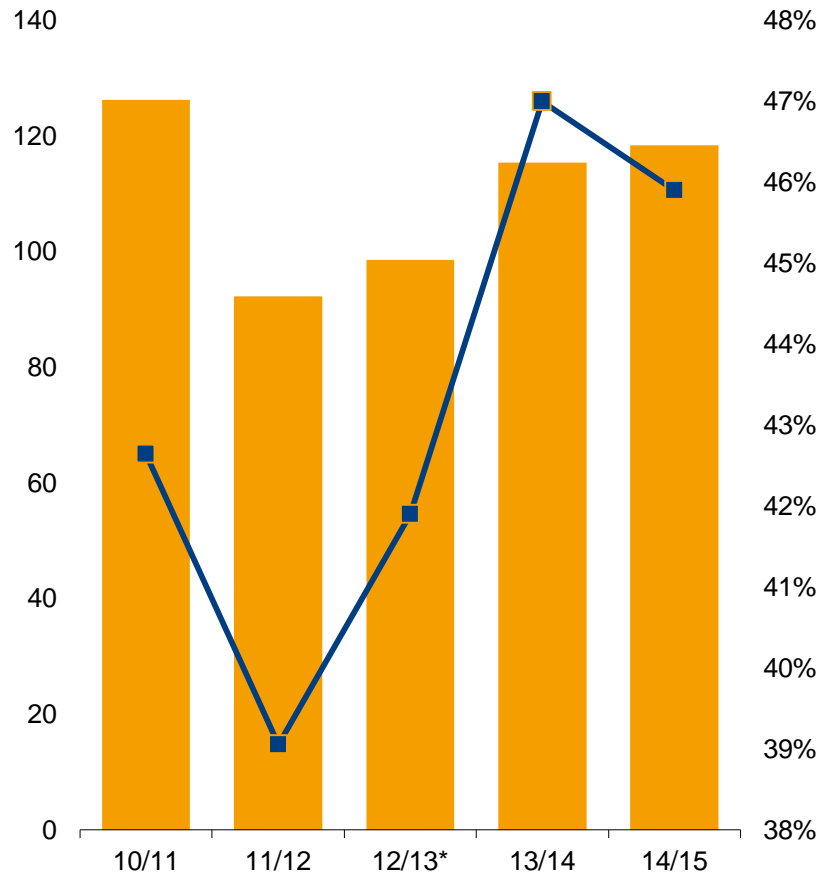
- Q4 vs. Q3 sales down by CHF 3.2 million
- CHF 2 million foreign exchange impact on EBIT margin in Q4 of 2014/15
- Q4 of 2012/13 included a restructuring charge of CHF 1.9 million

\* Restatement following IAS 19R application (pensions)

# 3. Gross Margin

In CHF millions

■ In % of sales

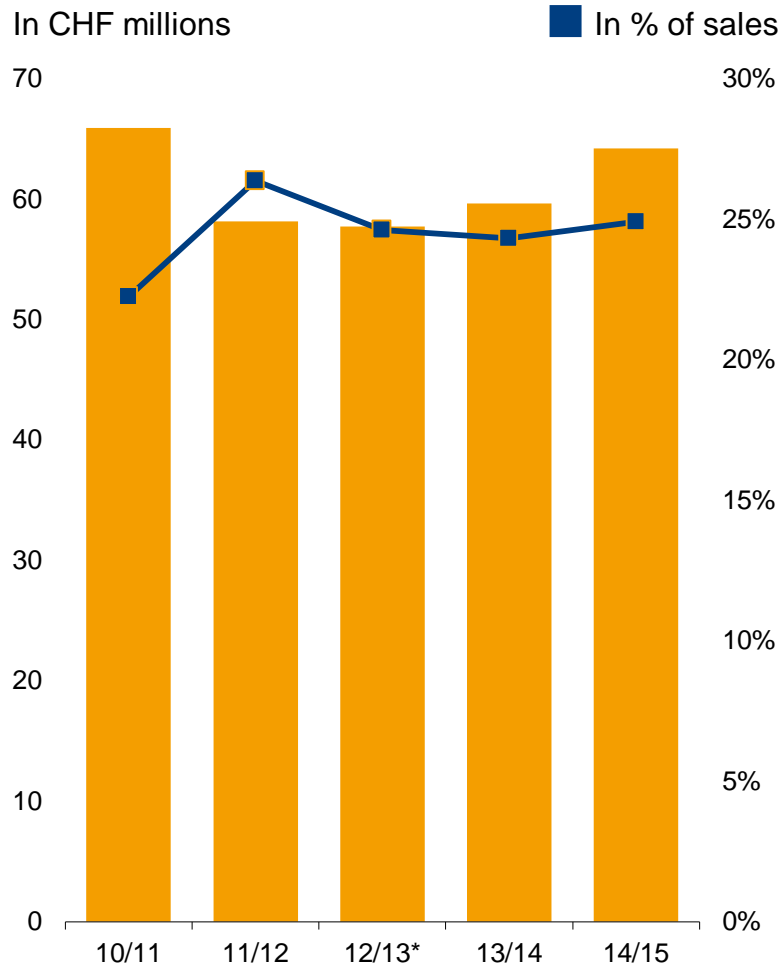


	2013/14	2014/15	Q3 2014/15	Q4 2014/15
Gross margin in CHF millions	115.4	118.4	29.9	27.5
Gross margin in % of sales	47.0%	45.9%	46.2%	44.8%

- Adverse foreign exchange impact on gross margin in Q4
- 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

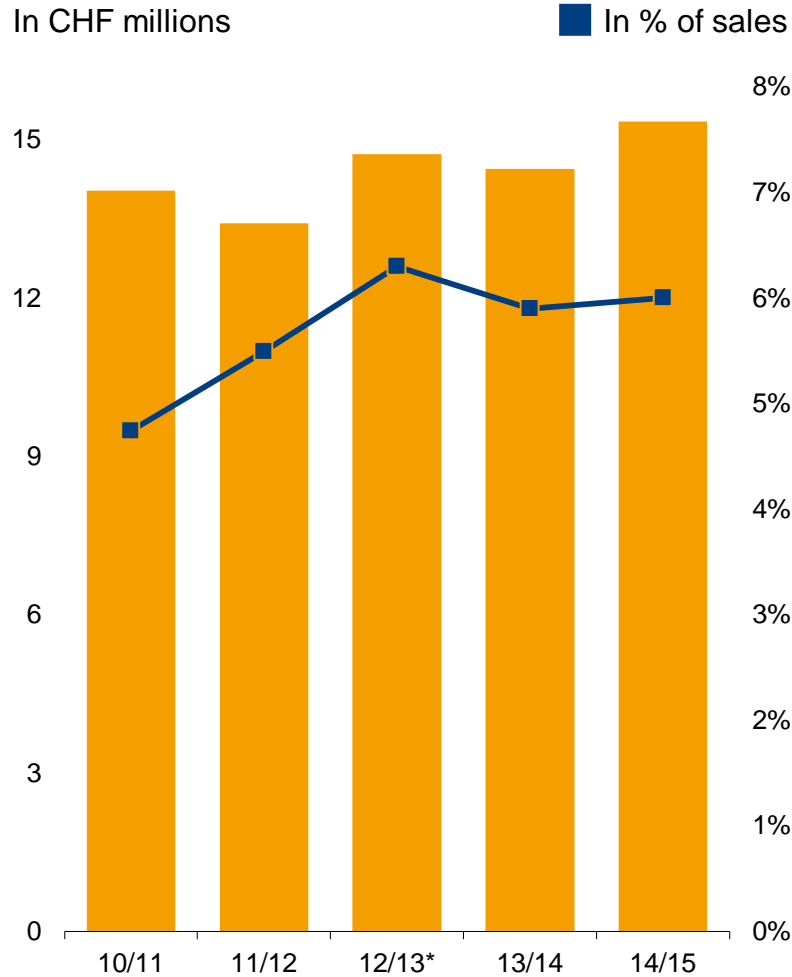


\* Restatement following IAS 19R application (pensions)

	2013/14	2014/15	Q3 2013/14	Q4 2014/15
Operating expense in CHF millions	59.6	64.2	15.6	17.2
Operating expense in % of sales	24.3%	24.9%	24.2%	28.0%

- Higher administration expense driven by
  - IT and strategy consultancy
  - LEM Bulgaria development
  - Increased R&D spend
  - Positive one-off effect on pension revaluation of CHF 1.2 million in 2013/14
- Ongoing strict cost control measures

# 3. R&D Expense



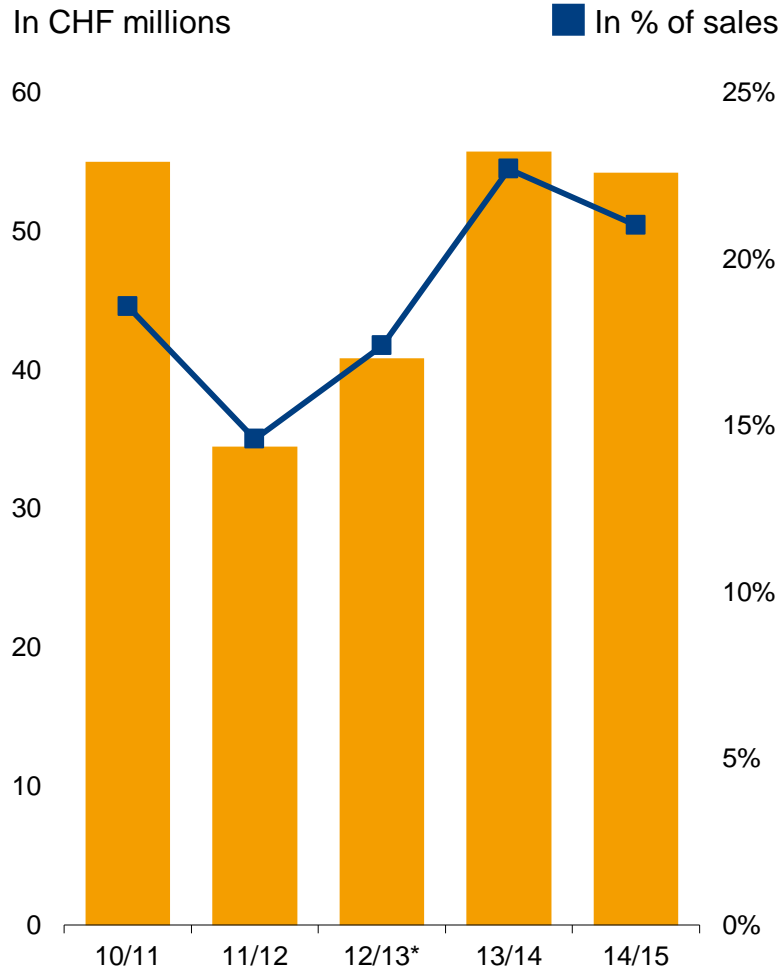
	2013/14	2014/15	Q3 2014/15	Q4 2014/15
R&D expense in CHF millions	14.4	15.3	3.7	4.3
R&D expense in % of sales	5.9%	6.0%	5.7%	6.9%

- 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



	2013/14	2014/15	Q3 2014/15	Q4 2014/15
EBIT in CHF millions	55.7	54.2	14.3	10.3
EBIT in % of sales	22.7%	21.0%	22.1%	16.8%

- High operational profitability maintained
- Continued cost control and high gross margins
- Adverse foreign exchange impact in Q4 of 2014/15

\* Restatement following IAS 19R application (pensions)

### 3. Financial Expense

In CHF millions

	2013/14	2014/15	Q3 2014/15	Q4 2014/15
Exchange effect*	-1.4	-2.6	-1.3	+0.6
Other financial expense & income	+0.0	-0.1	-0.1	-0.0
<b>Total</b>	<b>-1.4</b>	<b>-2.7</b>	<b>-1.4</b>	<b>+0.5</b>

- 2014/15 exchange effect mainly driven by EUR, JPY and RUB devaluation; partially compensated by gains on USD and CNY positions
- 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

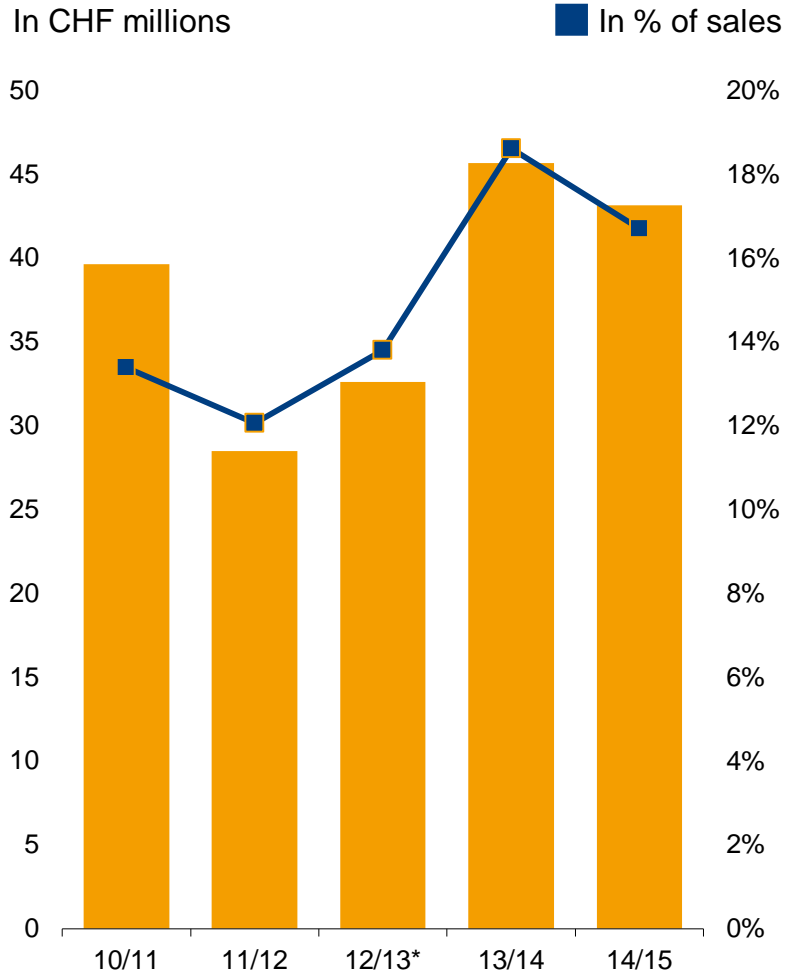
\* The line "exchange effect" in the financial result is mainly due to currency volatility during the time between booking and settling a receivable/payable. Over and above this line, foreign exchange rates impact every P&L line through the rate at which each transaction is booked and at which it is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

### 3. Income Taxes

	2013/14	2014/15
Expected income tax rate	16.8%	17.6%
Expected withholding tax rate	2.0%	0.8%
<b>Expected tax rate</b>	<b>18.8%</b>	<b>18.4%</b>
Permanent differences	0.1%	0.5%
Effect of changes in tax rates on deferred tax	-2.9%	-2.4%
Adjustment in respect of previous period's income tax	-0.1%	-0.4%
Other differences	0.1%	0.2%
<b>Effective tax rate</b>	<b>16.0%</b>	<b>16.3%</b>

- Higher expected tax rate due to decision to abandon the HNTE status in China
- One-off reversal of withholding tax provision after application of CN-CH double taxation agreement

# 3. Net Profit



	2013/14	2014/15	Q3 2013/14	Q4 2014/15
Net profit in CHF millions	45.6	43.1	11.7	10.0
Net profit in % of sales	18.6%	16.7%	18.0%	16.2%



\* Restatement following IAS 19R application (pensions)

### 3. Cash Flow Statement

In CHF millions

	2013/14	2014/15
Profit before taxes	54.4	51.5
Adjustment for noncash items and taxes paid	-5.1	4.3
Cash flow from changes in net working capital	-8.7	-5.6
<b>Cash flow from operating activities</b>	<b>40.6</b>	<b>50.2</b>
Cash flow from investing activities	-8.7	-9.7
<b>Free cash flow</b>	<b>31.9</b>	<b>40.5</b>
Cash flow from financing activities	-34.0	-45.1
Change in cash and cash equivalents	-2.2	-4.6
<b>Cash and cash equivalents at the end of the period</b>	<b>24.6</b>	<b>20.9</b>

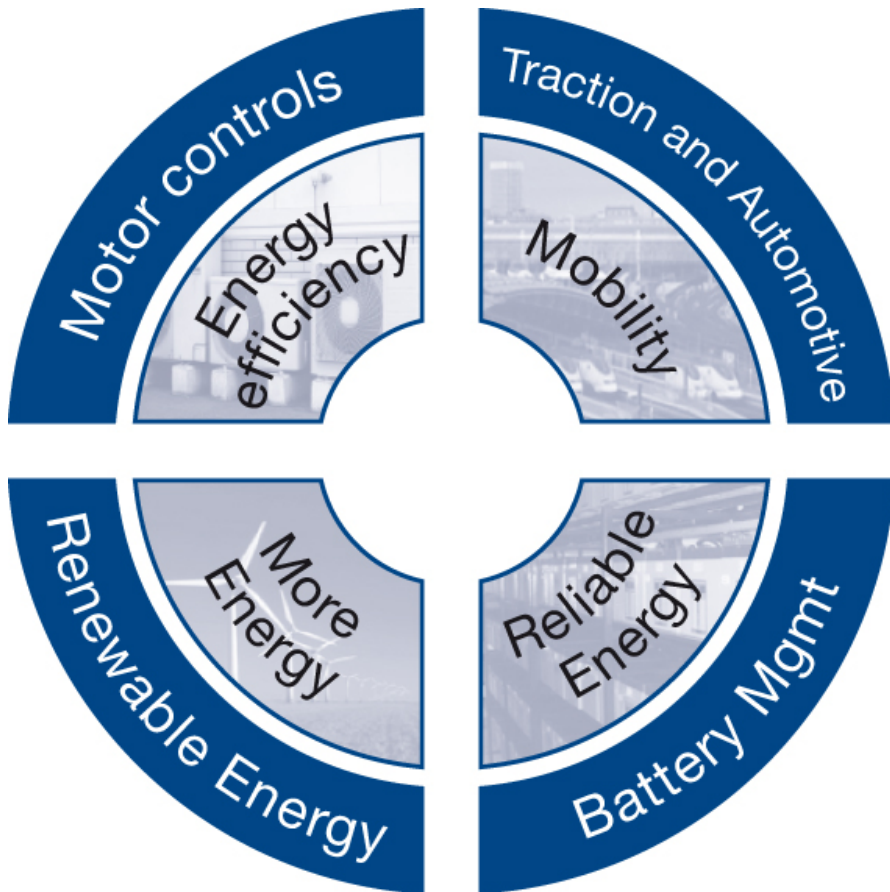


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## 4. Market Factors and Strategy



- 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. Executing Strategy

### Strategic priorities

### Achievements in 2014/15

#### Increase technology leadership

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

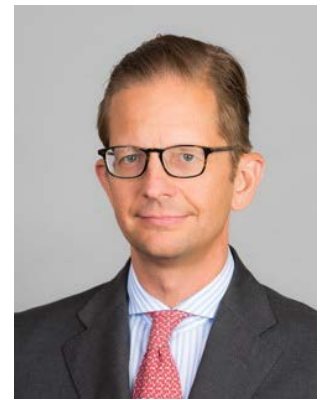
#### Increase efficiency

- Reduce product cost through cost-competitive sourcing and manufacturing
  - Reduce complexity of organization
- Increased activities in Sofia in line with plan
  - Unification of processes with new ERP launched 1 April 2015

#### Increase production flexibility

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

## 4. Andrea Borla new CFO



- With LEM as of 1 December 2015
- Currently CFO at Schindler France
- Previously a regional general manager at Schindler China and head of group consolidation at SAirGroup
- Holds a PhD and a Master's degree in Finance and Accounting from University of St. Gallen
- Age 48, Swiss national

## 4. Rainer Bos new head of Automotive segment



- Succeeding Luc Colombel as of July 2015
- Currently managing director, Automotive at Amphenol-Tuchel Electronics GmbH
- Held leadership positions in business management, Sales & Marketing, key account management and R&D Projects in Delphi and Continental Automotive Systems
- Graduated in Industrial Engineering from Darmstadt University of Technology
- Age 53, German national

## 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



# Agenda

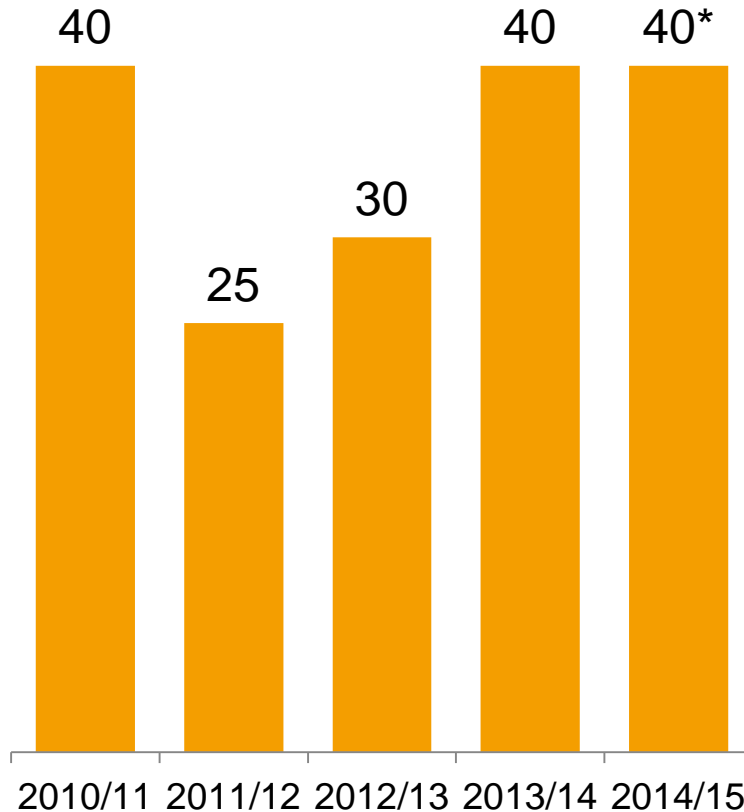
- |   |                          |
|---|--------------------------|
| 1. LEM at a Glance                          | François Gabella         |
| 2. Highlights and Business Review           | François Gabella         |
| 3. Financial Review                         | Julius Renk              |
| 4. Strategy and Outlook                     | François Gabella         |
| <b>5. Proposals to Shareholders Meeting</b> | <b>Andreas Hürlimann</b> |



ITL 1200-T

## 5. Dividend Proposal

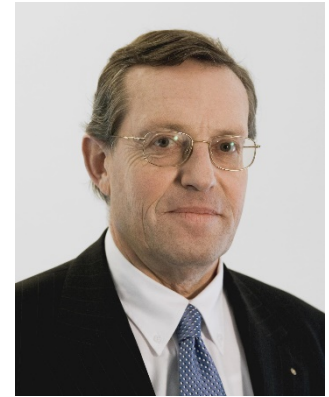
LEM Dividend History



- 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 105.7%
- Sign of trust in the Company's future

\* Proposal to ordinary General Meeting of the Shareholders of 25 June 2015

## 5. Proposed New Board Member



Ulrich J. Looser

- M.Sc. Physics ETH Zurich, M.A. HSG, University of St. Gallen
- Partner and entrepreneur at BLR & Partners, since 2009
- Board member of Straumann, Kardex and other privately held companies
- Previously leading management positions at Accenture incl. Chairman of Accenture (Switzerland) and Partner at McKinsey
- Member of the boards of Economiesuisse, University of Zurich and Swiss National Science Foundation (SNF)
- Deep insights into various industrial customer segments combined with proven leadership experience in strategy development, M&A and operational excellence programs
- Age 57, Swiss citizen

# Q&A

# Financial Calendar and Contact Details

## Financial calendar

25 June 2015	Ordinary General Meeting of the Shareholders for the year 2014/15
30 June 2015	Dividend ex-date
2 July 2015	Dividend payment date
11 August 2015	First quarter 2015/16 results
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 2014/15
5 July 2016	Dividend ex-date
7 July 2016	Dividend payment date

## For further information

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