Full Year Results 2019/20
1 April 2019 to 31 March 2020
Opening Remarks
Frank Rehfeld

Business Performance
Frank Rehfeld

Financial Results
Andrea Borla

Outlook
Frank Rehfeld

Proposal to Shareholders
Andreas Hürlimann
life
energy
motion
Encouraging performance 2019/20

- Steady results, given the tough economic environment
- Sales and profitability in line with guidance
- Robust margins, strong balance sheet, healthy cash flow

- Fundamental prospects remain strong, driven by mega trends
- Electric sensor market growing 8% CAGR

- Continue to invest in R&D, 9.1% of sales; launched ten new products
- Making our organization more agile
- Covid-19 impact well managed operationally to date
Covid-19 impact to date

Three priorities

- Safety of employees, taking care of families
- Reliability and responsiveness to customers and suppliers
- Focus on strategic projects and opportunities

- China closed 3 weeks, returned full capacity end March
- Switzerland, Bulgaria running at full capacity throughout
- Sanitary measures for all sites, home-office experience successful

- Some supply chain bottlenecks
- Q4 orders -1.2%; sales -5.7% mainly due to China shut down
Opening Remarks

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Proposal to Shareholders
Andreas Hürlimann
A leading company in electrical measurement

<table>
<thead>
<tr>
<th>Core applications</th>
<th>Motor Drives</th>
<th>Power Storage, Generation, Conversion</th>
<th>Energy Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</table>

**Segments**

<table>
<thead>
<tr>
<th></th>
<th>Automotive</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Green</td>
<td>Conventional</td>
</tr>
<tr>
<td>Motor control</td>
<td>Battery management</td>
<td>Charging systems</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY 2019/20 Sales</th>
<th>CHF m</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>67.6</td>
<td>Industry</td>
<td>240.4</td>
</tr>
<tr>
<td>Δ CHF</td>
<td>-5.3%</td>
<td></td>
<td>-3.9%</td>
</tr>
<tr>
<td>Δ constant currency</td>
<td>-3.9%</td>
<td></td>
<td>-1.3%</td>
</tr>
</tbody>
</table>
Global sales spread balanced by strong RoW

- Close to customers on the ground in all key markets
- Balanced geopolitical and economic exposure
- Better performance in Rest of the World

<table>
<thead>
<tr>
<th></th>
<th>FY 2019/20</th>
<th>Q4 2019/20</th>
<th>vs 2018/19</th>
<th>vs 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>98.7</td>
<td>-7.2%</td>
<td>-14.6%</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>97.9</td>
<td>-4.1%</td>
<td>-0.4%</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>37.4</td>
<td>-13.5%</td>
<td>-9.8%</td>
<td></td>
</tr>
<tr>
<td>RoW</td>
<td>74.0</td>
<td>+5.8%</td>
<td>-0.1%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>307.9</td>
<td>-4.2%*</td>
<td>-5.7%</td>
<td></td>
</tr>
</tbody>
</table>

* -1.9% at constant currency rates
Industry segment
<table>
<thead>
<tr>
<th>Businesses</th>
<th>2019/20</th>
<th>2018/19</th>
<th>Change</th>
<th>Comments</th>
</tr>
</thead>
</table>
| Drives              | 99.5    | 113.3   | -12.2%  | • China delay of investments  
• Japan & Germany weak machine tools  
• Interest in new products |
| Renewable Energy    | 78.7    | 77.0    | +2.2%   | • Strong growth in China  
• Stable Europe & US  
• Driven by solar and new products |
| Traction            | 51.0    | 48.6    | +5.1%   | • Growth in India  
• Higher investments Eastern Europe & Russia |
| High precision      | 11.1    | 11.3    | -2.2%   | • Demand for EV car test benches Japan & Western Europe  
• New IN product family well received |
| Total Industry      | 240.4   | 250.2   | -3.9%   |                                                                          |
Industry segment
Regional markets

- China largest single country
- Global economic uncertainty persists, particularly in the drives business

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>73.2</td>
<td>+0.1%</td>
<td>-2.9%</td>
</tr>
<tr>
<td>Europe</td>
<td>92.2</td>
<td>-5.6%</td>
<td>-1.4%</td>
</tr>
<tr>
<td>North America</td>
<td>26.1</td>
<td>-8.9%</td>
<td>-7.8%</td>
</tr>
<tr>
<td>RoW</td>
<td>48.8</td>
<td>-3.8%</td>
<td>-6.5%</td>
</tr>
<tr>
<td>Total</td>
<td>240.4</td>
<td>-3.9%*</td>
<td>-3.6%</td>
</tr>
</tbody>
</table>

* -1.3% at constant currency rates
Industry next generation products

**Drives**
- HOF-Analogue

**Renewables**
- LZSR
- HLSR with FeSi Core

**Traction**
- DVC 1000-P
- DVC 1000-X

**High precision**
- IN 2000-SB
- IN 550-S

AI-PMUL (Smart grid)
DC meter for EV fast charging station

- EV roll out fast charging
  - 15 minutes 80% charge
  - Larger batteries
  - AC/DC onboard chargers minimized or removed
- DC metering mandatory in EU/US, customers pay for power load
- Developed at new Lyon R&D site
- Software, application knowledge, partnership with early adopters
Automotive segment
# Automotive segment
## Sales performance

<table>
<thead>
<tr>
<th>Businesses</th>
<th>2019/20</th>
<th>2018/19</th>
<th>Change</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green</td>
<td>50.2</td>
<td>48.6</td>
<td>+3.4%</td>
<td>• China influenced by policies, Covid-19</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Momentum Europe, Korea, Japan</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• New motor control, battery management, charging system products developed</td>
</tr>
<tr>
<td>Conventional</td>
<td>17.4</td>
<td>22.8</td>
<td>-23.8%</td>
<td>• Continued switch to new technologies</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• US major OEMs start to electrify SUVs and pick-ups</td>
</tr>
<tr>
<td>Total Automotive</td>
<td>67.6</td>
<td>71.4</td>
<td>-5.3%</td>
<td></td>
</tr>
</tbody>
</table>
- Green car business accounts for 74.3% (up from 68.1%)
- China impacted short-term by government policies
- European manufacturers drive sales from Korean and Japanese suppliers
Automotive next generation products

Battery management

CAB SF 500

CAB SF 1500
Three drivers for OEMs and suppliers

- Electrification
- Connectivity/Autonomous Driving
- Mobility as a Service

Linear long-life mechanical platforms need to change to continuous agile product development

Creativity, innovation, speed, software, and functional safety

Clear winners & losers, with new entrants

Covid-19 accelerates investment & adoption of EVs in long-term
Auto sector transformation

New car production – propulsion share

Electric vehicles
Hybrid vehicles
Internal combustion engines

“China will play a major role in the electrification of the automotive market, representing 50% of the annual EV/PHEV car production by 2028.”

Source: Bloomberg NEF
Agenda

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Performance at a glance

- Sales down only 1.9% constant currencies, benefit of diverse footprint
- Profitability stable, with vigilance over SG&A costs
- Underlying EBIT margin 19.6% in line with guidance
- Record net profit reflects non-recurring tax impact of CHF 14.0m due to sale of technical IP from LEM Intellectual Property SA based in Fribourg to LEM International SA based in Geneva and to LEM China

<table>
<thead>
<tr>
<th>CHF m</th>
<th>FY 2019/20 vs 2018/19</th>
<th>FY 2019/20 vs 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orders received</td>
<td>322.4 +0.6%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Sales</td>
<td>307.9 -4.2%*</td>
<td>-5.7%</td>
</tr>
<tr>
<td>EBIT</td>
<td>58.3 -10.0%</td>
<td>-15.0%</td>
</tr>
<tr>
<td>Net profit</td>
<td>60.7 +15.9%</td>
<td>-35.2%</td>
</tr>
</tbody>
</table>

* -1.9% at constant currency rates
Gross margin up by 80 basis pts:

- Efficiency gains in both material and labour
- 79% of sales produced in China and Bulgaria
- Set up of a non recurrent inventory provision (CHF 1.3m) for Automotive ASICS in Q4 2019/20
SG&A

- Remained vigilant with overheads
- Non-recurring positive items 2018/19
- Non-recurring negative items 2019/20
- Like-for-like decrease CHF 2.0m

<table>
<thead>
<tr>
<th></th>
<th>FY 2019/20</th>
<th>FY 2018/19</th>
<th>Q4 2019/20</th>
<th>Q4 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>In CHF m</td>
<td>56.5</td>
<td>54.4</td>
<td>13.8</td>
<td>11.5</td>
</tr>
<tr>
<td>In % of sales</td>
<td>18.3%</td>
<td>16.9%</td>
<td>19.2%</td>
<td>15.1%</td>
</tr>
</tbody>
</table>
R&D

- R&D expenses increased due to higher headcounts and third party collaboration
- Products in early launch phase
- Continued long-term investment in future applications
## Financial expense

Following IFRS 16 implementation, interest costs of financial leases are included (CHF 0.3m)

Interests costs on 3rd party financing amount to CHF 0.1m only

<table>
<thead>
<tr>
<th>CHF m</th>
<th>FY 2019/20</th>
<th>FY 2018/19</th>
<th>Q4 2019/20</th>
<th>Q4 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange effect</td>
<td>(2.4)</td>
<td>(2.5)</td>
<td>(1.5)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Other financial expense &amp; income</td>
<td>(0.3)</td>
<td>(0.0)</td>
<td>(0.1)</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>(2.7)</td>
<td>(2.5)</td>
<td>(1.6)</td>
<td>(1.1)</td>
</tr>
</tbody>
</table>

- Negative exchange effect of CHF -2.4 million mainly caused by losses on EUR and USD
## Income taxes

<table>
<thead>
<tr>
<th>%</th>
<th>FY 2019/20</th>
<th>FY 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected income tax rate</td>
<td>15.8</td>
<td>15.0</td>
</tr>
<tr>
<td>Expected withholding tax rate</td>
<td>1.0</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Expected tax rate</strong></td>
<td><strong>16.8</strong></td>
<td><strong>16.6</strong></td>
</tr>
<tr>
<td>Other differences</td>
<td>(25.9)</td>
<td>(0.8)</td>
</tr>
<tr>
<td><strong>Effective tax rate</strong></td>
<td><strong>(9.1)</strong></td>
<td><strong>15.9</strong></td>
</tr>
</tbody>
</table>

- IP re-organisation generated one-off positive tax impact of CHF 14.0 million
- Excluding effects from the IP sale and other minor non-recurrrent elements, the tax rate was 17.0%, in line with our expectations
### Income statement

<table>
<thead>
<tr>
<th>CHF m</th>
<th>FY 2019/20</th>
<th>FY 2018/19</th>
<th>Change</th>
<th>Q4 2019/20</th>
<th>Q4 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>307.9</td>
<td>321.6</td>
<td>-4.2%</td>
<td>72.2</td>
<td>76.5</td>
</tr>
<tr>
<td>Gross margin %</td>
<td>46.4%</td>
<td>45.6%</td>
<td>+0.8%pt</td>
<td>44.2%</td>
<td>42.8%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(84.4)</td>
<td>(81.7)</td>
<td>+3.3%</td>
<td>(19.9)</td>
<td>(18.7)</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>58.3</td>
<td>64.8</td>
<td>-10.0%</td>
<td>11.9</td>
<td>14.0</td>
</tr>
<tr>
<td>EBIT margin %</td>
<td>18.9%</td>
<td>20.1%</td>
<td>-1.2%pt</td>
<td>16.5%</td>
<td>18.3%</td>
</tr>
<tr>
<td>Net financial expenses</td>
<td>(2.7)</td>
<td>(2.5)</td>
<td>+5.9%</td>
<td>(1.6)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Income tax</td>
<td>5.1</td>
<td>(9.9)</td>
<td>N/A</td>
<td>(1.7)</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>60.7</td>
<td>52.4</td>
<td>+15.9%</td>
<td>8.7</td>
<td>13.4</td>
</tr>
<tr>
<td>Net profit margin %</td>
<td>19.7%</td>
<td>16.3%</td>
<td>+3.4%pt</td>
<td>12.0%</td>
<td>17.5%</td>
</tr>
</tbody>
</table>

- Excluding the effect from the IP sale, the net profit would have decreased to CHF 46.7m, and the net margin declined to 15.2% compared to FY 2018/19
**Balance sheet**

<table>
<thead>
<tr>
<th>CHF m</th>
<th>31.3.2020</th>
<th>31.3.2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net working capital</strong></td>
<td>7.2</td>
<td>56.2</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>114.9</td>
<td>61.9</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>(15.0)</td>
<td>(9.5)</td>
</tr>
<tr>
<td><strong>Net operating assets</strong></td>
<td>107.1</td>
<td>108.6</td>
</tr>
<tr>
<td>Net cash/(debt)</td>
<td>10.2</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>117.4</td>
<td>113.1</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>51.0%</td>
<td>60.5%</td>
</tr>
<tr>
<td>Days of sales outstanding</td>
<td>67</td>
<td>75</td>
</tr>
<tr>
<td>Days of inventory outstanding</td>
<td>86</td>
<td>92</td>
</tr>
<tr>
<td>Days of payables outstanding</td>
<td>43</td>
<td>41</td>
</tr>
</tbody>
</table>

- Balance sheet remains strong and is essentially debt-free
- Equity ratio dropped mainly due to deferred tax assets and new capitalisation of leases (IFRS 16)
Cash flow

<table>
<thead>
<tr>
<th></th>
<th>FY 2019/20</th>
<th>FY 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit before taxes</strong></td>
<td>55.6</td>
<td>62.3</td>
</tr>
<tr>
<td>Adjustment for non-cash items and taxes paid</td>
<td>8.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Cash flow from changes in net working capital</td>
<td>9.9</td>
<td>(8.8)</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td>73.6</td>
<td>53.5</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>(14.7)</td>
<td>(14.8)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>58.9</td>
<td>38.8</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>(51.3)</td>
<td>(42.8)</td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>7.6</td>
<td>(4.0)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the period</strong></td>
<td>19.2</td>
<td>12.5</td>
</tr>
</tbody>
</table>

- Cash flow from operating activities was CHF 73.6 million (+37.5%), and free cash flow was CHF 58.9 million (+51.8%)
- Better net working capital management and lower taxes paid
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Uncertain outlook

- IMF baseline forecast -3% global GDP 2020, with aftershocks into 2022
- LEM China exports dependent on demand from other markets
- Complex global web of supply chains, little visibility until Q2
- Benefit from steady reliability and diversity across sectors and regions
Uncertain outlook

- Robust margins, strong balance sheet, healthy cash flow
- Continued investment in R&D, leveraging new technologies in electric powertrains, smarter sensors, DC metering and charging systems
- Make LEM more agile, increase speed of execution and reduce time to market
- Focus on matters under own control, ensuring efficiency
- Covid-19 will mean certain drivers for short-term prospects are out of our hands
Accelerating the organization

- Increasing LEM’s speed and agility
- Talent and capability development
- Decentralization
- Leadership and empowerment
- Communications and branding
Accelerating the organization

New HQ in Meyrin, Geneva, 2021

• Stronger focus on strategy, standards, innovation, and global sites coordination

• Building appropriate for modern organizational roles & technologies
New plant in Malaysia

- New production facility of 5-10,000 sqm in Penang, Malaysia
- To meet growing demand from both industry and automotive clients worldwide; de-risk supply chain; enhance competences
- Expected to open in fiscal year 2021/22, investment of CHF 5-10m
Mega trends drive long-term growth

Mega trends drive demand for electrical sensors:
- renewable energy
- reliable energy
- distributed energy
- mobility
- automation
- digitization

Far from being a mature market, the current sensing products are undergoing significant mutations, driven by new applications and technologies.

Based on IHS Markit data and our analysis, the current sensor market is expected to grow from about CHF 2.4 billion in 2019 to CHF 3.9 billion in 2025.
R&D focus

Three main trends drive our investments

▸ electrification
▸ forward integration
▸ miniaturization

Technical focus

▸ battery management systems, integrated current sensors
▸ embedded software, added functionalities
▸ increased knowledge on semiconductor packaging, supply chain and testing
▸ launched ten products 2019/20
  • digital integrator product for smart grid
  • semi-conductor product for solar inverters and robotics
  • new DC meter for electric vehicle fast charging stations
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The long-term view

- Share price development (31.03.2004 – 31.03.2020)

Share price development LEM HOLDING SA (LEHN) compared to SMI and SPIEXX

in CHF

Source: www.six-group.com

- Distributed dividends since 2004/05: CHF 436m
Proposal to shareholders

- Dividend policy of distributing significantly more than 50% of consolidated net profit
- Consideration of financial strength and difficult economic environment
- Proposed ordinary dividend of CHF 40 per share, down from CHF 42
- Payout ratio of 75.1%, down from 91.4%
- Represents a dividend yield of 3.8% (as per 31 March 2020)
- Sign of trust in the Company’s future
Thank you
Financial calendar and contact details

The financial year runs from 1 April to 31 March

9 June 2020  Annual General Meeting 2019/20
16 June 2020  Dividend ex-date
18 June 2020  Dividend payment date
29 July 2020  First-quarter results 2020/21
3 November 2020  Half-year results 2020/21
4 February 2021  Third-quarter results 2020/21
19 May 2021  Year-end results 2020/21
24 June 2021  Annual General Meeting 2020/21
1 July 2021  Dividend ex-date
6 July 2021  Dividend payment date

For further information
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life
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motion