

Results

3rd quarter of 2014/15

1 October 2014 to 31 December 2014

17 February 2015



Agenda

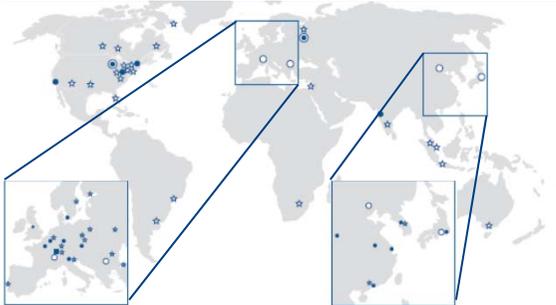
1. **LEM at a Glance**
2. Highlights and Business Review
3. Financial Review
4. Strategy and Outlook



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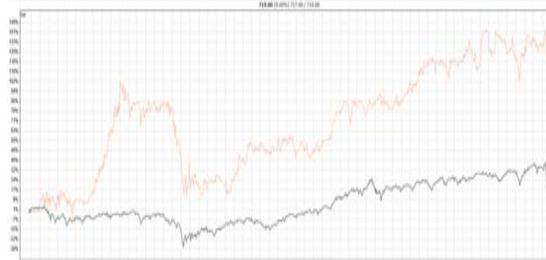
1. Global Market Leader in Current and Voltage Transducers

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 245.6 million in 2013/14

Performance



Source: Swissquote

- Continued sales growth and margin improvements
- Dividend yield >5% in each year since 2009

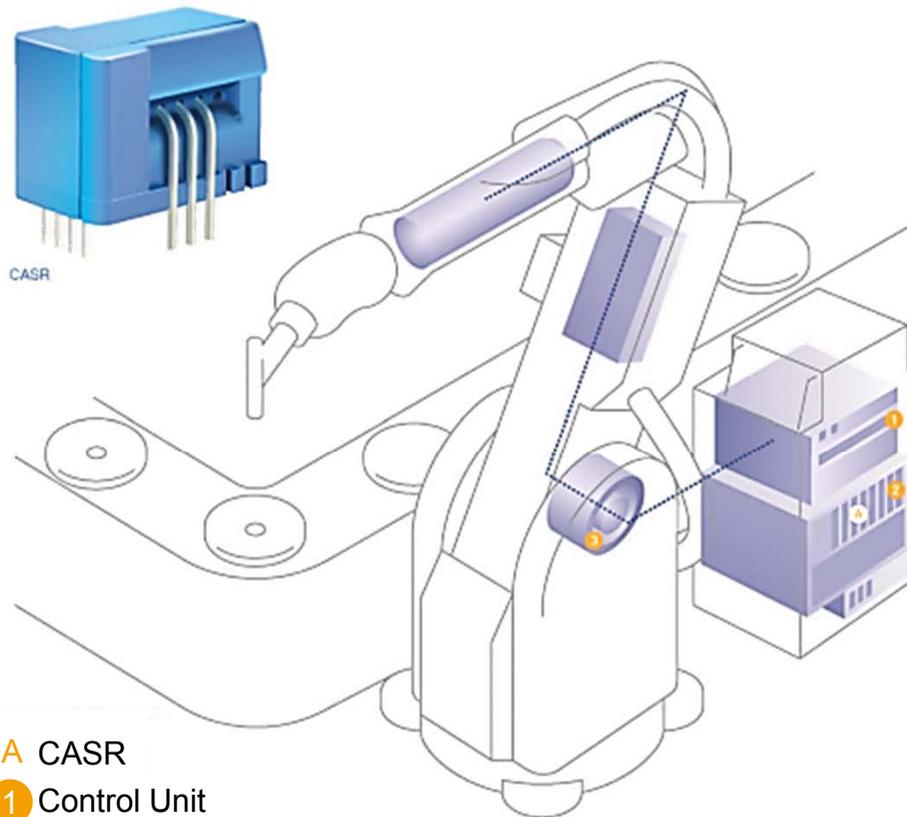
Perspectives



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

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1. LEM Applications: Robot



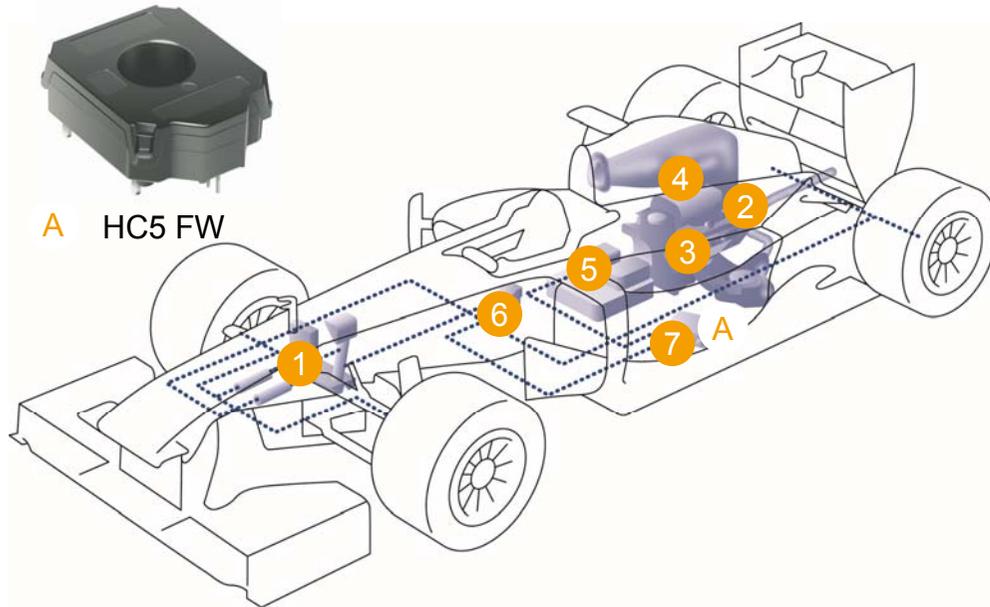
- A CASR
- 1 Control Unit
- 2 Inverter
- 3 Motor

Industrial robots require movements in 3-6 axes in order to move the end of the arm in every position. Applications are accomplished with high endurance, speed and precision.

The robot arm is moved by electrical motors: usually one motor for each axis. The power inverter (2) the motor (3) from one position to the next and stops precisely in position. To do so, an accurate measurement of the current is needed.

Transducers (A) are used to measure the current and, together with the position sensor, they are responsible for controlling the fast movement and the precision to stop the arm in the new position.

1. LEM Applications: Formula 1 Energy Recovery System



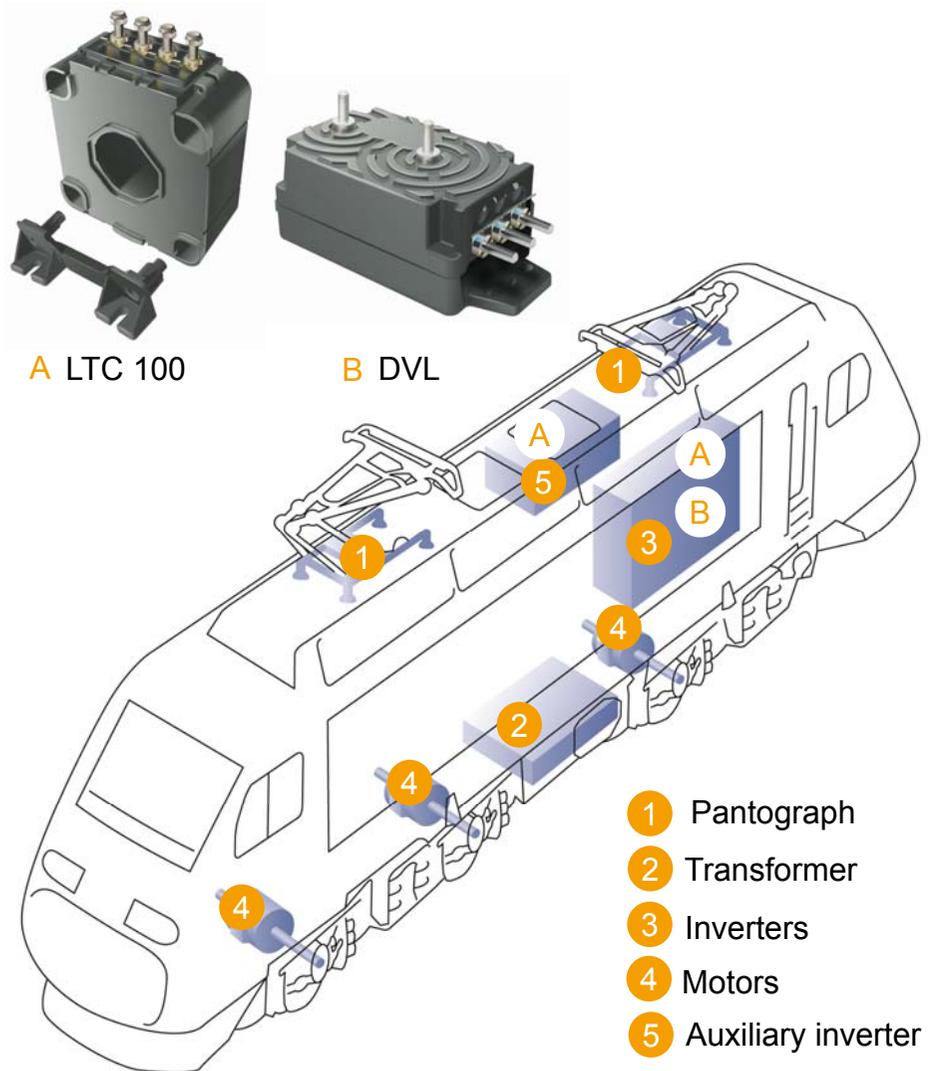
- 1 Pedals (accelerator, break)
- 2 Turbocharger
- 3 MGU-K
- 4 MGU-H
- 5 Battery
- 6 ERS break pressure valve
- 7 Engine control unit

2014 Formula 1 cars include a revised energy recovery system (ERS). Engine specifications impose a 440 kW turbocharged (2) engine combined with an ERS (3, 4) providing additional 120 kW for over 30 seconds per lap.

The ERS uses two distinct energy sources to provide the extra power: kinetic energy from braking and thermal energy from the exhaust gases. The energy is converted into electricity. The electricity is fed into a battery (5) and controlled by the ERS control unit (7).

LEM's HC5 FW (A) family of automotive current transducers measure the electric currents generated by each source, and allow the control unit to make the best decision of how and where to direct the available power.

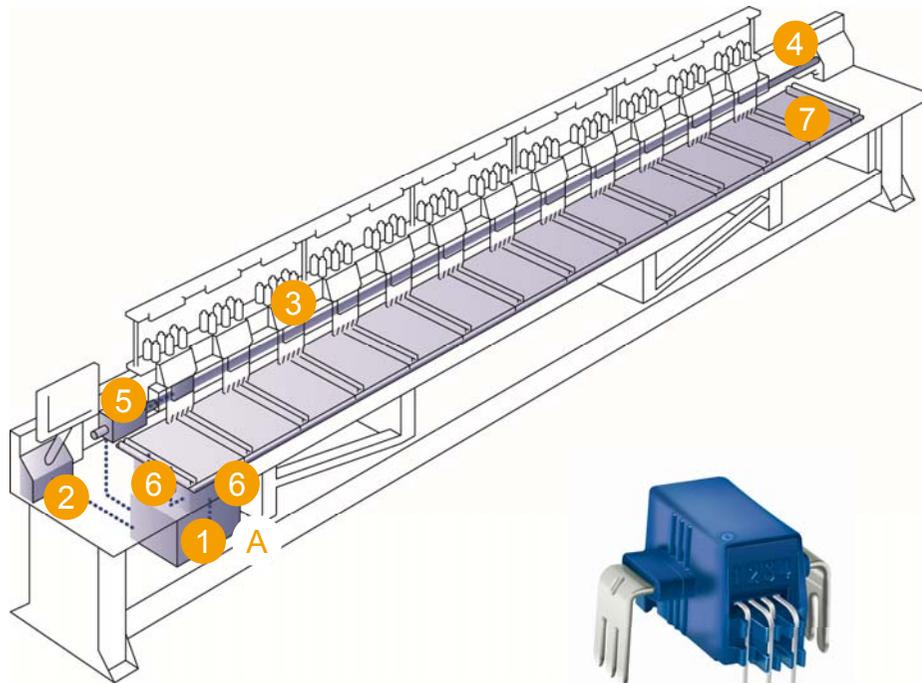
1. LEM Applications: Locomotive



Inverters (3) are used to transform the energy into the right voltage and current to drive the motors (4). Voltage and current transducers (A,B) are used to measure the current and the voltage on the secondary side of the transformer (2) 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 (A) are used to measure the motor currents in order to optimize their efficiency.

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



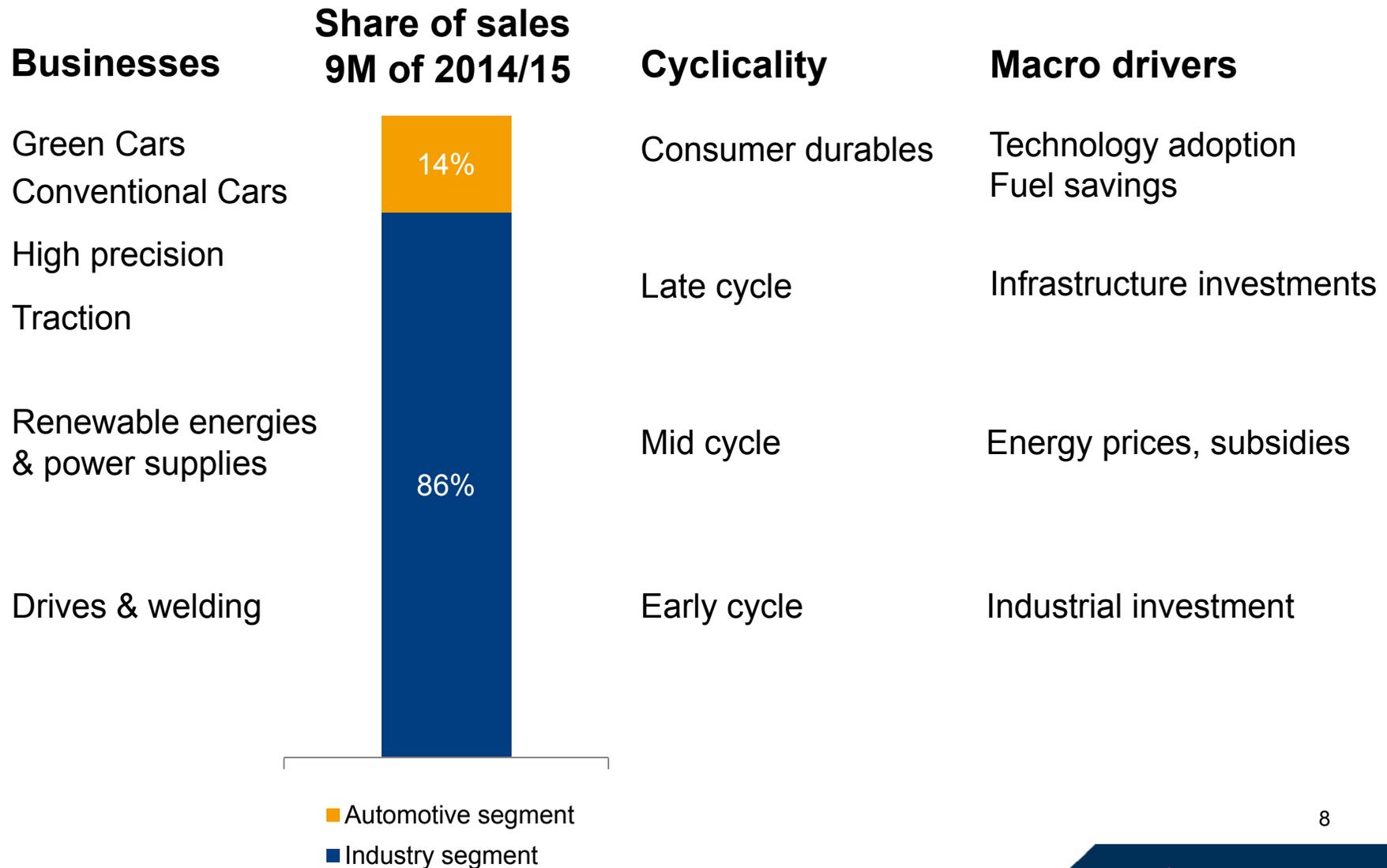
A HLSR 10-P

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. Diverse Target Markets – Diversified Businesses



Agenda

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2. Highlights Q3 of 2014/15: High Operating Margins

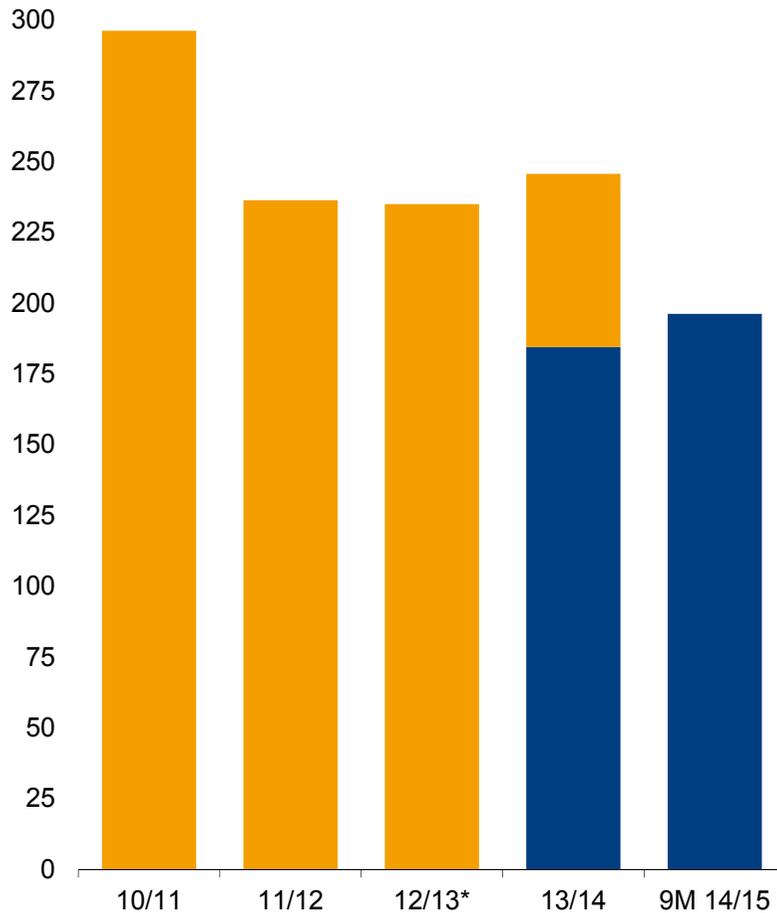
In CHF millions, %	9M 2014/15	9M 2014/15 vs. 9M 2013/14	Q3 2014/15 vs. Q2 2014/15
Orders	190.4	+4.1%	+3.0%
Sales	196.2	+6.3%	-2.6%
EBIT	43.9	+4.2%	-11.0%
Net profit	33.1	+0.0%	+8.2%

- Effective strategy execution turning into tangible results
- Sales growth and strong EBIT margin, above target range 15-20%
- Continued growth in in China
- Good success with recently launched products
- Q3 seasonal slowing due to fewer working days in December, but less pronounced than expected

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2. Net Sales

In CHF millions

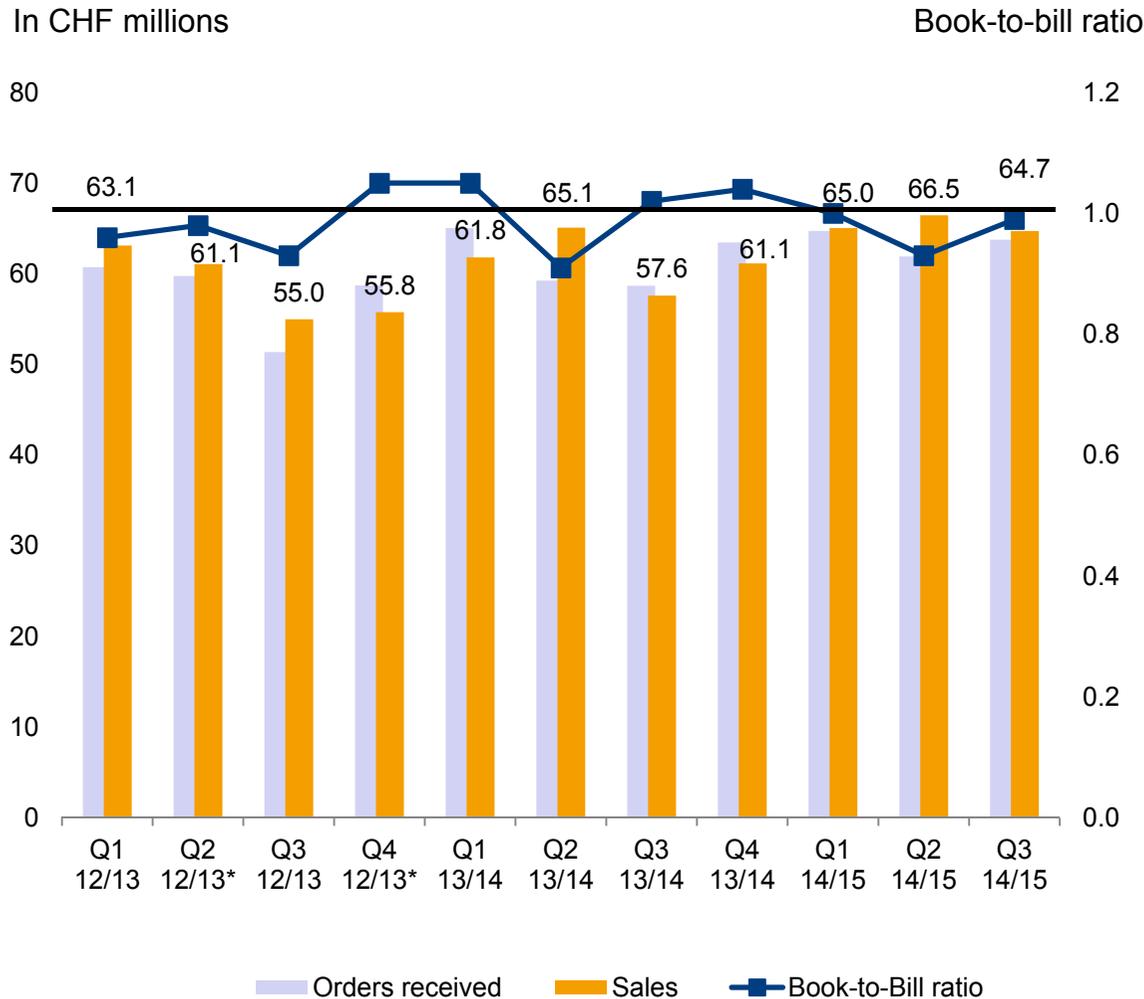


In CHF millions, %	Sales	9M vs. 9M		Q3 vs. Q2
		as reported	at constant currencies	
Industry	169.5	+7.1%	+9.1%	-1.9%
Automotive	26.7	+2.1%	+3.8%	-6.7%
Total sales	196.2	+6.3%	+8.4%	-2.6%

- Seasonal effects in Industry in Q3 less pronounced than expected
- Customers' inventory reductions in Automotive
- Negative currency impact on sales

* Restatement following IAS 19R application (pensions)

2. Quarterly View

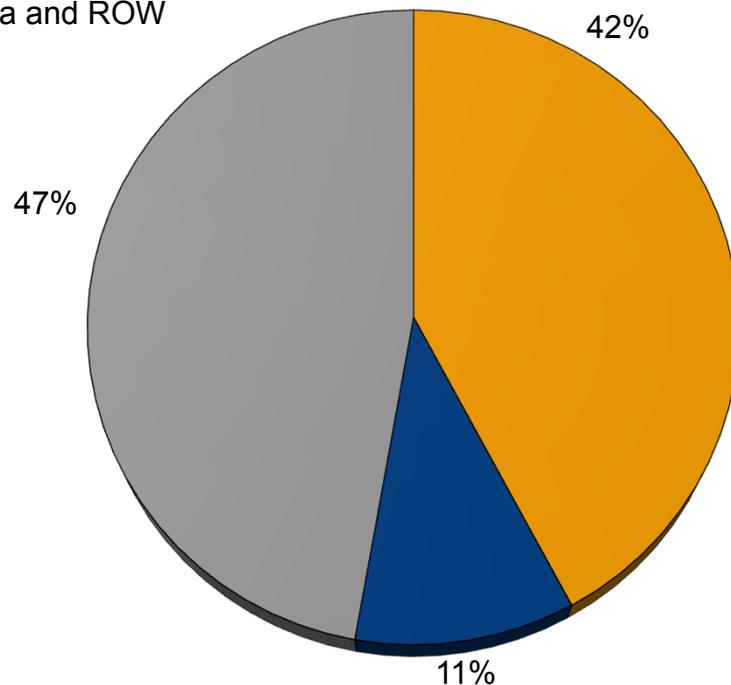


- Seasonal recovery in bookings in Q3
- Customers' requested lead times and stock levels continue to trend downwards

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2. Industry Segment: Regional Markets

- Europe
- North America
- Asia and ROW

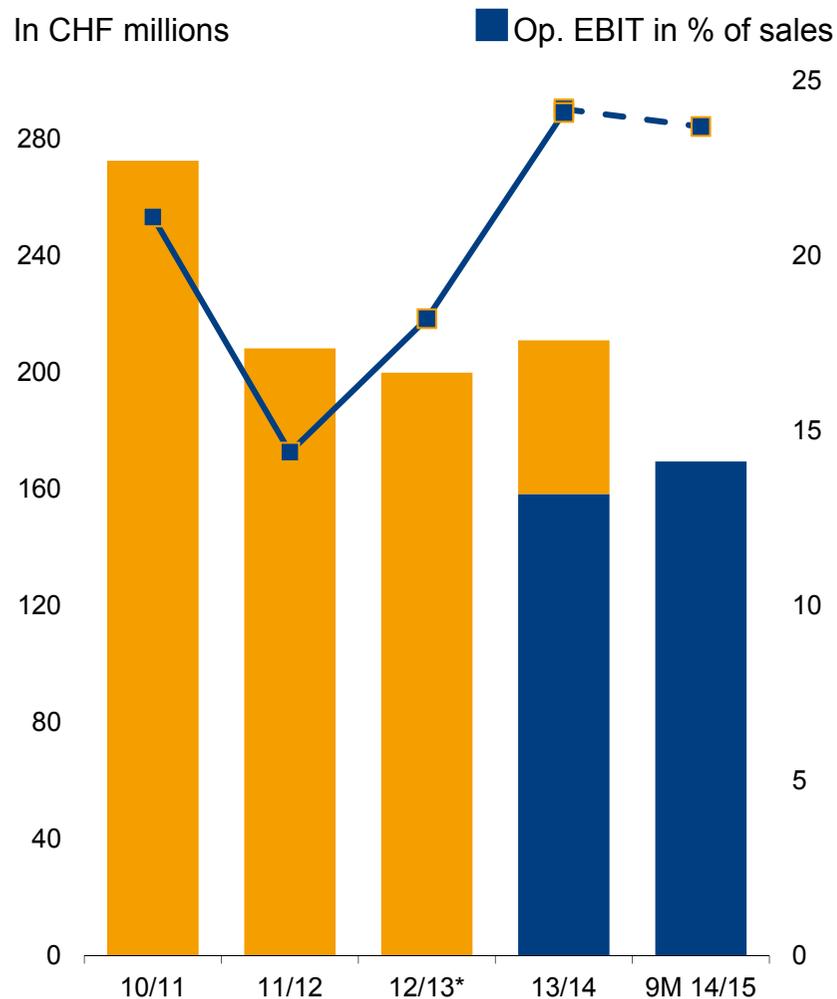


In CHF millions, %	Sales	Growth 9M vs. 9M	Growth Q3 vs. Q2
Asia and RoW	80.0	+15.9%	+3.5%
Europe	71.5	+3.5%	-8.1%
N. America	18.0	-11.0%	-0.2%
Total	169.5	+7.1%	-1.9%

- Challenging economic environment in Europe
- North America continues to transfer production capacities to Asia
- Asia the most important sales region
- Success with recently launched products

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2. Industry Segment: Business Development



Businesses and Applications

Drives & welding (growth Q3 vs. Q2: -7%)

- Transfer of customers' production to Asia
- Impact from seasonal factors and weak European economy

Renewable energies & power supplies (-1%)

- Resisted usual slow-down during winter months
- Strong activities in China and India
- Continued weakness in North America

Traction (+10%)

- Growing infrastructure investments
- High activity in high speed trains in China and light rail in many regions

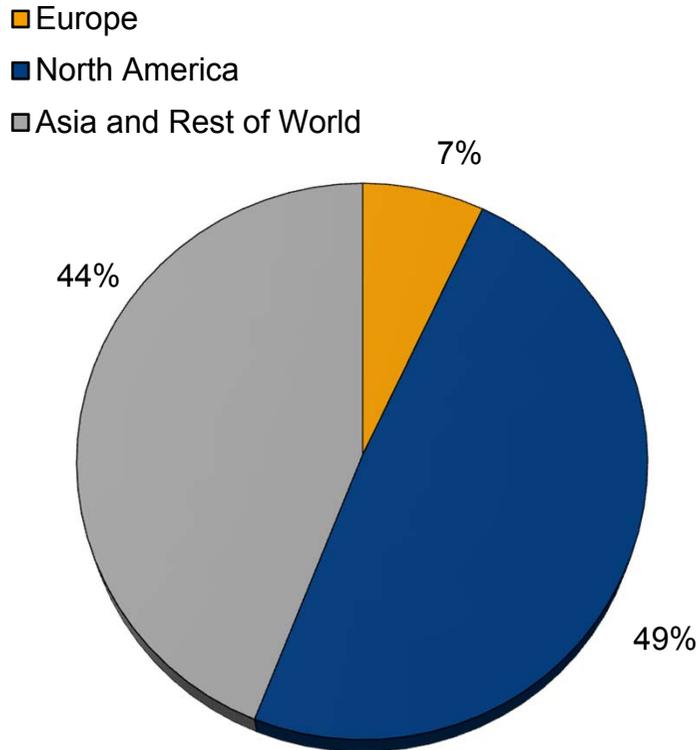
High-precision (-4%)

- Low investments in test & measurement markets
- Stable medical applications

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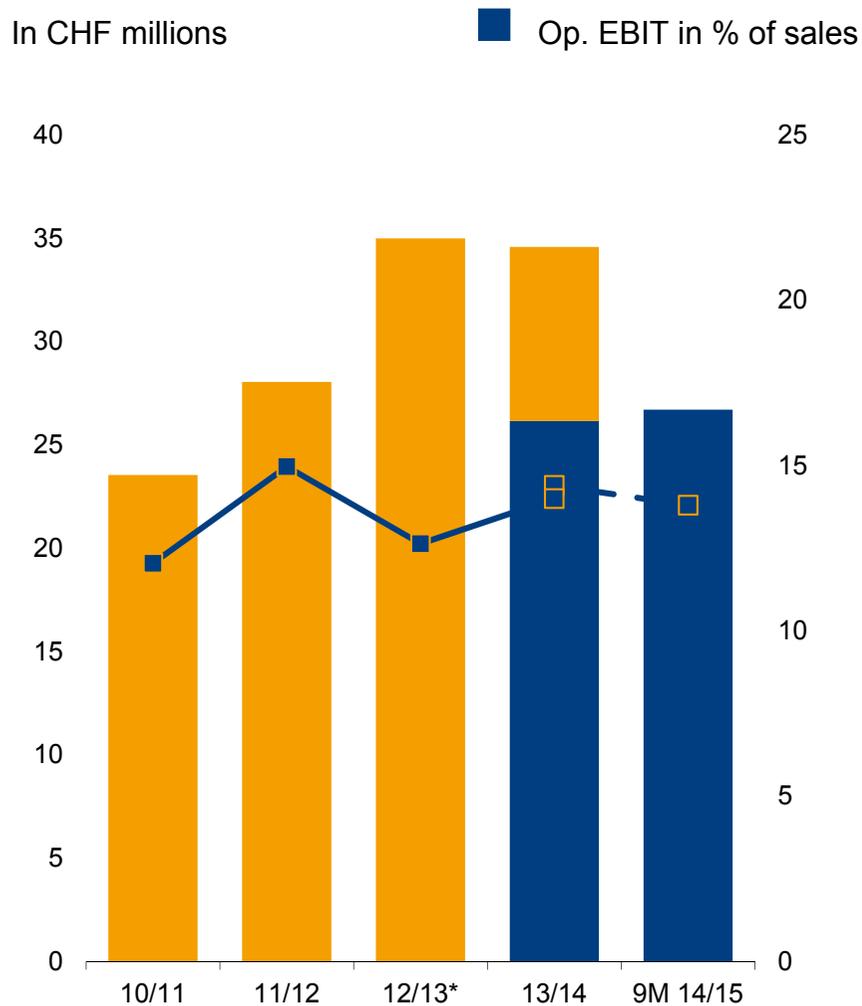
2. Automotive Segment: Regional Markets



In CHF millions, %	Sales	Growth 9M vs. 9M	Growth Q3 vs. Q2
Asia and RoW	11.7	+16.6%	+1.9%
Europe	1.9	-18.3%	+7.2%
N. America	13.1	-5.1%	-15.8%
Total	26.7	+2.1%	-6.7%

- Focus on Asian and North American markets
- Good growth in Asia
- New projects in green cars businesses in China and Korea

2. Automotive Segment: Business Development



Businesses and Applications

Conventional cars (growth Q3 vs. Q2: -10%)

- International car makers reducing production and inventories before year-end

Green cars (HEV, EV) (+10%)

- Small project wins in the Chinese and Korean market for hybrid cars
- Successes with new products
- Lower activities in Europe

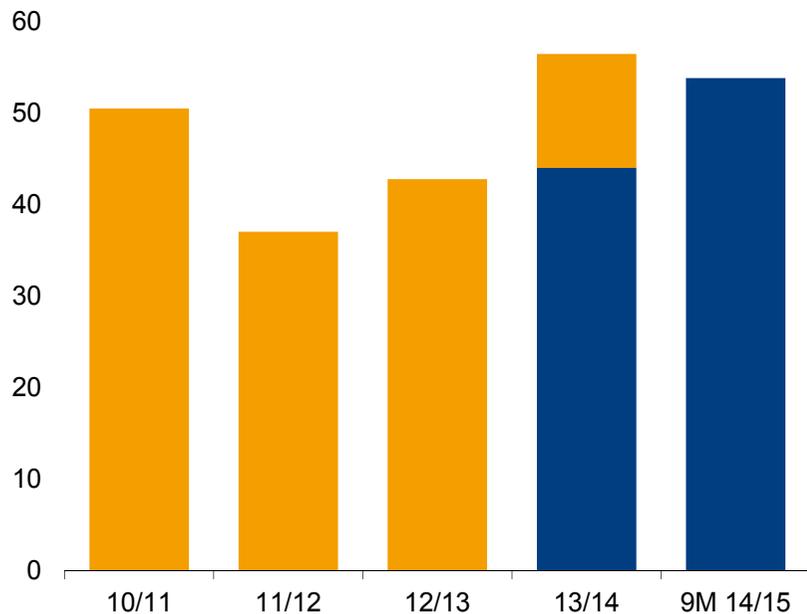
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2. Business Development China

Sales

- Market share of over 50%
- Most important market with 27% of total sales

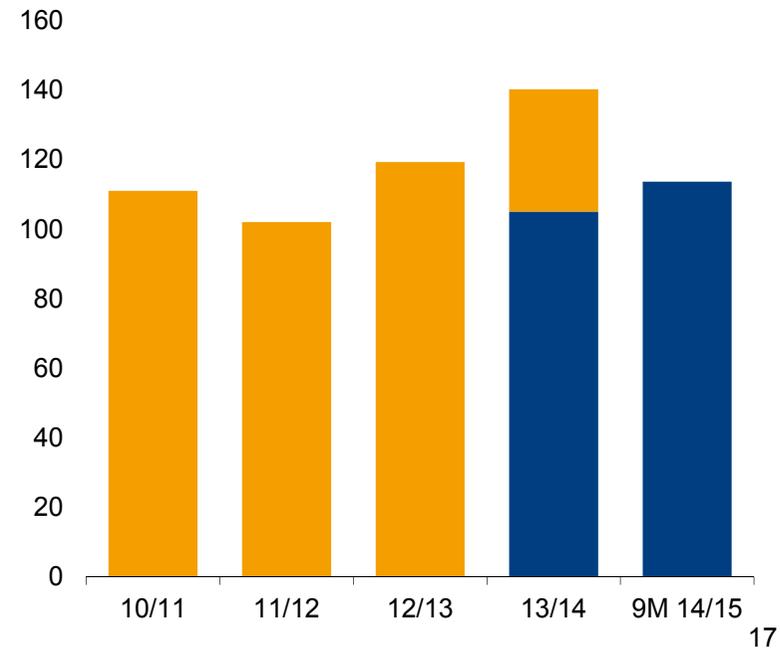
In CHF millions



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

In CHF millions



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3. Financial Highlights Q3 and 9M of 2014/15

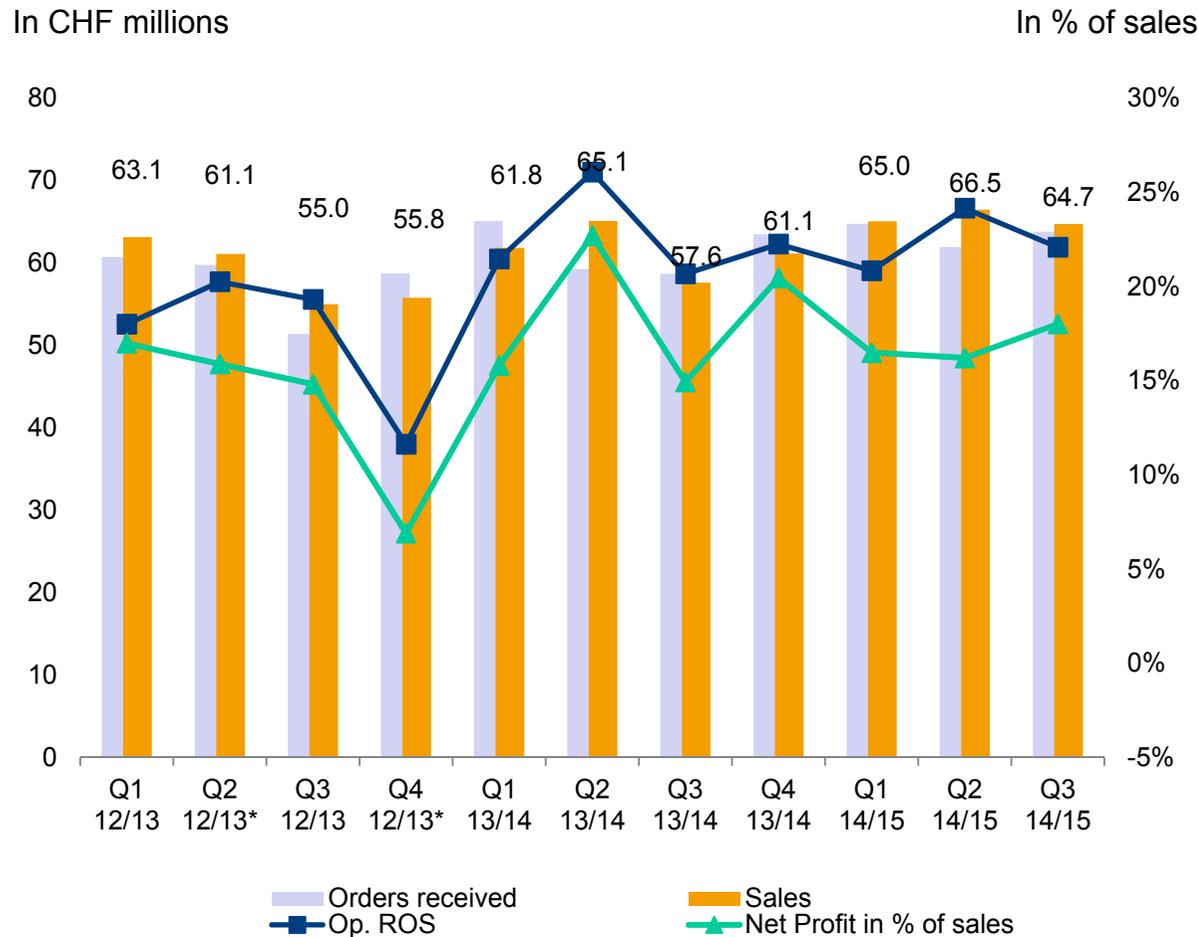
- Seasonal decrease in sales in Q3 of 2014/15
- Maintained strong cost discipline
- Application of new CN-CH double taxation agreement resulting in reversal of withholding tax provision
- Robust profitability

3. Income Statement

In CHF millions

	9M 2013/14	9M 2014/15	Change	Q2 2014/15	Q3 2014/15	Change
Sales	184.5	196.2	+6.3%	66.5	64.7	-2.6%
Gross margin	46.5%	46.3%	-0.2pt	47.4%	46.2%	-1.1pt
Operating expense	-43.6	-47.0	+7.6%	-15.4	-15.6	+1.3%
EBIT	42.1	43.9	+4.2%	16.0	14.3	-11.0%
Net financial exp.	-1.6	-3.2	+96.0%	-2.0	-1.4	-28.3%
Income tax	-7.3	-7.5	+2.4%	-3.3	-1.2	-63.1%
Net profit	33.1	33.1	+0.0%	10.8	11.7	+8.2%

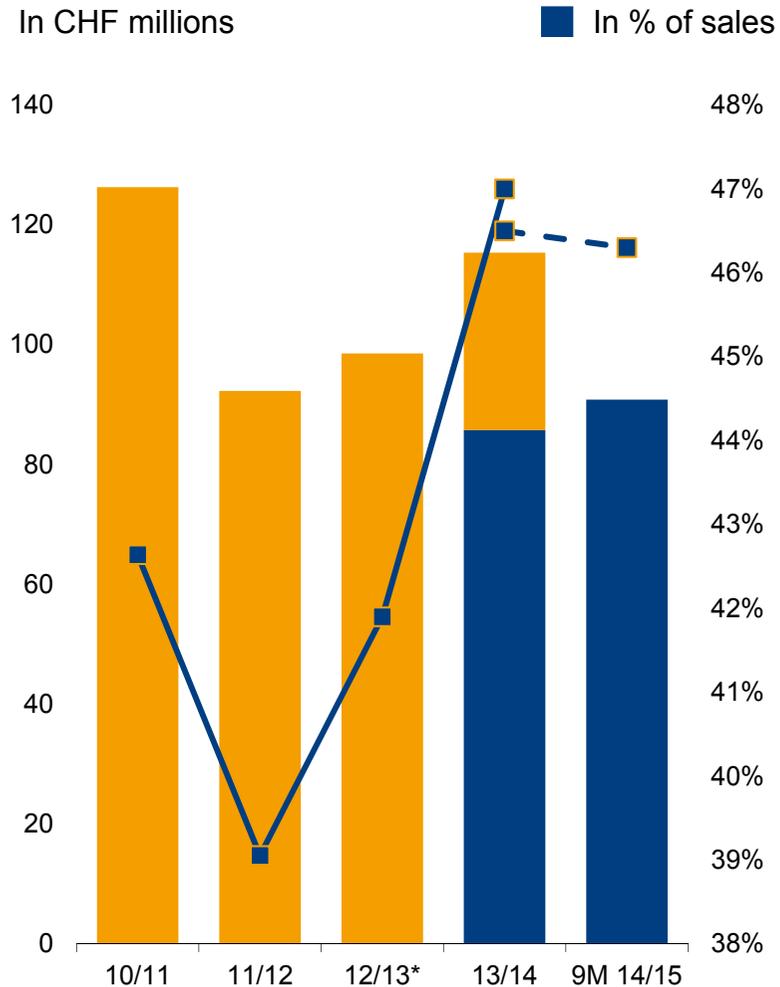
3. Results by Quarter



- Seventh consecutive quarter with EBIT margin above 20%
- Stable profitability
- Q4 of 2012/13 included a restructuring charge of CHF 1.9 million

* Restatement following IAS 19R application (pensions)

3. Gross Margin

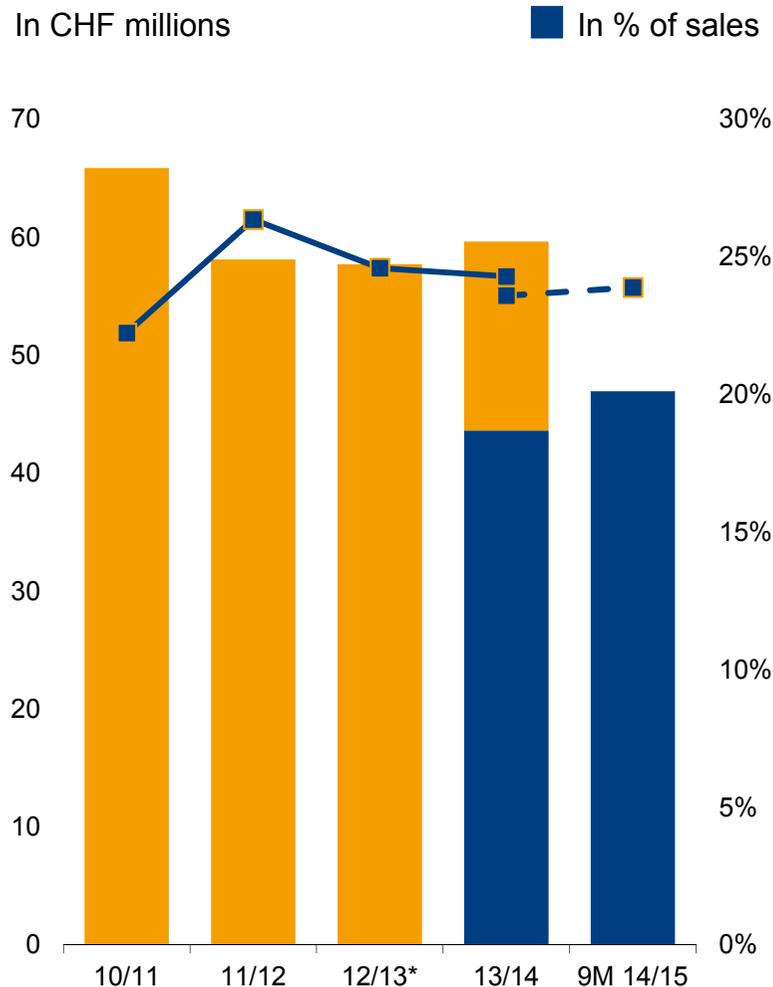


	9M 2013/14	9M 2014/15	Q2 2014/15	Q3 2014/15
Gross margin in CHF millions	85.8	90.8	31.5	29.9
Gross margin in % of sales	46.5%	46.3%	47.4%	46.2%

- Gross margin in line with last years' margin, in accordance with seasonal sales mix
- Positive impact due to continued relocation to cost effective production sites

* Restatement following IAS 19R application (pensions)

3. Operating Expense

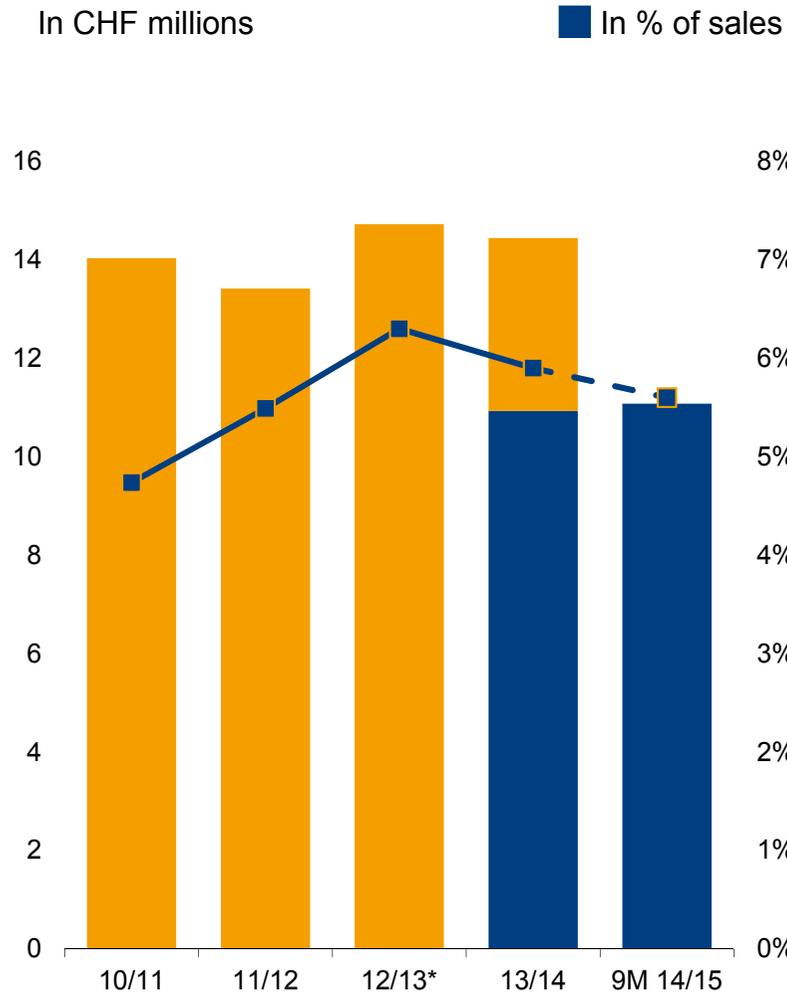


	9M 2013/14	9M 2014/15	Q2 2014/15	Q3 2014/15
Operating expense in CHF millions	43.6	47.0	15.4	15.6
Operating expense in % of sales	23.6%	23.9%	23.2%	24.2%

- Higher administration expense driven by LEM Bulgaria development and strategy consultancy
- Ongoing strict cost control measures
- Operating expense as a percentage of sales remain on low levels

*Restatement following IAS 19R application (pensions)

3. R&D Expense

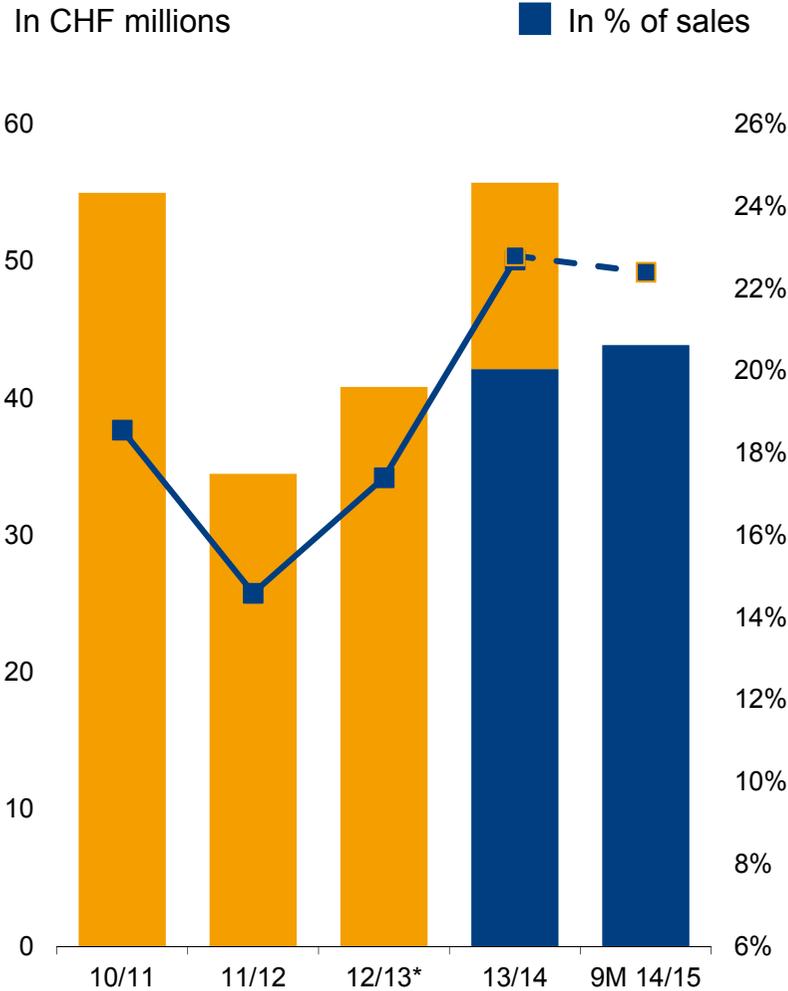


	9M 2013/14	9M 2014/15	Q2 2014/15	Q3 2014/15
R&D expense in CHF millions	10.9	11.1	3.5	3.7
R&D expense in % of sales	5.9%	5.6%	5.3%	5.7%

- 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



	9M 2013/14	9M 2014/15	Q2 2014/15	Q3 2014/15
EBIT in CHF millions	42.1	43.9	16.0	14.3
EBIT in % of sales	22.8%	22.4%	24.1%	22.1%

- Continued cost control and high gross margins
- Profitability above target range of 15 to 20%

*Restatement following IAS 19R application (pensions)

3. Financial Expense

In CHF millions

	9M 2013/14	9M 2014/15	Q2 2014/15	Q3 2014/15
Exchange effect*	-1.6	-3.2	-2.0	-1.3
Other financial expense & income	-0.0	-0.0	+0.0	-0.1
Total	-1.6	-3.2	-2.0	-1.4

- 9M 2014/15 exchange effect mainly driven by hedge losses following appreciation of CNY and USD vs. CHF
- Foreign exchange hedging policy
 - EUR: 100% of net exposure 12 months forward
 - USD: 100% of net exposure 12 months forward

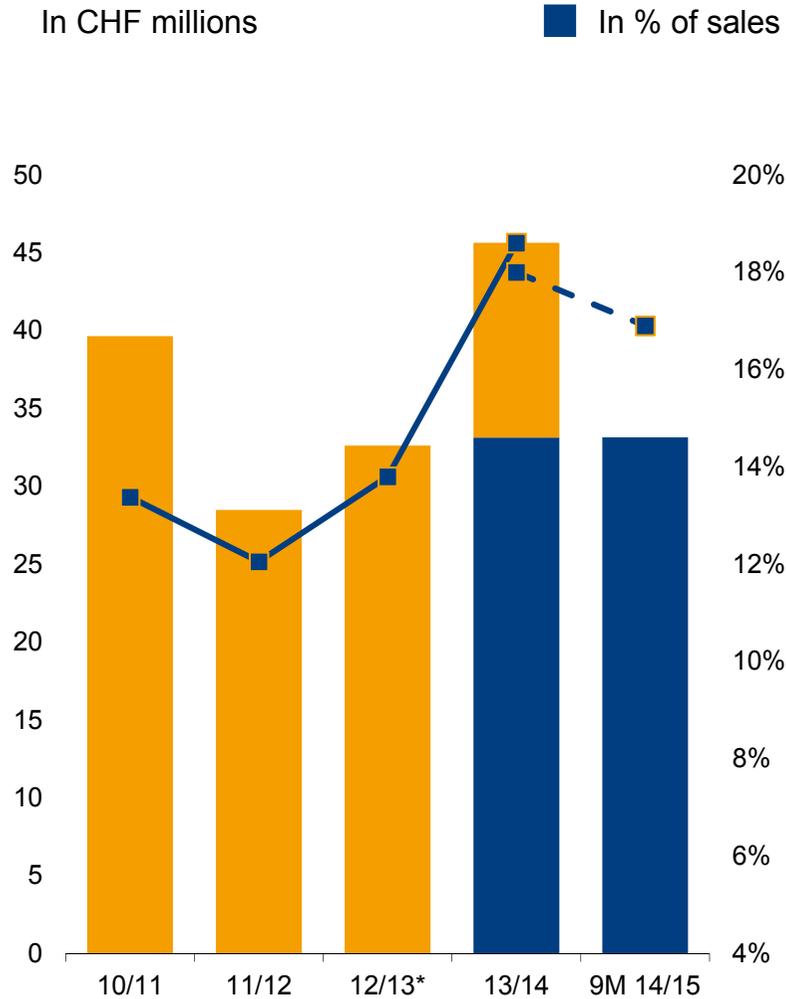
* The line “exchange effect” in the financial result is mainly due to currency volatility during the time between booking and settling a receivable/payable. Over and above this line, foreign exchange rates impact every P&L line through the rate at which each transaction is booked and at which it is consolidated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

3. Income Taxes

	9M 2013/14	9M 2014/15
Expected income tax rate	16.1%	20.0%
Expected withholding tax rate	1.9%	1.4%
Expected tax rate	18.0%	21.3%
Adjustment in respect of previous period's income tax	0.5%	-3.3%
Other differences	-0.3%	0.4%
Effective tax rate	18.1%	18.5%

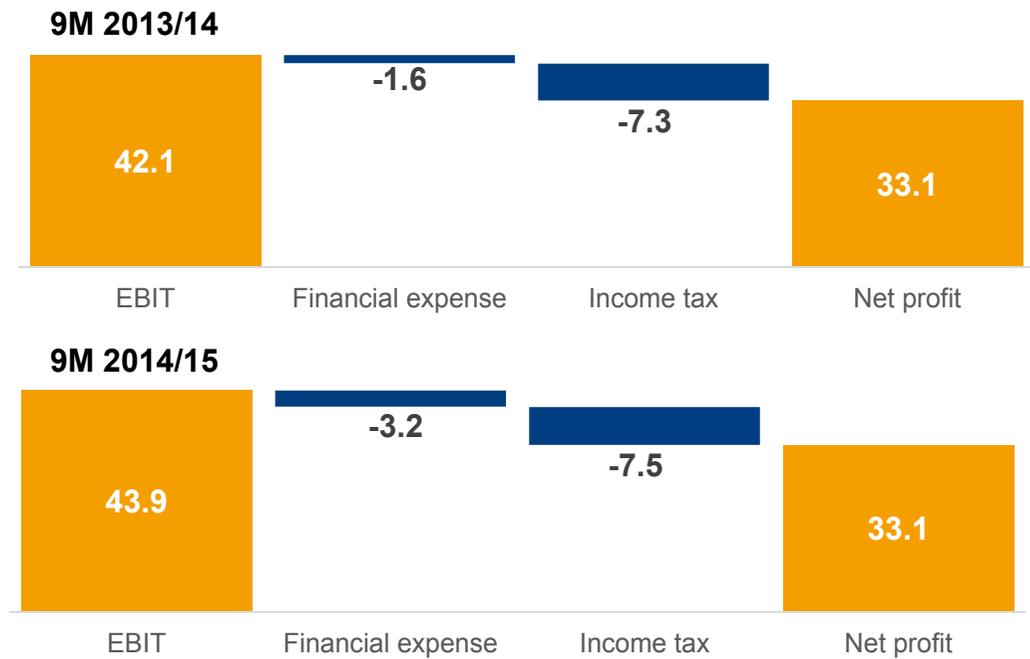
- Higher expected tax rate due to the decision to abandon the HNTE status in China
- Application of CN-CH double taxation agreement resulting in a one-off reversal of withholding tax provision

3. Net Profit



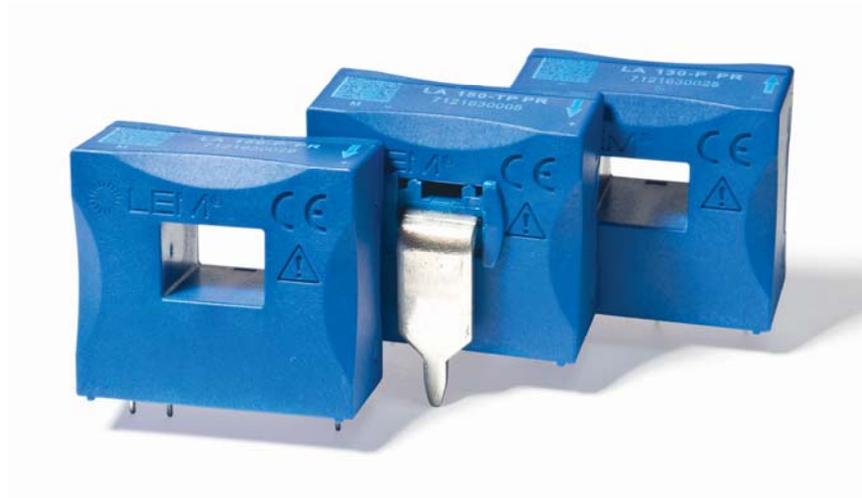
* Restatement following IAS 19R application (pensions)

	9M 2013/14	9M 2014/15	Q2 2014/15	Q3 2014/15
Net profit in CHF millions	33.1	33.1	10.8	11.7
Net profit in % of sales	18.0%	16.9%	16.2%	18.0%



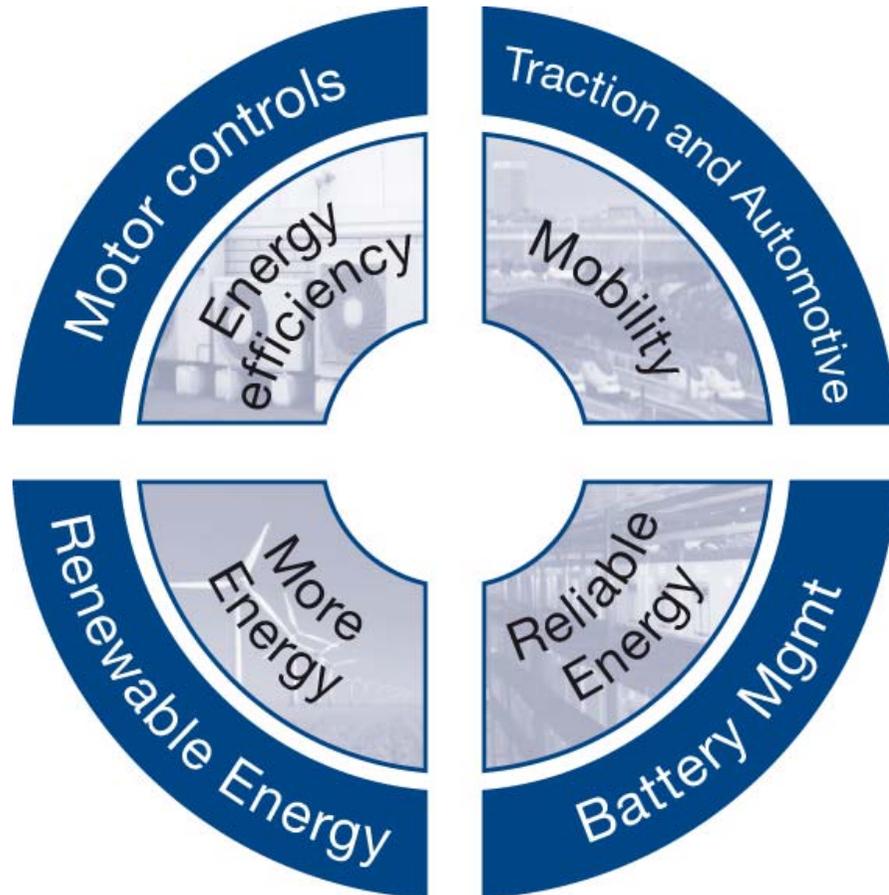
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4. Market Factors and Strategy



- 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

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4. Outlook

- Financial year 2014/15 outlook
 - Sales of CHF 250 to 260 million
 - EBIT about CHF 54 million
- Swiss franc appreciation vs. major currencies
 - LEM expects a negative currency impact on EBIT of CHF 3 million in Q4 of 2014/15
 - LEM to benefit from its established foreign exchange hedging policy

Organization Change

- After 6 successful years as CFO at LEM, Julius Renk has decided to leave the Company
- Transition to new CFO
 - Julius Renk to assume full responsibility for LEM's financial year 2014/15 closing
 - Julius Renk to support the Company in the transition of the CFO responsibilities
 - LEM has initiated the search process for a successor
- The Board of Directors and the Executive Management respect his decision and thank Julius Renk for his excellent and essential contribution increasing LEM's performance and enhancing LEM's financial organization

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Q&A

Financial Calendar and Contact Details

Financial calendar

4 June 2015	Year-end 2014/15 results
25 June 2015	Ordinary Shareholders' Meeting for the financial year 2014/15
30 June 2015	Dividend ex-date
2 July 2015	Dividend payment date

For further information

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