

## 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

Andrea Borla

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 261.5 million in 2015/16



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

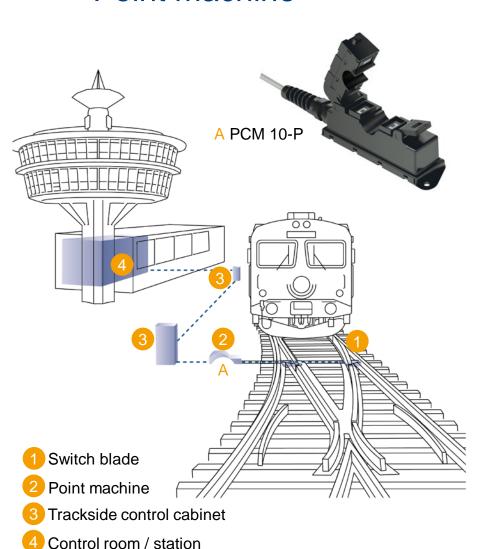


- Reinforced investment in innovation
- Solid growth perspectives due to underlying trends
- Strong foothold in China
- EBIT margin target of 15 to 20%



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# 1. LEM Applications: Point machine



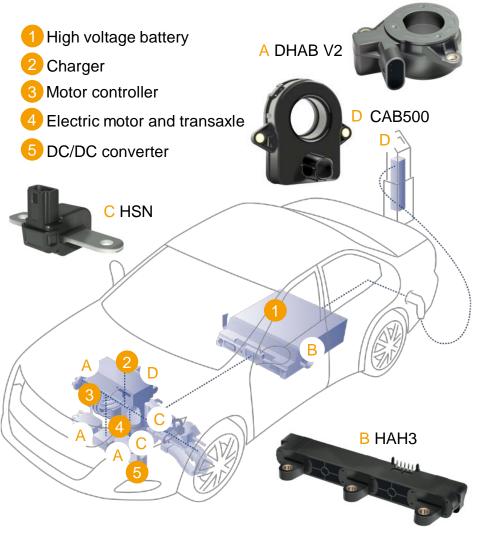
In the earliest times, simple levers operated railway points manually. Gradually the points came to be operated by centralized levers in stations (4) and point machines.

Point machines (2) have an electric motor and gears to convert the rotating motion of the motor into the linear motion required to switch the points. The machine performs following functions: moving switch blades (1), locking the blades, detection and proving the position of blades.

The current of the electric motor of the point machine is measured and monitored by a transducer (PCM 10-P) (A). Any variation from the normal current waveform indicates an early warning of equipment failure that will require preventive maintenance.



# LEM Applications: Hybrid-electric vehicles / electric vehicles



#### **Battery management**

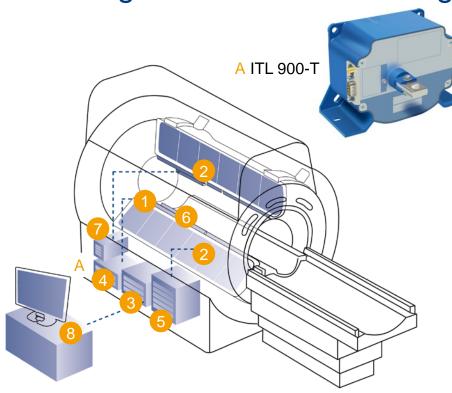
The battery management system (BMS) adjusts the charging process through the combustion engine in a hybrid-electric vehicle or gives the information for external charging of the high-voltage battery (1) in an electric vehicle. CAB (D), DHAB (A) provide all necessary current information at high accuracy 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. 5



# LEM Applications: Magnetic Resonance Imaging (MRI)



- 1 Gradient coils
- 2 Magnet & shim
- Generator
- 4 Gradient amplifier

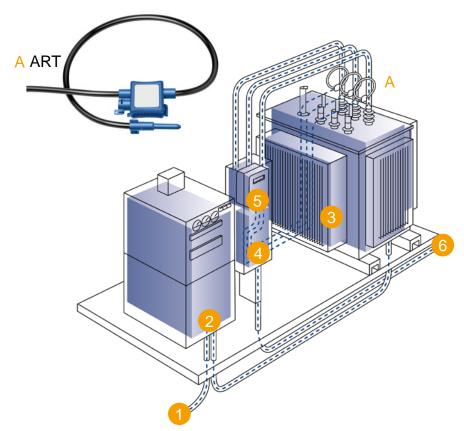
- 5 Shim control
- 6 Radio frequency coil
- 7 Radio frequency amplifier
- 8 CPU & display

MRI scanners use strong magnetic fields, radio waves, and field gradients to form images of the body. The specific magnetic field is generated by 3 gradient amplifiers (x,y,z) (4) that enhance the current to supply the gradient coils (1). The coils create a precise magnetic field that will need to vary depending on the location.

One LEM ITL 900 transducer (A) is used in each gradient amplifier to measure very accurately the electrical current flowing through the gradient coils, which generate the magnetic field. The accuracy of the current measurement directly influences the quality of the image.



# 1. LEM Applications: MV/LV substation



- 1 Medium voltage (MV) side
- 2 Medium voltage switchgear
- 3 Transformer

- 4 Low voltage panel
- 5 Smart meter
- 6 Low voltage (LV) side

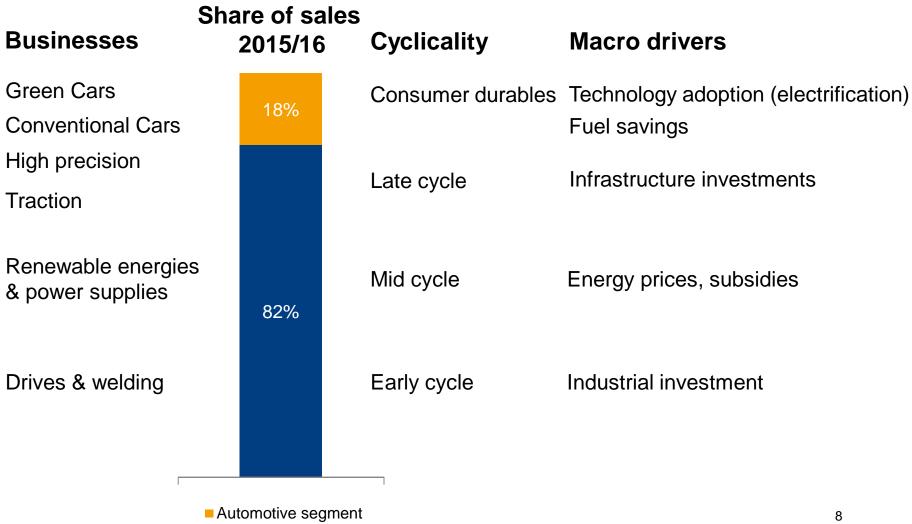
High voltage (HV) is adapted twice along its way to consumers in order to simplify its transmission and also in order to supply applications with the right levels of voltage.

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.

LEM®

## 1. Diverse Target Markets – Diversified Businesses





■ Industry segment

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## 2. Highlights: Stable Performance

In CHF millions, %	2015/16	2015/16 vs. 2014/15	Q4 2015/16 vs. Q4 2014/15
Orders	256.5	+2.2%	+2.8%
Sales	261.5	+1.4%	+1.9%
EBIT	52.9	-2.4%	+19.0%
Net profit	43.5	+0.8%	+20.2%

- Maintained strong margins and net profit despite challenging market and currency conditions
- Continuing growth in China across all businesses
- Strong growth in the green cars and renewable energies businesses managed with high delivery performance
- Systematic implementation of strategy with focus on innovation, efficiency, flexibility
- New organization in full effect since January 2016



## 2. Product Launches 2015/16 (1/2)

#### LF 2010



- Proprietary ASIC for closed loop Hall Effect technology
- High performance, matching fluxgate performance
- High immunity against surrounding perturbations
- For drives, renewable energies and traction applications



#### HOY / HOYA



- High precision measurement from 600 A to 1200 A
- Very compact casing
- Proprietary ASIC
- For customer specific drives applications



**ART** 



- Rogovski coil for 1000 V isolation
- Houses very thin coil and allows flexible mounting
- High precision measurement in entire coil
- Flagship product for smart grid applications



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## 2. Product Launches 2015/16 (2/2)

#### ATO family



- Split core transducer with 600 V isolation
- Can be retrofitted
- For energy meters in power distribution and smart grid applications





- Integrated busbar
- Measures currents of up to 1000 A
- Reduced sensor size allows compact system design
- For electric and hybrid-electric vehicles



#### HAM



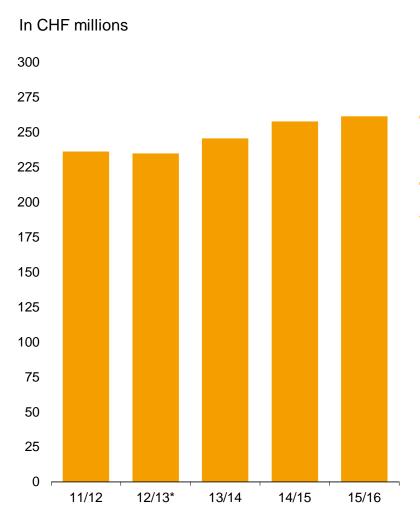
- High frequency transducer
- Compact design
- High temperature stability
- For inverters in fuel cell cars



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#### 2. Net Sales



In CHF millions, %	Sales	YoY		Q4 vs.
		as reported	at constant currencies	Q4
Industry	215.2	-2.7%	+0.3%	-1.6%
Automotive	46.3	+26.1%	+23.6%	+20.2%
Total sales	261.5	+1.4%	+3.6%	+1.9%

- Stable Industry business and strong growth in Automotive businesses
- Continued sales growth in China
- Negative currency impact on sales



<sup>\*</sup>Restatement following IAS 19R application (pensions)

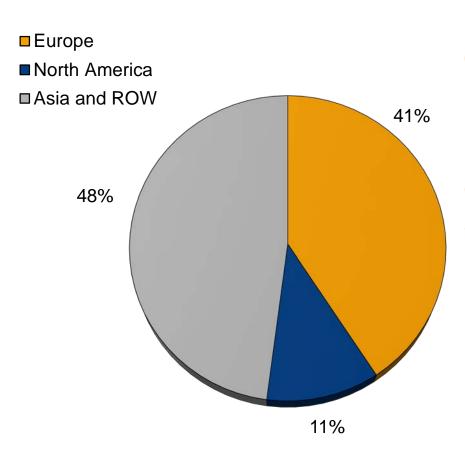
## 2. Quarterly View



- Market uncertainties and shrinking inventories at customers translating into shorter term bookings
- Currency impact on sales and bookings
- Seasonality due to increasing share of business in China and increasing share of renewable energies businesses
  - Book-to-bill ratio stable at around 1 for the past quarters



## 2. Industry Segment: Regional Markets

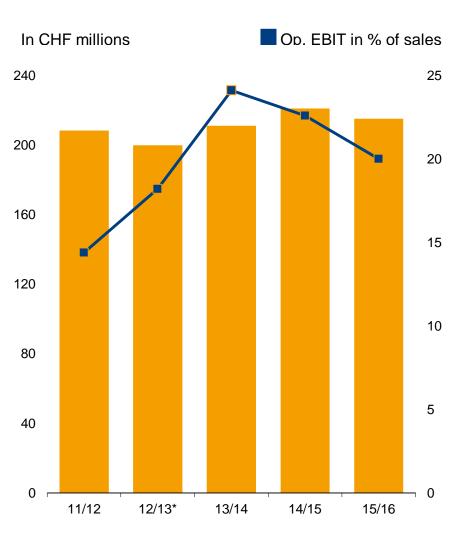


In CHF millions, %	Sales	Growth YoY	Growth Q4 vs. Q4
Europe	87.8	-7.2%	-1.7%
N. America	24.2	-2.6%	-10.2%
Asia and ROW	103.1	+1.6%	+1.2%
Total	215.2	-2.7%	-1.6%

- Stable sales development in constant currencies (+0.3%)
- China the single most important country representing 31% of sales
- Won market share in China
- Repeated success with recently launched product families; ramp-up of production



## 2. Industry Segment: Business Development



#### **Businesses and Applications**

#### Drives & welding (growth YoY: -6%)

- Robust business in China
- Other regions soft due to weak industrial activity
- Overcapacities exert pressure on prices

#### Renewable energies & power supplies (+5%)

- Increased market share
- Continued investments solar farms and wind parks in China and the US
- High investment in battery technology in Korea
- Pick-up in smart-grid projects

#### Traction (-8%)

- High activity in China and India
- Fewer new traction projects in Europe

#### High-precision (+8%)

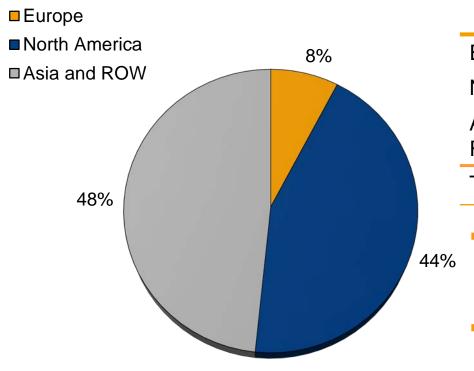
- Stable medical applications
- Robust demand in test & measurement
- HVDC at high level

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<sup>\*</sup>Restatement following IAS 19R application (pensions)

## 2. Automotive Segment: Regional Markets

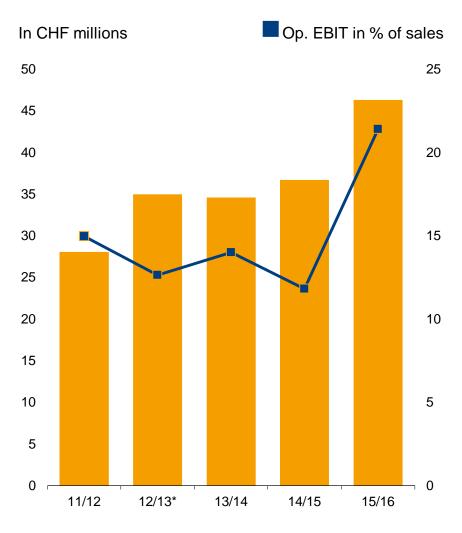


In CHF millions, %	Sales	Growth YoY	Growth Q4 vs. Q4
Europe	3.6	+22.2%	+5.3%
N. America	20.4	+14.2%	+3.6%
Asia and ROW	22.4	+40.1%	+42.4%
Total	46.3	+26.1%	+20.2%

- Strongest performance in China (sales growth +55%), the US (+14%), Japan (+13%), and Germany (+33%)
- Managed growth with high delivery performance
- Won awards from customers for ontime delivery and product quality



## 2. Automotive Segment: Business Development



#### **Businesses and Applications**

#### **Conventional cars (YoY: +11%)**

- Growth in line with market; stable market share
- High demand due to strong growth of US and Chinese car markets
- Won new projects and platforms to support future growth

#### Green cars (HEV, EV) (+90%)

- Won market share
- New projects with Chinese car manufacturers and solid growth in the US
- Increasing interest in 48 V applications for mild hybrid-electric vehicles

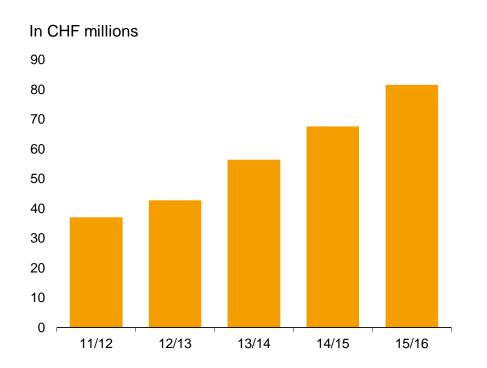


<sup>\*</sup>Restatement following IAS 19R application (pensions)

## 2. Business Development China

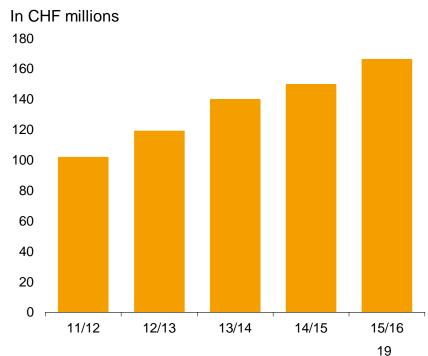
#### Sales

- Market share of over 50%
- Most important market with 31% of total sales



#### **Production**

- LEM China stabilizes 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





## 2. Business Development Sofia (Bulgaria)



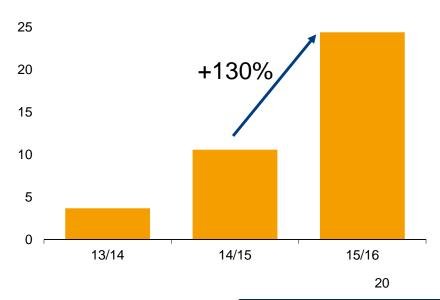
#### Objectives of the site

- 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

- 14 production lines relocated from Japan and Switzerland to Bulgaria (+6 in 2015/16)
- Headcount at 171 FTE
- Introduced a local development team to support production

In CHF millions





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## 3. Financial Highlights

- Robust profitability
  - Gross margin of 46.0%
  - EBIT margin of 20.2%
  - CHF 3.2 million negative impact on EBIT due to foreign exchange
  - Net profit CHF 43.5 million
- Operating expenses at long term average in second half year
- Free cash flow of CHF 39.0 million
- Strong balance sheet with equity ratio of 61.3%

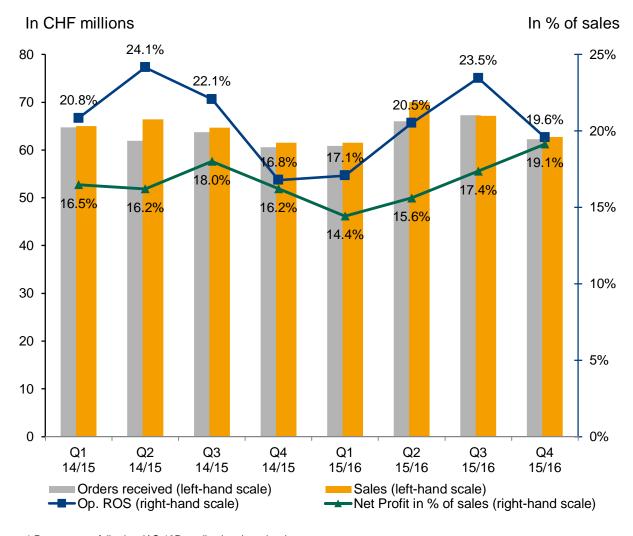
## 3. Balance Sheet Analysis

In CHF millions	31.3.2015	31.3.2016
Net working capital	37.9	42.3
Fixed assets	39.9	39.4
Noncurrent liabilities	-6.8	-9.4
Net operating assets	71.0	72.3
Net cash / (debt)	20.9	13.6
Equity	91.9	85.9
Equity ratio	65.0%	61.3%
Days of sales outstanding	66	69
Days of inventory outstanding	72	72
Days of payables outstanding	28	45

### 3. Income Statement

In CHF millions	2014/15	2015/16	Change	Q4 2014/15	Q4 2015/16	Change
Sales	257.8	261.5	+1.4%	61.5	62.7	+1.9%
Gross margin	45.9%	46.0%	+0.1pt	44.8%	45.5%	+0.8pt
Operating expense	-64.2	-67.5	+5.1%	-17.2	-16.3	-5.4%
EBIT	54.2	52.9	-2.4%	10.3	12.3	+19.0%
Net financial exp.	-2.7	0.7	+127.7%	0.5	1.6	+185.0%
Income tax	-8.4	-10.2	+20.9%	-0.9	-1.8	+106.7%
Net profit	43.1	43.5	+0.8%	10.0	12.0	+20.2%

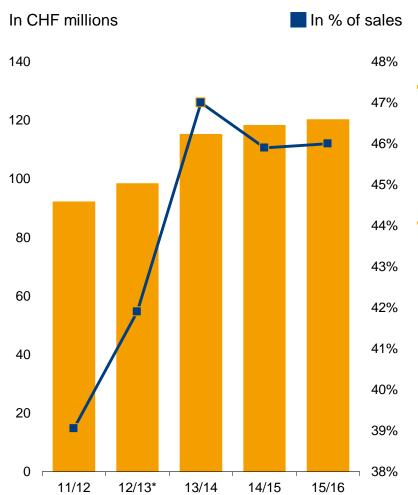
## 3. Results by Quarter



- Margin improvements in 2015/16 after weak Q1
- CHF 3.2 million negative foreign exchange impact on EBIT for financial year 2015/16

<sup>\*</sup> Restatement following IAS 19R application (pensions)

## 3. Gross Margin

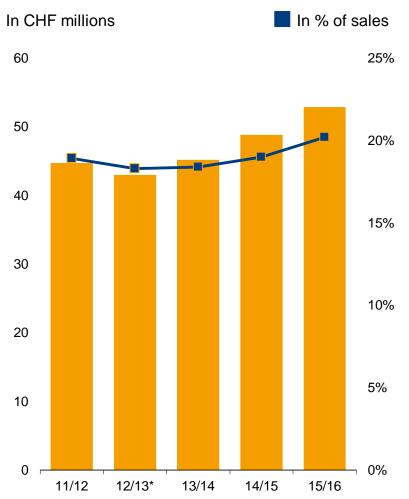


	2014/15	2015/16	Q4 2014/15	Q4 2015/16
Gross margin in CHF millions	118.4	120.4	27.5	28.6
Gross margin in % of sales	45.9%	46.0%	44.8%	45.5%

- Negative impact on gross margin due to adverse foreign exchange development and price pressure
- Positive impacts on gross margin due to relocation to cost-competitive manufacturing sites, optimized sourcing and lower commodity prices

<sup>\*</sup> Restatement following IAS 19R application (pensions)

### 3. SG&A



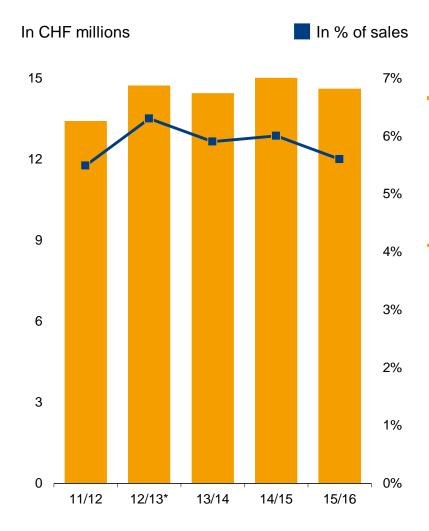
	2014/15	2015/16	Q4 2014/15	Q4 2015/16
SG&A in CHF millions	48.8	52.9	13.0	12.6
SG&A in % of sales	19.0%	20.2%	21.1%	20.0%

- Higher sales and administration expense due to recruitment in Beijing and Sofia
- One-off cost in H1 of 2015/16 due to
  - Organizational changes
  - Introduction of new ERP release
  - Build-up of European logistics and distribution platform
- Sales and administration expense back to long term average in H2 of 2015/16



<sup>\*</sup>Restatement following IAS 19R application (pensions)

## 3. R&D Expense

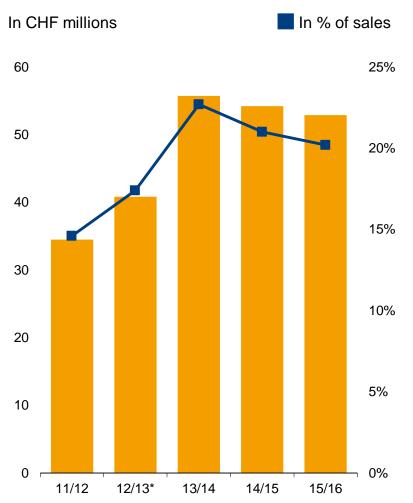


	2014/15	2015/16	Q4 2014/15	Q4 2015/16
R&D expense in CHF millions	15.3	14.6	4.3	3.7
R&D expense in % of sales	6.0%	5.6%	6.9%	5.9%

- 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

<sup>\*</sup>Restatement following IAS 19R application (pensions)

### 3. EBIT



	2014/15	2015/16	Q4 2014/15	Q4 2015/16
EBIT in CHF millions	54.2	52.9	10.3	12.3
EBIT in % of sales	21.0%	20.2%	16.8%	19.6%

- Operational profitability maintained
- Adverse foreign exchange impact; easing in the course of 2015/16
- One-time operating expenses in H1 of 2015/16
- Continued cost control and productivity improvements



<sup>\*</sup> Restatement following IAS 19R application (pensions)

## 3. Financial Expense

In CHF millions	2014/15	2015/16	Q4 2014/15	Q4 2015/16
Exchange effect*	-2.6	+1.0	+0.6	+1.6
Other financial expense & income	-0.1	-0.2	-0.0	-0.0
Total	-2.7	+0.7	+0.5	+1.6

- Exchange effect in financial year 2015/16 mainly driven by appreciation of the EUR vs. CHF
- Foreign exchange hedging policy (unchanged)
  - EUR: 100% of net exposure 12 months forward
  - USD: 100% of net exposure 12 months forward

IN LEM®

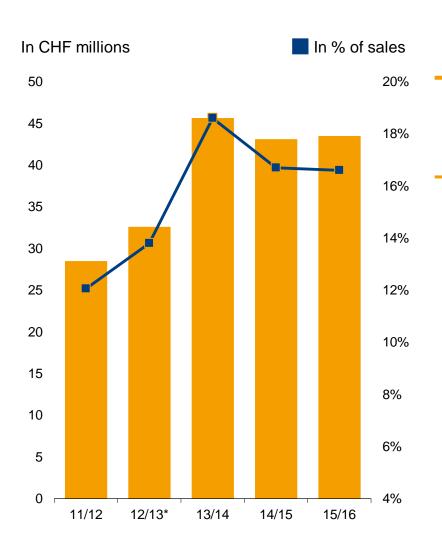
<sup>\*</sup> The line "exchange effect" in the financial result is mainly due to currency volatility during the time between booking and settling a receivable/payable. Over and above this line, foreign exchange rates impact every P&L line through the rate at which each transaction is booked and at which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

#### 3. Income Taxes

	2014/15	2015/16
Expected income tax rate	17.6%	17.8%
Expected withholding tax rate	0.8%	1.6%
Expected tax rate	18.4%	19.3%
Permanent differences	0.5%	0.3%
Effect of changes in tax rates on deferred tax	-2.4%	0.1%
Adjustment in respect of previous period's income tax	-0.4%	-1.0%
Other differences	0.2%	0.2%
Effective tax rate	16.3%	18.9%

 Unusually low tax rate in 2014/15 due to one-off reversal of withholding tax provision after application of CN-CH double taxation agreement

### 3. Net Profit



	2014/15	2015/16	Q4 2014/15	Q4 2015/16
Net profit in CHF millions	43.1	43.5	10.0	12.0
Net profit in % of sales	16.7%	16.6%	16.2%	19.1%





<sup>\*</sup>Restatement following IAS 19R application (pensions)

## 3. Cash Flow Statement

In CHF millions	2014/15	2015/16
Profit before taxes	51.5	53.7
Adjustment for noncash items and taxes paid	3.7	-7.8
Cash flow from changes in net working capital	-5.0	-0.2
Cash flow from operating activities	50.2	45.6
Cash flow from investing activities	-9.7	-6.6
Free cash flow	40.5	39.0
Cash flow from financing activities	-45.1	-45.9
Change in cash and cash equivalents	-4.6	-6.9
Cash and cash equivalents at the end of the period	20.9	13.6

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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 2015/16

#### Increase technology leadership

- Reinforce multidisciplinary innovation team
- Increase number of product launches
- Constantly improve performance of products

- Launched high number of new products
- Co-developments with customers
- New technologies ready for introduction

#### **Increase efficiency**

- Reduce product cost through costcompetitive sourcing and manufacturing
- Reduce cost of marketing, administration and R&D
- Reduce complexity of organization

- Increased production activities in Sofia
- Increased use of Sofia and Beijing for non-production activities
- Across the board productivity increases
- Completed ERP migration

#### Increase production flexibility

- Develop systems to better forecast demand fluctuations
- Improve supply chain management

- Maintained high delivery performance
- Added production capacity for successful products



## 4. New Leadership since 1 January 2016



François Gabella CEO



Rainer Bos
General Manager
Automotive



Frank Rehfeld General Manager Industry



Andrea Borla
CFO

- Sales & Marketing
- Business development
- R&D
- Operations

- Sales & Marketing
- Business development
- R&D
- Operations

- Finance
- Legal
- IT



#### 4. Outlook

- For 2016/17 we expect
  - Stable economic situation
  - Steady sales in most markets
  - Growth in China to continue, though at a slower pace
  - Growth drivers: green cars and renewable energies businesses
- Unstable currency environment and price pressure to remain challenging
- 15% to 20% EBIT margin target range confirmed



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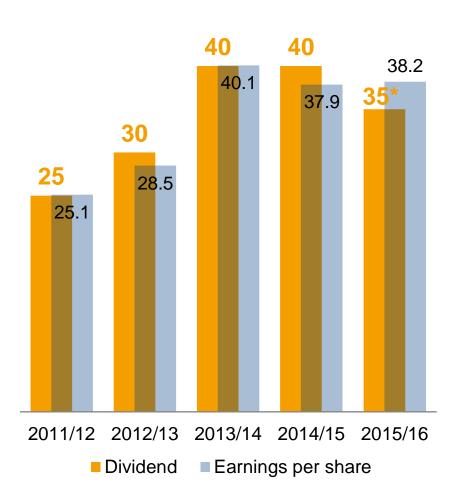
3. Financial Review Andrea Borla

4. Strategy and Outlook François Gabella

5. Proposals to Shareholders Meeting Andreas Hürlimann



## 5. Dividend Proposal



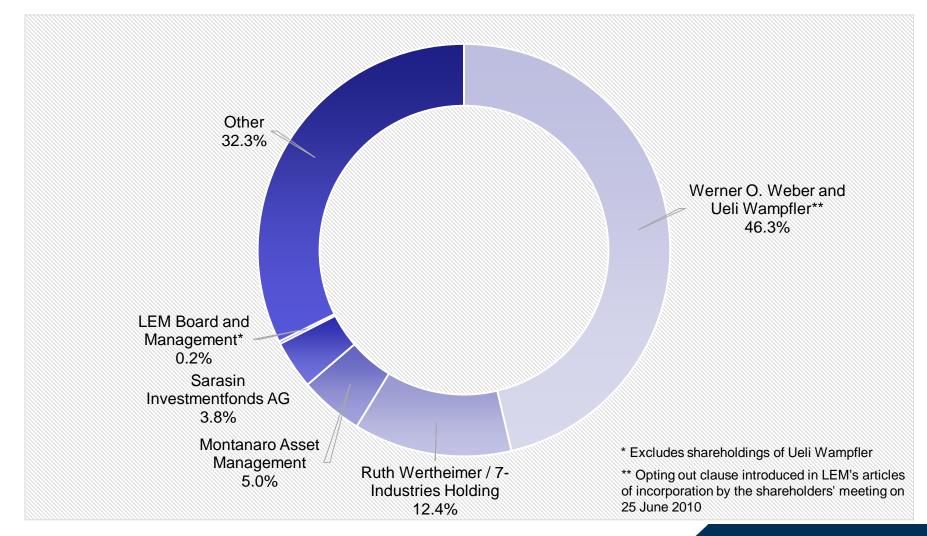
- Dividend policy of distributing significantly more than 50% of consolidated net profit to shareholders
- Ordinary dividend of CHF 35 per share proposed
- Payment corresponds to a payout ratio of 91.7%
- Sign of trust in the Company's future



<sup>\*</sup> Proposal to ordinary General Meeting of the Shareholders of 30 June 2016

## Q&A

### Shareholder structure as at 31 March 2016



#### Financial Calendar and Contact Details

#### Financial calendar

The financial year runs from 1 April to 31 March

30 June 2016 Ordinary General Meeting of Shareholders for the year 2015/16

5 July 2016 Dividend ex-date

7 July 2016 Dividend payment date

11 August 2016 First quarter results 2016/17

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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