

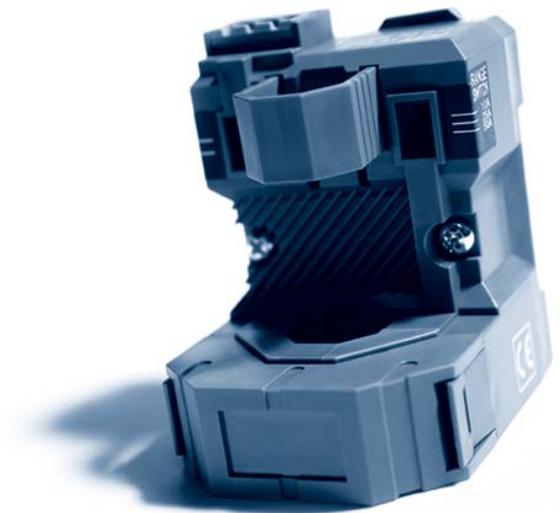


Half Year Results  
2011/12

8 November 2011

# Agenda

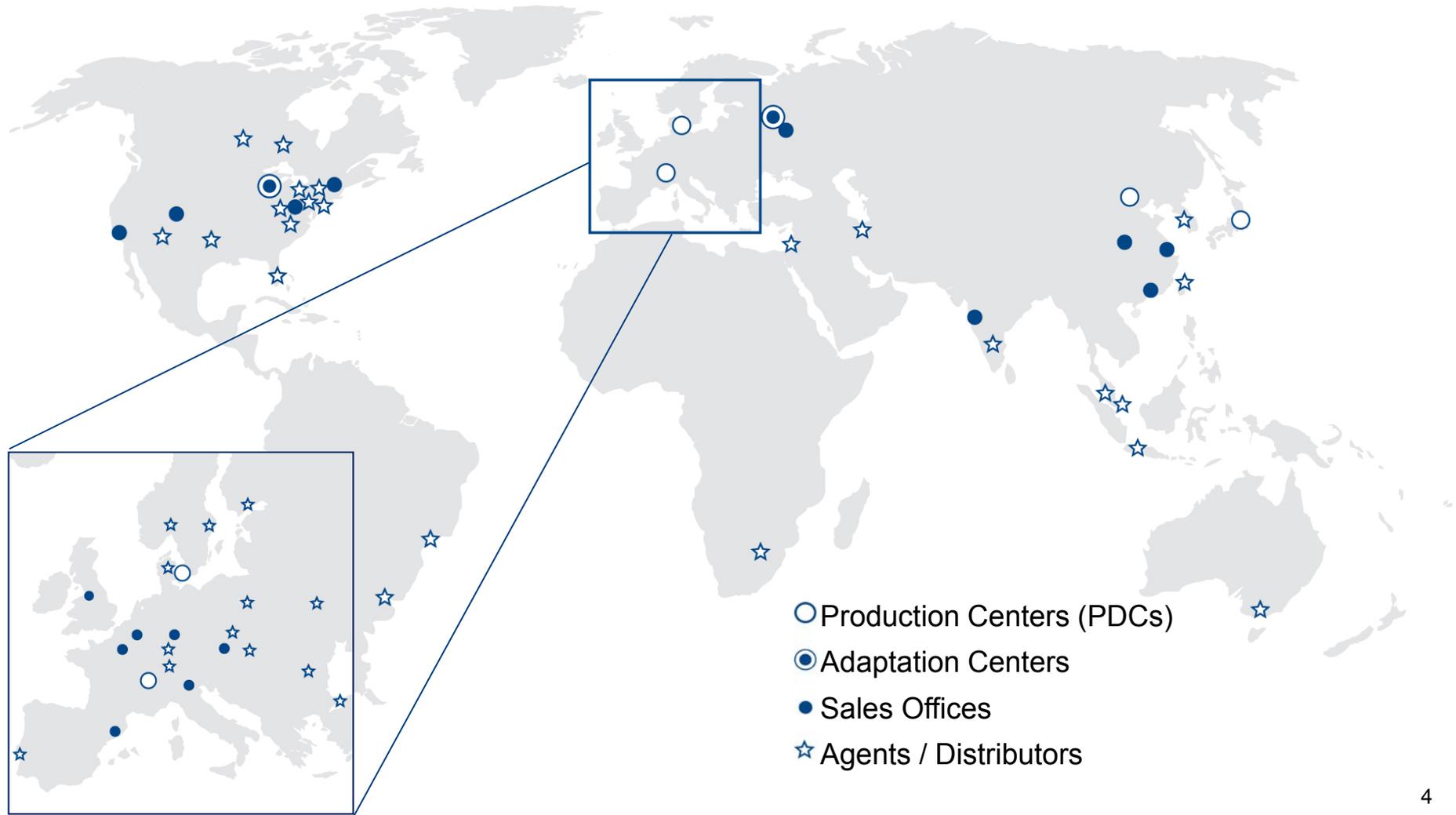
1. LEM at a Glance
2. Business Review
3. Financial Review
4. Outlook



# 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 industrial and automotive markets.
- LEM is a high growth global company with approximately 1'300 employees. Production plants are in Beijing (China), Geneva (Switzerland), Machida (Japan) and Copenhagen (Denmark). With regional sales offices close to the clients locations, LEM provides a seamless service.
- LEM is listed on the SIX Swiss Exchange since 1986 and has a market cap of CHF 443 million per 30.09.2011.

# 1. LEM Production & Logistics World-Wide



# 1. LEM at a Glance - Businesses

## Industry segment

### Drives & welding

- Motor drives
- Welding
- Miscellaneous

### Renewable energies & power supplies

- Solar
- Wind
- UPS
- Battery monitoring, process control, energy metering

### Traction

- On-board applications
- Trackside
- Energy monitoring

### High precision

- Medical scanner
- Test & measurement

## Automotive segment

### Conventional cars

- Lead battery management

### Green cars (HEV, EV)

- Battery pack management
  - Electric motor control



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## 2. Highlights and Business Review



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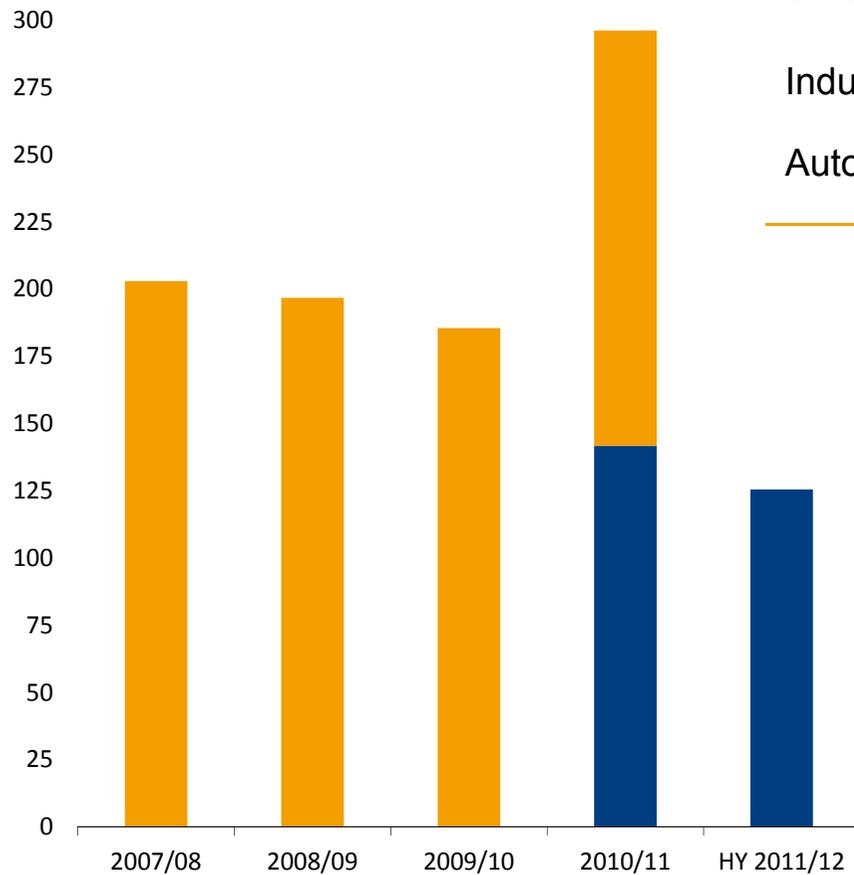
## 2. Highlights H1 2011/12

	H1 2011/12 (in CHF millions)	H1 2011/12 to H1 2010/11	Q2 to Q1 2011/12
Orders received	80.4	-56.4%	-37.7%
Sales	125.5	-11.5%	-14.5%
Operational EBIT	19.2	-36.7%	-34.5%
Net earnings	15.0	-24.1%	8.4%

- LEM is impacted by the economic weakness starting in Q4 2010/11
  - Strong start of the drives & welding business, but weakening trend
  - Renewable below last year especially in the solar market
  - Stability in traction and high precision businesses
- Growth in automotive businesses
- Restructuring measures were implemented to adjust cost base to the weak markets
- Continued investment in R&D

## 2. Net Sales

In CHF millions



	Sales (in CHF million)	Growth H1 to H1		Growth Q2 to Q1
		as reported	at constant currencies	
Total Sales	125.5	-11.5%	2.9%	-14.5%
Industry	113.3	-13.4%	-0.1%	-17.2%
Automotive	12.3	11.8%	38.2%	14.3%

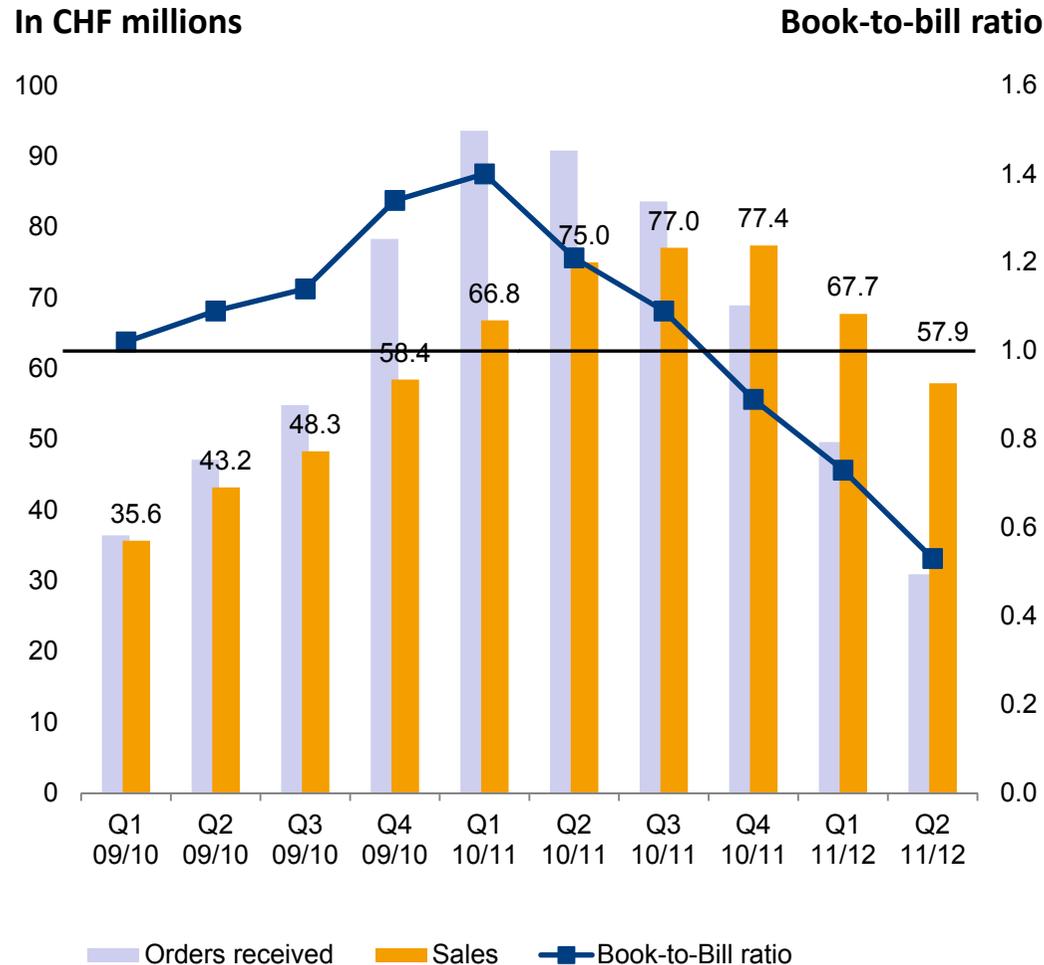
- General economic situation and strong Swiss franc affected sales
- Sales growth at constant currencies

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## 2. Quarterly view



- Weakening economy
- Customers continue to reduce inventory
- Customers order book reduction; cancellation of orders received of CHF 24.5 million in H1 2011/12
- Orders received significantly impacted by strength of Swiss franc
- Q2 book-to-bill ratio 0.53

## 2. Cost and Capacity Management

- First signs of market weakness visible in Q4 2010/11
- Growing exposure to solar markets increases volatility of LEM's business
- Economic weakness impacts mainly industry businesses while automotive businesses continue to grow
  
- On 22 September LEM 2011 announced a step-up of cost reduction measures
  - Adjustment of cost base to current sales levels
  - Reduction of worldwide headcount to below 1'100 employees
  - Restructuring cost of CHF 0.7 million; quarterly savings of CHF 1.1 million fully applicable from Q4 2011/12
  
- LEM expects to remain profitable while keeping its ability to benefit from a rebound

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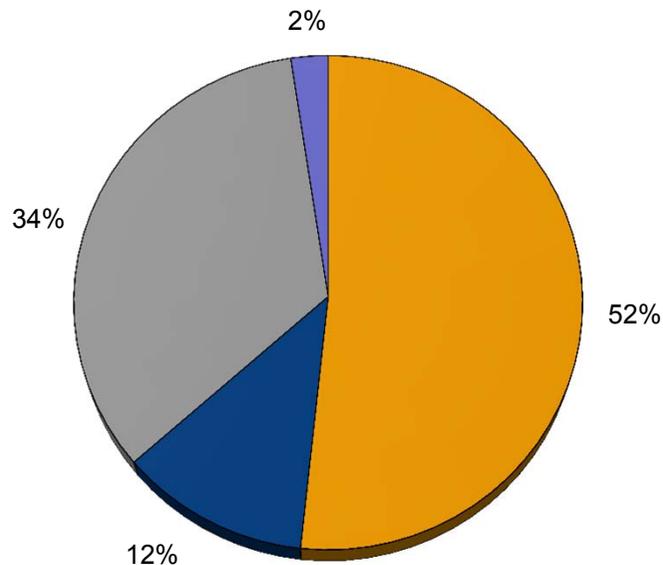
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## 2. Industry Segment: Regional Markets

- Europe
- North America
- Asia
- Rest of the World



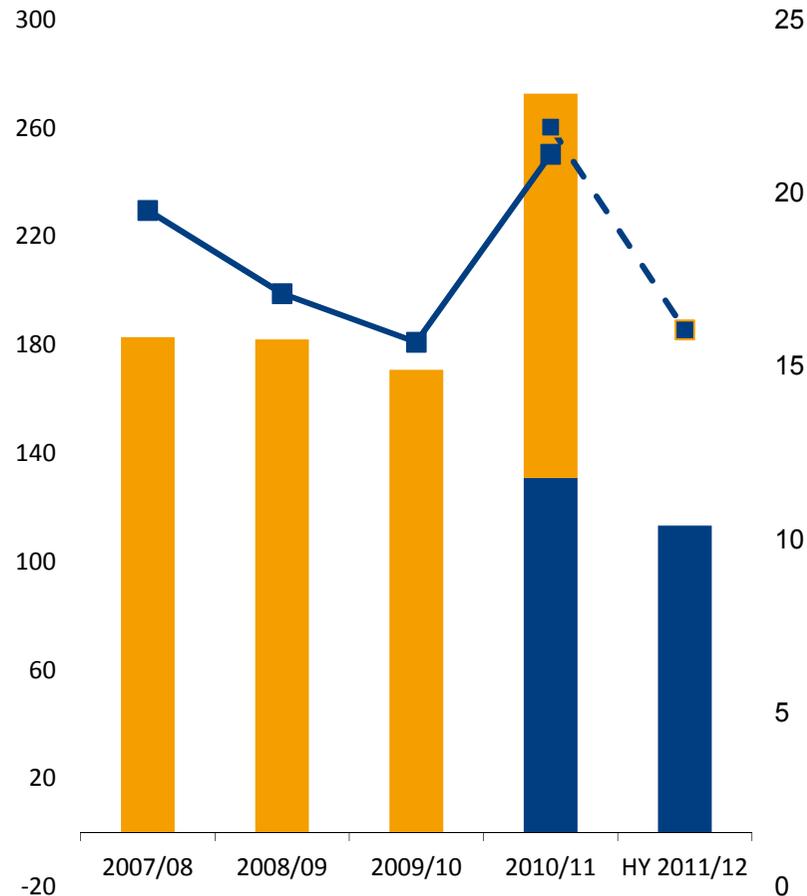
	Sales (in CHF million)	H1 to H1	Q2 to Q1 2011/12
Europe	58.5	-16.1%	-16.6%
N. America	13.4	-5.4%	-16.2%
Asia	38.6	-13.4%	-17.9%
ROW	2.7	16.5%	-23.0%
<b>Total</b>	<b>113.3</b>	<b>-13.4%</b>	<b>-17.2%</b>

- No major change in regional split
- All regions impacted, US and ROW to a lesser degree

## 2. Industry Segment: Business Development

In CHF millions

Op. EBIT in % of sales



### Businesses and Applications

#### Drives & welding

Weakened across all regions during summer reflecting uncertainties about the development of the global economy

#### Renewable energies & power supplies

Reversed growth trend due to reduced subsidies and reduction of customers' inventories

#### Traction

Growth in Asia despite stopped projects in China

#### High precision

Stable development

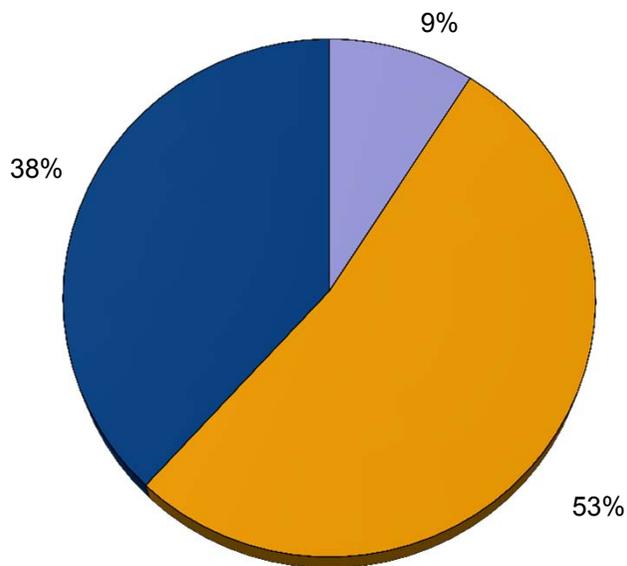
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## 2. Automotive Segment: Regional Markets

■ Europe  
■ North America  
■ Asia and Rest of World



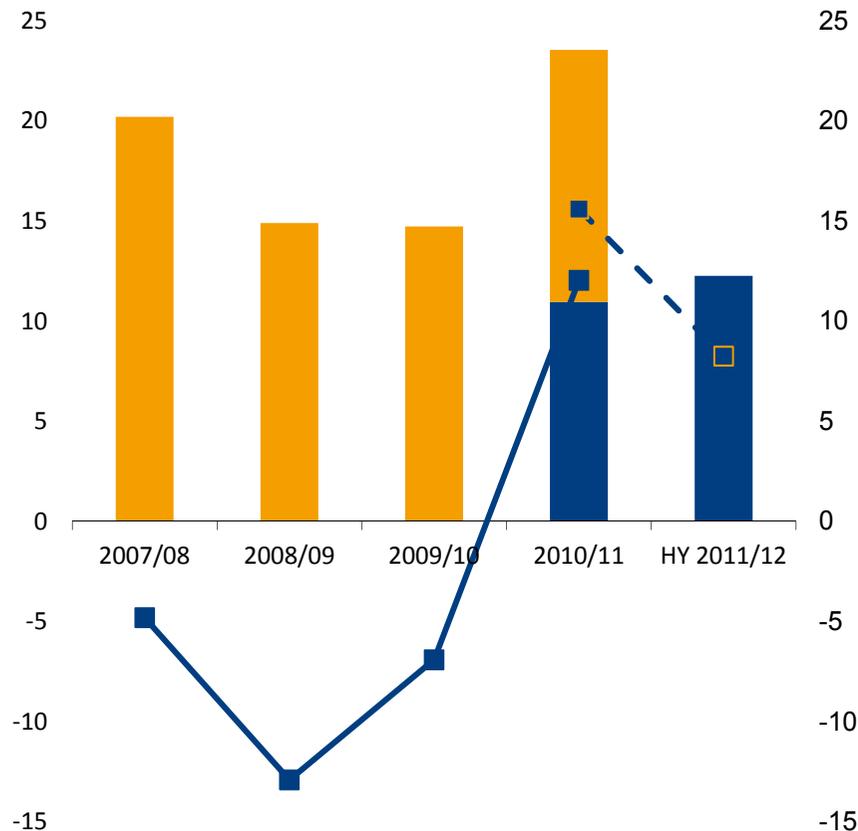
	Sales (in CHF million)	H1 to H1	Q2 to Q1 2011/12
Europe	1.1	-20.1%	-2.2%
N. America	6.5	14.1%	7.8%
Asia and ROW	4.7	20.0%	28.7%
<b>Total</b>	<b>12.3</b>	<b>11.8%</b>	<b>14.3%</b>

- Growth with existing and new customers
- Improved diversification of customer base
- Sales growth despite adverse exchange rate impact

## 2. Automotive Segment: Business Development

In CHF millions

■ Op. EBIT in % of sales



### Businesses and Applications

#### Conventional cars

LEM increased market share in Asia and North America.

#### Green cars (HEV, EV)

Positive trend continues.

Majority of green cars projects launched globally are designed with LEM transducers.

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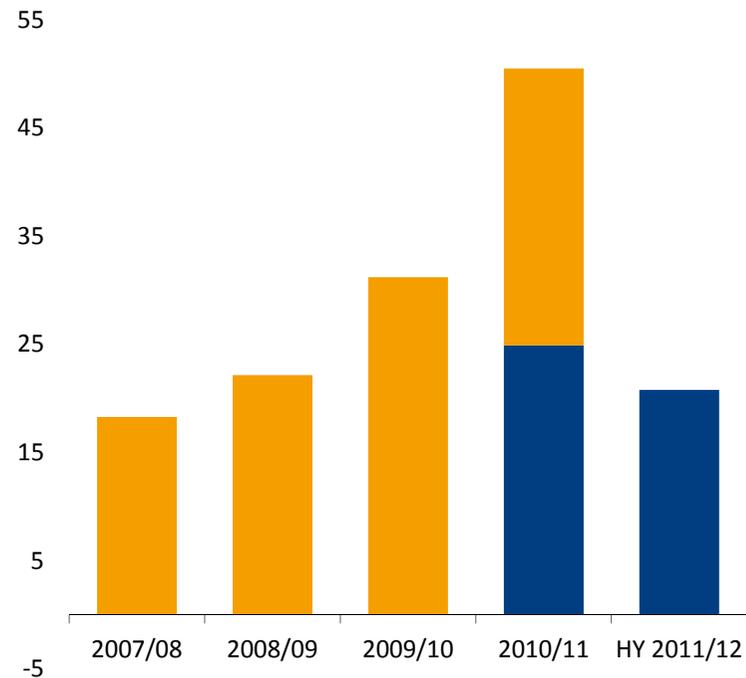


## 2. Business Development - China

### Sales

- Market share over 50%
- Sales impacted by slowing activity specially in solar and wind

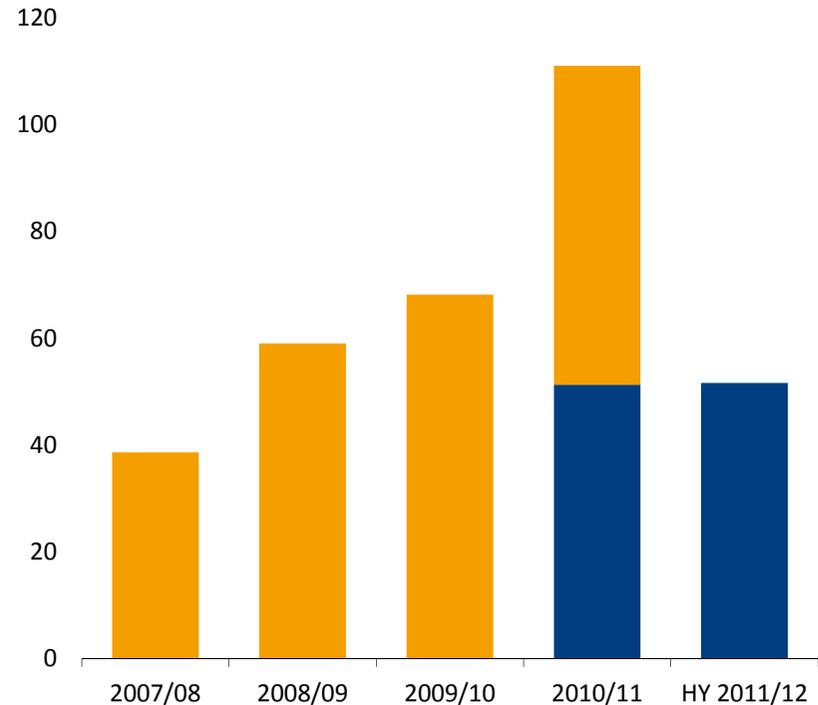
In CHF millions



### Production

- LEM China expands its #1 position as largest manufacturing site of the Group (41% of total)
- “Made by LEM” quality

In CHF millions



### 3. Financial Review



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## 3. Financial Highlights

- Strong balance sheet
  - Dividend payment of CHF 45.5 million to shareholders in July 2011
  - CHF 21 million loan taken up to finance dividend
  - Equity at CHF 60 million, equity ratio 48% (60% per 31.03.2011)
  - High inventory on 30 September 2011 due to incoming raw material/ components ordered 6 months earlier
- Maintained profitability
  - Gross margin of 42.5%
  - Operating EBIT margin of 15.3%
- Strong cash generation
  - Free cash flow CHF 9.1 million (CHF 7.6 million in H1 2010/11)
- Step up cost reduction plan
  - Expected quarterly savings of CHF 1.1 million, fully applicable from Q4 2011/12

### 3. Consolidated Balance Sheet

In CHF thousands	31.03.2011	30.09.2011
Cash and cash equivalents	27'231	10'615
Accounts receivable	60'026	46'794
Inventories	34'187	39'087
Income tax receivable	1'310	150
Other current assets	1'717	3'000
Total non-current assets	37'508	38'809
<b>Total assets</b>	<b>161'979</b>	<b>138'455</b>
Accounts payable	29'617	21'271
Other current liabilities	28'850	45'055
Total non-current liabilities	6'599	6'135
Equity	96'913	65'994
<b>Total liability and equity</b>	<b>161'979</b>	<b>138'455</b>
■ Avg. net working capital in % sales	13.3%	17.4%
■ Days of inventory outstanding	67	106
■ Equity ratio in %	60%	48%
■ Net financial assets (CHF millions)	26.5	-10.5

### 3. Income Statement

In CHF thousands	H1 2010/11	H1 2011/12	Change	Q1 2011/12	Q2 2011/12	Change
<b>Sales</b>	<b>141'780</b>	<b>125'511</b>	-11.5%	<b>67'659</b>	<b>57'852</b>	-14.5%
Gross margin	43.7%	42.5%	-1.2%pt	42.4%	42.6%	0.1%pt
Operating Cost	-31'666	-34'130	7.8%	-17'101	-17'029	-0.4%
<b>Operational EBIT</b>	<b>30'327</b>	<b>19'194</b>	-36.7%	<b>11'600</b>	<b>7'594</b>	-34.5%
Additional SOP income / costs	-429	619	N/A	-121	740	N/A
<b>EBIT</b>	<b>29'899</b>	<b>19'813</b>	-33.7%	<b>11'479</b>	<b>8'334</b>	-27.4%
Net financial expense (net)	-2'650	-1'162	-56.2%	-2'339	1'177	N/A
Income tax	-7'439	-3'624	-51.3%	-1'928	-1'696	-12.0%
<b>Net profit</b>	<b>19'810</b>	<b>15'028</b>	-24.1%	<b>7'212</b>	<b>7'816</b>	<b>8.4%</b>

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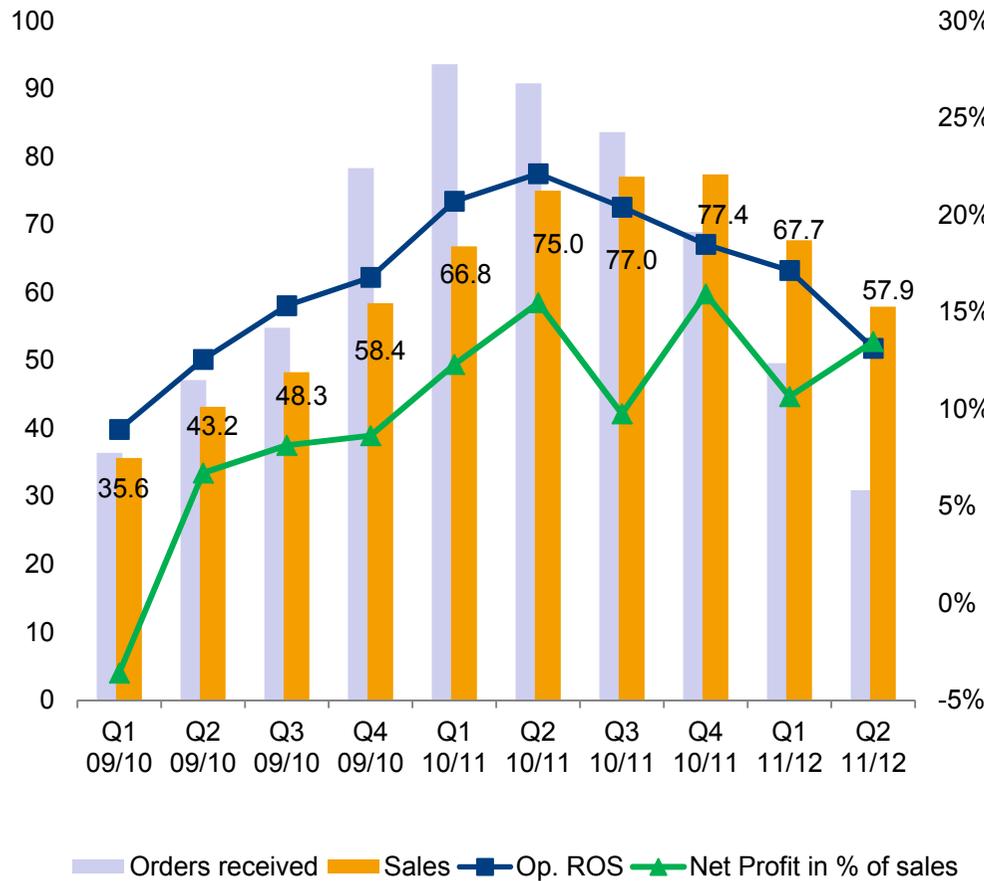
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# 3. Results by Quarter

In CHF millions

% of sales

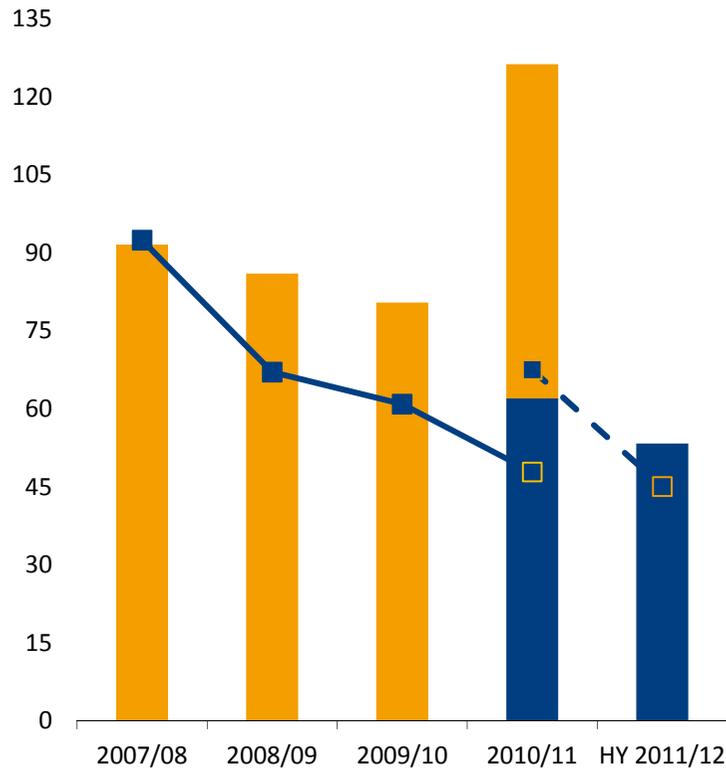


- Operational EBIT of 13.1% in Q2 2011/12 maintained despite lower sales
- Q2 2011/12 positive impact on net profit due to foreign exchange impact and additional SOP income

# 3. Gross Margin Development

In CHF millions

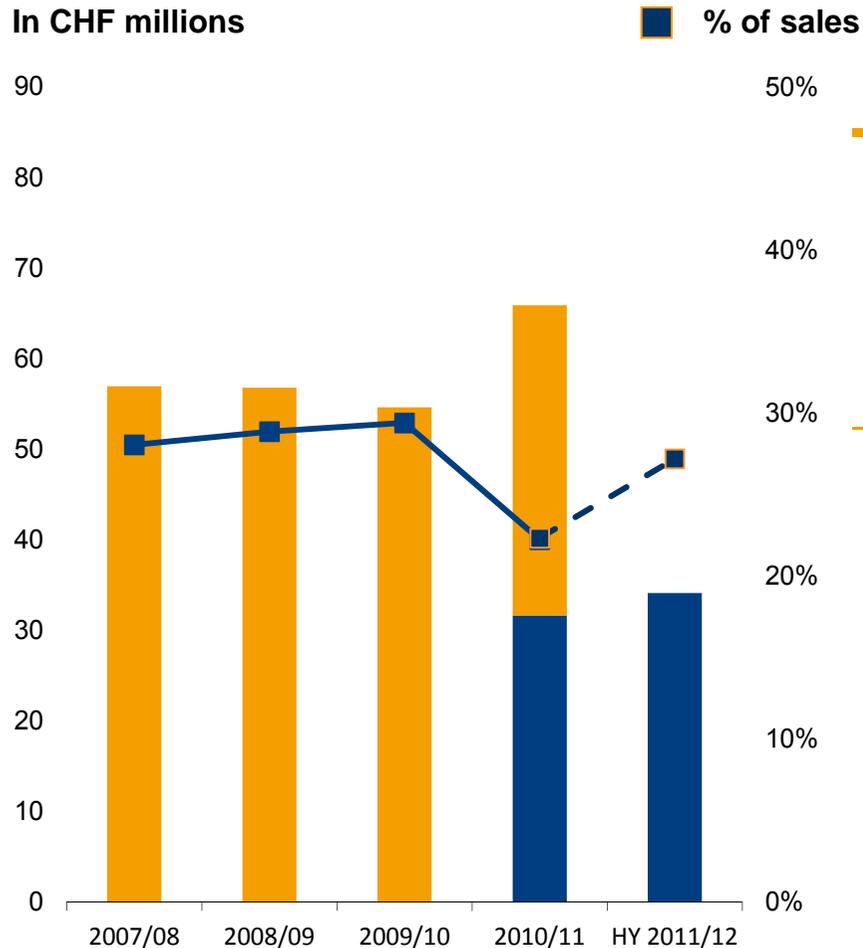
■ GM % of sales



	H1 2010/11	H1 2011/12	Q1 2011/12	Q2 2011/12
Gross margin in CHF million	62.0	53.3	28.7	24.6
Gross margin in % of sales	43.7%	42.5%	42.4%	42.6%

- H1 2011/12 gross margin heavily impacted by foreign exchange
- Increased production efficiencies allowed to limit the impact to -1.2%pt

# 3. Operating Expenses

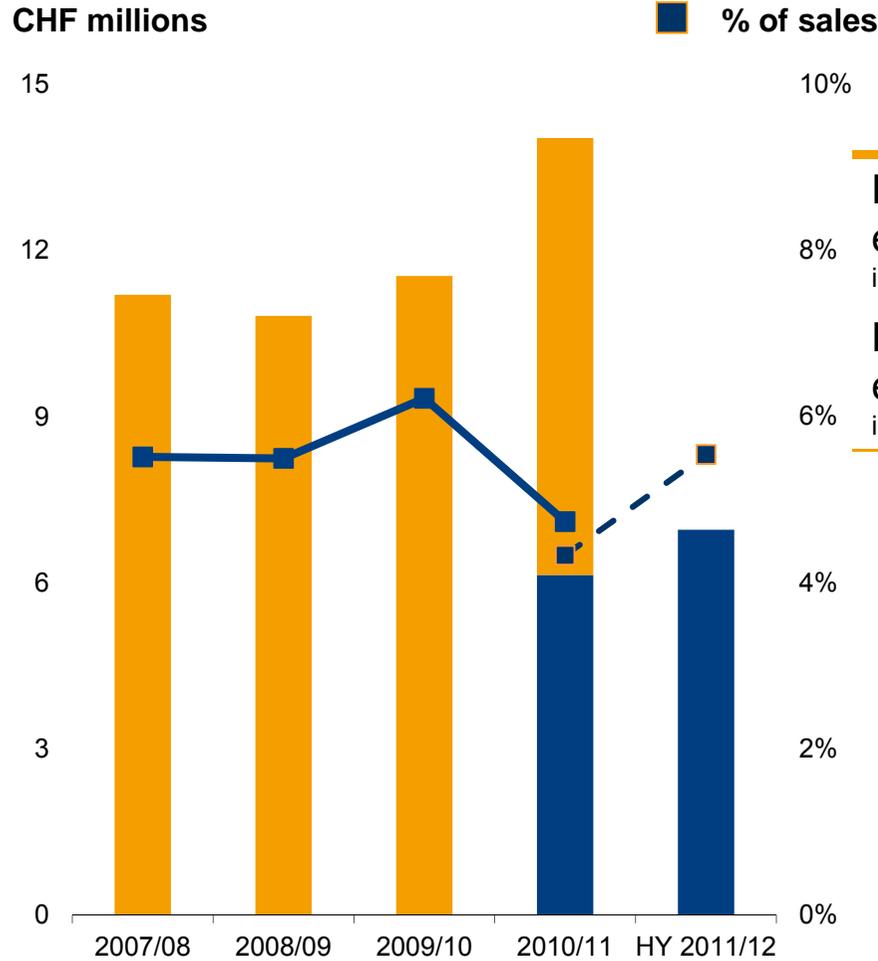


	H1 2010/11	H1 2011/12	Q1 2011/12	Q2 2011/12
Operating expenses in CHF million	31.7	34.1	17.1	17.0
Operating expenses in % of sales	22.3%	27.2%	25.3%	29.4%

- Q2 2011/12 includes restructuring cost of CHF 0.7 million
- Excluding restructuring cost operating expenses in Q2 2011/12 were 5% lower than in Q1 2011/12
- Operating expenses expected to further decrease in Q3 and Q4 2011/12
- Savings from restructuring of CHF 1.1 million will fully materialize in Q4 2011/12

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# 3. R&D Expenses



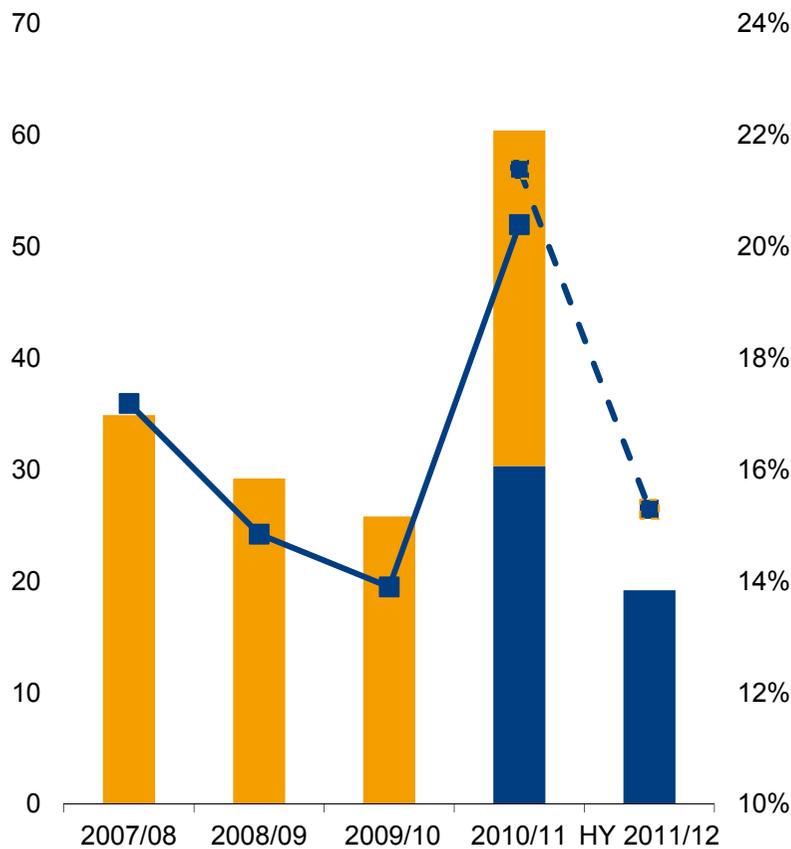
	H1 2010/11	H1 2011/12	Q1 2011/12	Q2 2011/12
R&D expenses in CHF million	6.1	7.0	3.7	3.2
R&D expenses in % of sales	4.3%	5.5%	5.5%	5.6%

- R&D exempted from restructuring exercise
- High R&D efforts as an investment into the future maintained

# 3. Operational EBIT

In CHF millions

Op EBIT % of sales



	H1 2010/11	H1 2011/12	Q1 2011/12	Q2 2011/12
Operational EBIT in CHF million	30.3	19.2	11.6	7.6
Operational EBIT in % of sales	21.4%	15.3%	17.1%	13.1%

- Excluding additional SOP cost/income
- Exceptionally good profitability in 2010/11
- Q2 2011/12 below target corridor

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### 3. Legacy SOP Programs Expire per 31.03.2012

- LEM's legacy stock option plans (SOP) are cash settled; their cost is driven by the share price development (31.3.2011: CHF 570; 30.9.2011: CHF 389)
- Valuation according to IFRS; time value of option decreases over time
- Significant reduction of volatility in 2011/12; ended per 31.03.2012
- Currently LEM has no further option based compensation programs

	31.03.2008	31.03.2009	31.03.2010	31.03.2011	30.09.2011	31.03.2012
# outstanding options	70'457	66'207	40'794	4'952	3'876	0 max.
			Closure of	SOP 5		SOP 6

### 3. Financial Expense

	H1 2010/11	H1 2011/12	Q1 2011/12	Q2 2011/12
Exchange effect*	-2'406	-1'035	-2'309	1'274
Other financial expense + income	-244	-127	-30	-97
<b>Total</b>	<b>-2'650</b>	<b>-1'162</b>	<b>-2'339</b>	<b>1'177</b>

- Q2 2011/12 exchange effect mainly driven by EUR and USD appreciation following the SNB intervention
- Foreign exchange hedging policy: 50% of net exposure on a rolling 3-9 month basis

\* The line "exchange effect" in the financial result is mainly due to currency volatility during the time between booking and settling a receivable/payable. Over and above this line, foreign exchange rates impact every P&L line through the rate at which each transaction is booked and at which it is consolidated into CHF.

### 3. Income Taxes

In CHF thousands	H1 2010/11	H1 2011/12	Q1 2011/12	Q2 2011/12
EBT	27'249	18'651	9'140	9'511
Income taxes	-7'439	-3'624	-1'928	-1'696
<b>Effective tax rate</b>	<b>27.3%</b>	<b>19.4%</b>	<b>21.1%</b>	<b>17.8%</b>
In %	H1 2010/11	H1 2011/12	Q1 2011/12	Q2 2011/12
Expected income tax rate	24.2%	19.8%	20.6%	19.1%
Expected withholding tax rate	3.1%	2.6%	0.5%	4.7%
<b>Expected tax rate</b>	<b>27.3%</b>	<b>22.4%</b>	<b>21.1%</b>	<b>23.8%</b>
Adjustments in respect of previous periods' income tax		-3.0%	0	-6.0%
<b>Effective tax rate</b>	<b>27.3%</b>	<b>19.4%</b>	<b>21.1%</b>	<b>17.8%</b>

- Reduction/increase of the expected tax rate with increasing/decreasing volumes in low tax entities

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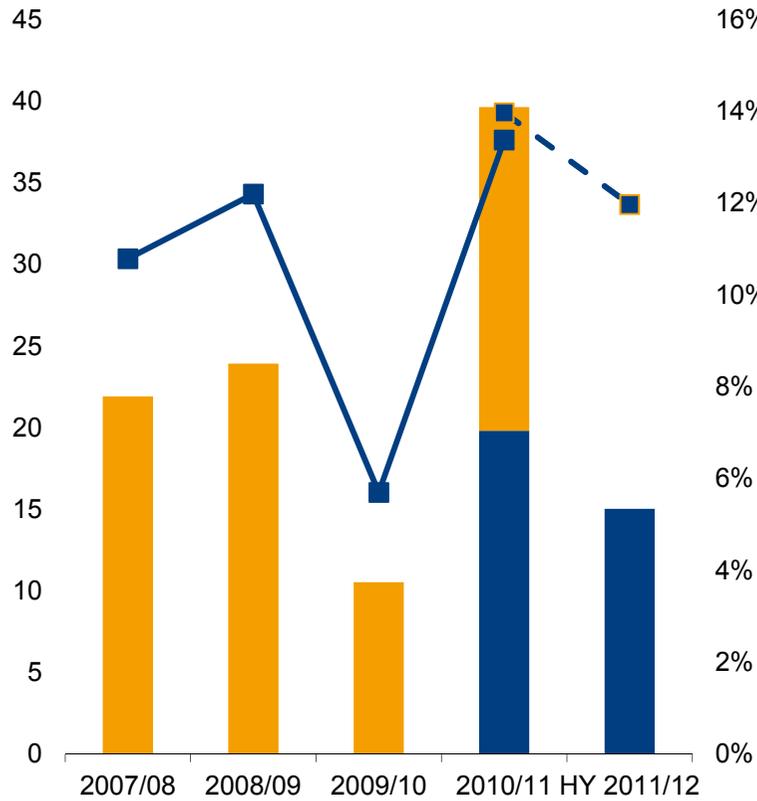
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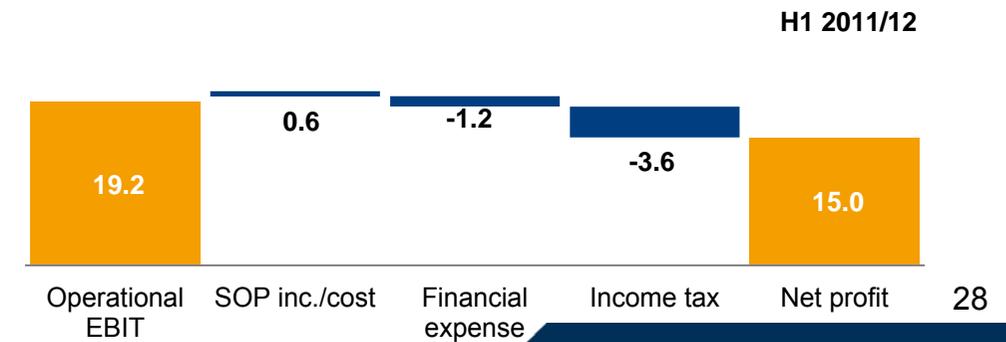
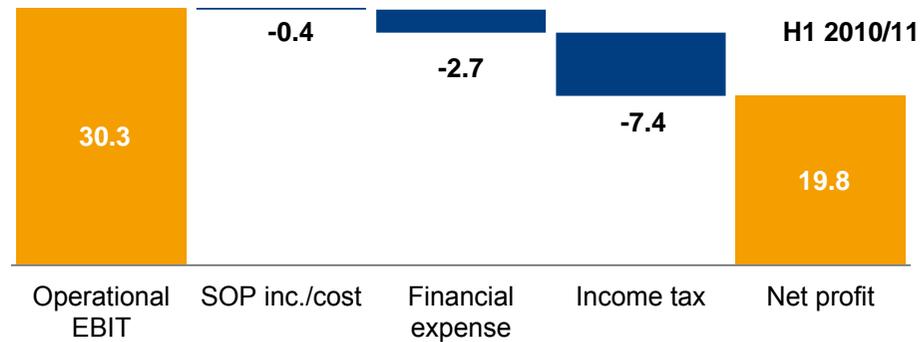
# 3. Net Profit

In CHF millions



■ % of sales

	H1 2010/11	H1 2011/12	Q1 2011/12	Q2 2011/12
Net profit in CHF million	19.8	15.0	7.2	7.8
Net profit in % of sales	14.0%	12.0%	10.7%	13.5%



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### 3. Cash Flow Statement

In CHF thousands

	H1 2010/11	H1 2011/12	Q1 2011/12	Q2 2011/12
Net profit	19'810	15'028	7'212	7'816
Non-cash items	5'676	3'454	1'172	2'282
Cash flow from changes in net working capital	-15'044	-4'112	-3'867	-246
<b>Cash flow from operating activities</b>	<b>10'442</b>	<b>14'369</b>	<b>4'517</b>	<b>9'852</b>
Cash flow from investing activities	-2'871	-5'239	-2'169	-3'070
Free cash flow	7'571	9'130	2'348	6'782
Cash flow from financing activities	-17'590	-25'121	5	-25'126
Change in cash and cash equivalents	-10'019	-15'991	2'353	-18'344
<b>Cash and cash equivalents at the end of the period</b>	<b>19'387</b>	<b>10'611</b>	<b>28'265</b>	<b>10'611</b>

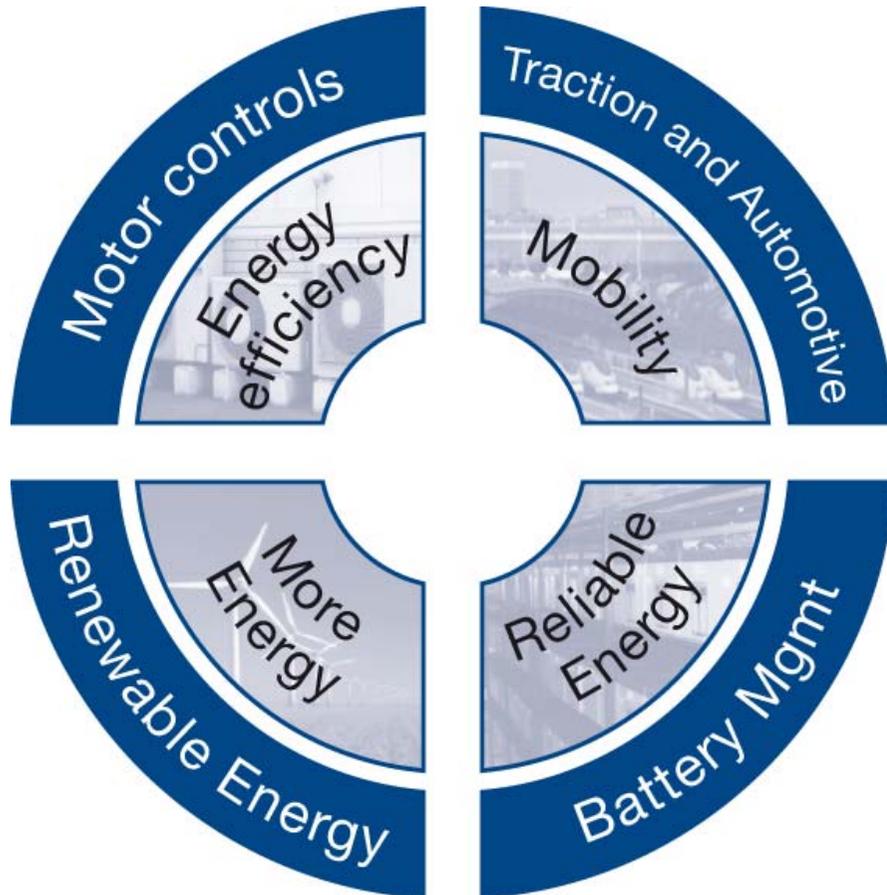
## 4. Outlook



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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

## 5. Outlook

For the financial year 2011/12, we are cautious regarding our markets, in the second half of 2011/12 we expect:

- Orders in the Industry segment to stabilize on a low level and sales to further decrease compared to the first half of 2011/12.
- The Automotive segment to benefit from the current growth momentum.
- With the cost adjustment implemented, our cost base is aligned to the current sales levels.
- We forecast sales to reach CHF 200 to 230 million.

# 5. Financial Calendar and Contact Details

## Financial calendar

14 February 2012	Q3 2011/12 results
6 June 2012	2011/12 year-end results media and analyst conference
28 June 2012	Ordinary shareholders' meeting for the year 2011/12

## For further information

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