



LEM

Results

9 months 2018/19

1 April 2018 to 31 December 2018

1 February 2019

Agenda

- | | |
|--|----------------------|
| 1. Highlights and Business Review | Frank Rehfeld |
| 2. Financial Review | Andrea Borla |
| 3. Outlook | Frank Rehfeld |



Frank Rehfeld, CEO, Opening Remarks

- We are pleased with our good sales performance of +8.9%, achieved despite the economic uncertainties
- Profitability remains strong, with an EBIT margin of 20.7%
- LEM continues to benefit from its broad geographic spread, its strong heritage in industry applications, and the growth potential of automobile applications
- China is our largest market, and provides the biggest strategic opportunity for LEM to grow in the medium-term. In the short-term our business is impacted slightly by China, due to the economic slowdown
- Our global strategy is reflected by the significant long-term investment in R&D and infrastructure to capture new growth opportunities across our target markets

1. Performance at a glance

CHF m, %	9M 2018/19	9M 2018/19 vs. 9M 2017/18	Q3 2018/19 vs. Q3 2017/18
Orders	238.6	+1.3%	-7.7%
Sales	245.1	+8.9%	+4.5%
EBIT	50.8	+9.3%	+4.3%
Net profit	39.0	+2.4%	+0.5%

- Good sales performance amongst growing economic uncertainties
- Profitability on track
- EBIT margin maintained despite R&D investment +31.6% (+CHF 4.9m)
- China is key to our short-term financial performance and medium-term growth

1. At the Heart of Power Electronics

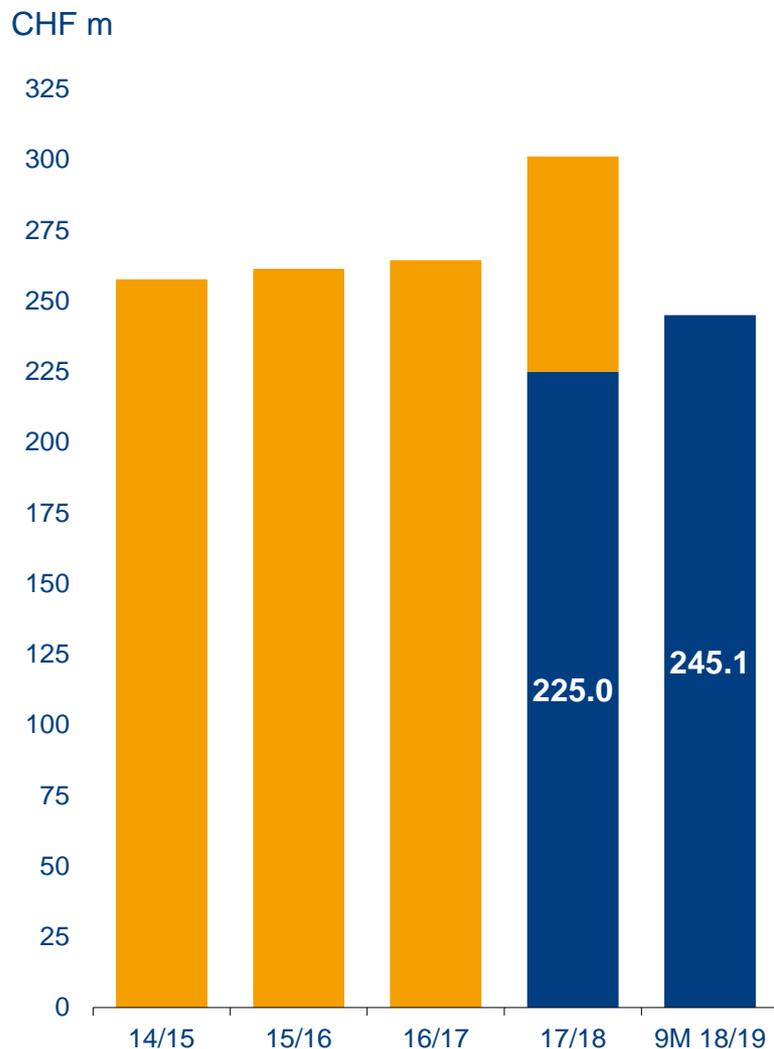
Core applications



Businesses

	Automotive		Industry			
	Green cars	Conventional cars	Drives & Welding	Renewable energies	Traction	High-Precision
9M 2018/19 Sales (CHF m)	55.2		189.9			
Sales growth 9M vs. 9M	+24.5%		+5.1%			

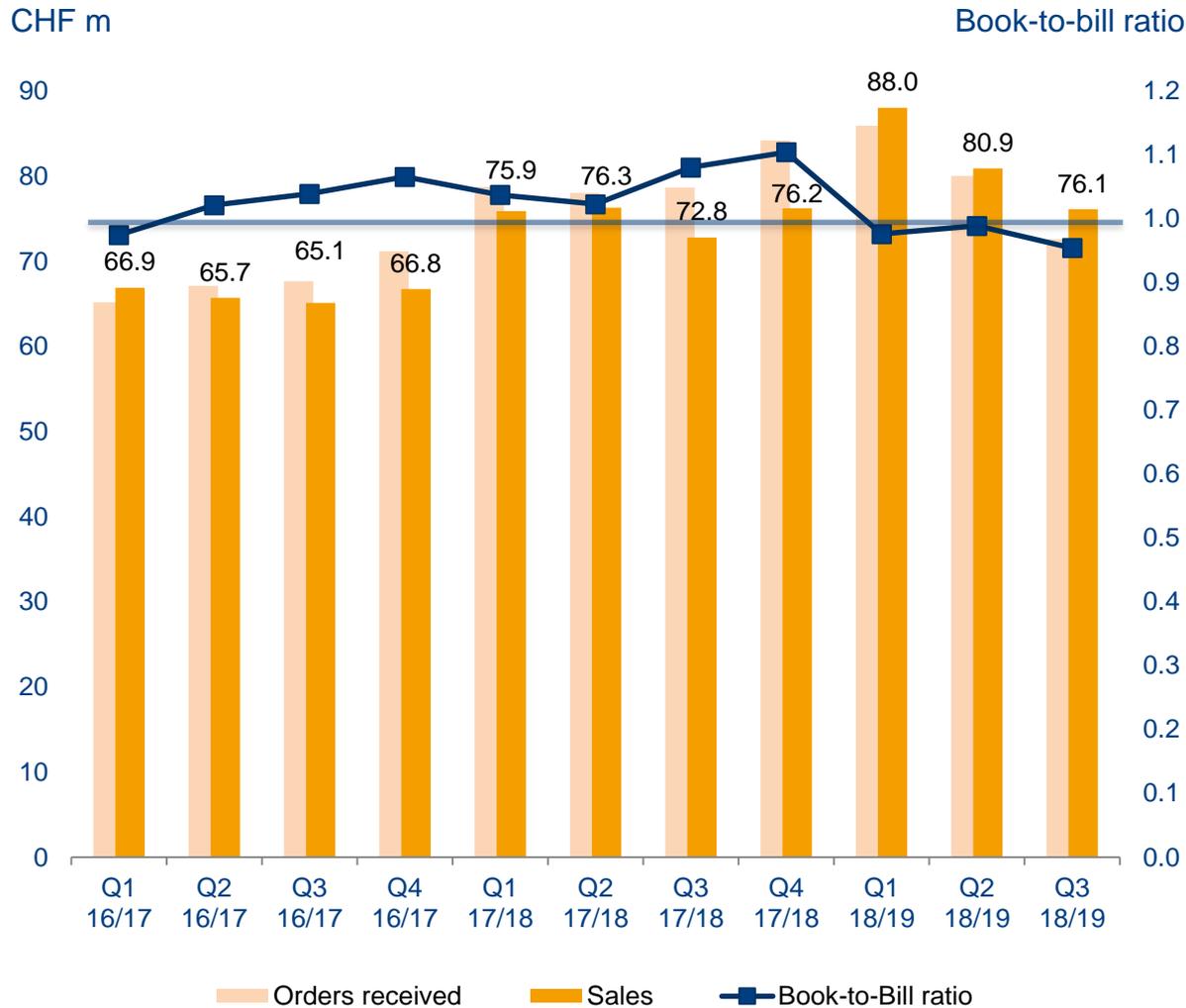
1. Net Sales



CHF m, %	Sales	9M vs. 9M		Q3 vs. Q3
		as reported	at constant currencies	
Industry	189.9	+5.1%	+3.6%	+2.4%
Automotive	55.2	+24.5%	+23.0%	+12.4%
Total	245.1	+8.9%	+7.4%	+4.5%

- Strong heritage Industry applications
- Growth potential Auto applications
- Positive currency impact on sales equivalent to +CHF 3.5m

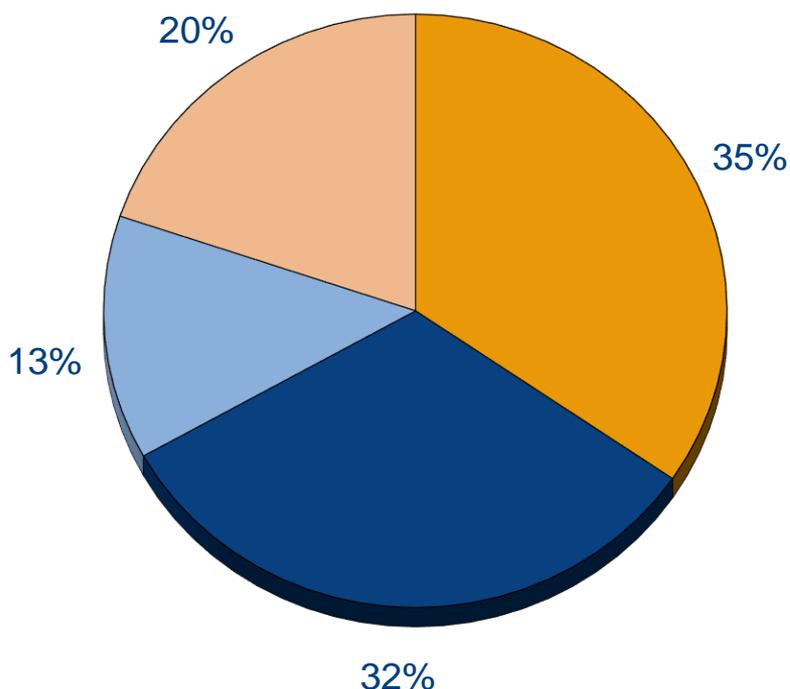
1. Quarterly View



- Economic uncertainty translated into short-term bookings

1. Global Sales Spread Steady Across Regions

- China
- Europe
- North America
- RoW



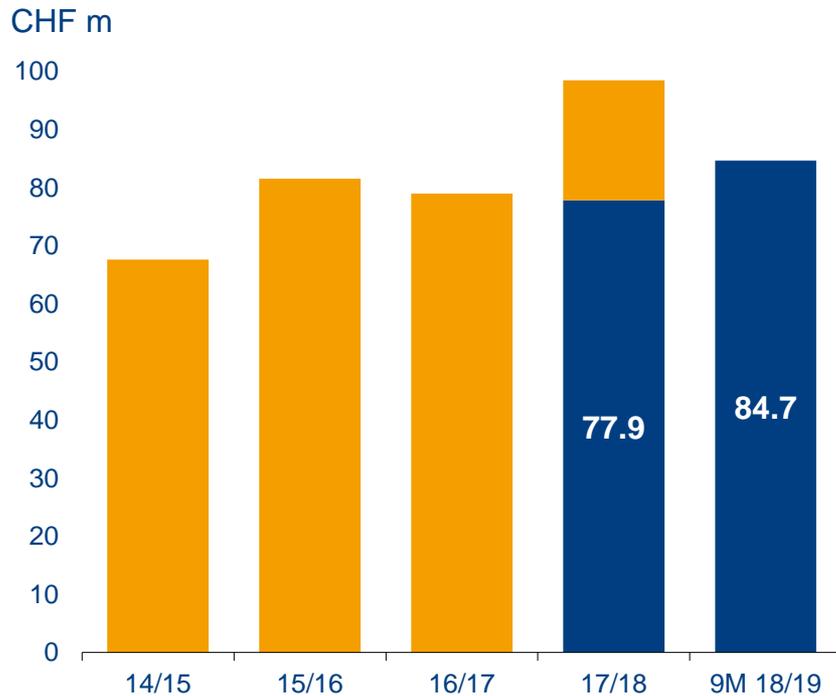
CHF m, %	Sales	Growth 9M vs. 9M	Growth Q3 vs. Q3
China	84.7	+8.8%	+10.3%
Europe	79.2	+11.0%	+4.7%
N. America	32.6	+1.9%	-6.7%
RoW	48.6	+11.0%	+2.6%
Total	245.1	+8.9%	+4.5%

- Close to customers on the ground in all key markets
- Balanced geopolitical and economic exposure

1. China is biggest strategic opportunity

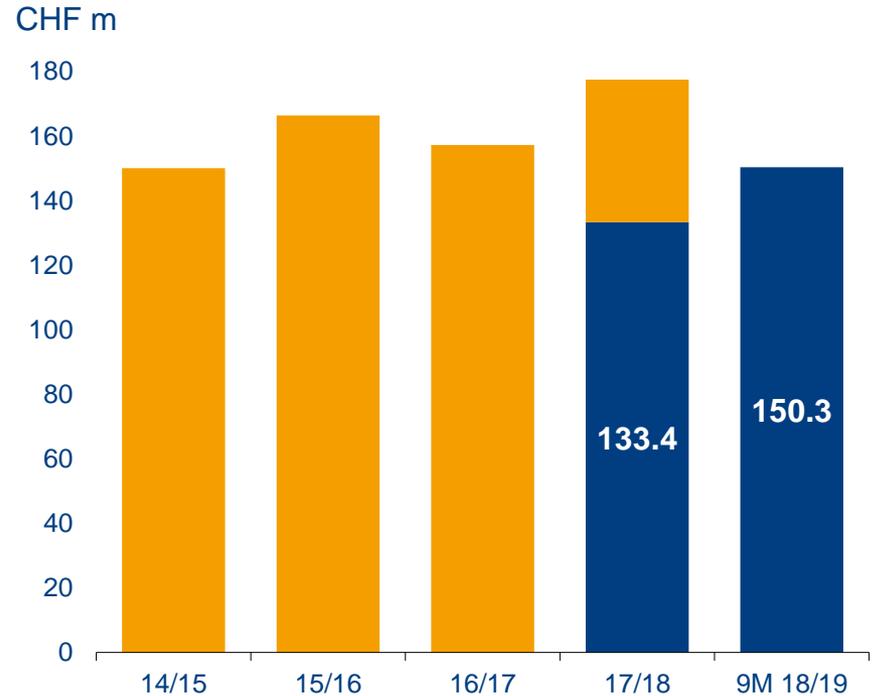
Sales

- Market share of over 50%
- Most important market with 35% of total global sales

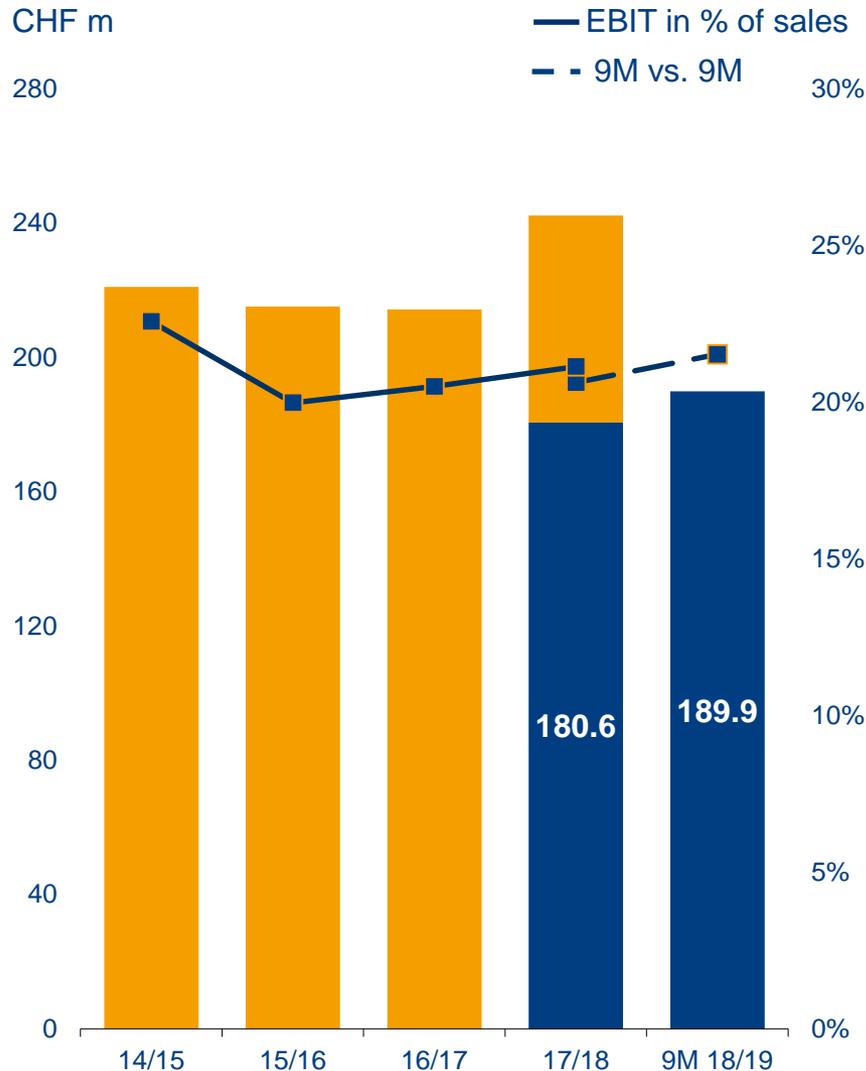


Production

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



1. Industry Segment: Business Development



Market leader in target applications:

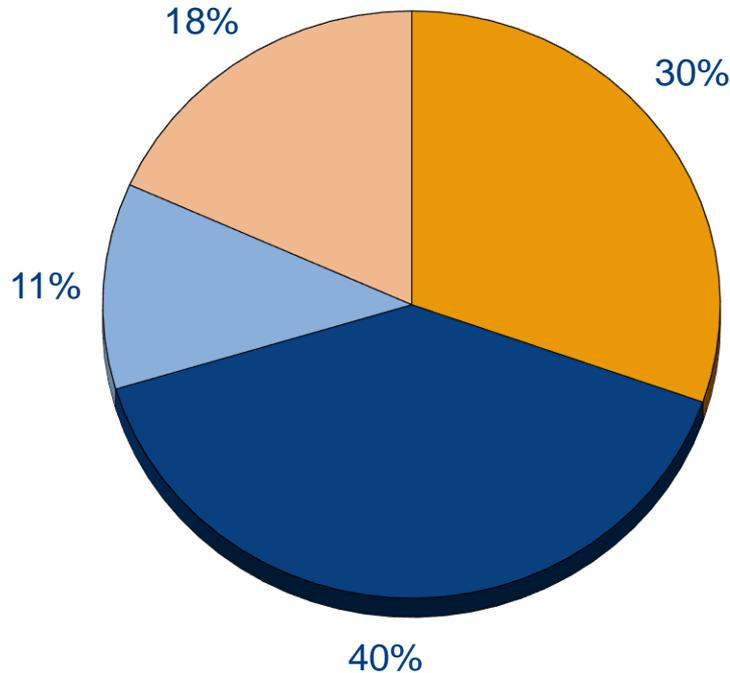
- Strong heritage
- High quality and reliability
- Optimum performance, optimum price
- Broadest portfolio
- Tailor made solutions

1. Industry Segment: Business Development

Businesses	CHF m 9M 2017/18	CHF m 9M 2018/19	Change	Comments
Drives	84.6	86.4	+2.2%	<ul style="list-style-type: none"> - China & Japan investments subdued - Other markets steady growth across portfolio
Renewable Energy	57.0	58.2	+2.2%	<ul style="list-style-type: none"> - China lower due to solar policy changes - Gained market share in Europe and India
Traction	31.9	36.5	+14.1%	<ul style="list-style-type: none"> - Growth in China and India - Higher investments in Eastern Europe
High precision	7.1	8.7	+23.0%	<ul style="list-style-type: none"> - Continued demand for EV car test benches - New products launched
Total Industry	180.6	189.9	+5.1%	

1. Industry Segment: Regional Markets

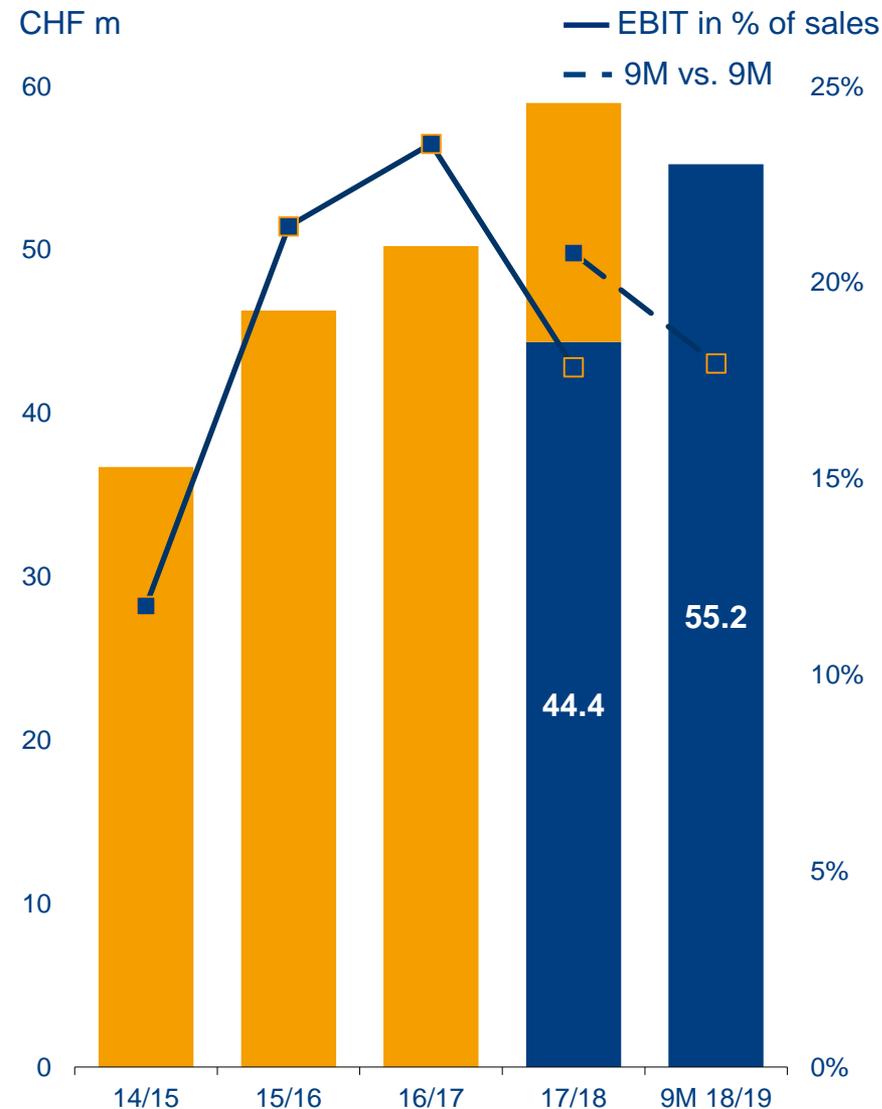
- China
- Europe
- North America
- RoW



CHF m, %	Sales	Growth 9M vs. 9M	Growth Q3 vs. Q3
China	57.7	-4.3%	+0.4%
Europe	75.9	+10.5%	+3.9%
N. America	21.5	+10.4%	+8.9%
RoW	34.8	+8.0%	-1.4%
Total	189.9	+5.1%	+2.4%

- Nine month sales at CHF 189.9 m, up 5.1% (at constant exchange rates, up 3.6%)
- Sales decreased by 4.3% in China, but grew in Europe by 10.5%, in North America by 10.4%, and RoW by 8.0%

1. Automotive Segment: Business Development



Major player in Auto applications with growth potential:

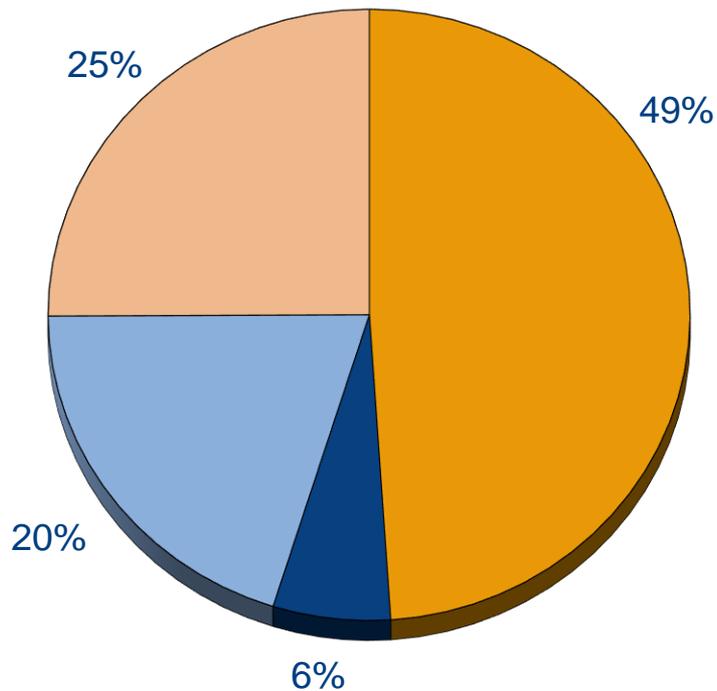
- Battery management, motor control, charging systems
- High quality and reliability
- Optimum performance, optimum price
- Closeness to customer
- Co-design

1. Automotive Segment: Business Development

Businesses	CHF m 9M 2017/18	CHF m 9M 2018/19	Change	Comments
Green	24.8	37.7	+52.1%	- All markets continue to grow - China influenced by policies
Conventional	19.6	17.5	-10.5%	- US overall passenger car usage is down - Old sensor technology being replaced as anticipated
Total Automotive	44.4	55.2	+24.5%	

1. Automotive Segment: Regional Markets

- China
- Europe
- North America
- RoW



CHF m, %	Sales	Growth 9M vs. 9M	Growth Q3 vs. Q3
China	27.0	+53.2%	+38.3%
Europe	3.3	+23.9%	+26.3%
N. America	11.1	-11.2%	-31.9%
RoW	13.8	+19.3%	+11.7%
Total	55.2	+24.5%	+12.4%

- 9 month sales CHF 55.2 million, up 24.5% (at constant exchange rates, up 23.0%)
- China sales +53.2%, but economy has shown signs of slowing
- Both the US (-11.2%) and Europe (+23.9%) have seen announcements of factory closures

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2. Income Statement

CHF m

	9M 2017/18	9M 2018/19	Change	Q3 2017/18	Q3 2018/19	Change
Sales	225.0	245.1	+8.9%	72.8	76.1	+4.5%
Gross margin	45.7%	46.4%	+0.7pt	46.0%	47.5%	+1.5pt
Operating expense	-56.5	-63.0	+11.5%	-18.9	-20.9	+10.6%
EBIT	46.5	50.8	+9.3%	14.6	15.2	+4.3%
<i>EBIT margin</i>	<i>20.6%</i>	<i>20.7%</i>	<i>+0.1pt</i>	<i>20.0%</i>	<i>20.0%</i>	<i>-0.0pt</i>
Net financial exp.	+1.6	-1.5	NM	+0.2	-0.4	NM
Income tax	-10.0	-10.3	+3.2%	-3.2	-3.2	+1.2%
Net profit	38.1	39.0	+2.4%	11.6	11.6	+0.5%
<i>Net profit margin</i>	<i>16.9%</i>	<i>15.9%</i>	<i>-1.0pt</i>	<i>15.9%</i>	<i>15.3%</i>	<i>-0.6pt</i>

2. Results by Quarter

In % of sales

24%

22%

20%

18%

16%

14%

12%

10%

Avg. EBIT margin
20.8%

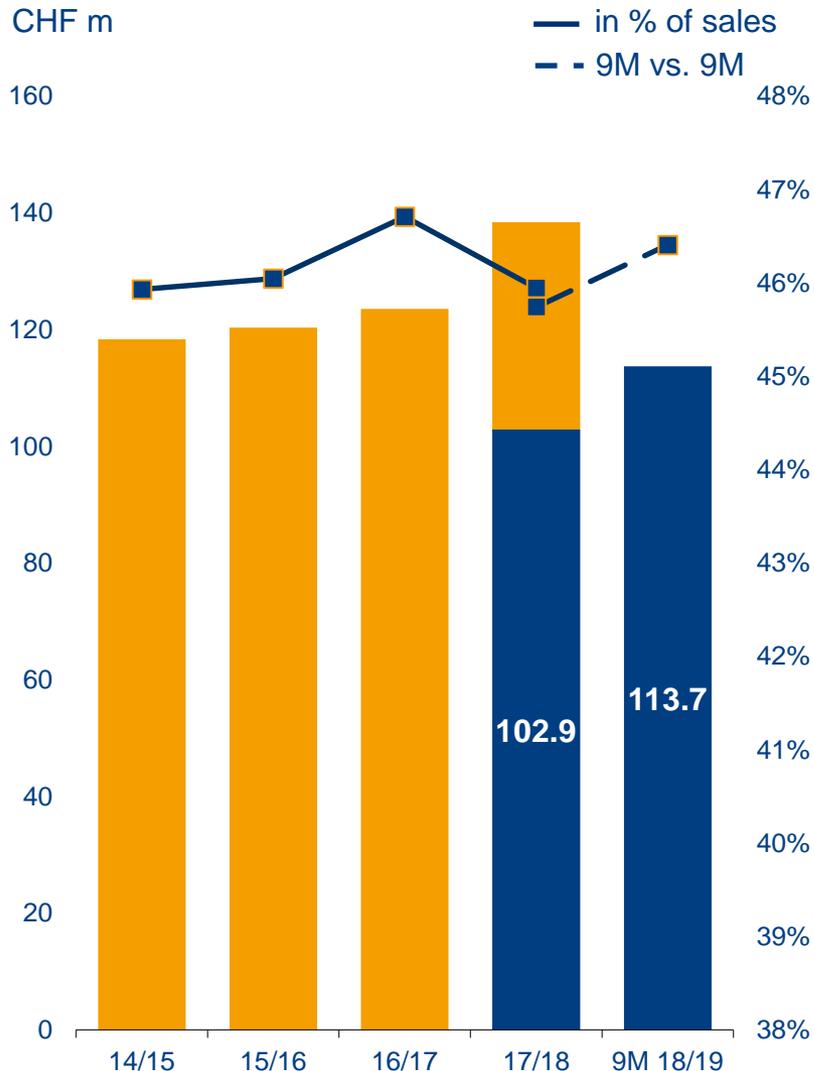
Avg. Net Profit margin
16.9%

Q1 16/17 Q2 16/17 Q3 16/17 Q4 16/17 Q1 17/18 Q2 17/18 Q3 17/18 Q4 17/18 Q1 18/19 Q2 18/19 Q3 18/19

■ EBIT margin - - - Avg. EBIT margin ● Net Profit margin - - - Avg. Net Profit margin



2. Gross Margin

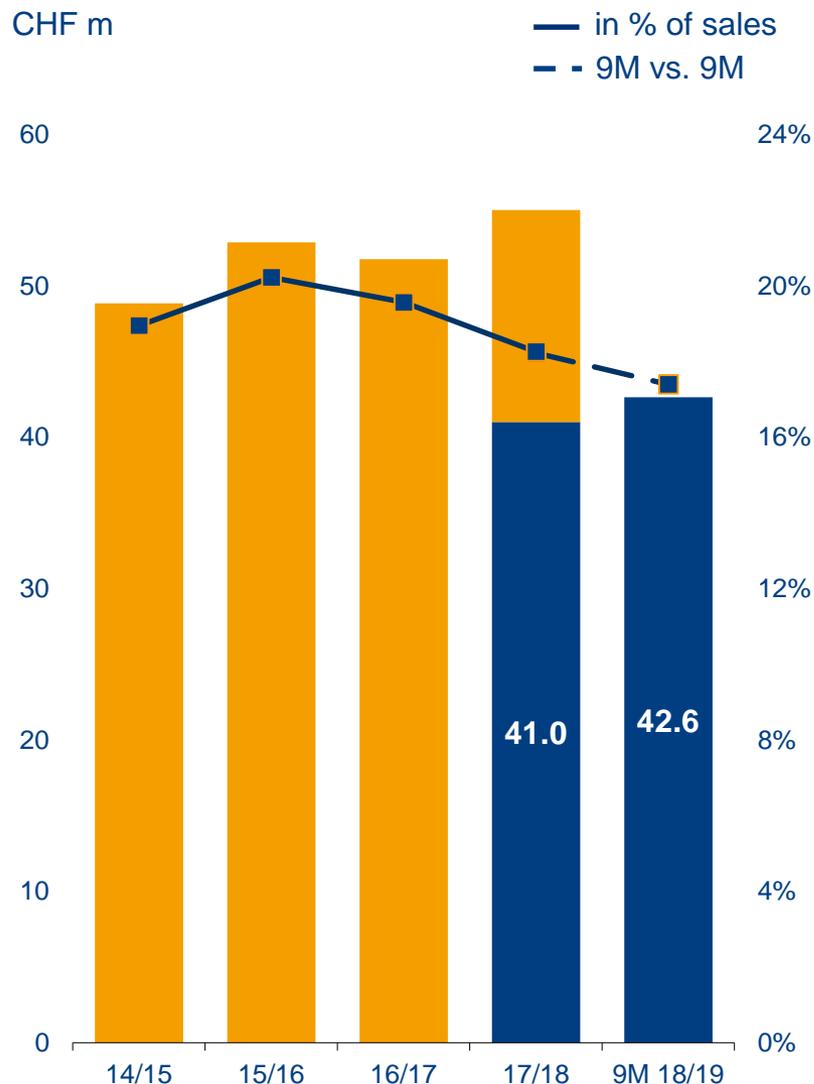


	9M 2017/18	9M 2018/19	Q3 2017/18	Q3 2018/19
Gross margin CHF m	102.9	113.7	33.5	36.1
Gross margin in % of sales	45.7%	46.4%	46.0%	47.5%

- Gross margin increases by 0.7%-pts due to
 - Production transfer to lower cost sites
 - Efficiency improvements
- However, there is continuous price pressure, especially in Automotive



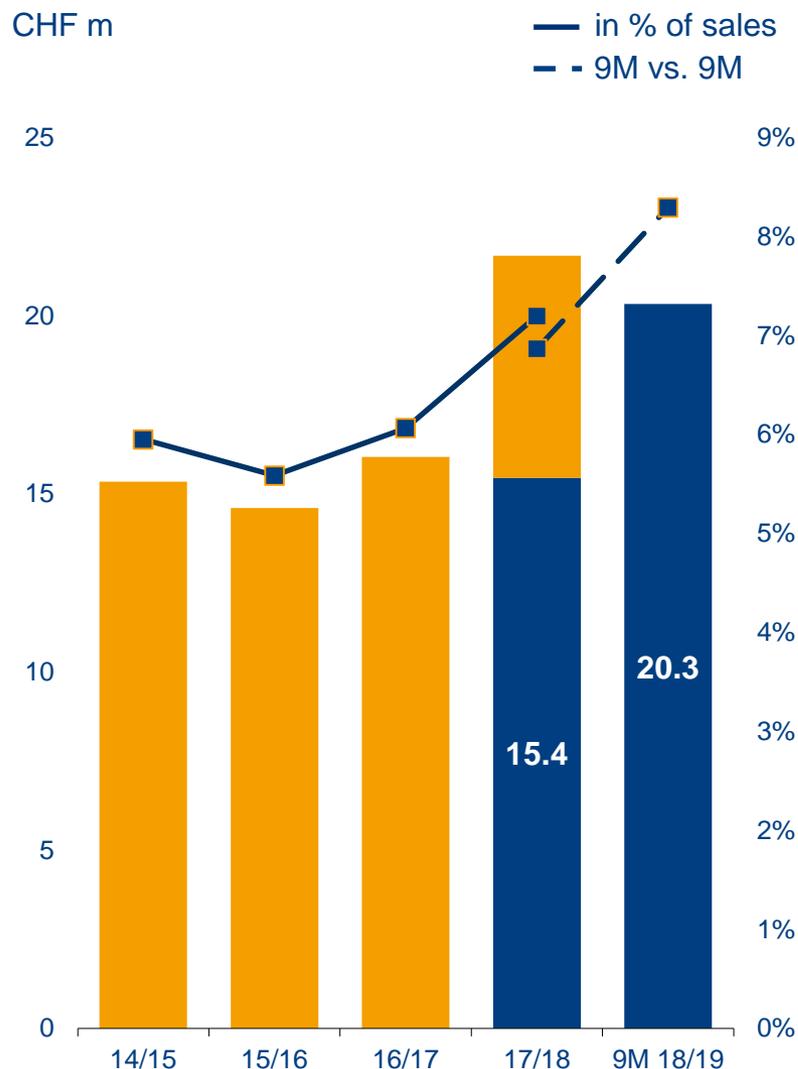
2. SG&A



	9M 2017/18	9M 2018/19	Q3 2017/18	Q3 2018/19
SG&A CHF m	41.0	42.6	13.6	13.7
SG&A in % of sales	18.2%	17.4%	18.7%	17.9%

- SG&A up 4.0%, below sales growth of 8.9%
- SG&A in % of sales dropped by 0.8%pt
- Launched programme for efficiency improvements within supply chain

2. R&D



	9M 2017/18	9M 2018/19	Q3 2017/18	Q3 2018/19
R&D expense CHF m	15.4	20.3	5.3	7.3
R&D expense in % of sales	6.9%	8.3%	7.3%	9.5%

- R&D investments increased by 31.6%, to strengthen technology leadership
- Ongoing renewal of product portfolio
- Acquisition of new technologies to address new markets

2. Financial Expense

CHF m	9M 2017/18	9M 2018/19	Q3 2017/18	Q3 2018/19
Exchange effect	+1.7	-1.4	+0.2	-0.4
Other financial expense & income	-0.1	-0.1	-0.0	-0.0
Total	+1.6	-1.5	+0.2	+0.4

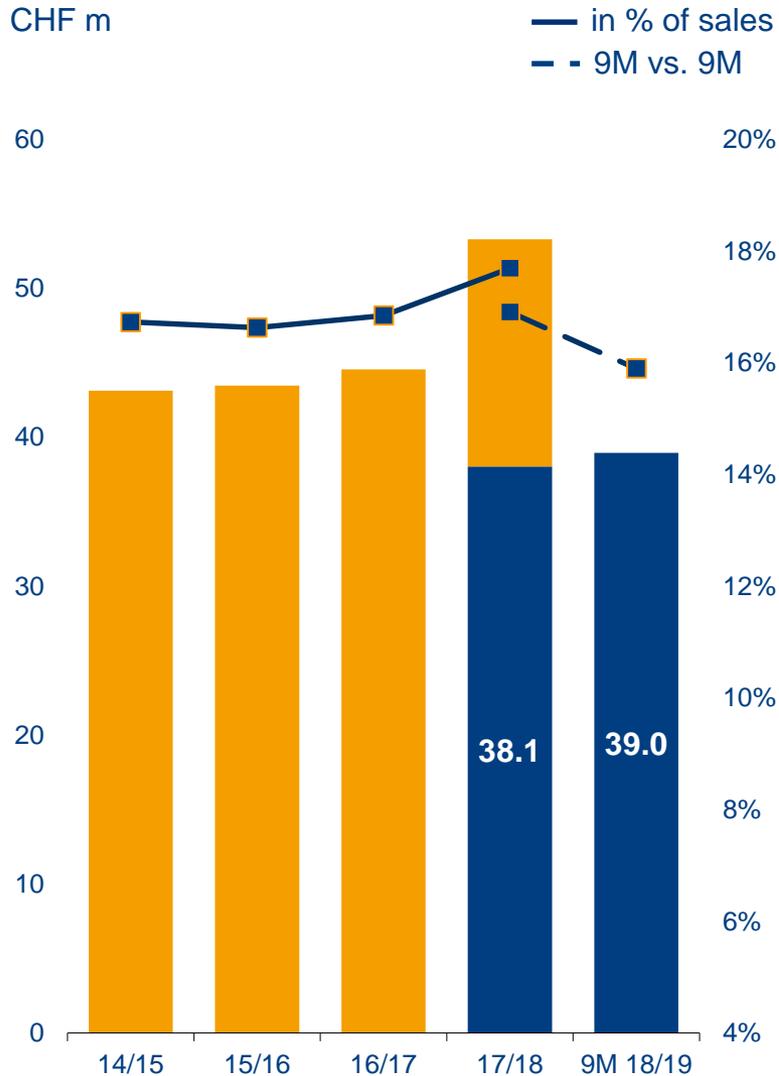
- Negative exchange effect CHF 1.4m mainly driven by appreciation of USD, resulting in foreign exchange losses on hedging positions
- Compensated by positive currency impact on EBIT by CHF 1.4m

2. Income Taxes

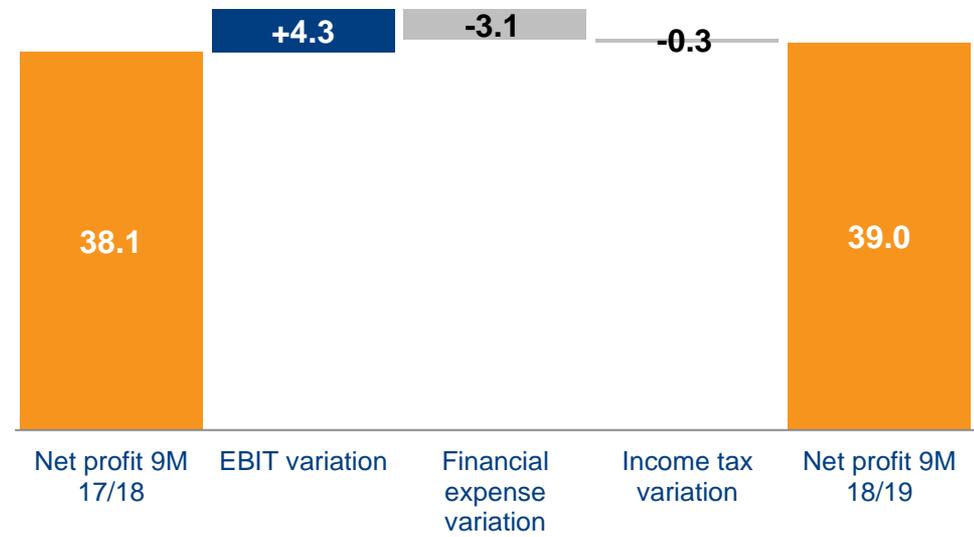
	9M 2017/18	9M 2018/19
Expected income tax rate	18.7%	20.0%
Expected withholding tax rate	1.7%	1.1%
Expected tax rate	20.4%	21.1%
Other differences	0.4%	-0.2%
Effective tax rate	20.8%	20.9%

- Stable tax rate compared to previous year
- Application for High New Technology Enterprise (HNTE) status in China expected to be validated during Q4 2018/19

2. Net Profit



	9M 2017/18	9M 2018/19	Q3 2017/18	Q3 2018/19
Net profit CHF m	38.1	39.0	11.6	11.6
Net profit in % of sales	16.9%	15.9%	15.9%	15.3%



Agenda

1. Highlights and Business Review

Frank Rehfeld

2. Financial Review

Andrea Borla

3. **Outlook**

Frank Rehfeld



3. Outlook

- For the full financial year 2018/19, we are slightly reducing our sales outlook from around CHF 320 million to CHF 315-320 million compared with CHF 301.2 million for 2017/18
- Since our last reporting period, global economic uncertainty has increased, which will impact our customers in the months ahead
- 4th quarter performance will also be affected by the Chinese New Year holidays
- However, in the medium-term the outlook for LEM remains strong, driven by the mega trends of renewable energy, energy efficiency, mobility and automation
- We reiterate the EBIT margin outlook for the full financial year at around 20% compared with 20.5% last year



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



LEM[®]

At the heart of power electronics.

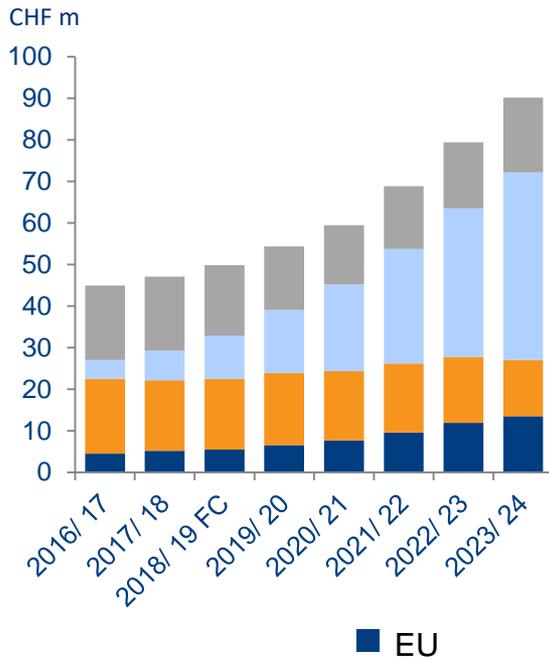
The background is a collage of images related to power electronics and energy. It includes a large industrial tank, a modern glass building, wind turbines, a high-speed train, and a car. The word 'APPENDIX' is overlaid in the center.

APPENDIX

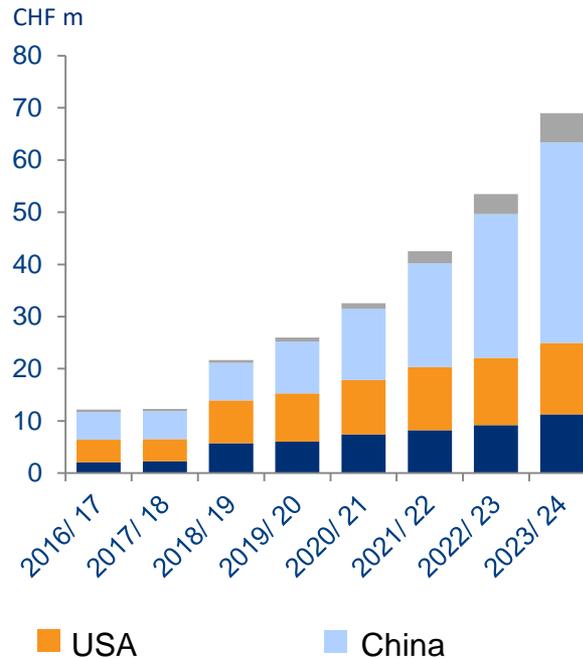
R&D Initiatives to Increase Addressable Market

Expected market developments for new R&D initiatives in Industry segment
(only sensor markets, own estimates)

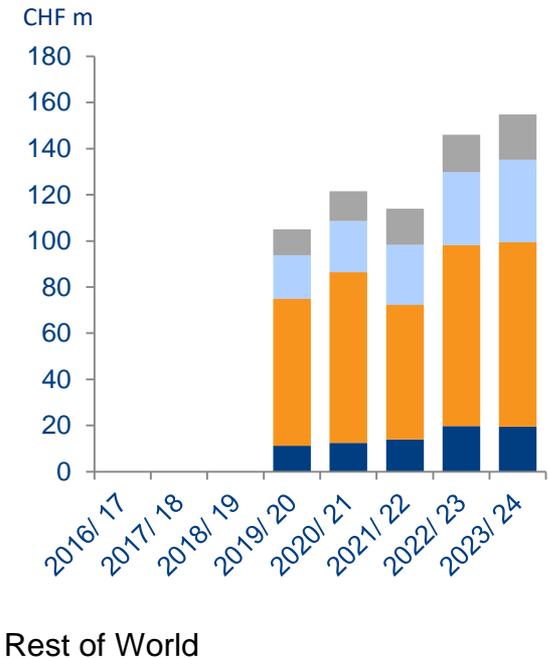
Integrated Primaries (excl. Automotive)



Chargers and Storage Systems

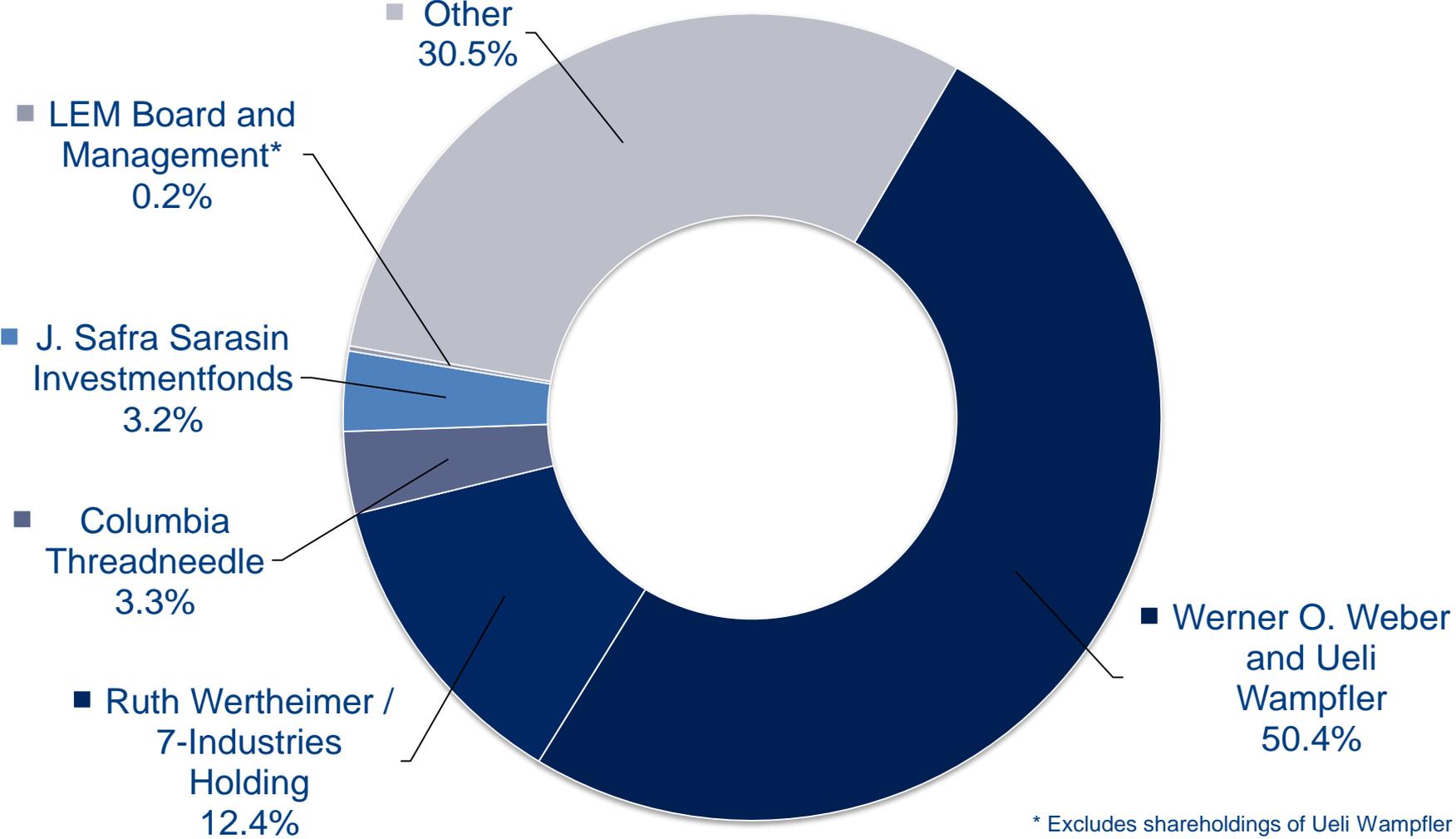


Smart Grid



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

Shareholder Structure per 31 December 2018



* Excludes shareholdings of Ueli Wampfler and Werner C. Weber



Financial Calendar and Contact Details

Financial calendar

The financial year runs from 1 April to 31 March

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
30 July 2019	First quarter results 2019/20
5 November 2019	Half-year results 2019/20

For further information

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