



RESULTS
FIRST HALF-YEAR 2017/18
1 APRIL 2017 TO 30 SEPTEMBER 2017

9 November 2017

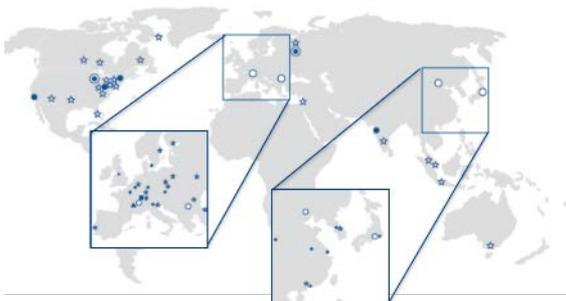
Agenda

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|-----------------------------------|-------------------------|
| 1. LEM at a Glance | François Gabella |
| 2. Highlights and Business Review | François Gabella |
| 3. Financial Review | Andrea Borla |
| 4. Strategy and Outlook | François Gabella |
| 5. CEO Succession Plan | Andreas Hürlimann |



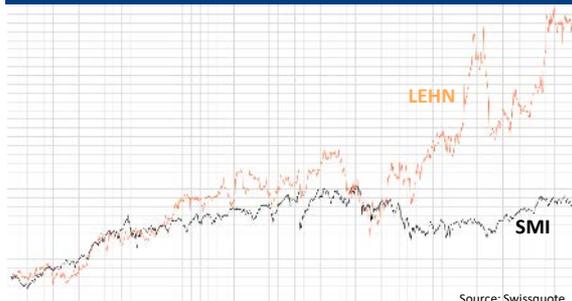
1. Global Market Leader in Current and Voltage Transducers

Market Position



- Global market share of 50+% in Industry
- Benchmark in service and product quality
- 4 production sites and 4 R&D centers in Europe and Asia
- Sales of CHF 264.5 million in 2016/17

Performance



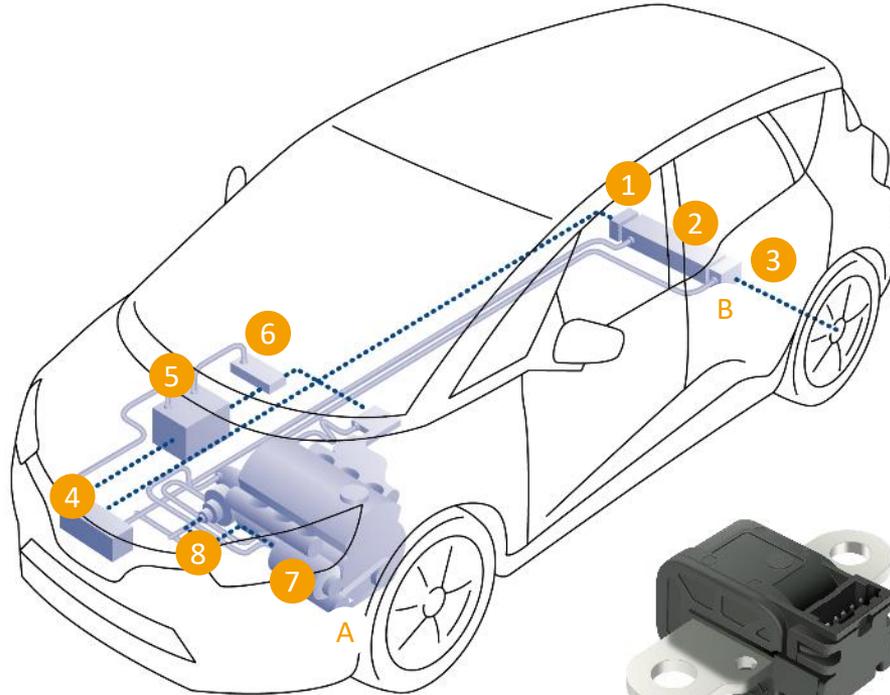
- Market capitalization of CHF 1.4 billion
- Dividend yield >3.5% in each year since 2009
- Continued sales growth and strong margins

Perspectives



- Reinforced investment in innovation
- Solid growth perspectives due to underlying trends
- Strong foothold in China

1. Application: Mild Hybrid Car



- 1 AC/DC converter
- 2 Lithium-ion battery
- 3 Battery controller
- 4 DC/DC converter
- 5 12-volt battery
- 6 12-volt electrical distribution center
- 7 Electric motor/generator
- 8 Electric supercharger

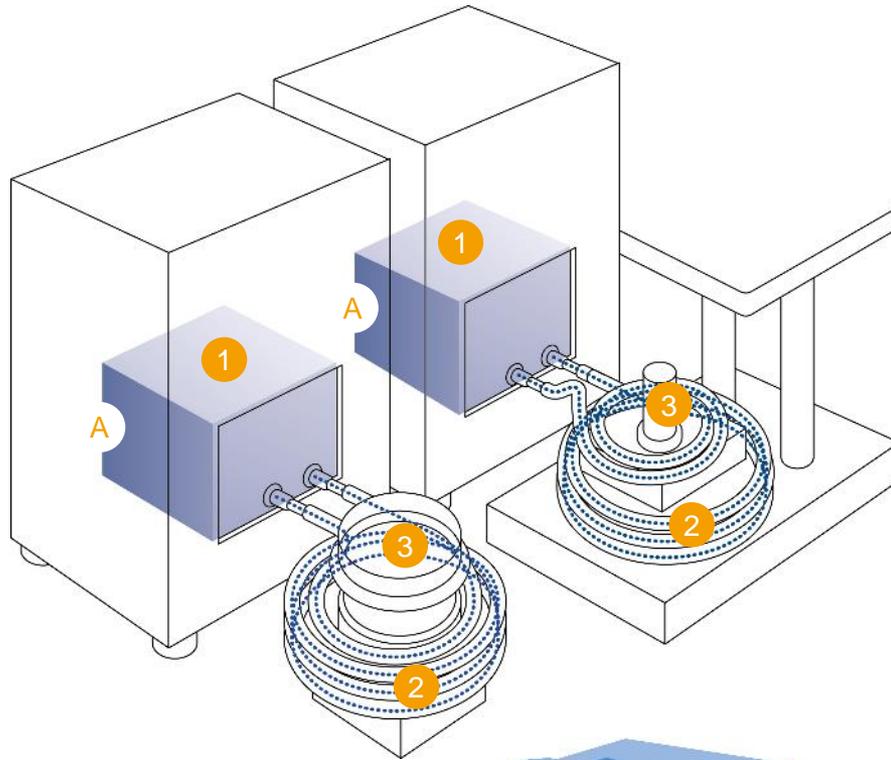


Mild hybrids are internal combustion engines equipped with an electric drive. They employ regenerative brake and some level of power assist to the internal combustion engine.

Mild hybrids provide the benefits of hybrid technologies, with less of the cost-weight penalty of a full hybrid series-parallel drivetrain.

In electrical mode, LEM's HSN families control the power transmitted by the inverter to the electrical motor. CAB families monitor the transfer of the generated energy to the battery pack while driving and braking with best-in-class accuracy. LEM's transducers are compact, easy to integrate and their superior accuracy allows the system to contribute to reduce vehicle emission and improves the hybrid car's electrical range.

1. Application: Induction Heating



- 1 Power supply
- 2 Copper coil (inductor)
- 3 Work piece



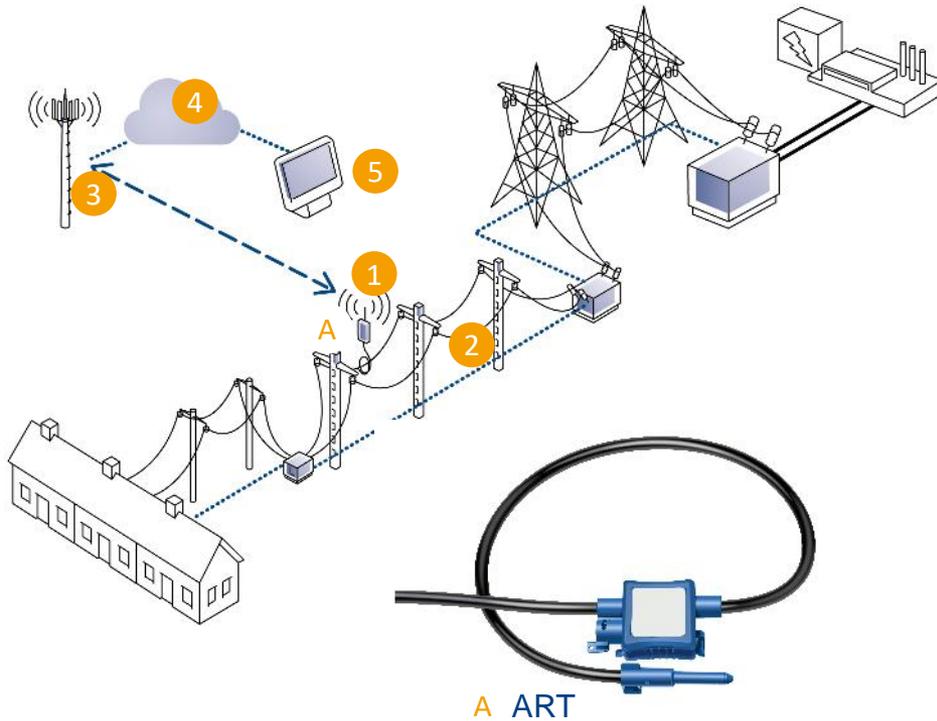
A LF 510

Induction heating is used to bond, harden or soften metals or other conductive materials. It offers an attractive combination of speed, consistency, control and energy efficiency.

In a basic induction heating setup, a power supply sends an AC current through an inductor, and the part to be heated is placed inside the inductor. The inductor serves as the transformer primary and the part to be heated becomes a short-circuit secondary. An LF 510 transducer is built inside the power supply.

The LF 510 allows a very accurate control of the workpiece's temperature. It features high immunity to external interferences generated by adjacent currents or external perturbations, and provides excellent reliability to the induction heating process.

1. Application: Smart Grid Medium Voltage Line Monitoring



- 1 Ammeter
- 2 MV power line
- 3 Telecom relay
- 4 Cloud and database
- 5 Energy management

With new Internet of Things telecom networks, monitoring overhead power lines is made possible. Thanks to an ammeter, installed between two poles, the grid operator can visualize in real-time the current flow in order to optimize the power line capacity to distribute more electricity.

The wireless ammeter sends data over a telecom relay to a secured database in the cloud. The energy management platform can regulate, alert and notify the maintenance team if needed.

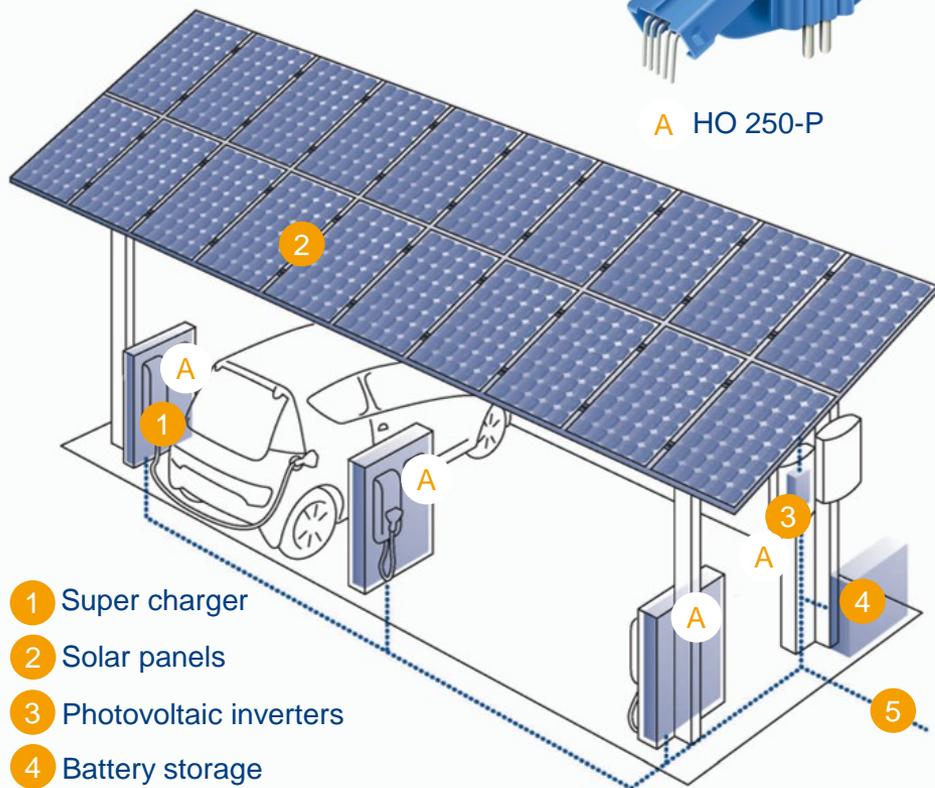
The ammeter uses the rogowski coil ART to measure the current, detects line aging depending on the level of current, and helps prioritizing line capacity and regular maintenance.

1. Application: 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.



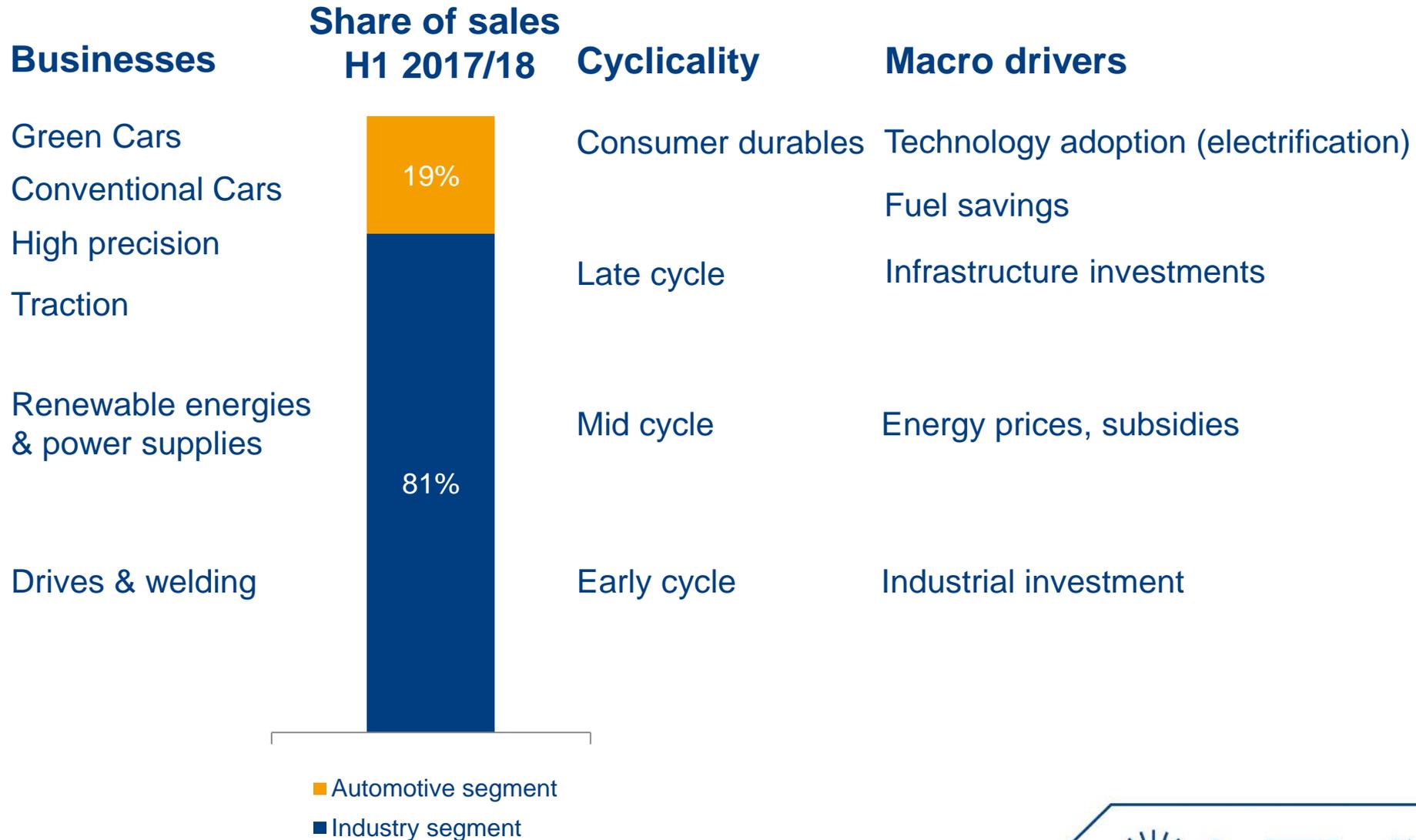
A HO 250-P



- 1 Super charger
- 2 Solar panels
- 3 Photovoltaic inverters
- 4 Battery storage
- 5 Grid

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



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ATO



2. Double-digit Sales and Profit Growth

In CHF millions, %	H1 2017/18	H1 2017/18 vs. H1 2016/17	Q2 2017/18 vs. Q2 2016/17
Orders	156.8	+18.5%	+16.3%
Sales	152.2	+14.8%	+16.1%
EBIT	31.9	+15.9%	+12.7%
Net profit	26.5	+19.7%	+16.5%

- Improving market conditions
- All but conventional car business contributed to strong sales growth
- Maintained robust profitability
- Ongoing strategy implementation
 - Adding R&D capacities in all locations
 - Adding production lines in Sofia and Beijing
 - Investment in “Industry 4.0” automated production lines

2. Product Launches H1 2017/18

ITN 1300-s



- 1300 A high accuracy current transducer
- Compact size
- Low sensitivity to external magnetic fields
- For medical application requiring higher current

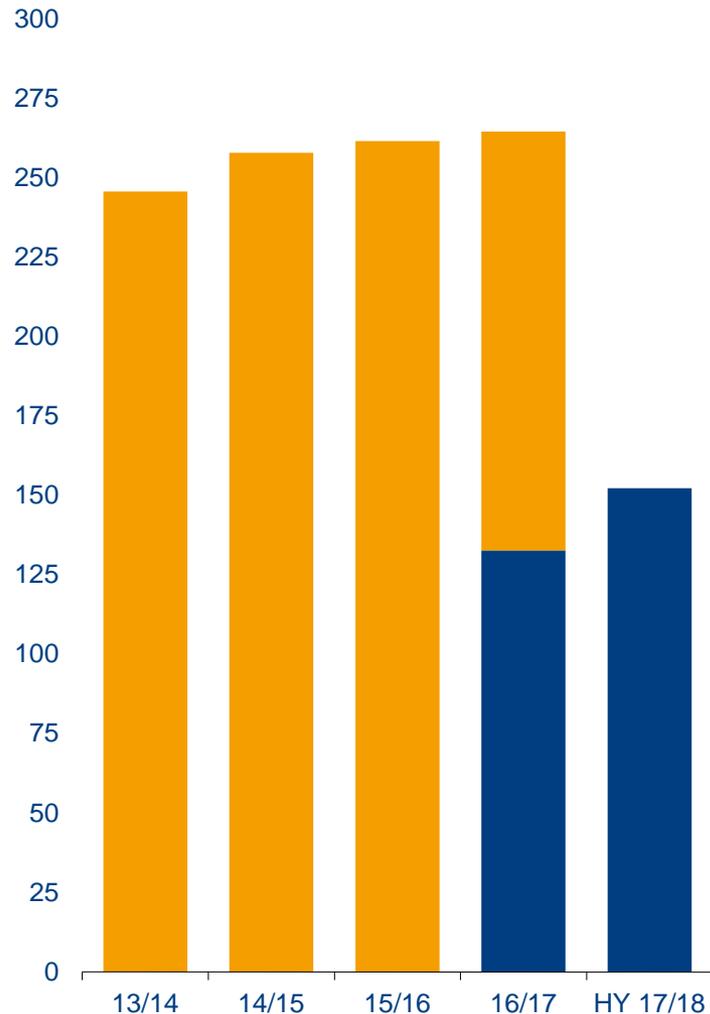


Industry

- Pipeline of product innovations to be launched in the second half of the year

2. Net Sales

In CHF millions

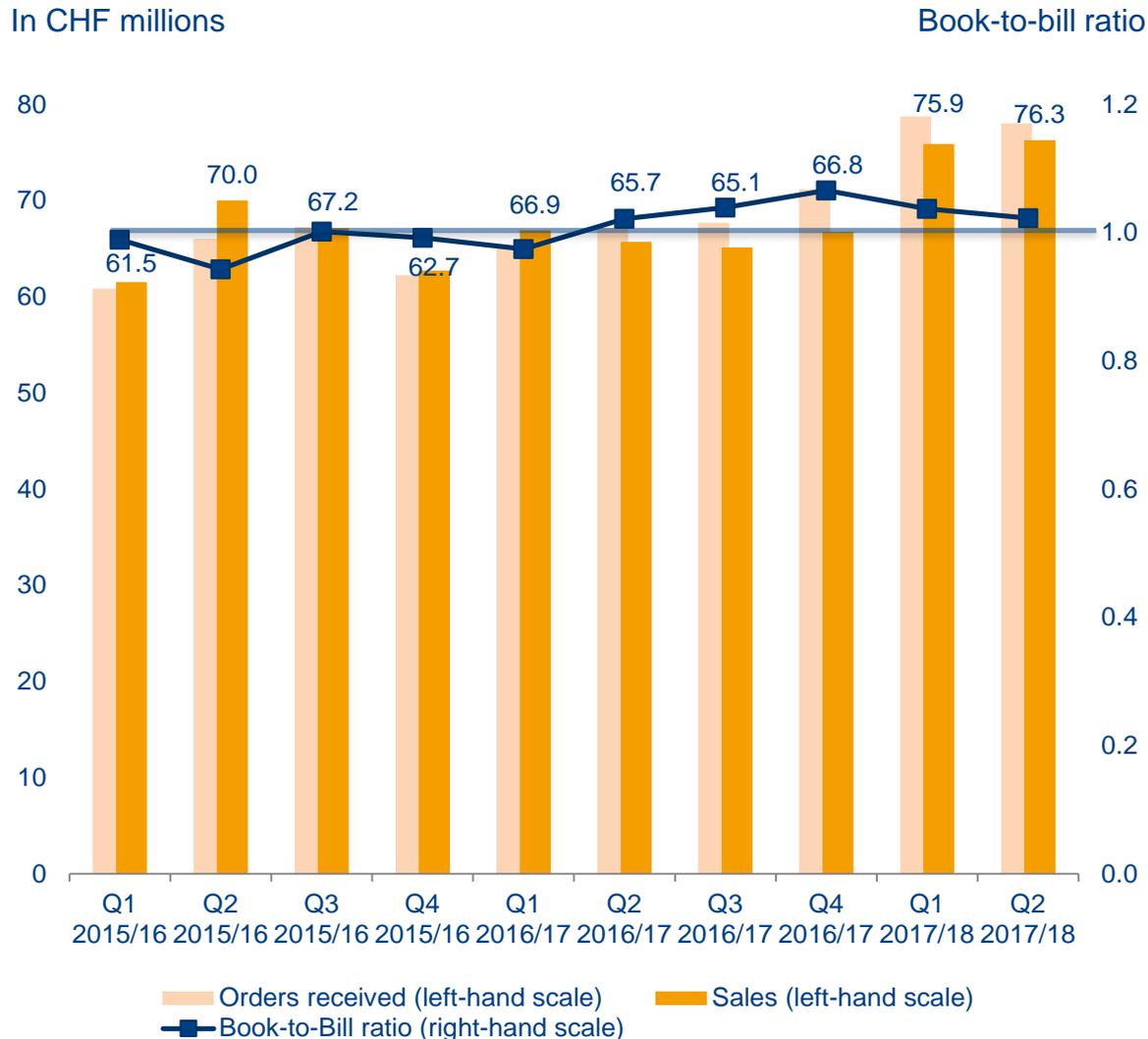


In CHF millions, %

	Sales	H1 vs. H1		Q2 vs. Q2
		as reported	at constant currencies	
Industry	123.7	+15.6%	+16.6%	+17.3%
Automotive	28.5	+11.3%	+13.2%	+11.6%
Total	152.2	+14.8%	+15.9%	+16.1%

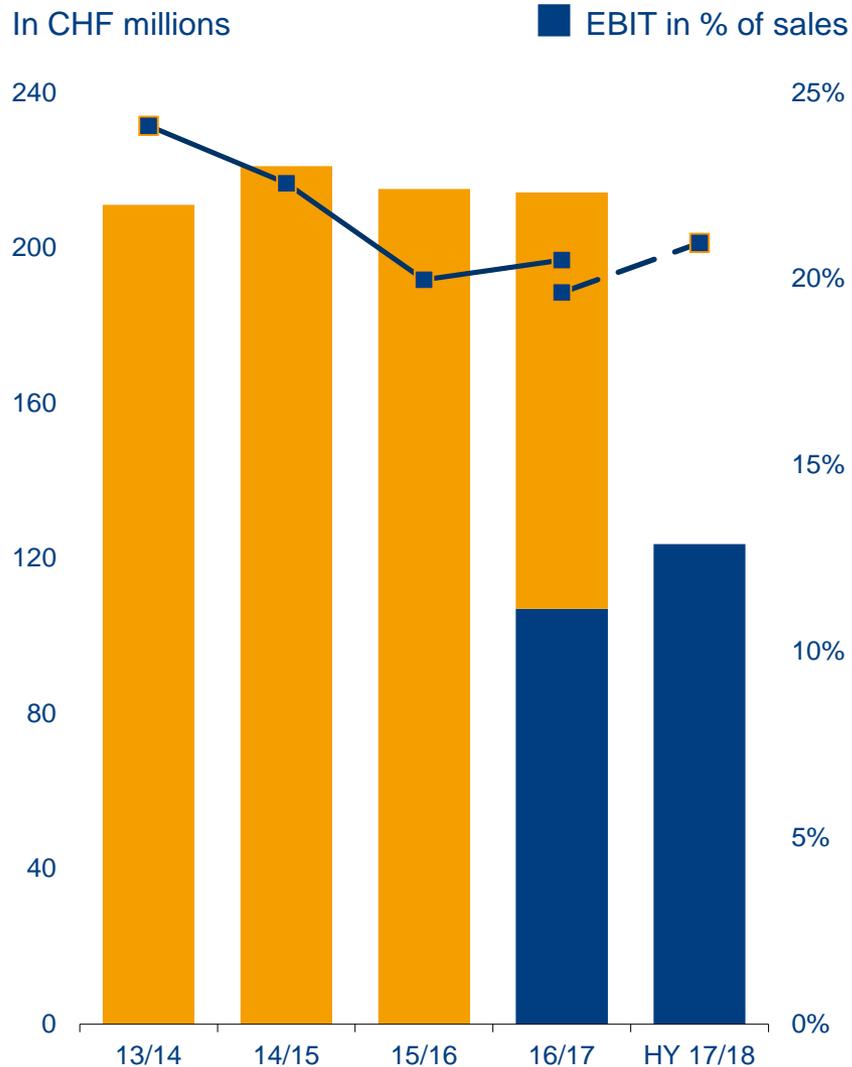
- Positive economic sentiment translated into sales growth
- Asia, particularly China, driving sales growth in most businesses
- Negative currency impact on sales

2. Quarterly View



- 5th consecutive quarter with book-to-bill ratio higher than 1
- Uptrend of book-to-bill ratio pointing to continued positive market conditions
- Shrinking inventories at customers translating into short-term bookings

2. Industry Segment: Business Development



Businesses and Applications

Drives & welding (H1 vs. H1: +9%)

- Higher sales in all regions
- Increased investment in automation industries
- Won market share

Renewable energies & power supplies (+25%)

- High demand from solar energies in China and Europe; weak US business
- High feed-in tariffs for Chinese solar energy producer inflated sales in Q1 of 2017/18
- Won market share

Traction (+23%)

- Individual short term projects support growth
- Energy metering, trackside and retrofit orders in Europe and India
- Light rail and subway projects in China

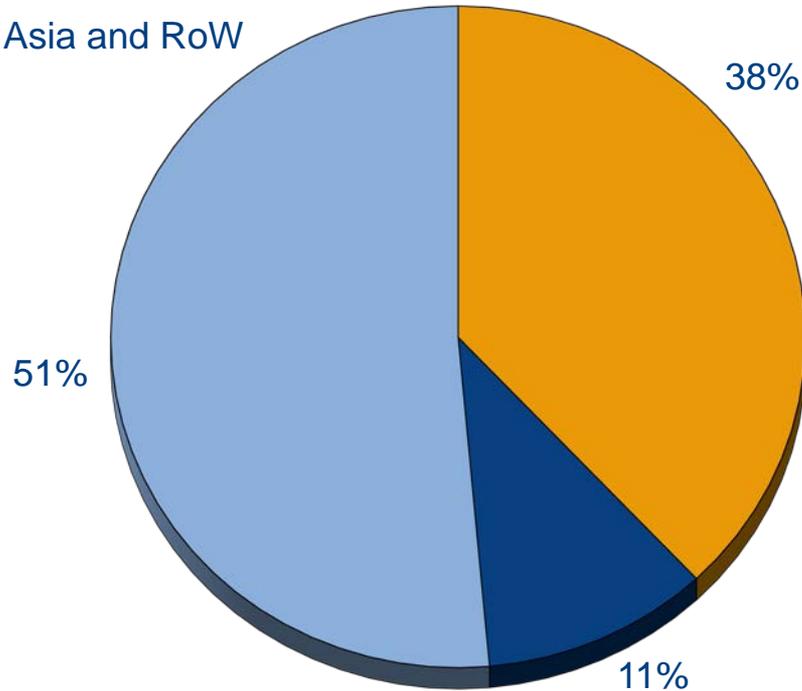
High-precision (+3%)

- Pick-up in test & measurement market
- HVDC projects in China completed; no follow-up projects



2. Industry Segment: Regional Markets

- Europe
- North America
- Asia and RoW

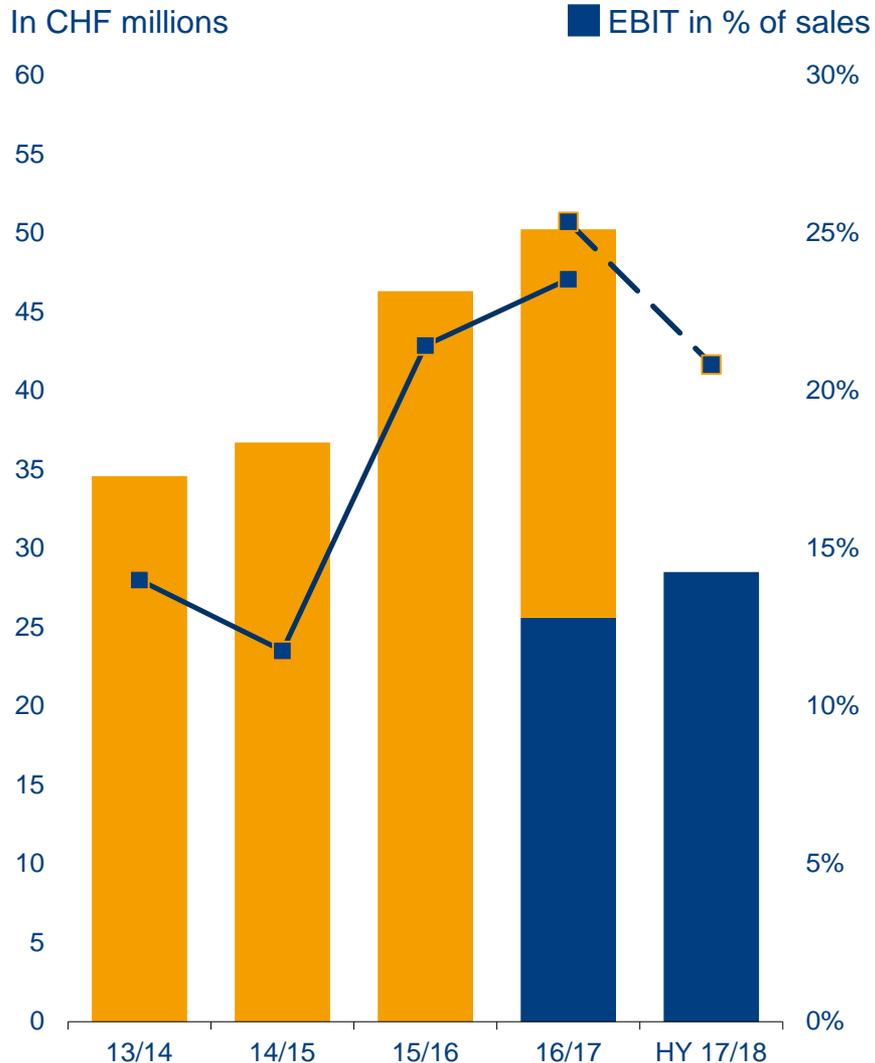


In CHF millions, %	Sales	Growth H1 vs. H1	Growth Q2 vs. Q2
Europe	47.0	+11.5%	+18.5%
N. America	13.1	-2.0%	-0.9%
Asia and ROW	63.6	+23.5%	+21.2%
Total	123.7	+15.6%	+17.3%

- Strong growth in China, India and Germany
- China the single most important country representing 34% of sales

2. Automotive Segment: Business Development

In CHF millions



Businesses and Applications

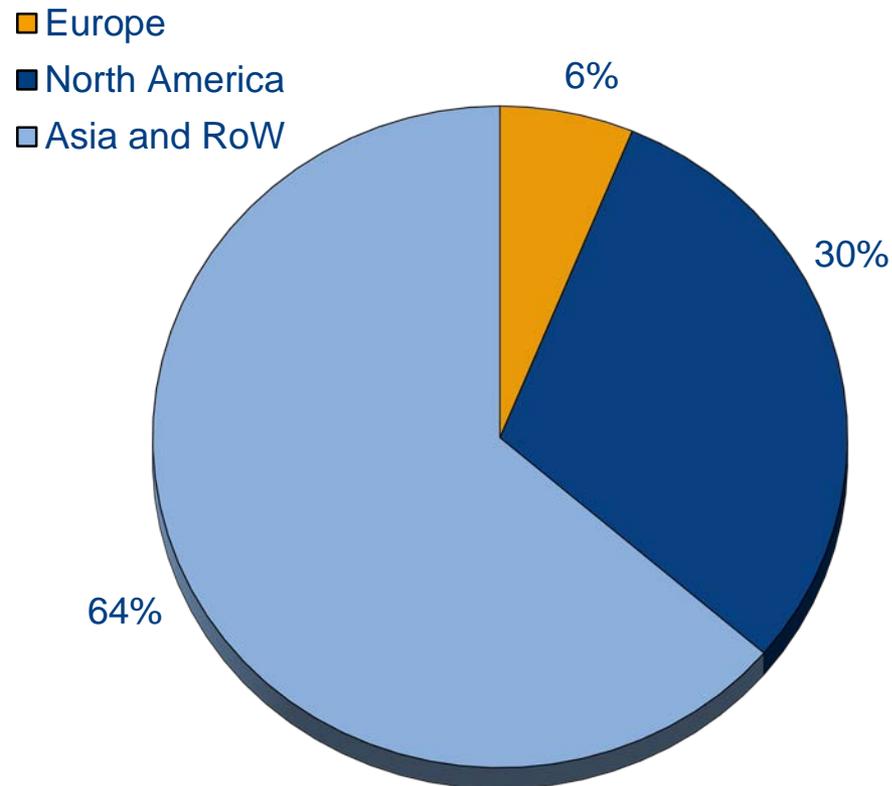
Green cars (HEV, EV) (H1 vs. H1: +63%)

- Asian green cars market growing fast
- Strong commitment to green cars from automakers around the world
- Increasing attractiveness of the market lures new competitors and affects margins
- Increasing consumer acceptance and government support globally for green cars to underpin future growth

Conventional cars (-18%)

- Weaker US market linked to technology change and lower US car sales

2. Automotive Segment: Regional Markets



In CHF millions, %	Sales	Growth H1 vs. H1	Growth Q2 vs. Q2
Europe	1.8	-19.8%	-25.7%
N. America	8.6	-17.4%	-30.7%
Asia and RoW	18.2	+39.4%	+51.8%
Total	28.5	+11.3%	+11.6%

- Sales numbers reflect destination product shipment, not OEM
- Performance driven by growth of green cars business across all regions
- Increased marketing and sales capacities trade show participation

2. Business Development Bulgaria

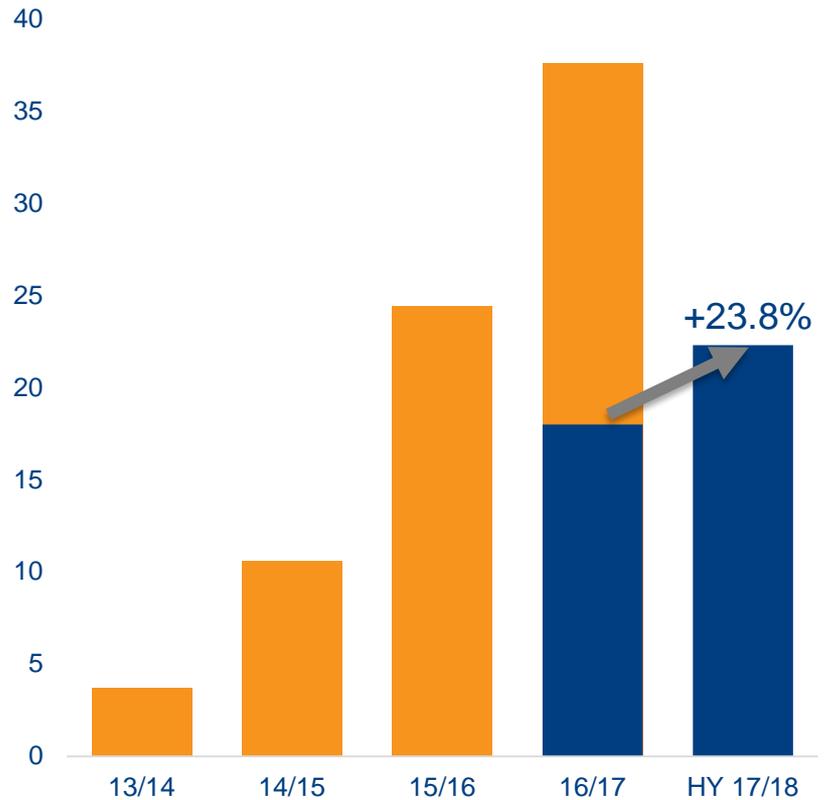


Development of the site

- Added 20% workshop surface
- Added R&D capacities
- Develop shared services for LEM Group and build a local development team
- 299 FTE
- 18 production lines

Production

In CHF millions

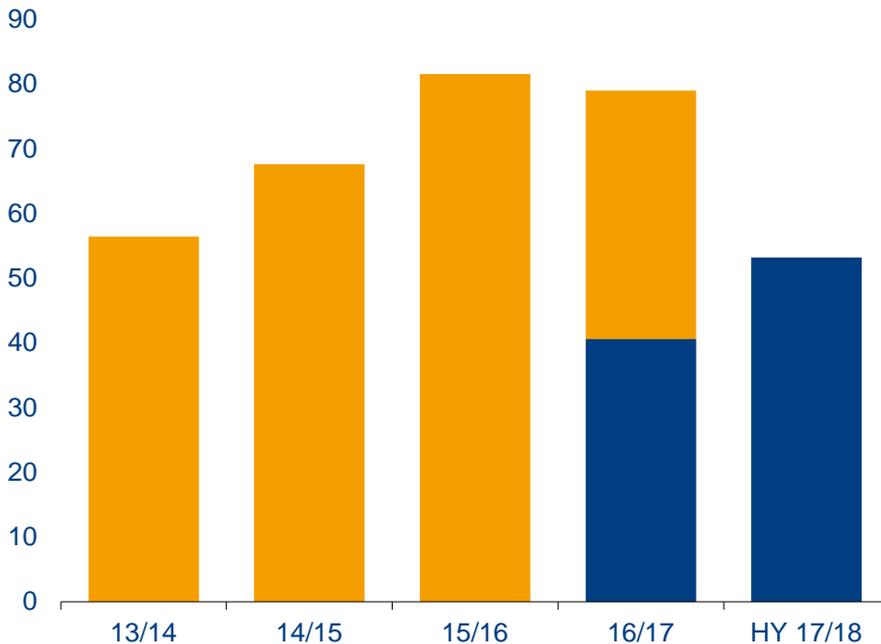


2. Business Development China

Sales

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

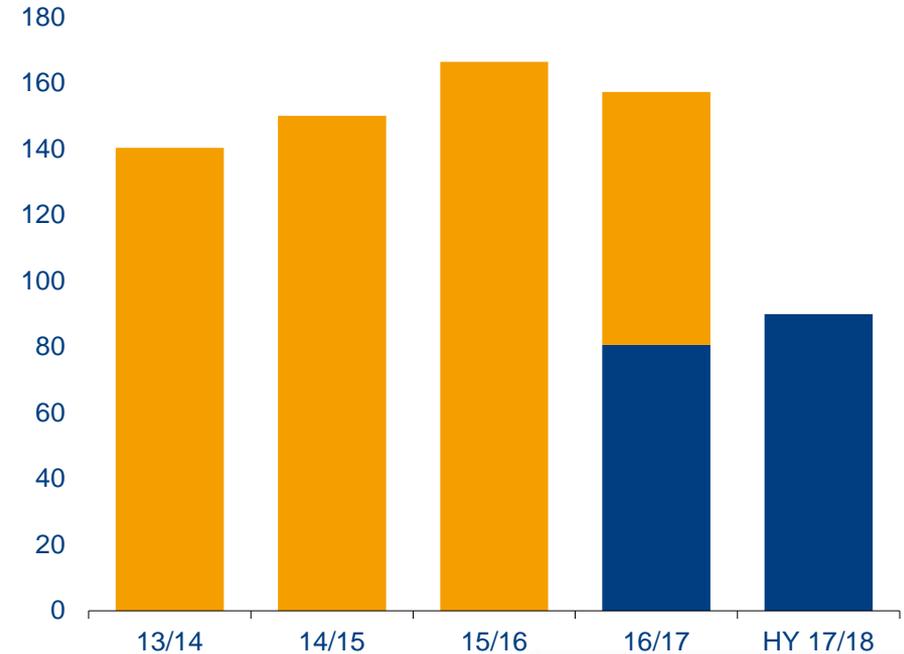
In CHF millions



Production

- LEM China is the largest manufacturing site of the Group: 59% of total production (59% in financial year 2016/17)
- “Made by LEM” quality

In CHF millions



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3. Financial Highlights

- Robust profitability
 - Gross margin of 45.6%, down from 46.3%
 - EBIT margin of 20.9%, up from 20.7%
 - Net profit of CHF 26.5 million, up from CHF 22.1 million
- Support sales growth
 - Increased net working capital
 - Increased investment in innovation and in production capacities
- Free cash flow of CHF 6.5 million, down from CHF 18.5 million

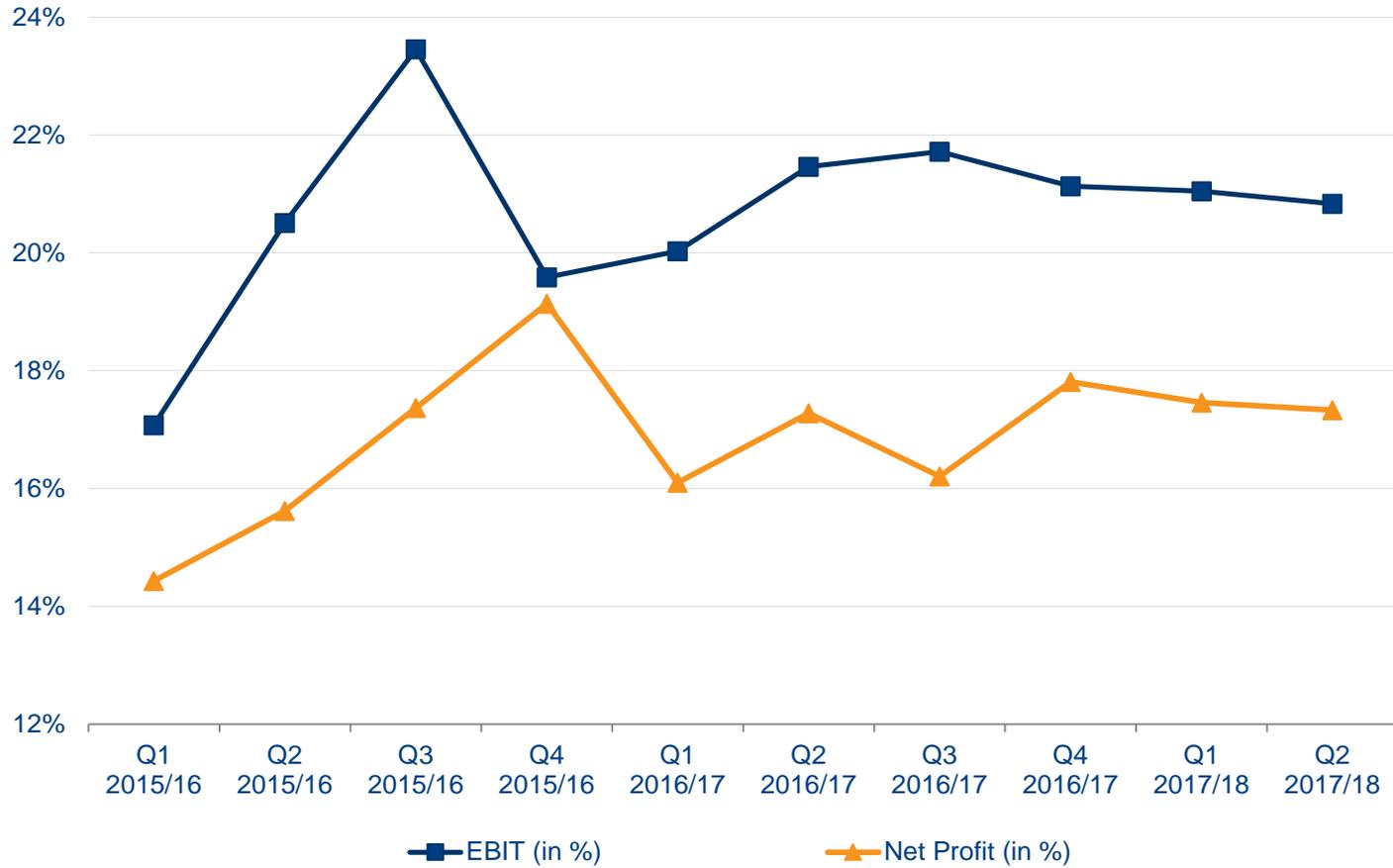
3. Income Statement

In CHF millions

	H1 2016/17	H1 2017/18	Change	Q2 2016/17	Q2 2017/18	Change
Sales	132.6	152.2	+14.8%	65.7	76.3	+16.1%
Gross margin	46.3%	45.6%	-0.7pt	46.8%	45.2%	-1.6pt
Operating expense	-33.9	-37.5	+10.9%	-16.7	-18.6	+11.6%
EBIT	27.5	31.9	+15.9%	14.1	15.9	+12.7%
Net financial exp.	-0.1	+1.4	NM	-0.1	+0.8	NM
Income tax	-5.3	-6.8	+28.6%	-2.7	-3.5	+29.5%
Net profit	22.1	26.5	+19.7%	11.4	13.2	+16.5%

3. Results by Quarter

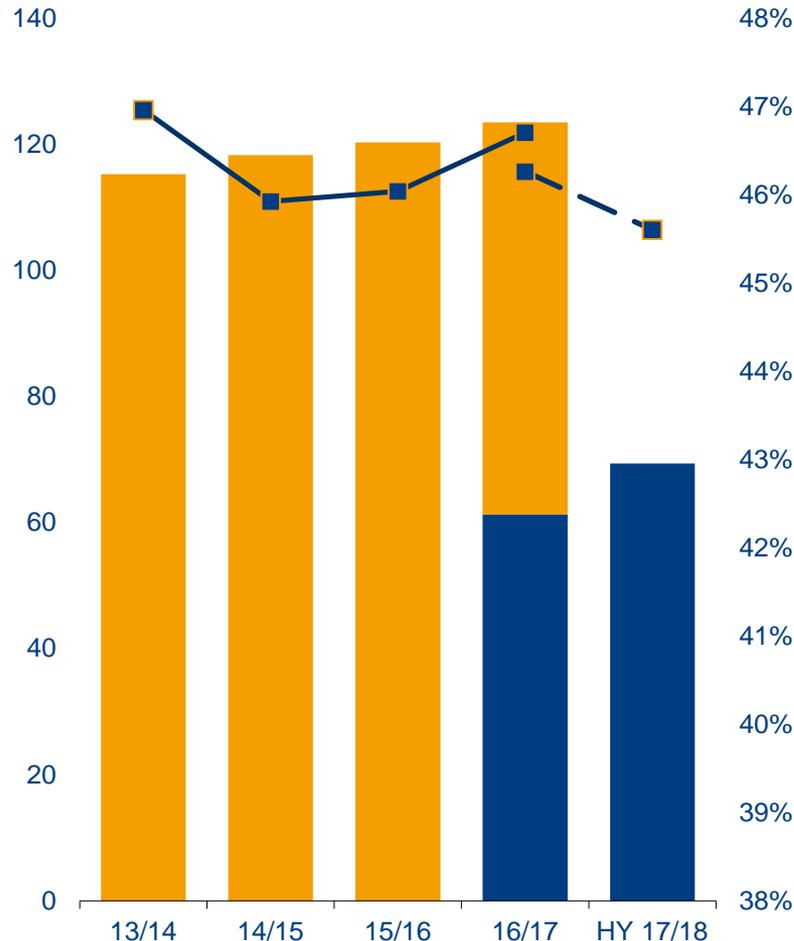
In % of sales



3. Gross Margin

In CHF millions

■ In % of sales



	H1 2016/17	H1 2017/18	Q2 2016/17	Q2 2017/18
Gross margin in CHF millions	61.4	69.4	30.8	34.5
Gross margin in % of sales	46.3%	45.6%	46.8%	45.2%

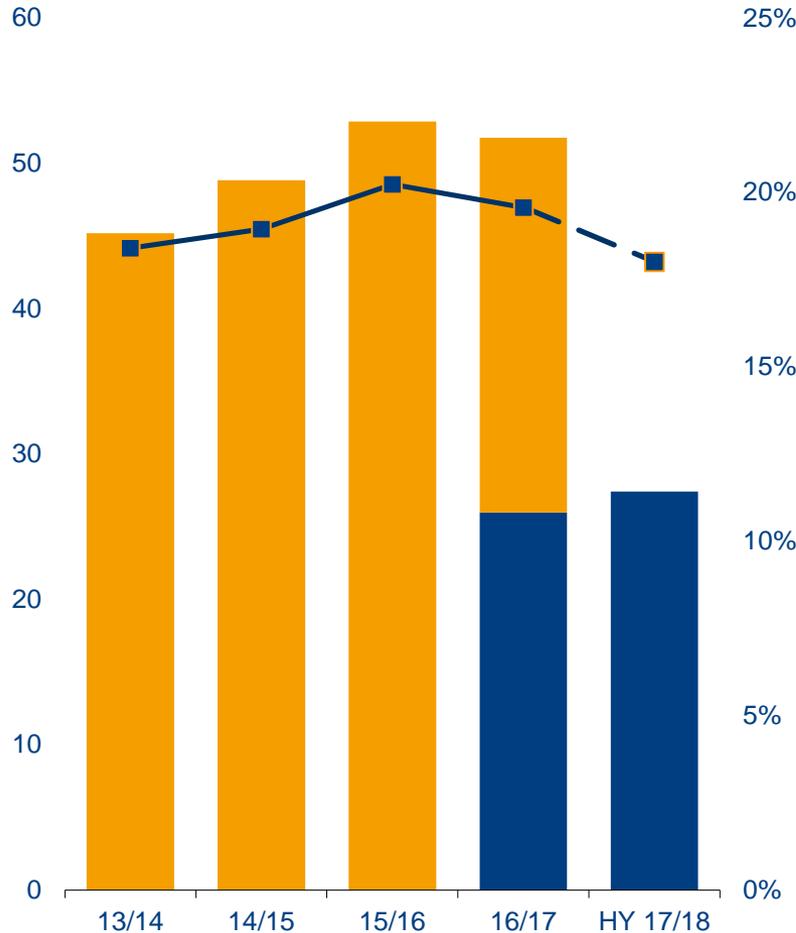
- Footprint optimization program affected gross margin by -0.5% in H1 of 2017/18
- Increasing share of cost competitive production compensated continuous price pressure



3. SG&A

In CHF millions

■ In % of sales

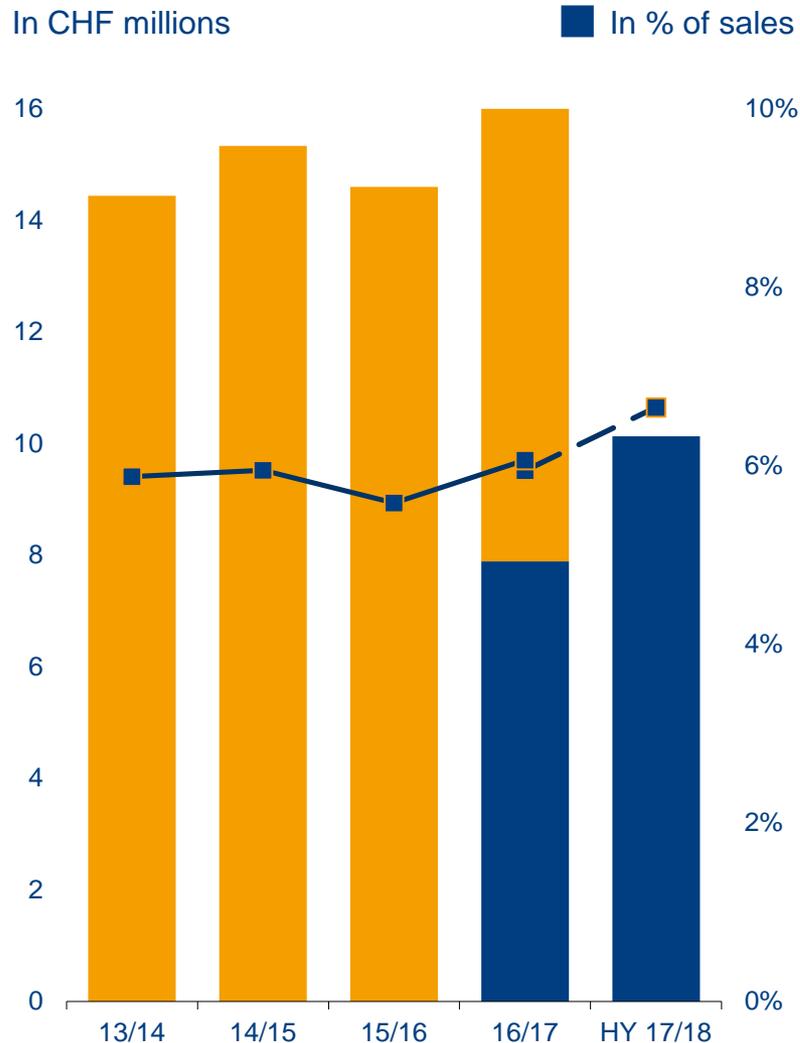


	H1 2016/17	H1 2017/18	Q2 2016/17	Q2 2017/18
SG&A in CHF millions	26.0	27.4	12.8	13.2
SG&A in % of sales	19.6%	18.0%	19.5%	17.3%

- Sales growth achieved with stable structure cost
- SG&A in % of sales dropped by 1.6%pt



3. R&D Expense



	H1 2016/17	H1 2017/18	Q2 2016/17	Q2 2017/18
R&D expense in CHF millions	7.9	10.1	3.8	5.4
R&D expense in % of sales	5.9%	6.7%	5.8%	7.1%

- Ongoing renewal of product portfolio
- Acquire new technologies to address new markets
- Increase R&D team by almost 20% in four locations
- Inaugurated LEM Tech France SA (new R&D center in Lyon, France)



3. Financial Expense

In CHF millions

	H1 2016/17	H1 2017/18	Q2 2016/17	Q2 2017/18
Exchange effect	-0.0	+1.5	-0.0	+0.8
Other financial expense & income	-0.0	-0.1	-0.0	-0.1
Total	-0.1	+1.4	-0.1	+0.8

- Exchange gain mainly due to USD hedges and foreign exchange gains with accounts receivables (mostly EUR)
- Foreign exchange hedging policy unchanged for EUR, USD and JPY

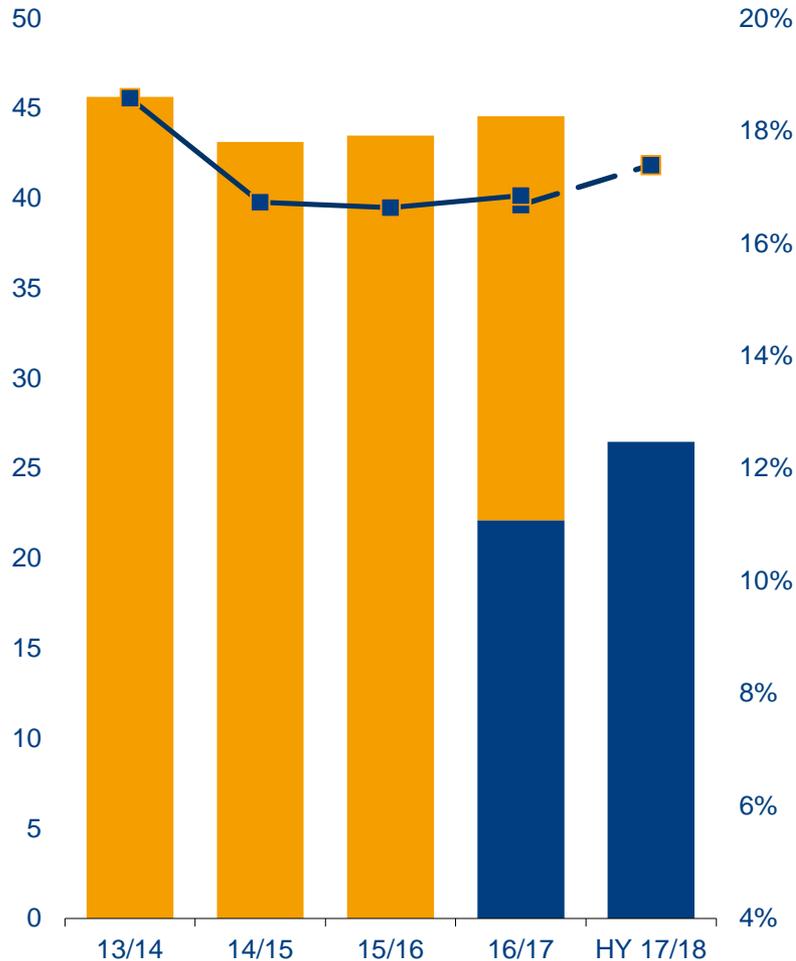
3. Income Taxes

	H1 2016/17	H1 2017/18
Expected income tax rate	16.8%	18.3%
Expected withholding tax rate	1.4%	1.9%
Expected tax rate	18.2%	20.2%
Other differences	1.2%	0.3%
Effective tax rate	19.4%	20.5%

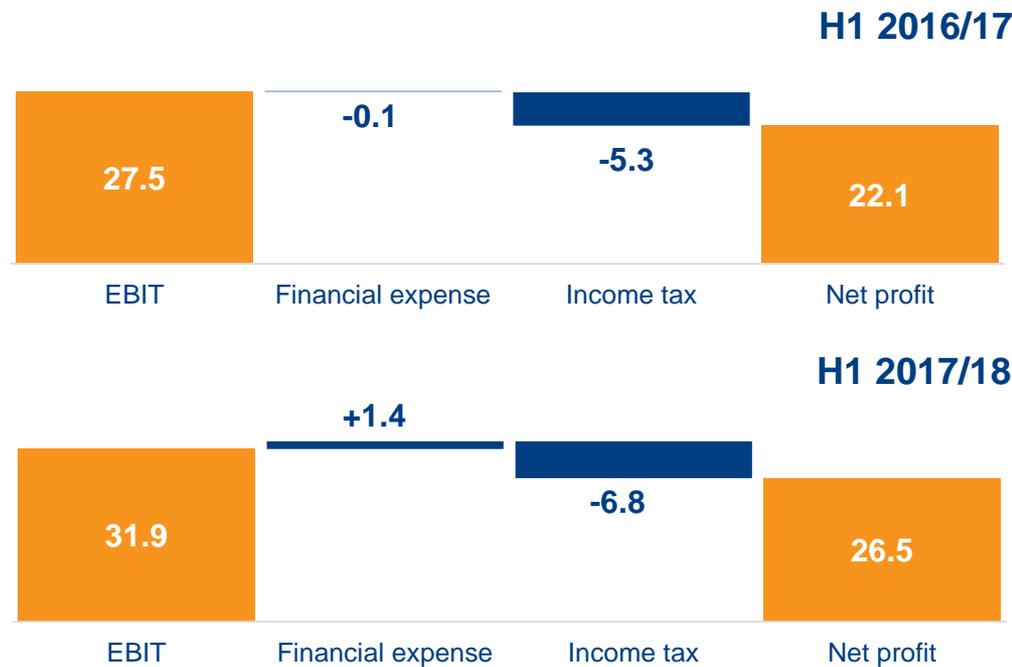
- Increased tax rate driven by higher profitability in the high tax location China

3. Net Profit

In CHF millions



	H1 2016/17	H1 2017/18	Q2 2016/17	Q2 2017/18
Net profit in CHF millions	22.1	26.5	11.4	13.2
Net profit in % of sales	16.7%	17.4%	17.3%	17.3%



3. Balance Sheet Analysis

In CHF millions	31.3.2017	30.9.2017
Net working capital	40.6	56.9
Fixed assets	44.4	48.8
Noncurrent liabilities	-7.4	-6.9
Net operating assets	77.7	98.9
Net cash / (debt)	12.8	-20.1
Equity	90.5	78.7
Equity ratio	60.7%	46.1%
Days of sales outstanding	72	79
Days of inventory outstanding	87	80
Days of payables outstanding	54	37

3. Cash Flow Statement

In CHF millions

	H1 2016/17	H1 2017/18
Profit before taxes	27.4	33.3
Adjustment for noncash items and taxes paid	-1.6	-0.7
Cash flow from changes in net working capital	-2.9	-18.0
Cash flow from operating activities	22.9	14.5
Cash flow from investing activities	-4.4	-8.0
Free cash flow	18.5	6.5
Cash flow from financing activities	-12.0	-5.6
Change in cash and cash equivalents	6.5	0.9
Cash and cash equivalents at the end of the period	20.1	13.9

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4. Executing Strategy

Strategic priorities

Achievements in H1 2017/18

Increase technology leadership

- Reinforce multidisciplinary innovation team
 - Increase number of product launches
 - Constantly improve performance of products
- Increased R&D team by almost 20% and R&D spend by almost 30%
 - Inaugurated LEM Tech France SA

Increase efficiency

- Reduce product cost through cost-competitive sourcing and manufacturing
 - Reduce cost of marketing, administration and R&D
 - Reduce complexity of organization
- Increased production in cost effective sites to 80% of total sales
 - Grew teams in Sofia and Beijing
 - Constant productivity increases

Increase production flexibility

- Develop systems to better forecast demand fluctuations
 - Improve supply chain management
- Maintained high delivery performance
 - Added production capacities and managed supply chain
 - Invested in new generation of “Industry 4.0” automated lines
-

4. Outlook

- Trends:
 - Industry business supported by positive global economic environment
 - Growth in the green cars business to over-compensate slowing conventional cars business
 - Seasonality to impact sales in Europe in Q3 (Christmas season) and Q4 (Chinese New Year)
- High number of product launches
- Ongoing adaptation of the international footprint of all activities
- Expectation for the full financial year 2017/18
 - Sales of around CHF 290 million
 - EBIT margin above 20%

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5. Frank Rehfeld new LEM CEO as of 1 April 2018



- Since 1 January 2016 SVP Industry at LEM
 - Key achievements: advancing technology leadership, driving growth and addressing new market segments
- Held multiple leadership positions in China at Siemens VDO, Hella and Brose
- Started his career in R&D and sales in Body Electronics at Siemens VDO Germany
- Holds a Master degree in Electrical Engineering from University of Erlangen-Nürnberg, Germany
- Age 49, German national



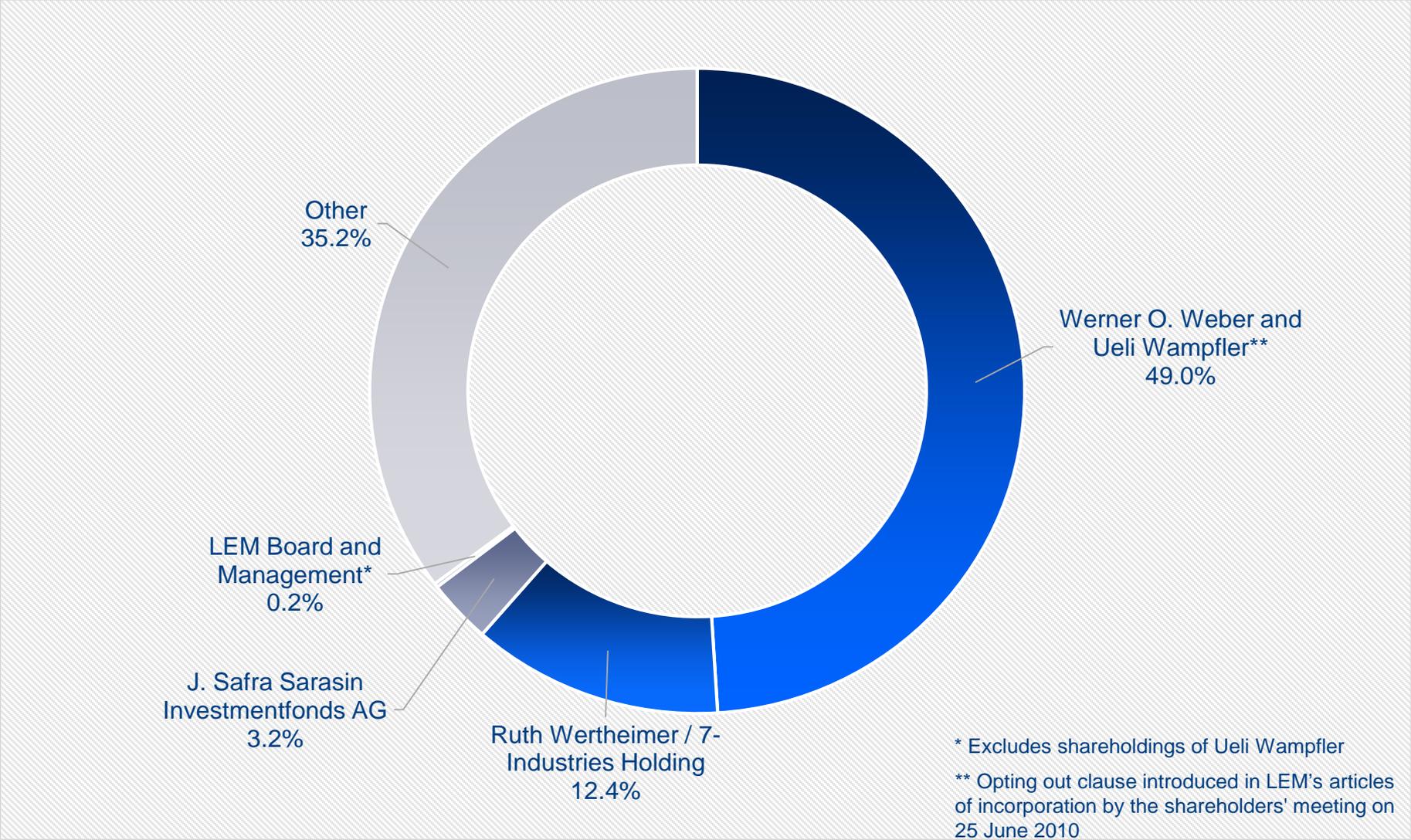
LEM[®]

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 2017



Financial Calendar and Contact Details

Financial calendar

The financial year runs from 1 April to 31 March

8 February 2018	Third quarter results 2017/18
23 May 2018	Year-end results 2017/18
28 June 2018	Annual General Meeting of Shareholders for the year 2017/18
3 July 2018	Dividend ex-date
5 July 2018	Dividend payment date

For further information

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