

Results

First Half Year of 2012/13

1 April 2012 to 30 September 2012

13 November 2012



Linde
E50

Agenda

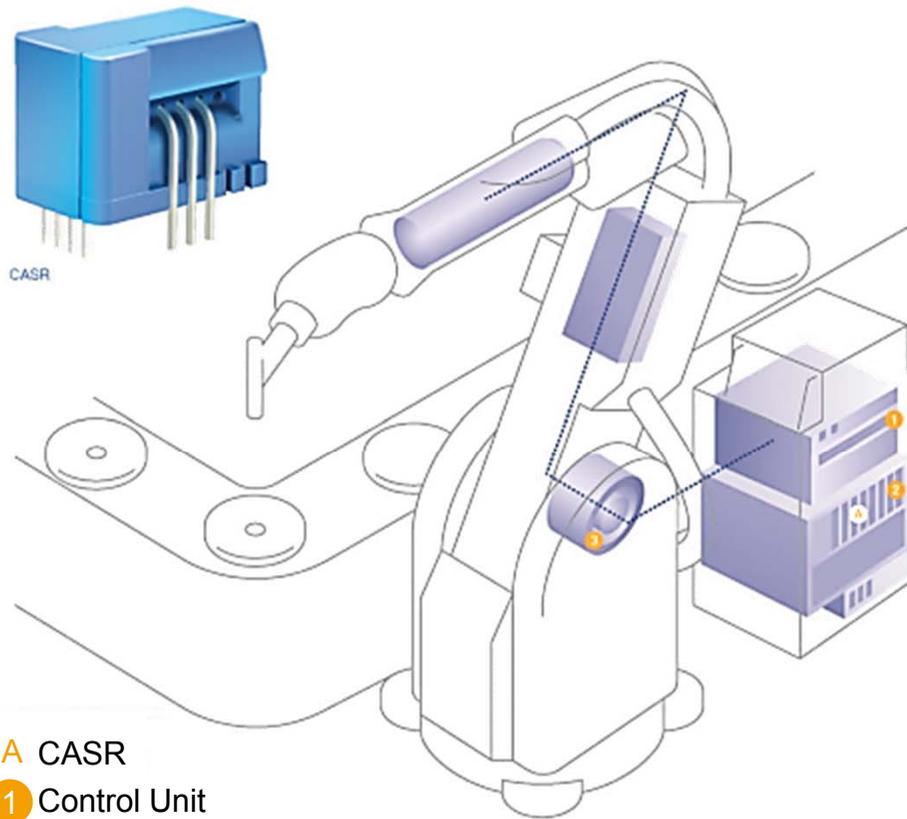
1. LEM at a Glance
2. Highlights and Business Review
3. Financial Review
4. Strategy and Outlook



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 1'200 employees. Production plants are in Beijing (China), Geneva (Switzerland) and Machida (Japan). With regional sales offices close to the clients' locations, LEM provides a seamless service.
- LEM (SIX: LEHN) has been listed on the SIX Swiss Exchange since 1986 and has a market cap of CHF 540 million per 30.09.2012.

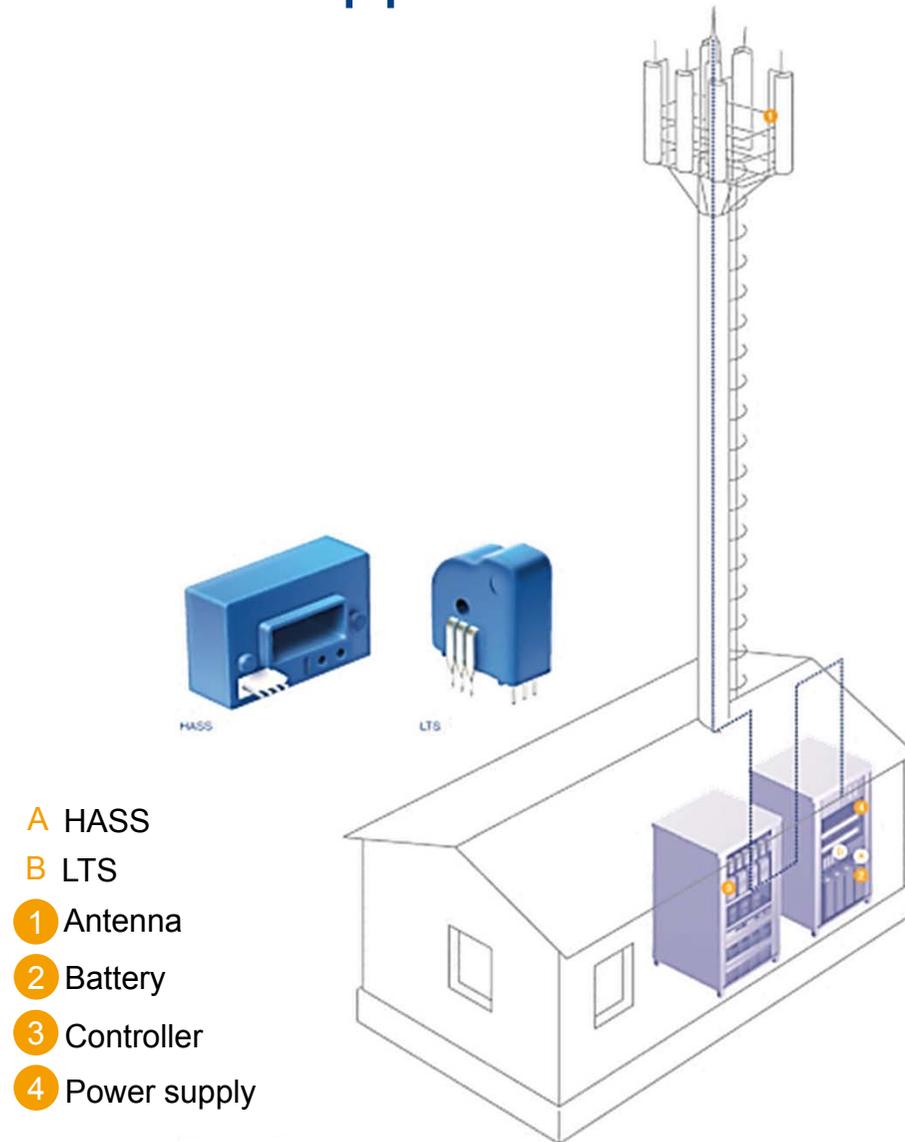
1. LEM Applications: Robot



- A CASR
- 1 Control Unit
- 2 Inverter
- 3 Motor

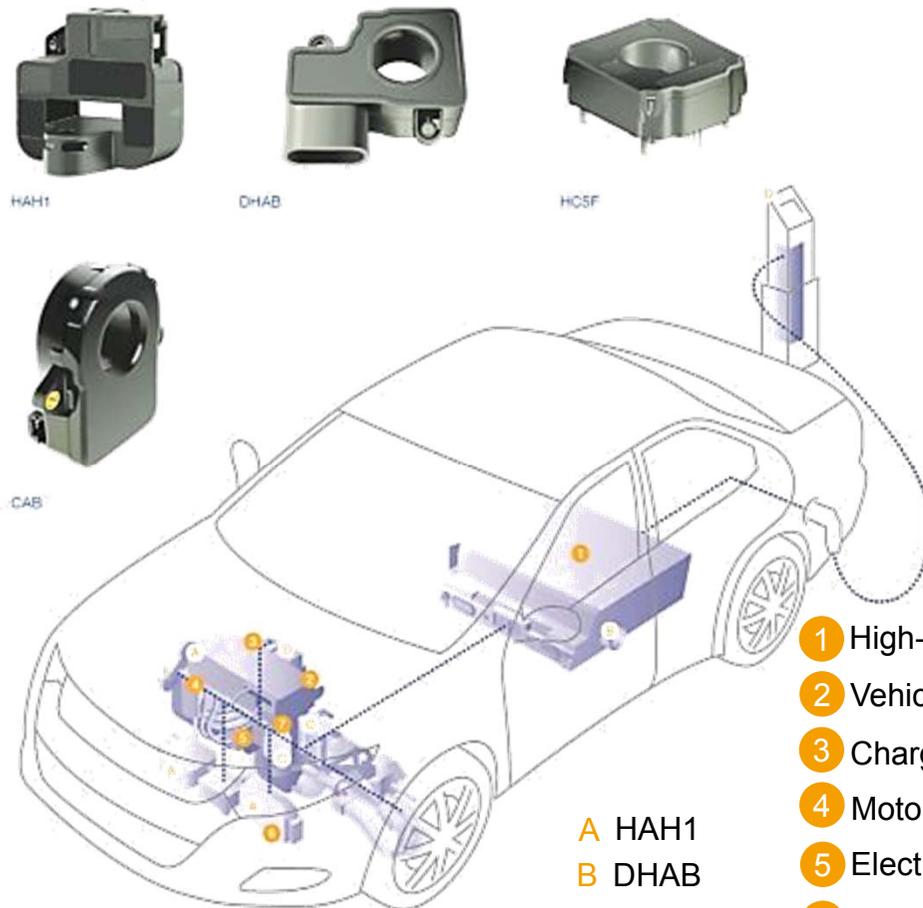
- To control the arm, power inverters drive a motor from one position to the next and stop precisely in position
- Accurate measurement of the current with transducers needed to control the arm

1. LEM Applications: Mobile Phone Base Station



- Transducers ensure stable power supply and control in case of a failure
- Transducers used to control the charge and discharge of power batteries for backup

1. LEM Applications: Electric Plug-in Car

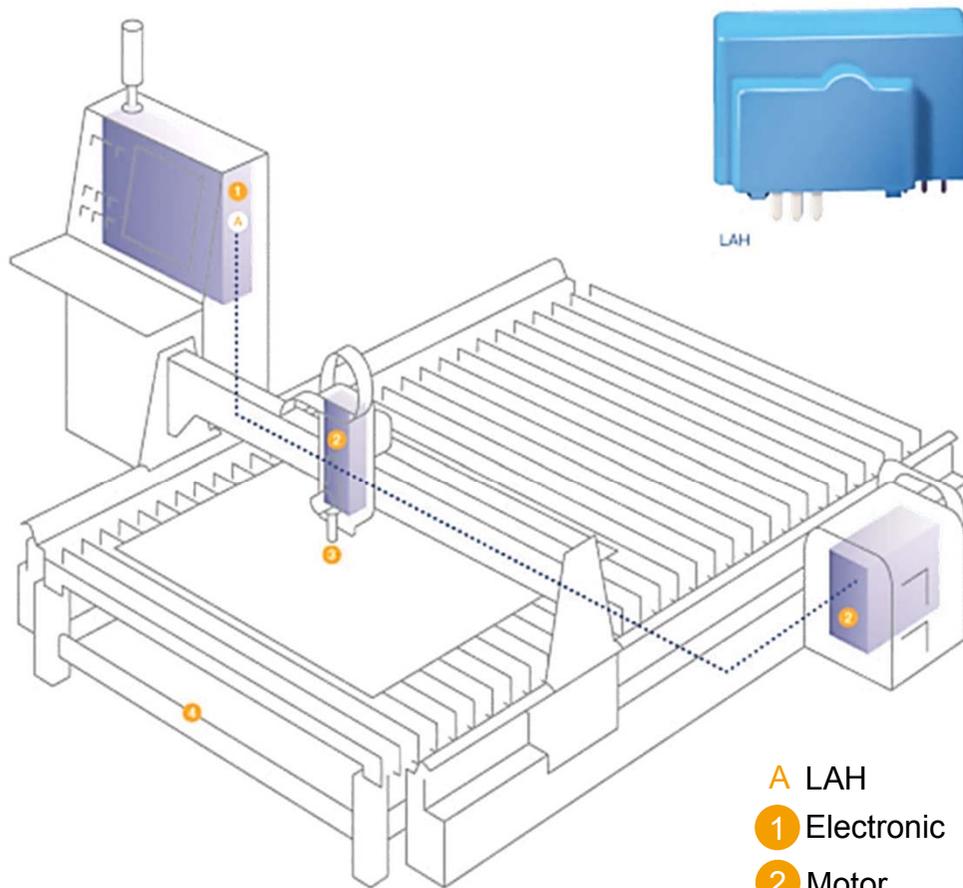


- Battery management
- Electric motor management
- Charger management

- 1 High-voltage battery
- 2 Vehicle control unit
- 3 Charger
- 4 Motor controller
- 5 Electric motor and transaxle
- 6 DC/DC converter
- 7 Electric power steering

- A HAH1
- B DHAB
- C HC5F
- D CAB

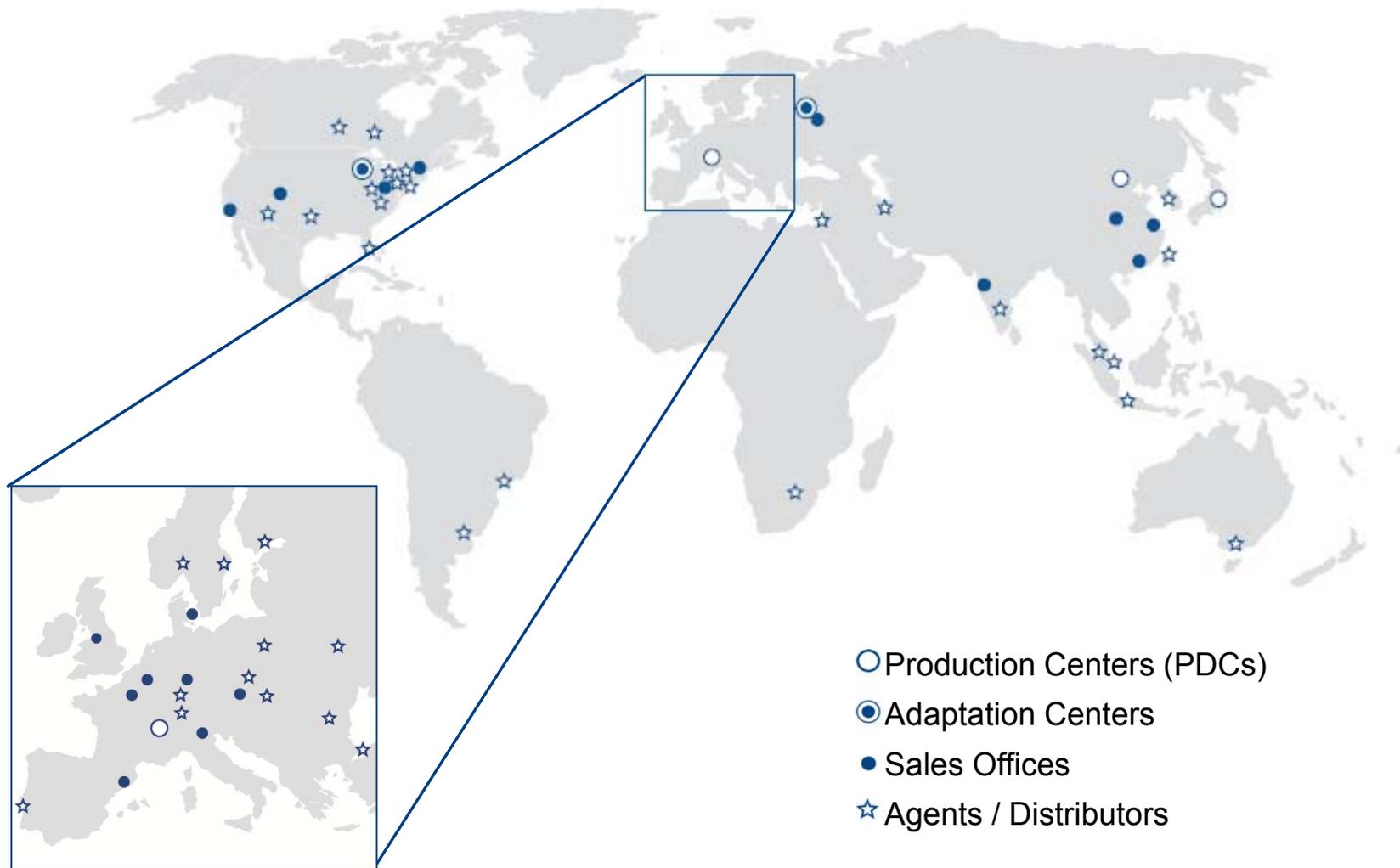
1. LEM Applications: Plasma Cutting



- To maintain the arc continuously, current transducer measures the current through the arc
- Accuracy of measurement is important to guarantee accuracy and shape of cut

- A LAH
- 1 Electronic
- 2 Motor
- 3 Torch
- 3 XY-table

1. LEM Production & Logistics World-Wide



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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
- Start/stop application

Green cars (HEV, EV)

- Battery pack management
- Electric motor control



2. Highlights and Business Review



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2. Highlights H1 2012/13

In CHF millions, %	H1 2012/13	H1 2012/13 vs. H1 2011/12	Q2 vs. Q1 2012/13
Orders	120.5	49.8%	-1.6%
Sales	124.2	-1.0%	-3.2%
Operational EBIT	23.8	24.1%	9.8%
Net earnings	20.5	36.6%	-8.5%

- Low visibility with customers requiring increased flexibility in terms of timing and delivery volumes
- Improved margins due to increased efficiency and ramp-up of recently launched products
- Careful short-term outlook
- Launch of 3 new products

2. Product Launches H1 2012/13

HO



- New ASIC with twice improved accuracy
- New functionalities: over-current detection, stand-by mode
- First programmable transducer

DVL



- New technology to create a digital isolation
- Improved sensitivity to external magnetic fields
- Robust design for harsh environments in traction applications

HFWS

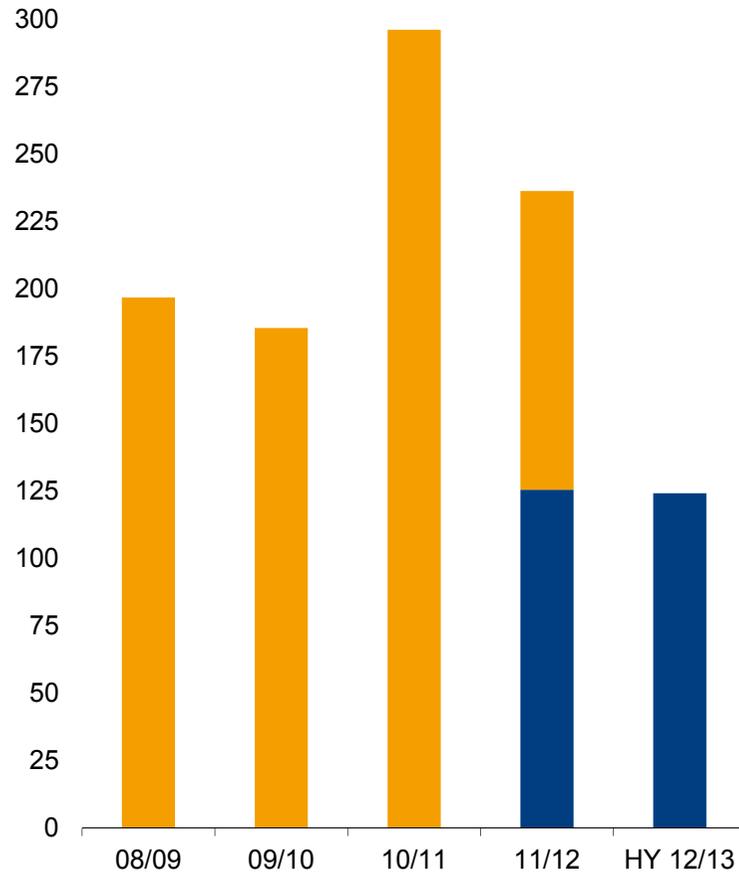
confidential

- Customer specific transducer
- Communication with microcontroller and serial interface
- Very small size for the current measured

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2. Net Sales

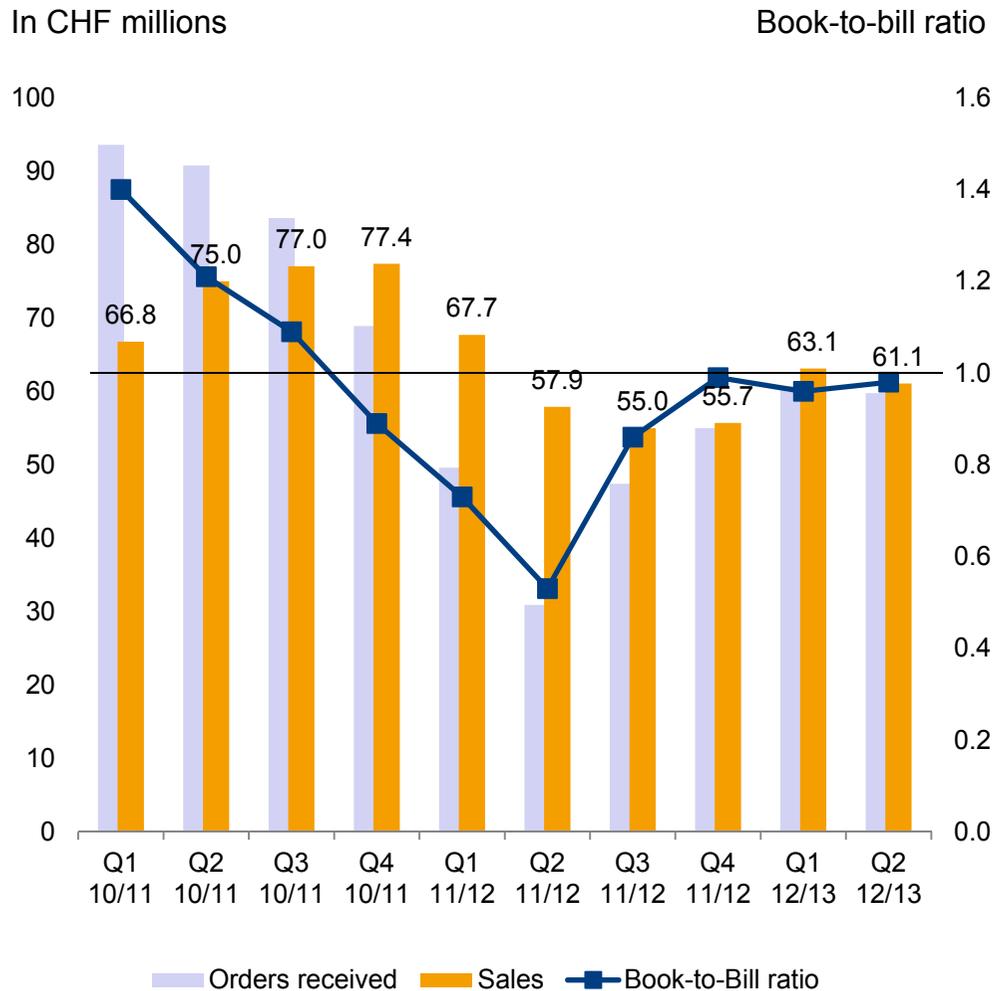
In CHF millions



In CHF millions, %	Sales	H1 vs. H1		Q2 vs. Q1
		as reported	at constant currencies	
Industry	106.0	-6.4%	-11.7%	-2.0%
Automotive	18.2	48.5%	33.0%	-10.1%
Total sales	124.2	-1.0%	-7.3%	-3.2%

- Industry businesses affected by European economic slowdown but growing in China and North America
- Continued strong sales growth in the Automotive businesses
- Positive currency impact on sales

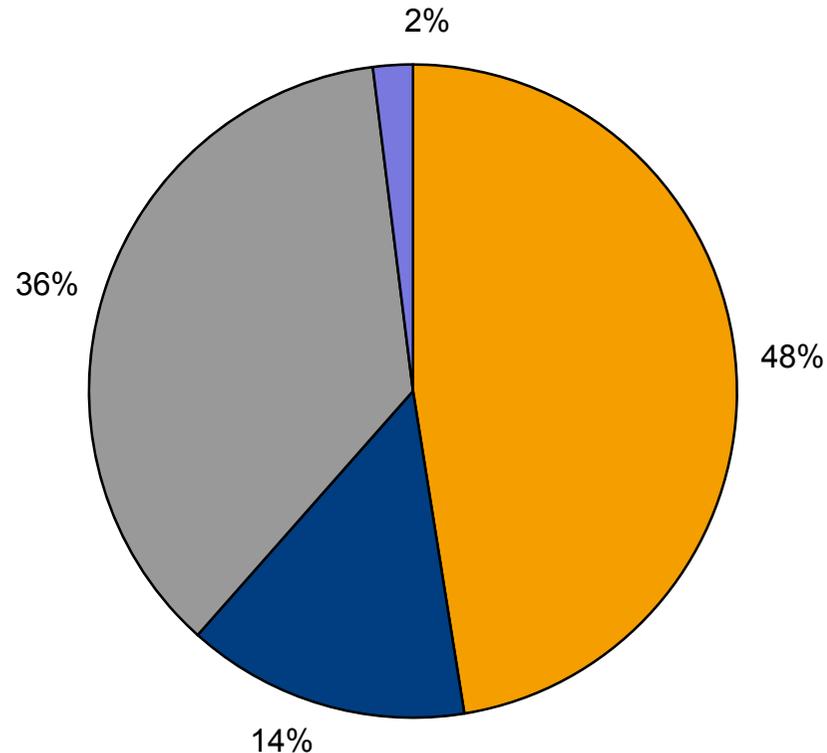
2. Quarterly View



- Orders slowing in Q2 of 2012/13 for the first time in four quarters
- Increasing volatility of the market characterized by short-term orders from customers

2. Industry Segment: Regional Markets

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



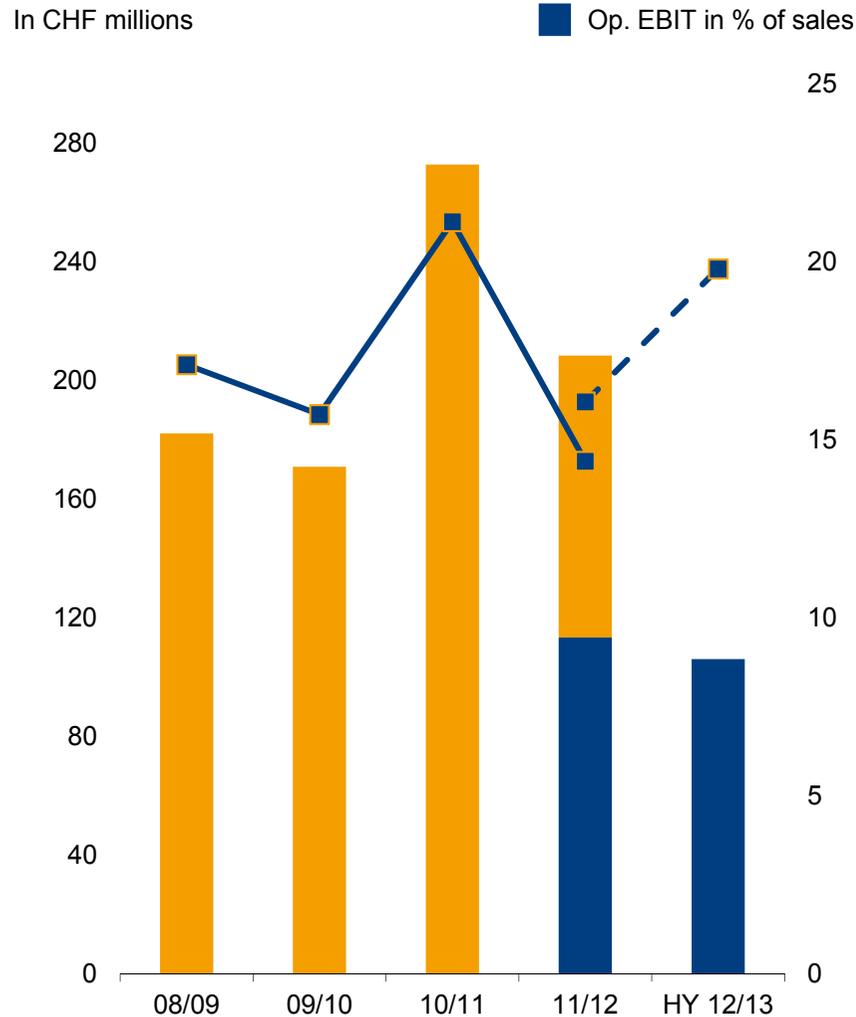
In CHF millions, %	Sales	H1 vs. H1	Q2 vs. Q1
Europe	50.3	-14.1%	-10.6%
N. America	14.9	11.5%	-1.8%
Asia	38.6	0.0%	12.3%
ROW	2.1	-21.5%	-32.1%
Total	106.0	-6.4%	-2.0%

- Continued weakness in Europe
- Strong performance of renewable energies business in Asia and North America with slowing trend at the end of Q2 of 2012/13
- Ramp-up of production of recently launched products

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2. Industry Segment: Business Development

Businesses and Applications



Drives & welding (-18%)

- Weakness in Europe, particularly Germany and Italy
- New projects in the robot and elevator markets

Renewable energies & power supplies (+13%)

- Most volatile business
- Growth in North America, Asia, mainly China, and Japan
- Higher requirement for environmental compatibility and accuracy

Traction (-6%)

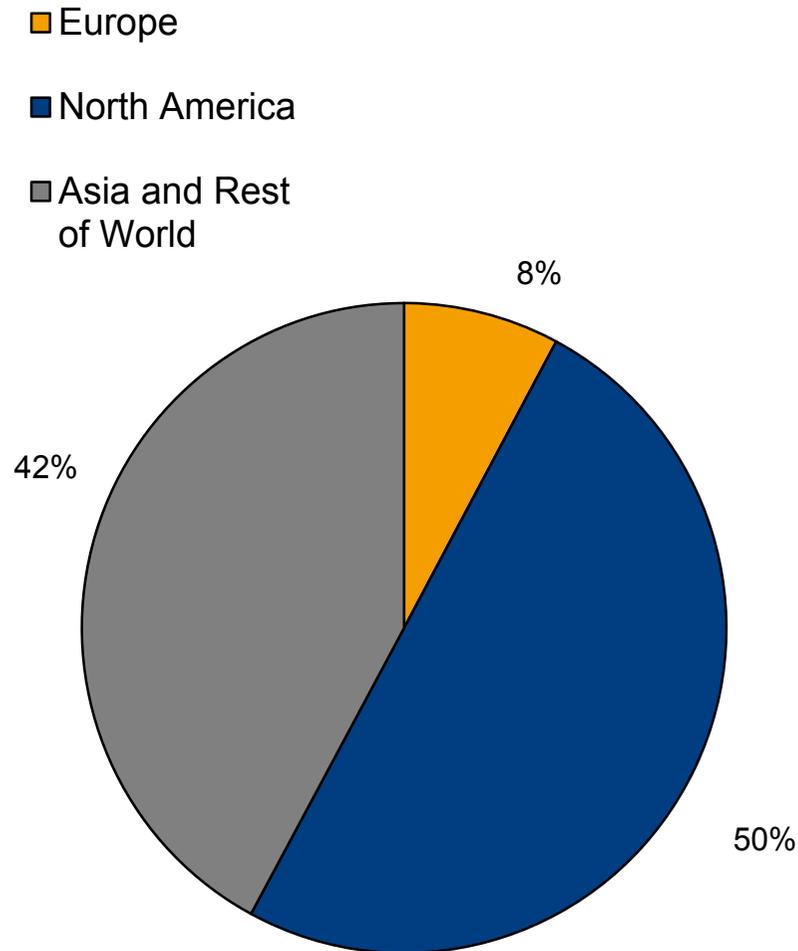
- Weak European demand
- Prolonged delays in China

High precision (-3%)

- Weakened demand for test & measurement in Asia

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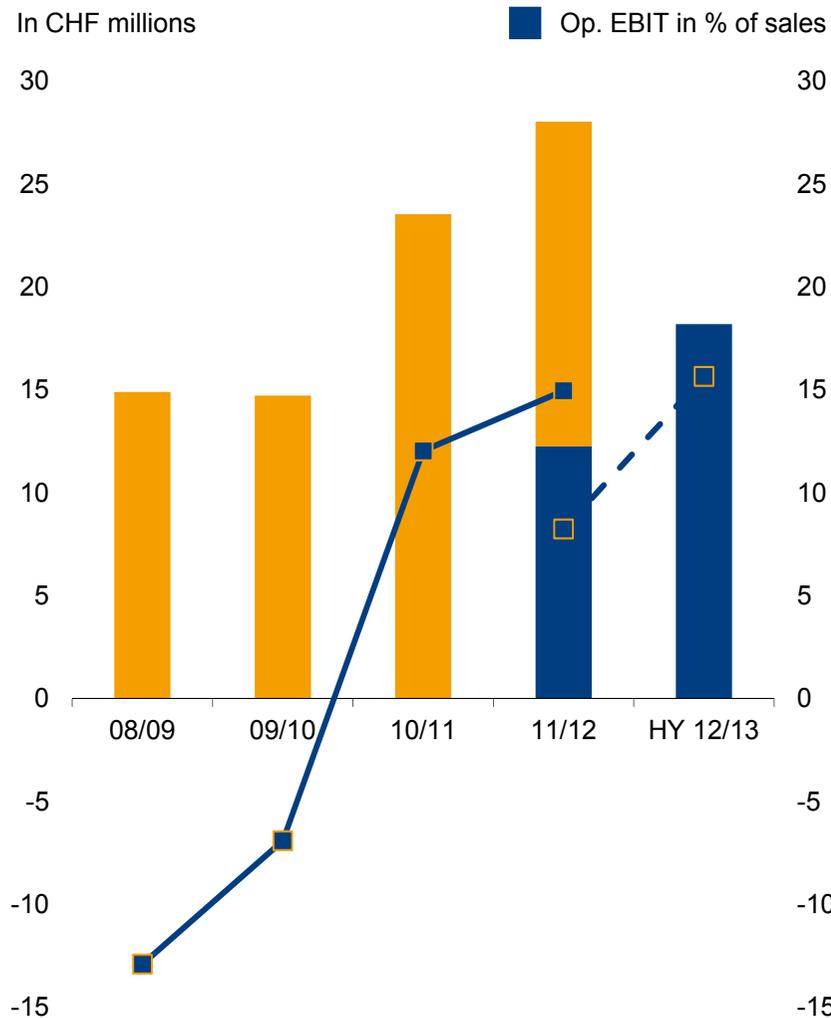
2. Automotive Segment: Regional Markets



In CHF millions, %	Sales	H1 vs. H1	Q2 vs. Q1
Europe	1.4	27.7%	-42.5%
N. America	9.1	40.9%	-1.6%
Asia and ROW	7.7	63.8%	-12.6%
Total	18.2	48.5%	-10.1%

- Sales growth despite weak global car industry in H1 of 2012/13
- Slowing growth in Q2 of 2012/13
- Success due to strategic focus on US and Asian car manufacturers

2. Automotive Segment: Business Development



Businesses and Applications

Conventional cars (+52%)

- Strong performance with battery management applications for conventional cars
- Won market shares and extended number of platforms

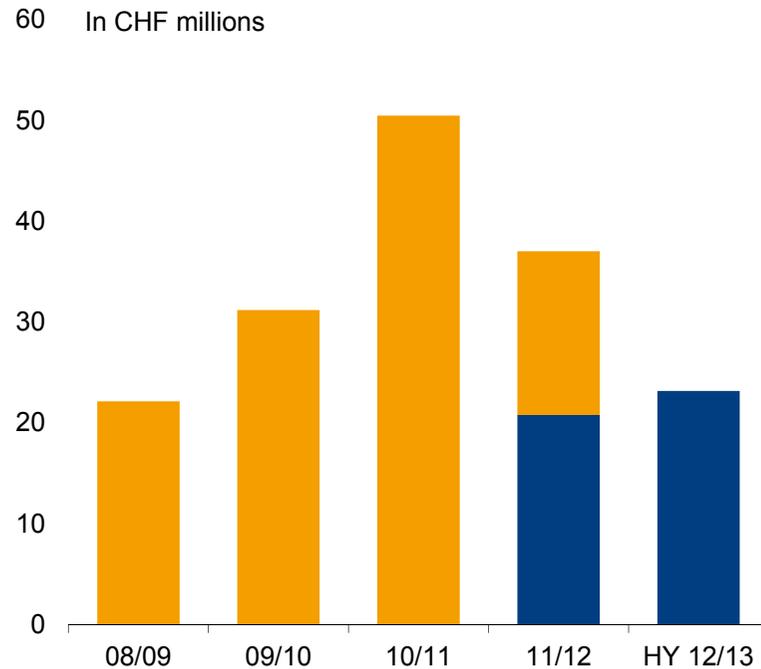
Green cars (HEV, EV) (+34%)

- Delays/suspensions of new projects
- Consumers hesitant to invest in environmental cars in times of crisis

2. Business Development China

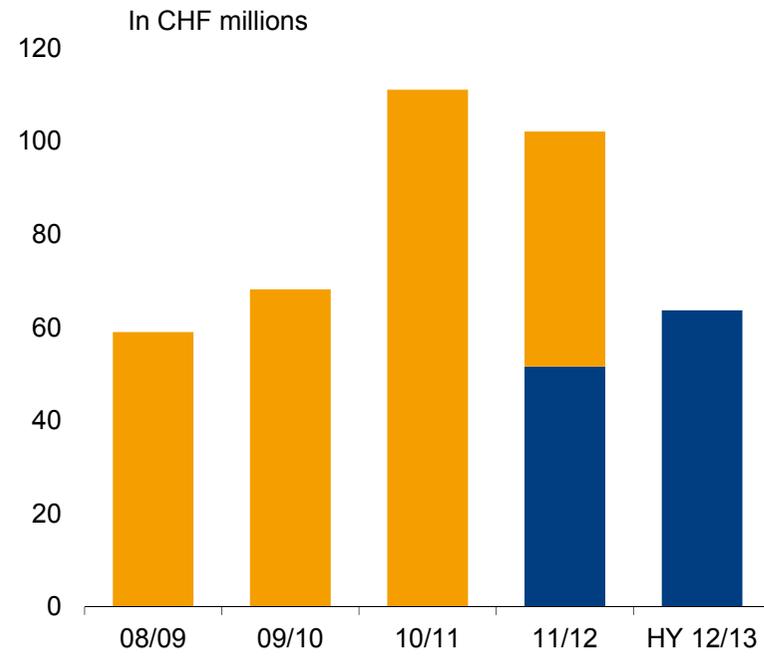
Sales

- Market share of over 50%
- Sales impacted by slowing activity especially in solar, wind and traction



Production

- LEM China expands its #1 position as largest manufacturing site of the Group (over 51% of total production)
- “Made by LEM” quality



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3. Financial Review



At the heart of power electronics



3. Financial Highlights

- Strong balance sheet
 - Dividend payment of CHF 28.4 million to shareholders in July 2012
 - Equity at CHF 74.3 million, equity ratio 55% (48% per 30.09.2011)
- Improved profitability
 - Gross margin of 42.9% (40.5%)
 - SG&A down by 2.1 million representing 23.7% of sales
 - Operating EBIT-margin of 19.2% (15.3%)
 - Net profit CHF 20.5 million (CHF 15.0 million)
- Strong cash generation
 - Free cash flow CHF 15.6 million (CHF 9.1 million)
- Legacy SOP programs expired per 31.03.2012

3. Consolidated Balance Sheet

In CHF thousands	30.09.2012	31.03.2012
Cash and cash equivalents	12'421	21'121
Accounts receivable	46'629	42'140
Inventories	30'814	26'605
Income tax receivable	833	2'009
Other current assets	1'610	2'956
Total non-current assets	42'302	37'683
Total assets	134'608	132'514
Accounts payable	23'082	17'863
Other current liabilities	33'830	29'774
Total non-current liabilities	3'441	5'316
Equity	74'255	79'561
Total liability and equity	134'608	132'514
■ Avg. net working capital in % sales	11.3%	12.3%
■ Inventory turns	4.6	5.3
■ Equity ratio	55.2%	60.0%
■ Net cash (CHF millions)	7.4	18.1

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3. Income Statement

In CHF thousands

	H1 2011/12	H1 2012/13	Change	Q1 2012/13	Q2 2012/13	Change
Sales	125'511	124'195	-1.0%	63'118	61'076	-3.2%
Gross margin	40.5%	42.9%	2.5pt	42.1%	43.7%	1.6pt
Operating Cost	-31'582	-29'474	-6.7%	-15'224	-14'250	-6.4%
Operational EBIT	19'194	23'829	24.1%	11'359	12'470	9.8%
Additional SOP income / costs	619	0	N/A	0	0	N/A
EBIT	19'813	23'829	20.3%	11'359	12'470	9.8%
Net financial expense (net)	-1'162	716	-161.6%	1'501	-786	N/A
Income tax	-3'624	-4'015	10.8%	-2'140	-1'875	-12.4%
Net profit	15'028	20'529	36.6%	10'720	9'809	-8.5%

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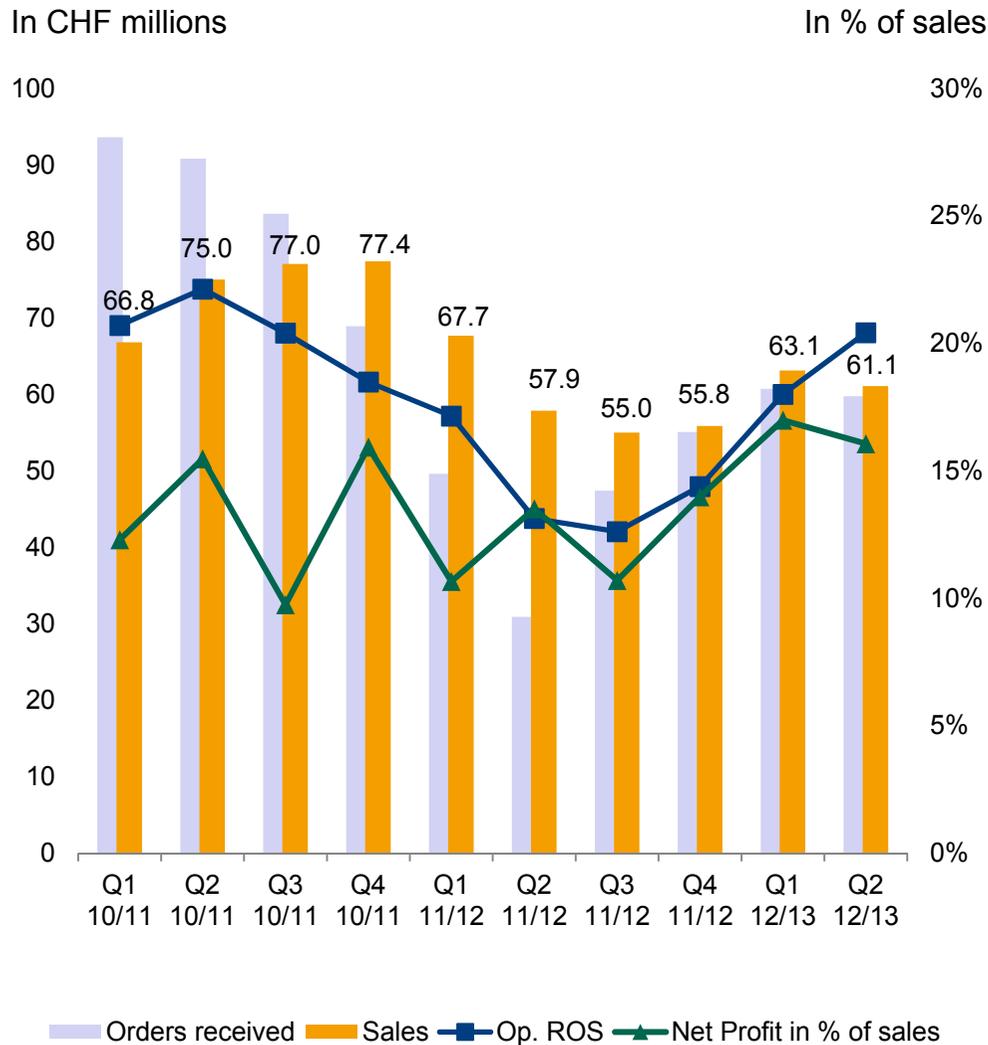
3. Change in the Classifications on Income Statement

- Review of definitions linked to systems & process improvements, in order to provide more relevant financial information about LEM's operations
- Neutral on overall EBIT
- Impact on gross margin -2.0%-points
- Comparable number provided for 2011/12
- Reclassifications in the consolidated income statement
 - Management compensation: into the line to which the managers contribute
 - Facility cost (rent, energy, ...): according to the resources used by each activity
 - Operation support teams: in costs of goods sold
- Impacts on H1 2011/12 income statement:

In CHF thousands	Management compensation	Facility costs	Operation support costs	Total impact
Cost of goods sold	-1'174	-825	-550	-2'549
Gross margin				-2'549
Sales expense	-3	-226	0	-229
Administration expense	1'552	1'246	550	3'348
R&D expense	-375	-195	0	-570
Operational EBIT	0	0	0	0

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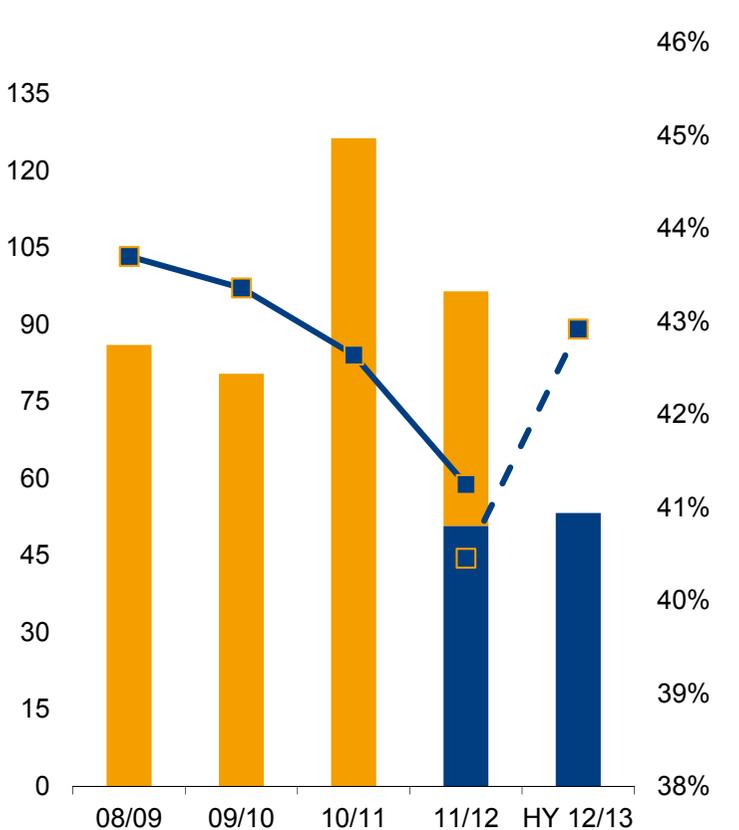
3. Results by Quarter



- Improved operating EBIT margin, slightly over target range of 15 to 20%
- High net profit in % of sales, resulting from decreased tax charge

3. Gross Margin

In CHF millions ■ In % of sales



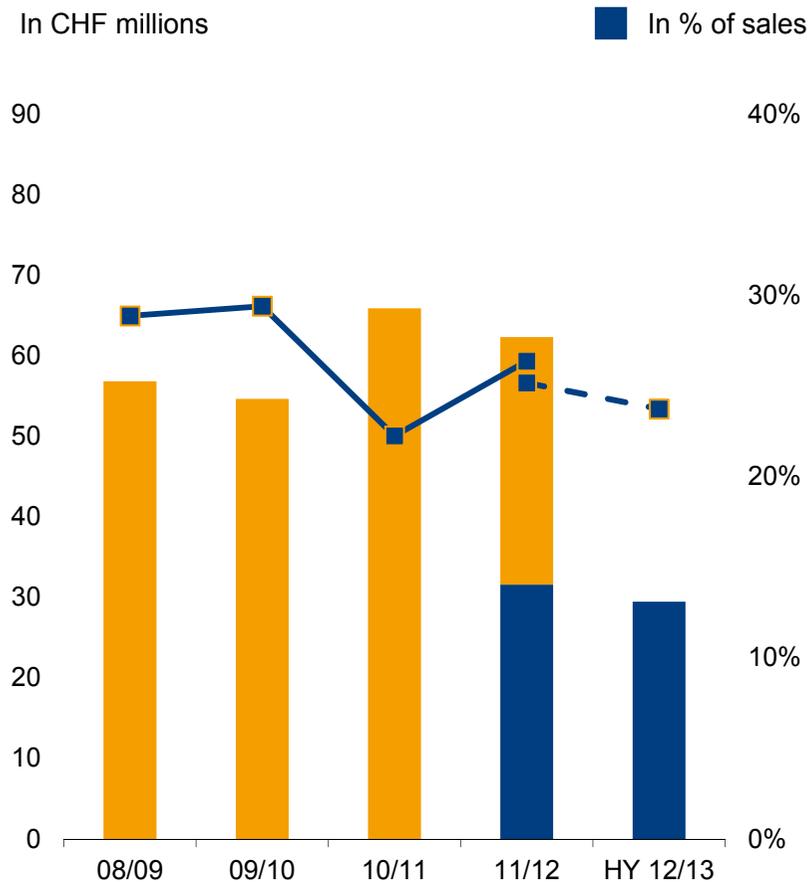
	H1 2011/12	H1 2012/13	Q1 2012/13	Q2 2012/13
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Gross margin in CHF millions	50.8	53.3	26.6	26.7
Gross margin in % of sales	40.5%	42.9%	42.1%	43.7%

- Strong positive impacts on gross margin vs. H1 of 2011/12
 - Improved production efficiency
 - Ramp-up of production of new products
- Negative impacts
 - Foreign exchange impacts (CNY)
 - Price pressure

2011/12 and 2012/13 include reclassifications of expense items (see slide 24);
2008/09 to 2010/11 not restated

3. Operating Expenses

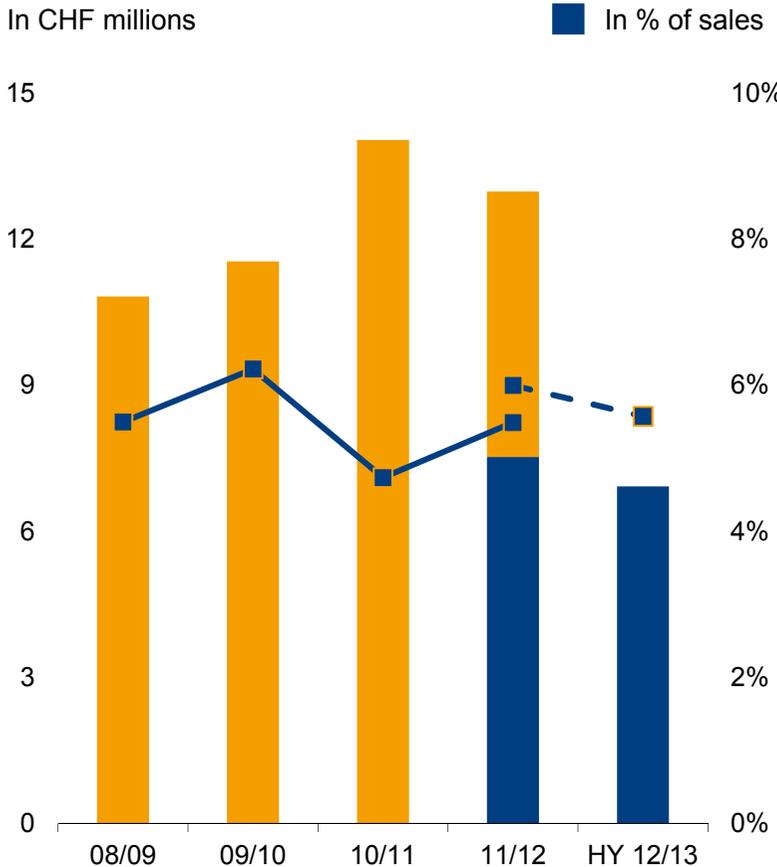


	H1 2011/12	H1 2012/13	Q1 2012/13	Q2 2012/13
Operating expenses in CHF millions	31.6	29.5	15.2	14.2
Operating expenses in % of sales	25.2%	23.7%	24.1%	23.3%

- Ongoing strict cost control measures
- Operating expenses as a percentage of sales remain on low levels compared to historical average

2011/12 and 2012/13 include reclassifications of expense items (see slide 24);
2008/09 to 2010/11 not restated

3. R&D Expenses

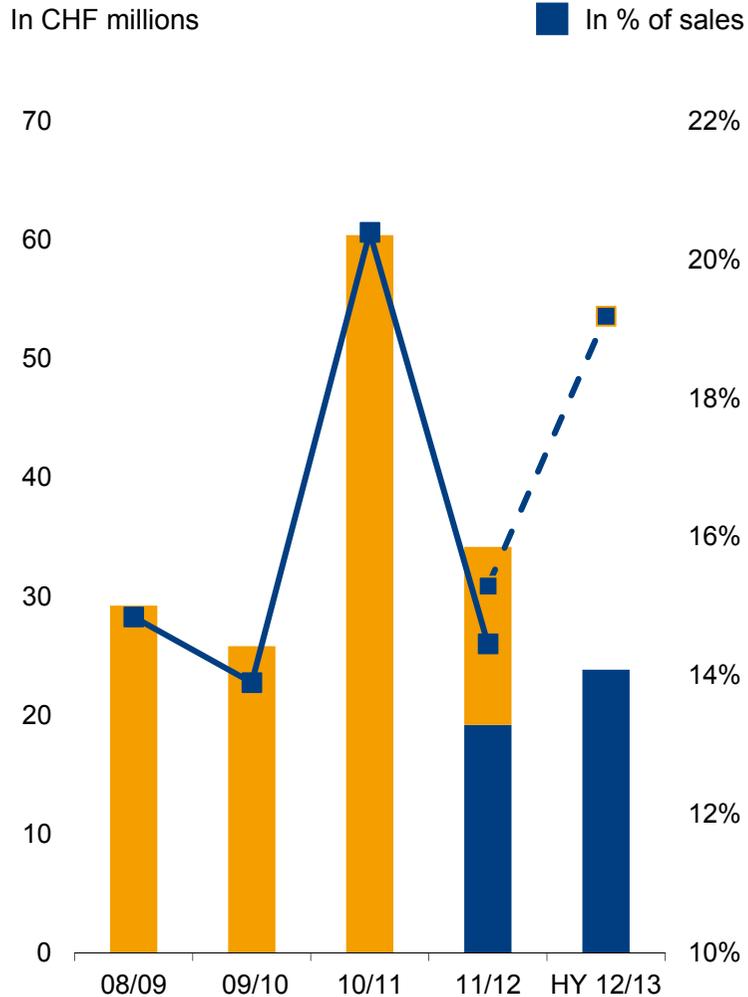


	H1 2011/12	H1 2012/13	Q1 2012/13	Q2 2012/13
R&D expenses in CHF millions	7.5	6.9	3.5	3.4
R&D expenses in % of sales	6.0%	5.6%	5.5%	5.6%

- Continued investment in R&D for both segments
- R&D expense around the long-term average of 5.5%

2011/12 and 2012/13 include reclassifications of expense items (see slide 24);
2008/09 to 2010/11 not restated

3. Operational EBIT



	H1 2011/12	H1 2012/13	Q1 2012/13	Q2 2012/13
Operational EBIT in CHF millions	19.2	23.8	11.4	12.5
Operational EBIT in % of sales	15.3%	19.2%	18.0%	20.4%

- Q2 of 2012/13 operational EBIT increased vs. Q1
- H1 of 2012/13 operational EBIT increased vs. H1 of 2011/12
- Q2 profitability slightly exceeded target range of 15 to 20%

3. Legacy SOP Programs Expired per 31.03.212

- With the closing of fiscal year 2011/12, all legacy stock option plans are closed
- LEM will not record any additional stock option plan cost/income going forward
- 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
			Closure of	SOP 5		SOP 6

3. Financial Expense

	H1 2011/12	H1 2012/13
Exchange effect*	-1'035	722
Other financial expense + income	-127	-7
Total	-1'162	716

- H1 of 2012/13 exchange effect mainly driven by USD & CNY appreciation vs. EUR & CHF
- Foreign exchange hedging policy
 - In general: 50% of net exposure on a rolling 3-9 month basis
 - Euro: 100% of net exposure 18 months forward

* 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

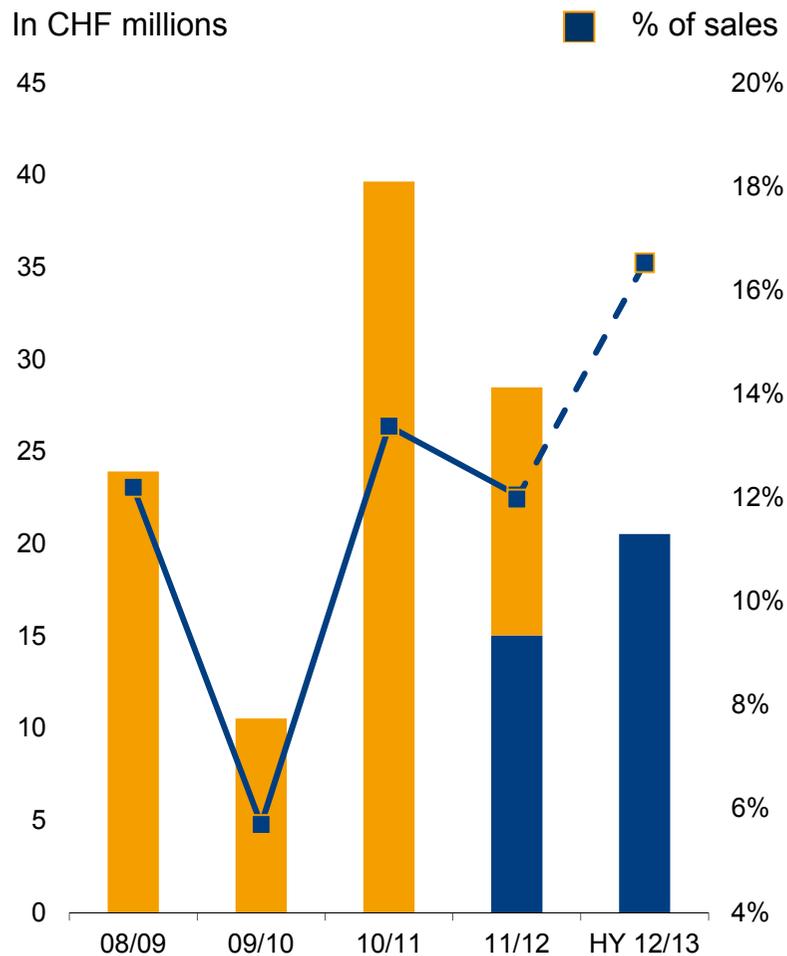
	H1 2011/12	H1 2012/13
EBT	18'651	24'544
Income taxes	-3'624	-4'015
Effective tax rate	19.4%	16.4%

In %

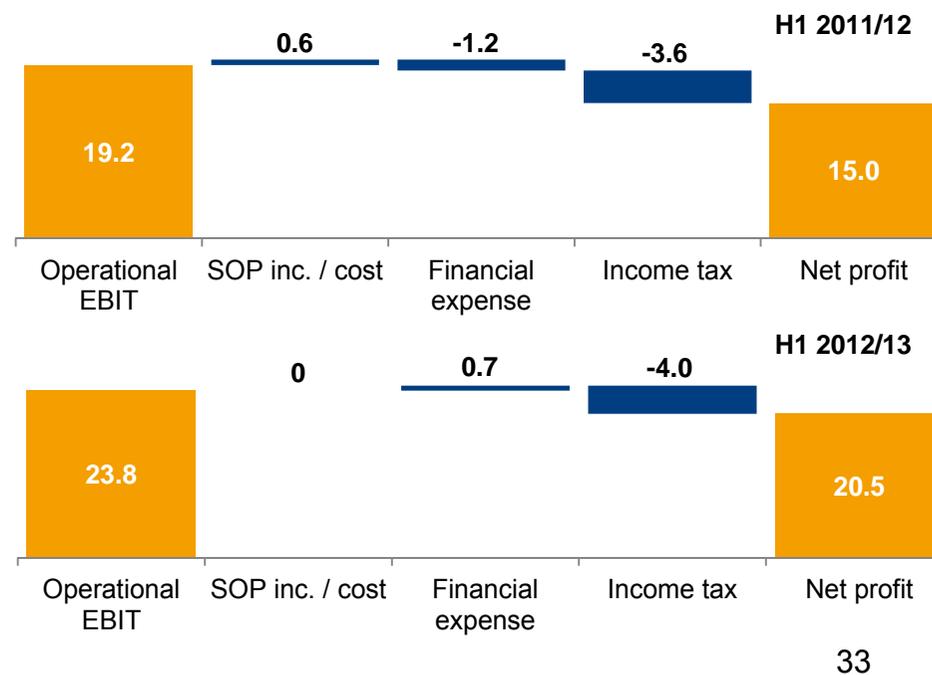
	H1 2011/12	H1 2012/13
Expected income tax rate	19.8%	12.7%
Expected withholding tax rate	2.6%	2.6%
Expected tax rate	22.4%	15.3%
Adjustments in respect of previous periods' income tax	-3.0%	0.0%
Other differences	0.0%	1.1%
Effective tax rate	19.4%	16.4%

- Reduction/increase of the expected tax rate with increasing/decreasing volumes in low tax entities
- Other impacts on tax rate
 - Swiss/Japanese double taxation agreement
 - High and New Technology Status in China

3. Net Profit



	H1 2011/12	H1 2012/13	Q1 2012/13	Q2 2012/13
Net profit in CHF millions	15.0	20.5	10.7	9.8
Net profit in % of sales	12.0%	16.5%	17.0%	16.1%



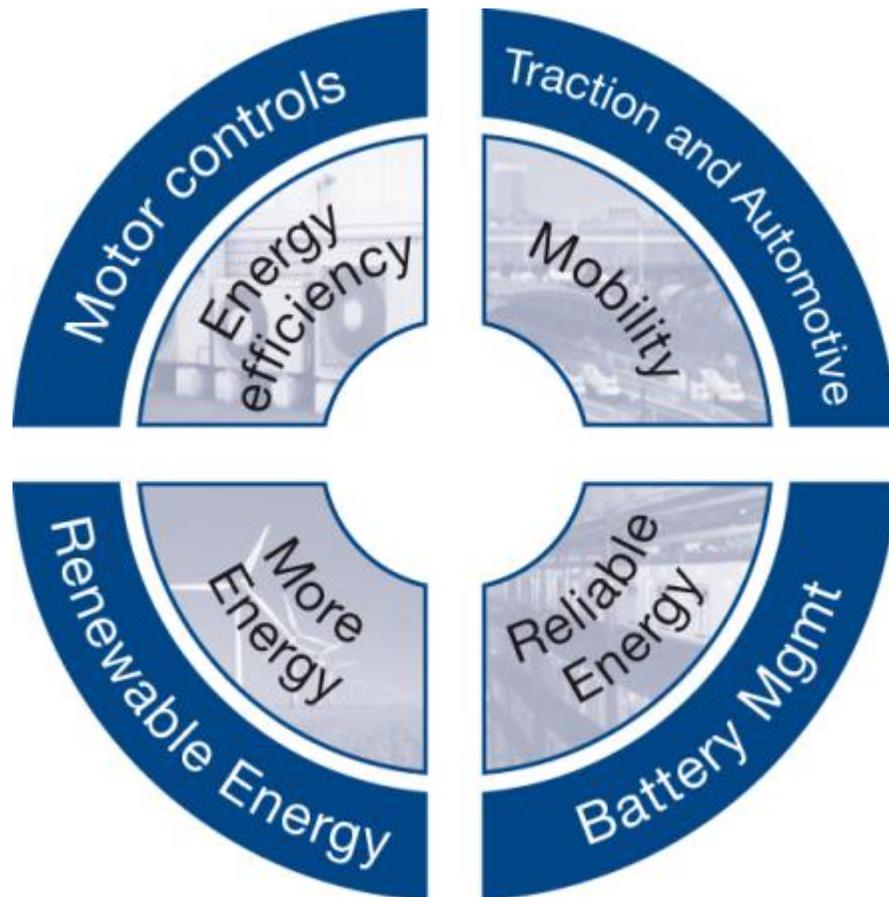
3. Cash Flow Statement

In CHF thousands	H1 2011/12	H1 2012/13
Profit before taxes	18'651	24'544
Non-cash items	90	125
Cash flow from changes in net working capital	-4'112	-1'630
Cash flow from operating activities	14'629	23'039
Cash flow from investing activities	-5'498	-7'445
Free cash flow	9'131	15'594
Cash flow from financing activities	-25'126	-25'098
Change in cash and cash equivalents	-15'995	-9'504
Cash and cash equivalents at the end of the period	10'606	12'388

4. Strategy and Outlook



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

4. Strategic Priorities to Extend Leadership Position

Strategic priorities

Achievements in H1 of 2012/13

Increase technology leadership

- Reinforce multidisciplinary innovation team
- Increase number of product launches
- Constantly improve performance of products
- Establish dedicated team of experts to manage LEM's IP

- Launched 3 new products
- Established LEM IP in Fribourg

Increase efficiency

- Improve product cost through low cost sourcing and manufacturing
- Reduce complexity of organization

- Grouped high precision business in Geneva

Increase production flexibility

- Develop systems to better forecast demand fluctuations
- Improve supply chain management

- Improved S&OP

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4. Outlook

- Uncertainty due to the economic slowdown – global political and economic implications of crisis remain unclear and make long-term planning difficult
- Expectations for H2 of 2012/13
 - decrease of sales in the Industry segment
 - strengthen market share thanks to introduction of new products
 - sales in the Automotive segment above 2011/12 levels
- Main challenge for H2 of 2012/13
 - adapt production to the short-term planning of LEM's customers
- Full year 2012/13 sales forecasted to reach CHF 230 to 240 million

Financial Calendar and Contact Details

Financial calendar

14 February 2013	Third quarter results of 2012/13
5 June 2013	Year-end results and media and analyst conference
27 June 2013	Annual shareholders' meeting for the year 2012/13 (Fribourg)
2 July 2013	Dividend ex-date
5 July 2013	Dividend payment date

For further information

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