

Results

Q4 and Year 2010/11

Media & Analyst Conference
Zurich, 9 June 2011



Agenda

- | | |
|------------------------------------|--------------------|
| 1. LEM at a Glance | François Gabella |
| 2. Highlights and Business Review | François Gabella |
| 3. Financial Review | Julius Renk |
| 4. Strategy and Outlook | François Gabella |
| 5. Proposals Shareholders' Meeting | Felix Bagdasarjanz |



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1. About LEM

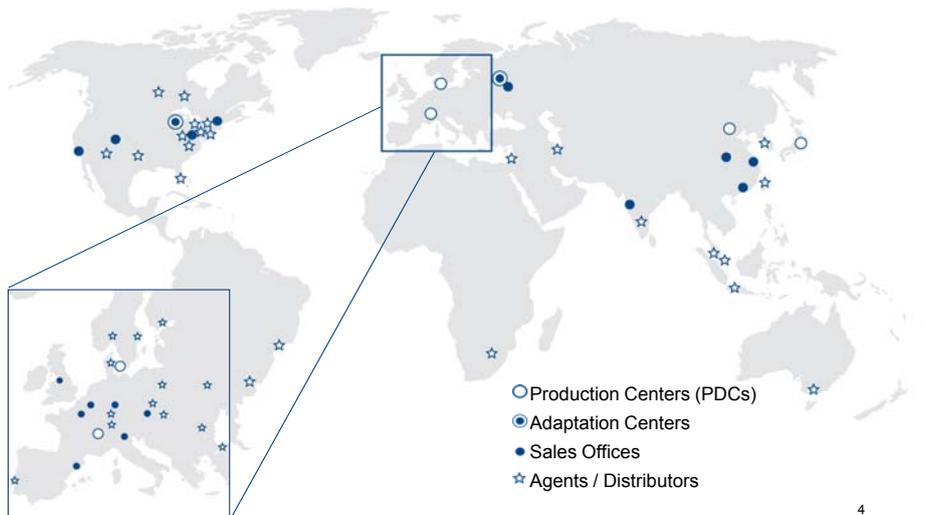
- LEM is the global market leader in providing innovative and high quality solutions for measuring electrical parameters.
- The current and voltage transducers are used in a broad range of applications in Industrial, Traction, Energy & Automation and Automotive markets.
- LEM is a high growth global company with approximately 1'300 employees. Production plants are in Geneva (Switzerland), Beijing (China), Machida (Japan), Copenhagen (Denmark). Regional sales offices are 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 656 million per 31.3.2011.

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1. LEM Production & Logistics World-Wide



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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

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2. Highlights and Business Review François Gabella, President & CEO



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2. Highlights 2010/11

	2010/11 vs. 2009/10	Q4 vs. Q3 2010/11
Orders	55%	-12%
Sales	60%	0.5%
Operational EBIT	134%	-8.9%
Net earnings	276%	64%

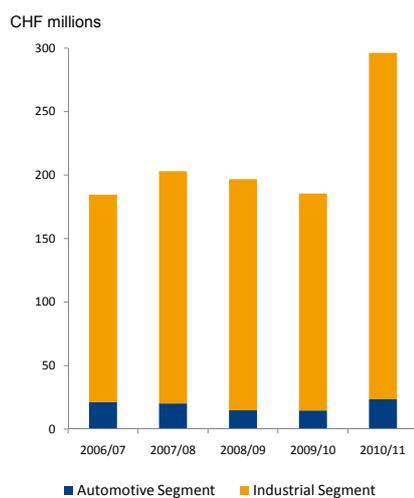
- Solid growth in all sectors and regions
- Spectacular growth of renewable energy business, particularly solar
- Fast build-up of capacity to meet demand
- Automotive segment becoming profitable
- Investment in R&D and organization strengthening

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2. Net Sales



	Sales (in CHF million)	Year to year	Q4 vs. Q3
Industrial	272.7	59.7%	-1.1%
Automotive	23.5	59.8%	19.6%
Total sales	296.2	59.7%	0.5%

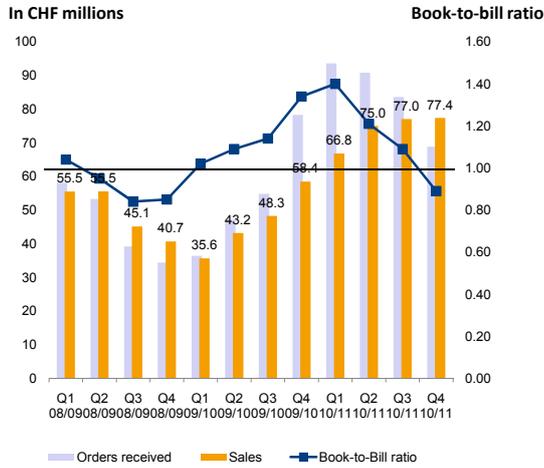
- Strong recovery after the recession

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2. Book-to-bill ratio



	Sales (in CHF million)	Year to year	Q4 vs.Q3
Industrial	272.7	59.7%	-1.1%
Automotive	23.5	59.8%	19.6%
Total sales	296.2	59.7%	0.5%

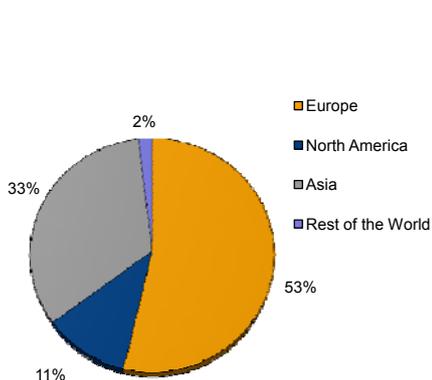
- Order book normalizing
- Q4 book-to-bill ratio 0.89

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2. Industrial Segment: Business Split



	Sales (in CHF million)	Year to year
Europe	146.2	55.5%
N. America	30.3	51.0%
Asia	91.0	69.8%
ROW	5.1	68.0%
Total	272.7	59.7%

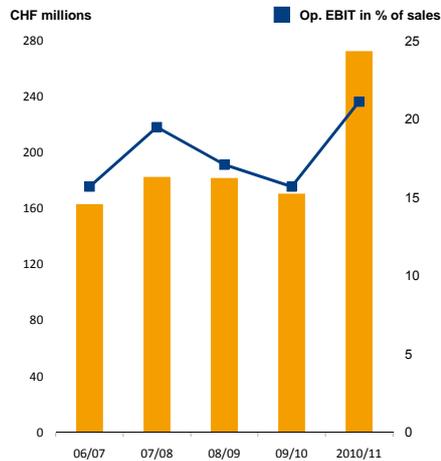
- Sales growth across all regions
- Asia becoming more important (33% share vs. 31% last year)

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2. Industrial Segment: Results



Markets and Applications

Industry:

Yearly sales increase of 75%. Strong growth in renewable energy markets, now a third of total sales (FY 2009/10 was 18%). Robust growth in electric motor drives.

Traction:

Stable sales. Strong position in China / delayed projects in Europe and USA.

Energy & Automation:

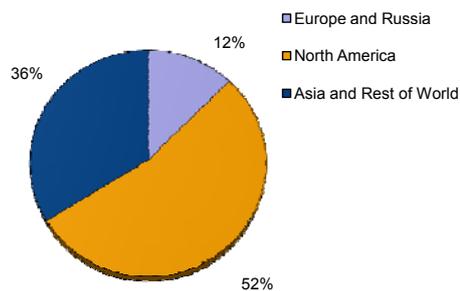
Increase in sales by 61%. Growth mainly in Asia and North America.

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2. Automotive Segment: Business Split



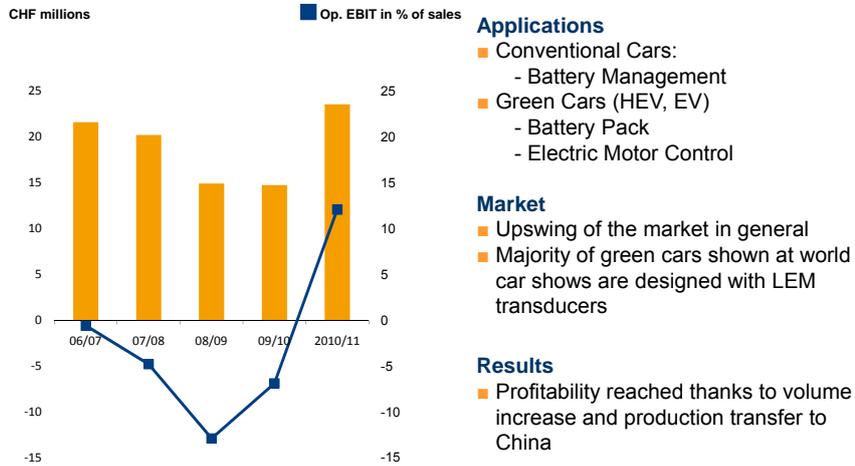
	Sales (in CHF million)	Year to year
Europe	2.9	99%
N. America	12.6	75%
Asia and RoW	8.0	32%
Total	23.5	60%

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2. Automotive Segment: Results



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2. Business Development for the Automotive Market

New Business > CHF 0.5 million	Application	In volume	Added platforms 2010/11	Added platforms 2011/12
China	BM	x		Q2
China	Green Car	x	Q4	
Japan	BM	x		Q3
Japan	Green Car	x	Q3	Q4
Korea	Green Car	x		Q3
Europe	BM	x		Q3
Europe	Green Car	x		Q2/Q4
USA	BM	x	Q3	Q3
USA	Green Car	x	Q3	Q3

BM: battery management
Green Car: electric vehicle + hybrid electric vehicle + fuel cells

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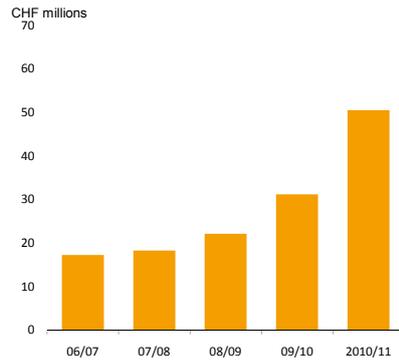
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2. Business Development China

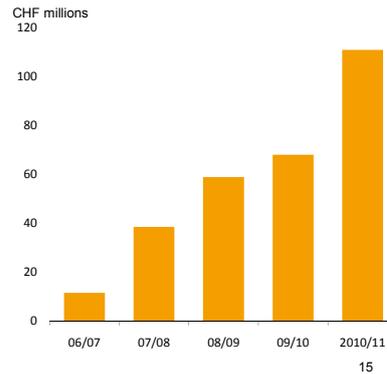
Sales

- Year to year sales growth of 62%
- Market share of 50+%



Production

- Beijing LEM confirms its #1 position as largest manufacturing site of the Group (38% of total)
- "Made by LEM" quality



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2. Innovation and R&D

Investment in R&D

- Jean-Marc Peccoux appointed VP of R&D
- Increase of R&D spend to CHF 14.0 million (+21.6%) in 2010/11; to be increased further
- Significant efforts towards new technologies to enhance transducer performances in terms of accuracy and cost
- R&D is directed to penetrate new applications where transducers have the potential to enhance system performance

- ✓ In May 2011, LEM launched the CTSR family of transducers, specifically designed to meet the latest safety standards issued for solar installations and inverters



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3. Financial review Julius Renk, CFO



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3. Financial Highlights

- Strong balance sheet
 - Equity ratio 60% (63%)
 - Cash and cash equivalents CHF 27.2 million (CHF 29.8 million)
- Strong Profitability
 - Operating EBIT margin of 20.4%
- Strong cash generation
 - Free cash flow CHF 20.7 million (CHF 13.0 million)
 - Net working capital investments in line with business growth

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3. Consolidated Balance Sheet

In CHF thousands	31.03.2010	31.03.2011
Cash and cash equivalents	29'756	27'231
Accounts receivable	43'454	60'026
Inventories	21'744	34'187
Income tax receivables	0	1'310
Other current assets	1'989	1'717
Total non-current assets	35'719	37'508
Total assets	132'662	161'979
Accounts payable	23'416	29'617
Other current liabilities	19'775	28'850
Total non-current liabilities	6'092	6'599
Equity	83'379	96'913
Total liability and equity	132'662	161'979
■ Avg. net working capital in % sales	12.9%	13.3%
■ Inventory turns	6.2	5.3
■ Equity ratio	63%	60%
■ Net financial assets (CHF millions)	29.7	26.5

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3. Income Statement

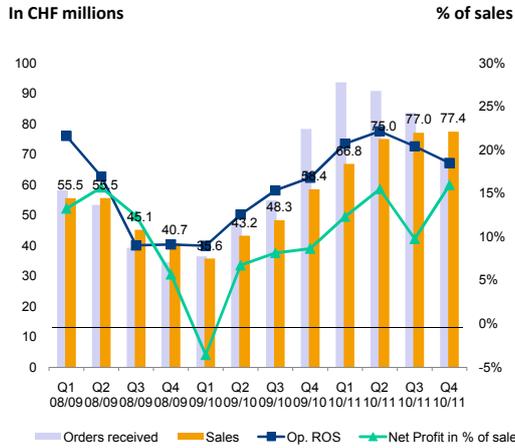
In CHF thousands	2009/10	2010/11	%
Sales	185'512	296'203	60%
Gross margin %	43.4	42.6	-0.8 ppt
Operating costs	(54'629)	(65'886)	21%
Operational EBIT	25'807	60'413	134%
Additional SOP income/costs	(8'285)	(5'426)	35%
EBIT	17'522	54'987	214%
Net financial expenses	(1'355)	(4'622)	-241%
Income taxes	(5'635)	(10'722)	-90%
Net profit	10'532	39'643	276%

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3. Results by Quarter



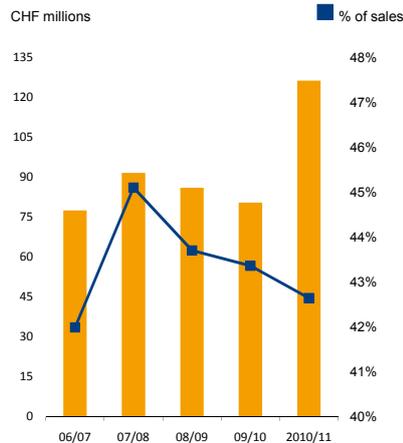
- Orders normalizing, sales stabilizing
- RoS normalizing through last quarters
- High net profit in % of sales, resulting from significantly decreased tax charge
- In 2010/11, net profit is still impacted by additional stock option plan cost. This legacy program will run out in 03/2012

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3. Gross Margin Development



	2009/10	2010/11
Gross margin in CHF million	80.4	126.3
Gross margin % sales	43.4%	42.6%

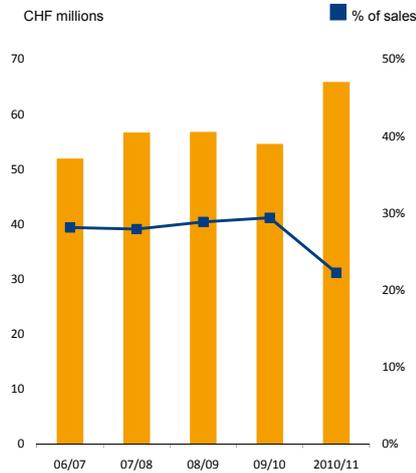
- Impacted by strongly negative exchange rate developments (EUR, USD)
- Partly compensated by leverage effects on fix cost in COGS

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3. Operating Expenses



	2009/10	2010/11
Operating expenses in CHF million	54.6	65.9
Operating expenses in % Sales	29.4%	22.2%

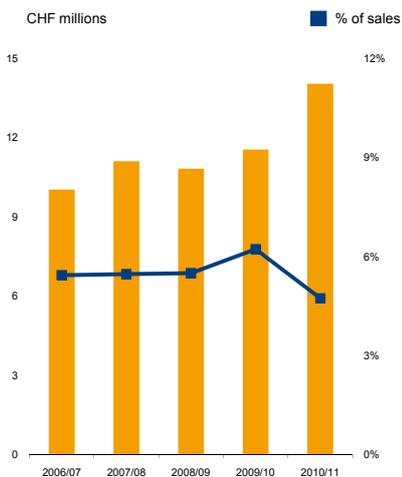
- Significant leverage: Operating expenses increased by 20.6%, compared to sales increase of 59.7%
- Organizational strengthening to cope with growth
- Operating expenses as a percentage of sales at a record low in LEM (22.2%)

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3. R&D Expenses



	2009/10	2010/11
R&D expenses in CHF million	11.5	14.0
R&D expenses in % Sales	6.2%	4.7%

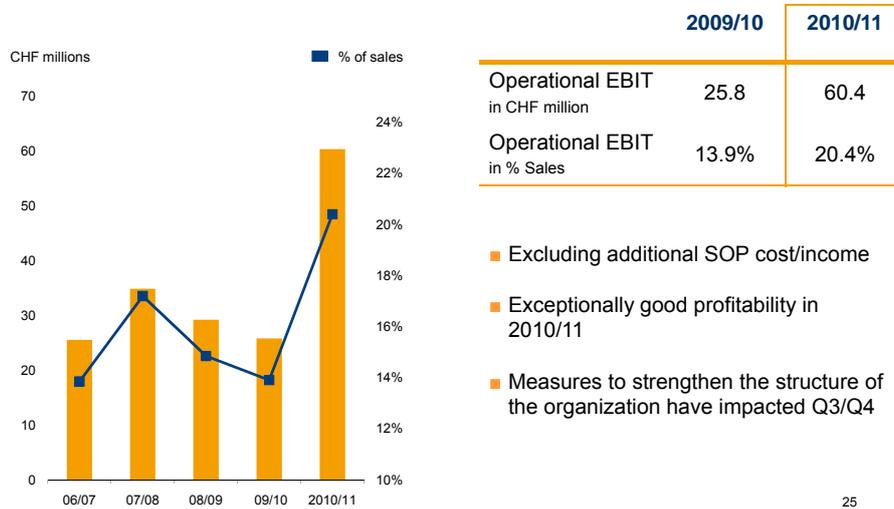
- R&D effort significantly increased
- R&D expense closing in on long-term average of 5.5%
- Including CHF 0.7m one-off impairment of LEM Danfysik patent

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3. Operational EBIT



	2009/10	2010/11
Operational EBIT in CHF million	25.8	60.4
Operational EBIT in % Sales	13.9%	20.4%

- Excluding additional SOP cost/income
- Exceptionally good profitability in 2010/11
- Measures to strengthen the structure of the organization have impacted Q3/Q4

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3. Legacy SOP Programs Running out per 31.3.2012

- LEM's legacy stock option plans (SOP) are cash settled; their cost is driven by share price development (31.3.2010: CHF 340; 31.3.2011: CHF 570)
- SOP 5 closed, all 17'350 remaining options exercised
- Special offer to SOP 6 option holders in July 2010
 - Goal: diminish number of outstanding options
 - 1'385 shares sold to employees at market value less CHF 15
- Significant reduction of volatility in 2011/12; ended per 31.3.2012

	31.03.2008	31.03.2009	31.03.2010	31.03.2011	31.03.2012
# outstanding options	70'457	66'207	40'794	4'952	0 max.
			Closure of	SOP 5	SOP 6

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3. Financial Expense

In CHF thousands	2009/10	2010/11
Foreign exchange effect*	(1'308)	(4'263)
Other financial expense + income	(47)	(359)
Total	(1'355)	(4'622)

- Bank loans generated interest expense; loans reduced from CHF 8 million per 30.9.2010 to CHF 0 million as at 31.03.2011
- 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.

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3. Income Taxes

In CHF thousands / %	2009/10	2010/11
EBT	16'167	50'365
Income taxes	(5'635)	(10'722)
Effective tax rate	34.9%	21.3%

In %	2009/10	2010/11
Expected income tax rate	25.7%	19.8%
Expected withholding tax rate*	6.2%	1.0%
Expected tax rate	31.9%	20.8%
Withholding tax for results from prior years	3.0%	
Non-deductible expenses and other impacts		0.5%
Effective tax rate*	34.9%	21.3%

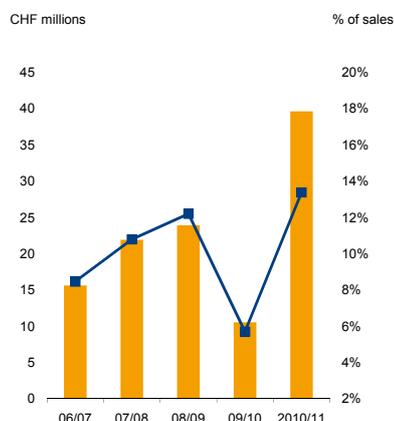
- Reduction of the expected tax rate, mainly with increasing volume in low tax entities

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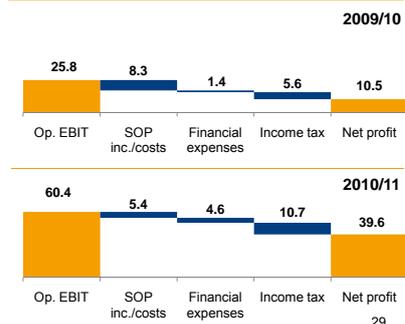


3. Net Profit



- Net profit nearly quadrupled vs. prior year
- Net profit as a % of sales more than doubled, resulting from lower tax and SOP charge and despite FX losses

	2009/10	2010/11
Net profit in CHF million	10.5	39.6
Net profit in % sales	5.7%	13.4%
EPS diluted in CHF	9.17	34.51



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3. Cash Flow Statement

In CHF thousands

	2009/10	2010/11
Net profit	10'532	39'643
Non-cash items	7'676	11'855
Cash flow before changes in NWC	18'208	51'498
Cash flow from changes in net working capital	8'091	(21'452)
Cash flow from operating activities	26'299	30'046
Cash flow from investing activities	(13'275)	(9'383)
Free cash flow	13'024	20'663
Cash flow from financing activities	(10'572)	(23'209)
Change in cash and cash equivalents	2'452	(2'546)
Cash and cash equivalents at the end of the period	29'756	26'613

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3. Summary Financial Results

- Strong sales growth combined with high operating expenses leverage lead to an exceptionally high operational profitability in 2010/11
- High foreign exchange losses from USD and EUR rate development
- Significantly decreased tax charges

- Solid balance sheet
- Strong cash flow
- Reduced SOP volatility with clear termination date 31.3.2012

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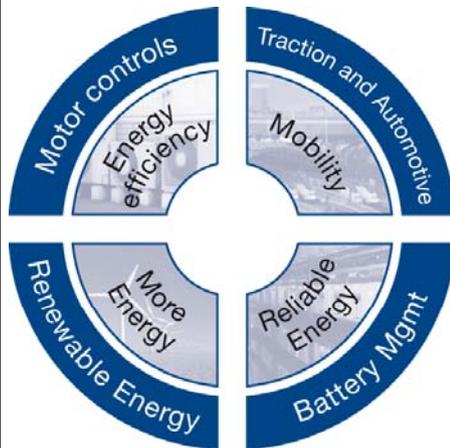
4. Strategy and Outlook François Gabella, President & CEO



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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 markets

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4. Areas of Focus

1. Strengthen the organization:
 - Organization in place
 - Key managers on board
2. Match market demand fluctuations
 - Additional flexibility secured from our components suppliers
 - Increase machine capacity
3. Emphasis on innovation
 - Increasing R&D efforts
4. Focus on operational excellence

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4. Outlook

- Following a rally in first three quarters of 2010/11, we see a decline in sales and in bookings for the start of the year 2011/12
 - Corrections on the solar market
 - Compensation of over-booking and over-stocking in previous quarters
- For 2011/12 we expect
 - Our drives business to remain strong
 - A possible rebound of the renewable business later in the year
 - A ramp-up of production for various projects in the Automotive Segment
 - Increasing competitive pressure
- The instability of exchange rates will continue to impact business

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5. Proposals Shareholders' Meeting Felix Bagdasarjanz, Chairman of the Board



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5. Proposals for the Shareholder's Meeting

- New dividend policy
 - As a consequence of the company's strong balance sheet and the confident outlook for further profitable growth, LEM will target to return significantly more than 50% of the consolidated net profit for the year to the shareholders.
 - Consequently the Board of Directors will propose the payment of an ordinary dividend of CHF 40.00 per share.
- Termination of share buy-back program
 - LEM has successfully bought back 10'000 shares for a total amount of CHF 4.0 million as of 31 March 2011. The Board of Directors decided to terminate the share buy-back program and proposes to cancel the repurchased shares.

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5. Proposals for the Shareholder's Meeting

- The board of directors proposes to elect Andreas Hürlimann (M Sc EE ETH) as a new member.
- After more than ten years in industry, followed by several years as a managing partner at the global technology & management consulting firm Arthur D. Little as well as managing director at SpencerStuart board & executive talent advisory, Andreas Hürlimann works as an independent entrepreneur and advisor.
- Based on his experience and expertise in strategic leadership and talent management he will be able to make important contributions to the board.



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Financial Calendar and Contact Details

Financial calendar

1 July 2011	Ordinary shareholders' meeting for the year 2010/11
6 July 2011	Dividend ex-date
8 July 2011	Dividend record date
11 July 2011	Dividend payment date
9 August 2011	Q1 results
8 November 2011	Q2 results
14 February 2012	Q3 results
6 June 2012	Year-end results and media and analyst conference
28 June 2012	Ordinary shareholder's meeting for the year 2011/12

For further information

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