

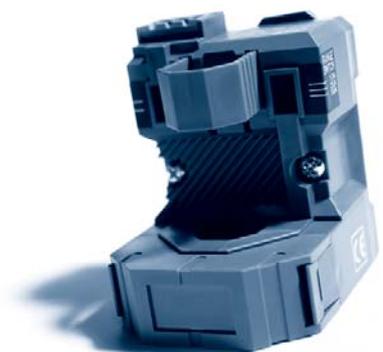
# 3<sup>rd</sup> Quarter Results 2010/11

15 February 2011



## Agenda

1. LEM at a Glance
2. Business Review
3. Financial Review
4. Outlook



# 1. About LEM

- LEM is the global market leader in providing innovative and high quality solutions for measuring electrical parameters
- The current and voltage transducers are used in a broad range of applications in Industrial, Traction, Energy & Automation and Automotive markets
- LEM is a high growth global company with approximately 1'300 employees  
Production plants are in Geneva (Switzerland), Beijing (China), Machida (Japan), Copenhagen (Denmark), and regional sales offices close to the clients locations
- LEM (SIX: LEHN) has been listed on the SIX Swiss Exchange since 1986 and has a market cap of CHF 659 million per 31.12.2010

3

15 February 2011

At the heart of power electronics



## 1. LEM Production & Logistics World-Wide



4

At the heart of power electronics



# 1. LEM at a Glance - Markets Served

## Traditional Markets

### Industry

- Motor drives, power conversion  
AC/DC, power supplies, UPS,  
welding, medical scanner, new  
energies, leakage current
- Test & measurement



### Traction & Trackside

- On-board applications,  
inverters
- Trackside and energy  
monitoring



## New Markets

### Automotive

- Conventional Cars  
Battery Management
- Green Cars (HEV, EV)  
Battery Pack  
Electric Motor Control

### Energy & Automation

- Process control
- Battery monitoring
- Energy metering

5

At the heart of power electronics



## 2. Business Review



At the heart of power electronics



## 2. Highlights Q3 2010/11 – Start of Normalization

9 months results 2010/11 achieved exceptional profitability

- After very strong bookings in Q1 & Q2 due to fears of shortages on the market, now normalization of order development in Q3 (book-to-bill 1.09)
- Demand remaining strong in most markets except in Solar where a decline due to market adjustments is forecasted
- Sales of CHF 218.8 million (+72.2% compared to 9M 2009/10)
- Gross margin slightly decreased to 43.2% (43.6% 9M 2009/10)
- Operational EBIT of CHF 46.0 million (+187.4% compared to 9M 2009/10),
- Net profit of CHF 27.3 million (CHF 5.5 million for 9M 2009/10)

Operational milestones

- New organization now in place and operational

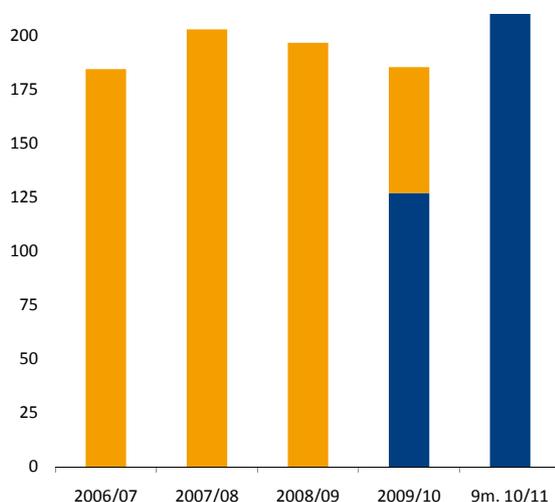
7

At the heart of power electronics



## 2. Net Sales

In CHF millions



In CHF millions	Sales	Growth 9M to 9M	Growth Q3 to Q2
Industrial	202.1	72.7%	3.0%
Automotive	16.7	65.9%	-0.3%
<b>Total Sales</b>	<b>218.8</b>	<b>72.2%</b>	<b>2.7%</b>

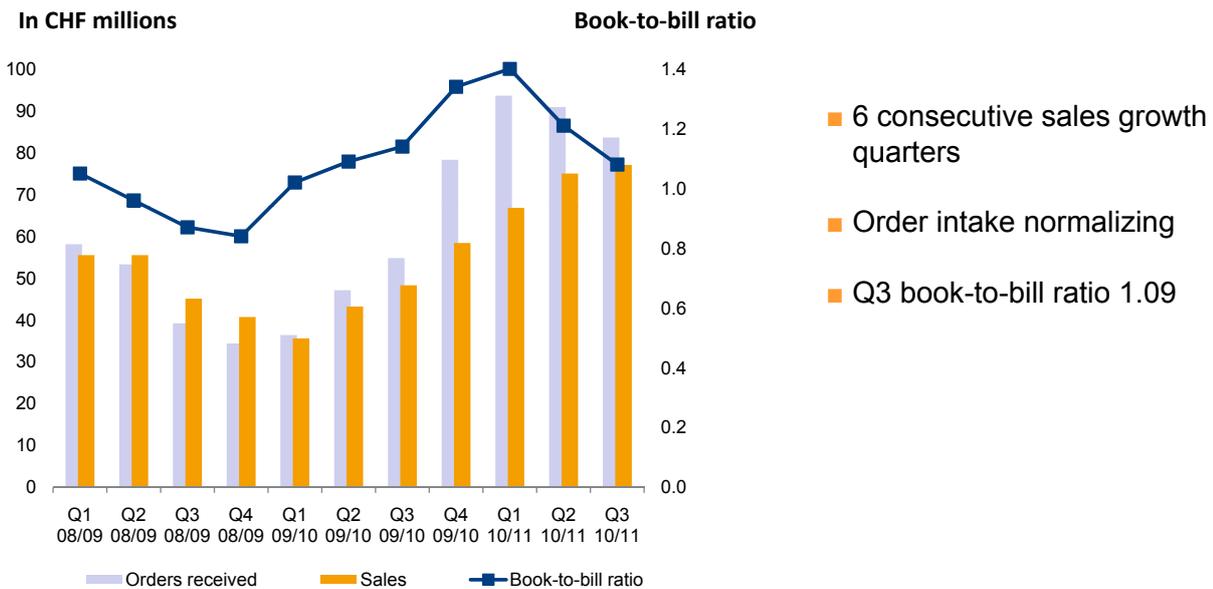
- Strong recovery vs. last year
- Stabilization of quarterly sales at a high level

8

At the heart of power electronics



## 2. Book-to-bill ratio

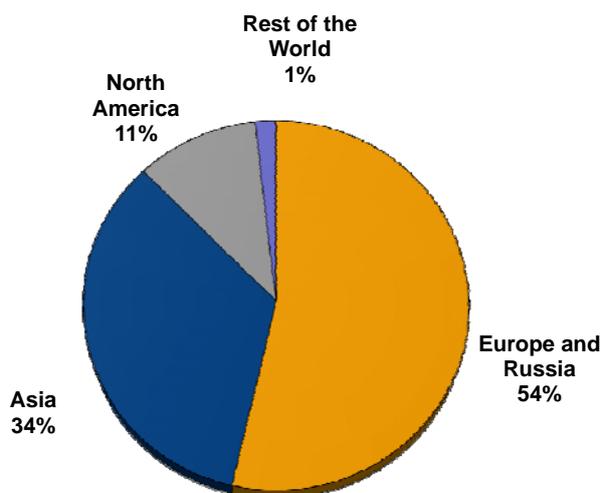


9

At the heart of power electronics



## 2. Industrial Segment: Regional Markets



Sales growth rates	9 months	Q3 to Q2
Europe	68.8%	4.6%
Asia	88.3%	2.2%
N. America	50.9%	-3.0%
ROW	67.7%	7.7%
<b>Total</b>	<b>72.7%</b>	<b>3.0%</b>

■ Normalization visible in all regions

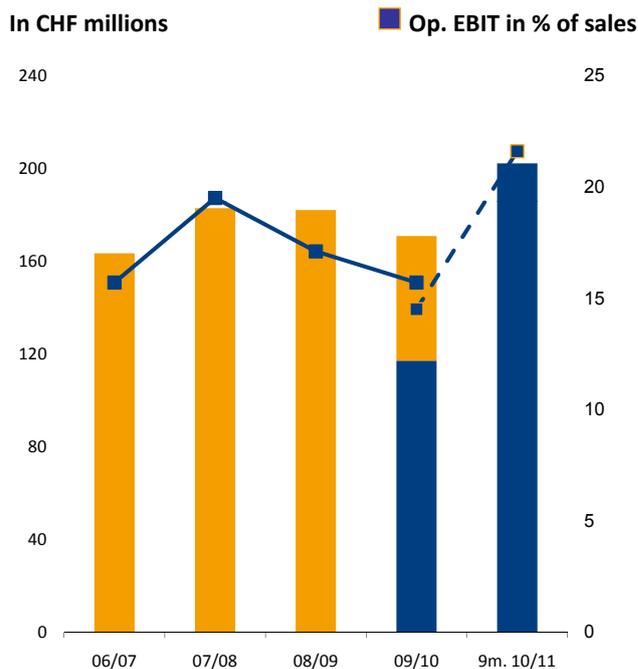
■ Total sales CHF 202.1 million for 9 months 2010/11

10

At the heart of power electronics



## 2. Industrial Segment: Business Development



### Market and Applications

#### Industry

- Increased by 94% specially in the areas of motor drives and applications for solar energy

#### Traction

- Increased at a pace of 8% mainly due to applications on board of trains

#### Energy & Automation

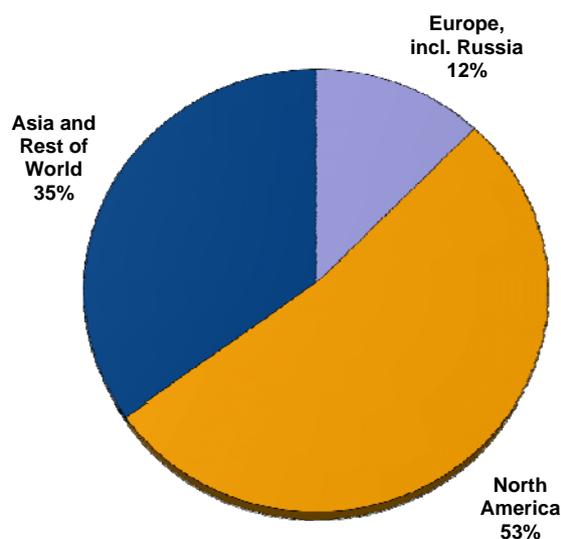
- Increased by 73% mainly due to Battery Monitoring in Asia and Energy Monitoring in Europe

11

At the heart of power electronics



## 2. Automotive Segment: Regional Markets



Sales growth rates	9 months	Q3 to Q2
N. America	74.8%	-3.1%
Asia and ROW	40.6%	3.3%
Europe	136.5%	3.1%
<b>Total</b>	<b>65.9%</b>	<b>-0.3%</b>

- Growth mainly driven by North America
- Long term trends remain unchanged for Asia and Europe

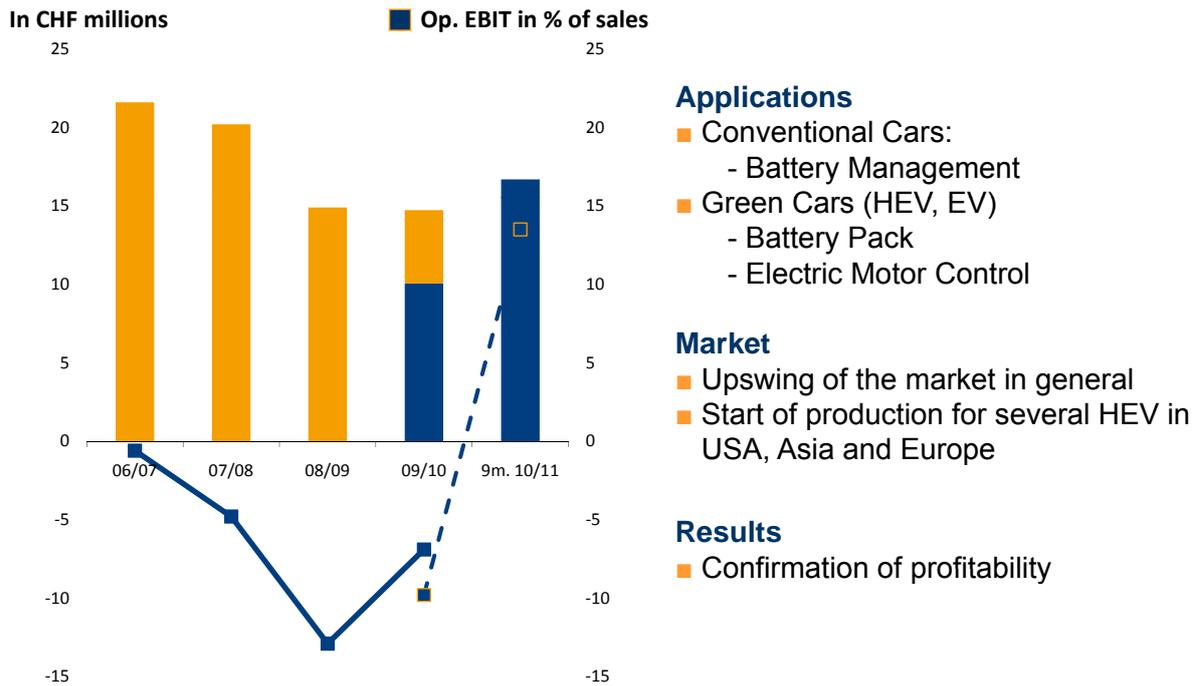
- Total sales of CHF 16.7 million for 9 months 2010/11

12

At the heart of power electronics



## 2. Automotive Segment: Business Development



13

At the heart of power electronics



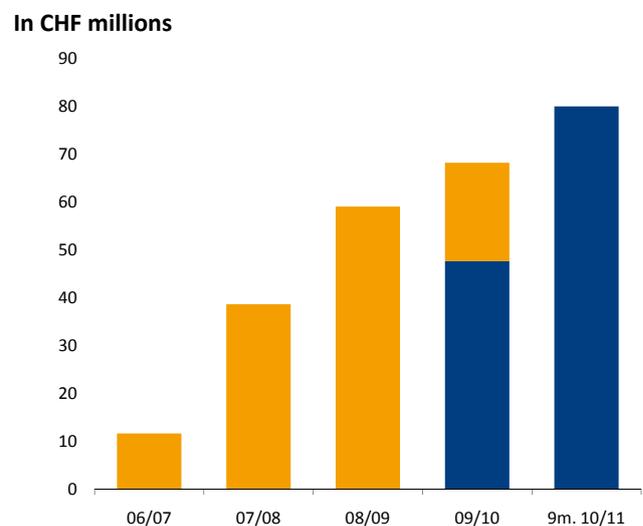
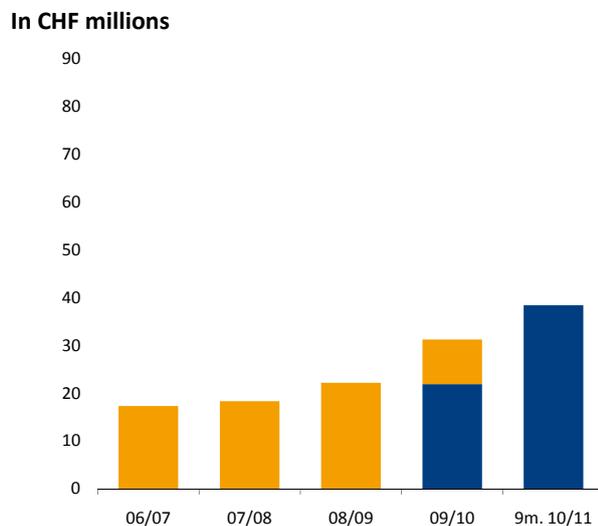
## 2. Business Development - China

### Sales

- Sales growth of 75% over same period last year
- Market share over 50%

### Production

- Beijing LEM confirms its #1 position as largest manufacturing site of the Group
- "Made by LEM" quality



14

At the heart of power electronics



## 3. Financial Review



At the heart of power electronics



### 3. Income Statement

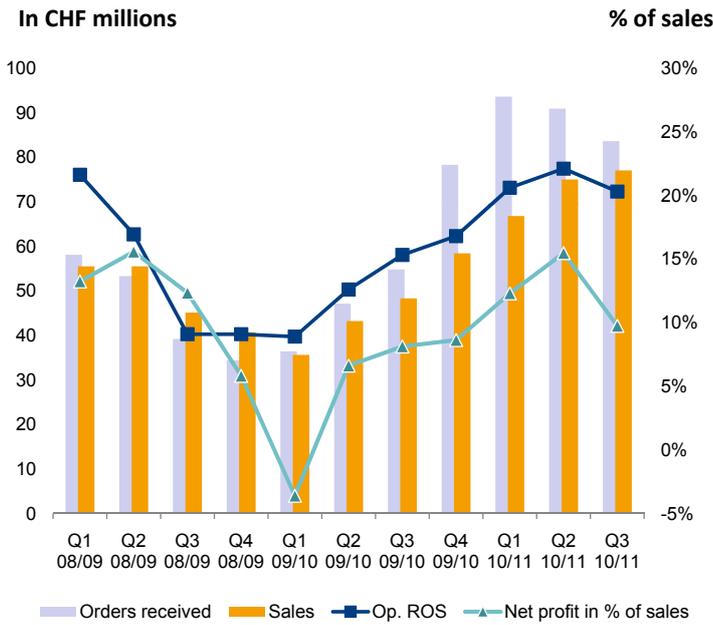
In CHF thousands	9 months 2009/10	9 months 2010/11	Change	Q2 2010/11	Q3 2010/11	Change
<b>Sales</b>	<b>127'082</b>	<b>218'824</b>	<b>72.2%</b>	<b>74'994</b>	<b>77'043</b>	<b>2.7%</b>
Gross margin %	43.6	43.2	-0.4%pt	43.8	42.4	-1.4%pt
SG&A	(39'454)	(48'650)	(23.3%)	(16'253)	(16'985)	(4.5%)
<b>Operational EBIT*</b>	<b>16'001</b>	<b>45'985</b>	<b>187.4%</b>	<b>16'592</b>	<b>15'658</b>	<b>(5.6%)</b>
Additional SOP income / costs	(5'613)	(4'958)	11.7%	(40)	(4'530)	nm
<b>EBIT</b>	<b>10'388</b>	<b>41'027</b>	<b>295%</b>	<b>16'552</b>	<b>11'128</b>	<b>(32.8%)</b>
Net financial expense	(1'051)	(4'268)	(306.1%)	(982)	(1'618)	64.8%
Income taxes	(3'844)	(9'441)	(145.6%)	(3'970)	(2'002)	(49.6%)
Tax rate in %	41.2	25.7	-15.5%pt	25.5	21.0	-16.4%pt
<b>Net profit</b>	<b>5'493</b>	<b>27'318</b>	<b>397.4%</b>	<b>11'600</b>	<b>7'508</b>	<b>(35.3%)</b>

16

At the heart of power electronics

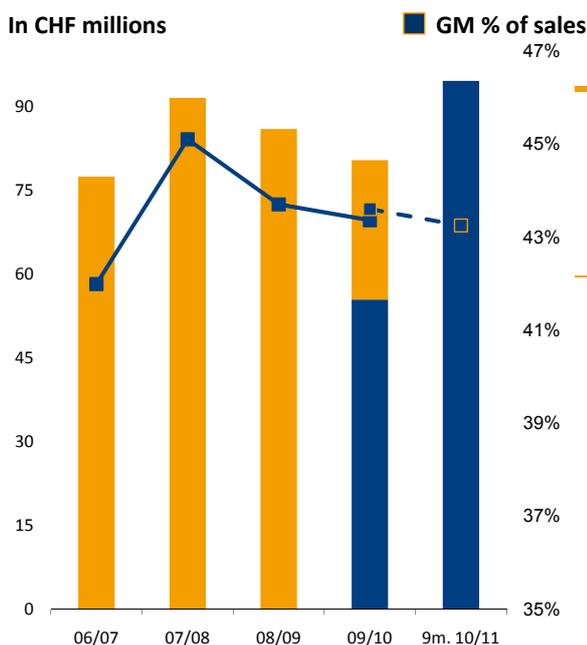


### 3. Results by Quarter



- 2.7% sales increase vs Q2
- Q3 EBIT margin impacted by investments in organization and foreign exchange
- Q3 net profit margin impacted by additional SOP costs linked to share price appreciation

### 3. Gross Margin Development

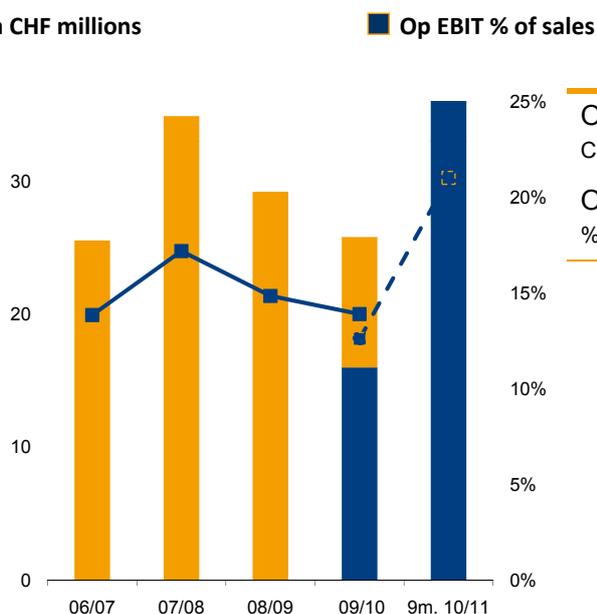


	9 months 2009/10	9 months 2010/11	Q2 2010/11	Q3 2010/11
Gr. margin CHF million	55.5	94.6	32.8	32.6
Gr. margin % of sales	43.6%	43.2%	43.8%	42.4%

- Gross margin down by 1.4%-pt in Q3
- Driven by exchange rate developments (EUR, USD)

### 3. Operational EBIT

In CHF millions



	9 months 2009/10	9 months 2010/11	Q2 2010/11	Q3 2010/11
Op EBIT CHF million	16.0	46.0	16.6	15.7
Op EBIT % of sales	12.6%	21.0%	22.1%	20.3%

- Excluding additional SOP cost/income
- Exceptionally good profitability in Q3
- Measures to strengthen the structure of the organization have impacted Q3

19

At the heart of power electronics



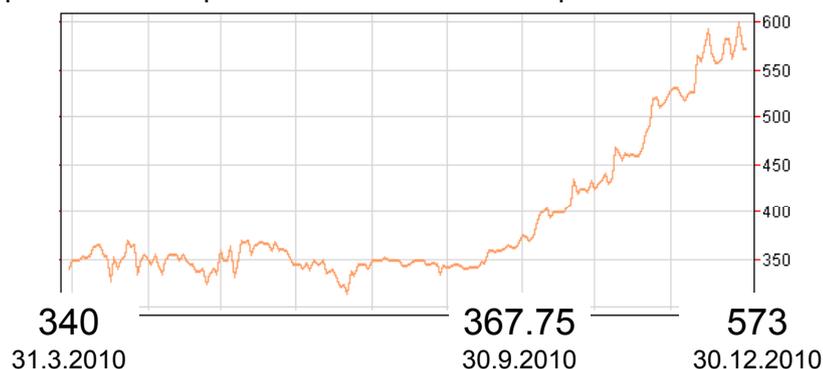
### 3. Additional Stock Option Plan Income / Costs

Additional SOP Income / Costs

In CHF thousands

	9 months 2009/10	9 months 2010/11
Add. SOP Income / costs	(5'614)	(4'958)

- SOP costs driven by exercise and revaluation at period-end
- Valuation according to IFRS; time value of option decreases over time
- Reminder: SOP 5 will be closed per 31.3.2011, SOP 6 per 31.3.2012 as the last plan
- Stock price CHF 340 per 31.3.2010 → CHF 573 per 30.12.2010



20

At the heart of power electronics



### 3. Financial Expense

In CHF thousands	9 months 2009/10	9 months 2010/11
Foreign exchange effect*	(817)	(3'910)
Other financial expense + income	(234)	(359)
<b>Total</b>	<b>(1'051)</b>	<b>(4'268)</b>

- Bank loans generated interest expense; loans reduced from CHF 8 million to CHF 2 million as at 31 December 2010
- Foreign exchange effect mainly driven by EUR and USD devaluation
- Foreign exchange hedging policy: 50% of net exposure on a rolling 3-9 month basis

\* The foreign exchange effect is mainly due to currency volatility during the time between booking and settling a receivable/payable.

21

At the heart of power electronics



### 3. Income Taxes

In CHF thousands	9 months 2009/10	9 months 2010/11
EBT	9'336	36'759
Income taxes	(3'844)	(9'441)
<b>Effective tax rate</b>	<b>41.2%</b>	<b>25.7%</b>

In %	9 months 2009/10	9 months 2010/11
Expected income tax rate	32.8%	22.8%
Expected withholding tax rate*	8.4%	2.9%
<b>Effective tax rate*</b>	<b>41.2%</b>	<b>25.7%</b>

- Reduction of the expected tax rate with increasing volume in low tax entities

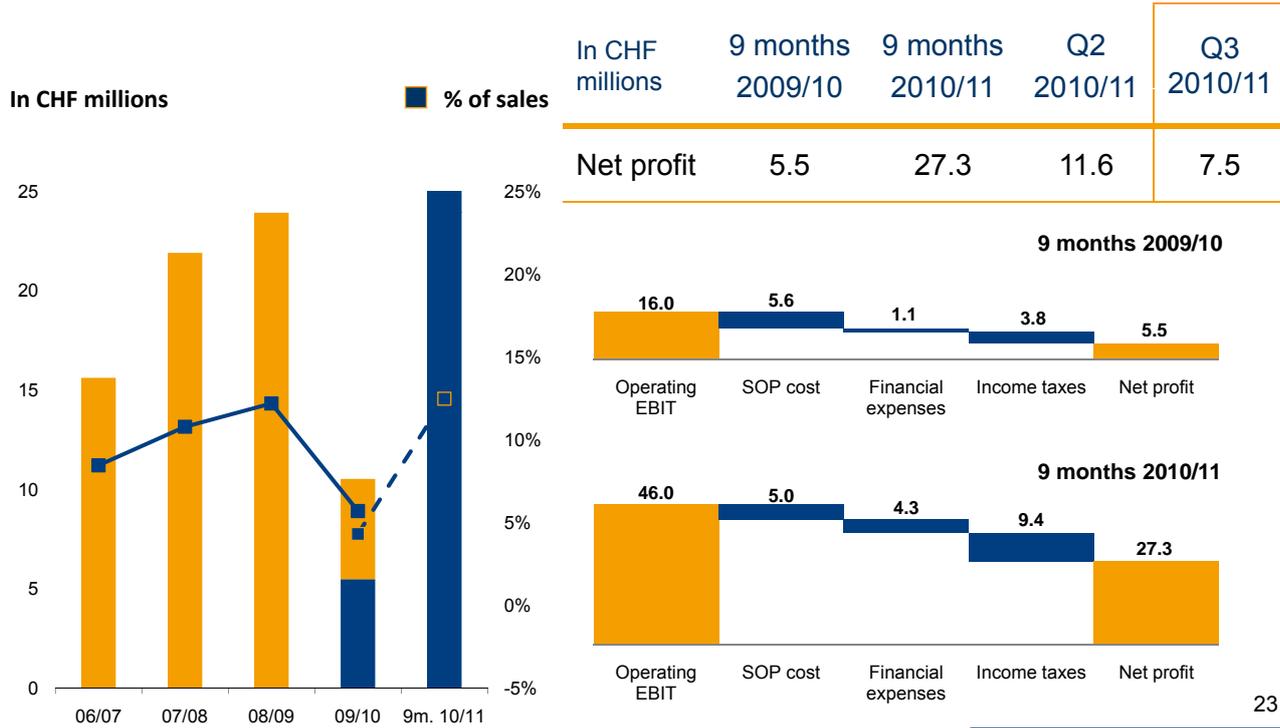
\* Including CHF 486 thousand adjustment on prior year withholding tax

22

At the heart of power electronics



### 3. Net Profit



23

At the heart of power electronics



### 3. Share buy back

- Successfully launched 1 September 2010
- Runs for 18 months, for a volume of up to CHF 15 million on a second trading line
- Initiated in anticipation of future growth and considering high net cash position
- Goal is to increase financial leverage and finance the company through a healthy mix of equity financing and loans
- Per 31 December 2010, 8'250 shares have been bought for a total amount of CHF 2'926 thousand

24

At the heart of power electronics



### 3. Dividend policy

- Previous policy: between 25% and 50% of the consolidated net profit for the year as a dividend
- In view of
  - positive outlook for the company and
  - significant potential to increase the financial leverage in the balance sheet
- New policy: LEM will target a pay-out ratio significantly above 50% of the consolidated net profit for the year

25

At the heart of power electronics



### 4. Outlook



At the heart of power electronics



## 4. Areas of Focus

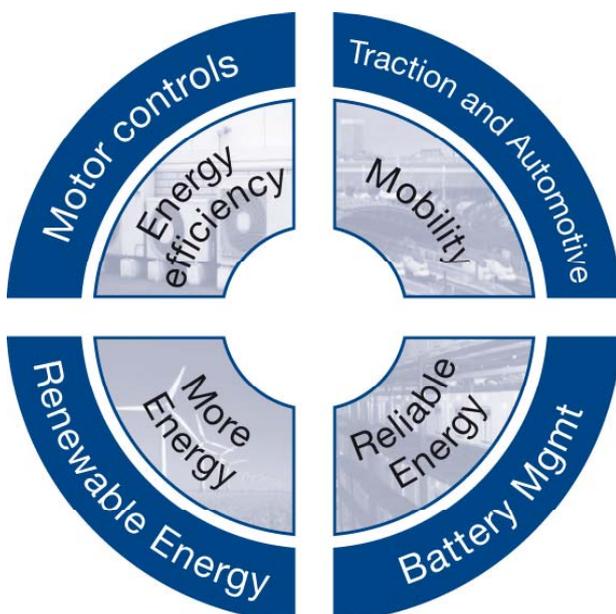
1. Strengthening the organization:
  - Jean-Marc Peccoux now in charge of R&D
  - Luc Colombel to focus on the Automotive segment; of increasing importance for LEM
  - Hans Dieter Huber to lead the Industrial Segment, maximizing the synergies between the businesses
  - Recruitment of several key people for second line of management
2. Match market demand fluctuations
  - Secure additional sourcing volumes of key components
  - Increase capacity and reactivity
3. Continued emphasis on innovation
  - Increasing R&D effort

27

At the heart of power electronics



## 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
  - Innovation
  - Operational Excellence
  - Cost leadership

28

At the heart of power electronics



## 4. Market Outlook

- Consolidation of Industrial sales on a high level
  - Robust business perspectives in industry markets, mainly drives and UPS
  - Stagnation in the traction market
  - Renewables, energy applications continued volatility expected due to:
    - Evolution of the legislation
    - Consolidation of the solar industry players
  
- Automotive
  - Continued growth in conventional and green cars markets

29

## 4. Outlook

We are confident for Q4 2010/11 but remain alert as currency fluctuations continue to impact the company's financial performance.

- Confirmation of previous sales expectation: CHF 285 to 295 million for the full year 2010/11
  
- EBIT estimated to be about CHF 58 million for the full year 2010/11

30

# Financial Calendar and Contact Details

## Financial calendar

15 February	2011	Q3 2010/11 results
9 June	2011	Full year 2010/11 results
1 July	2011	Shareholders' Meeting

## For further information

Jan Gregor  
IRF Communications  
+41 (0)43 244 8154  
lem@irfcom.ch

Julius Renk  
CFO  
+41 (0)22 706 1250  
jrk@lem.com