

# Results

3<sup>rd</sup> Quarter of 2012/13

1 October 2012 to 31 December 2012

14 February 2013



# Agenda

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

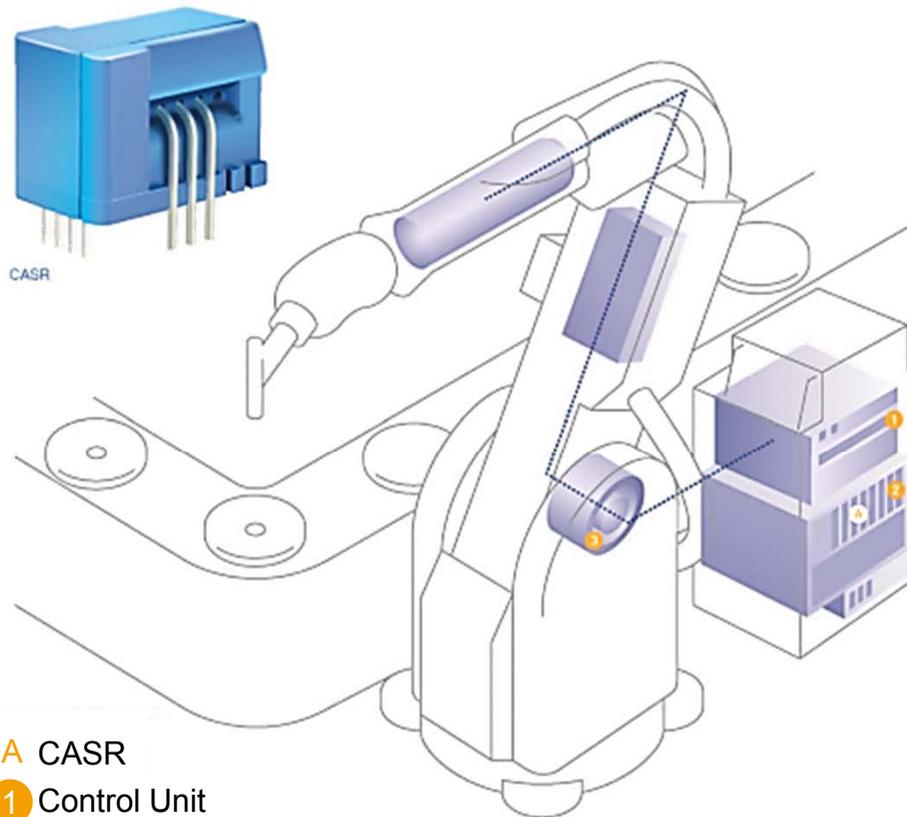


2

# 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 576 million per 31.12.2012.

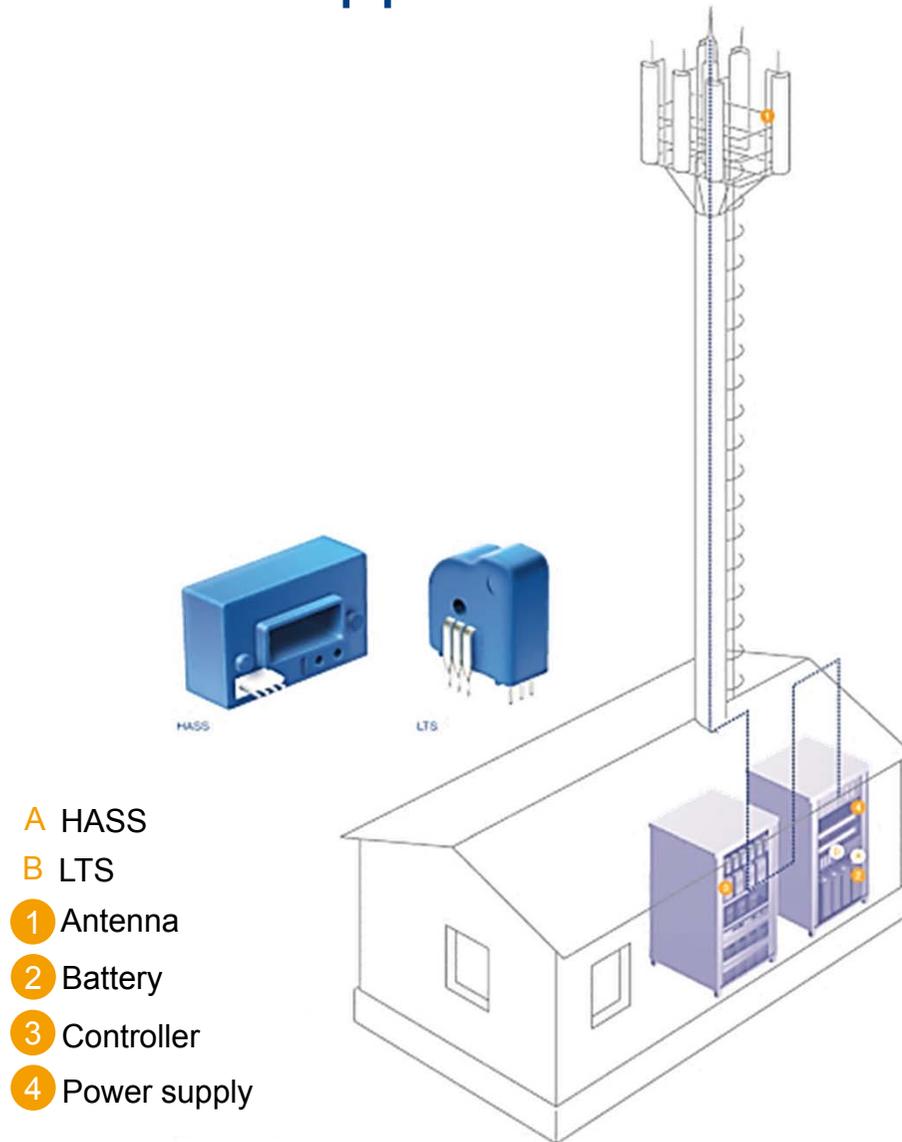
# 1. LEM Applications: Robot



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

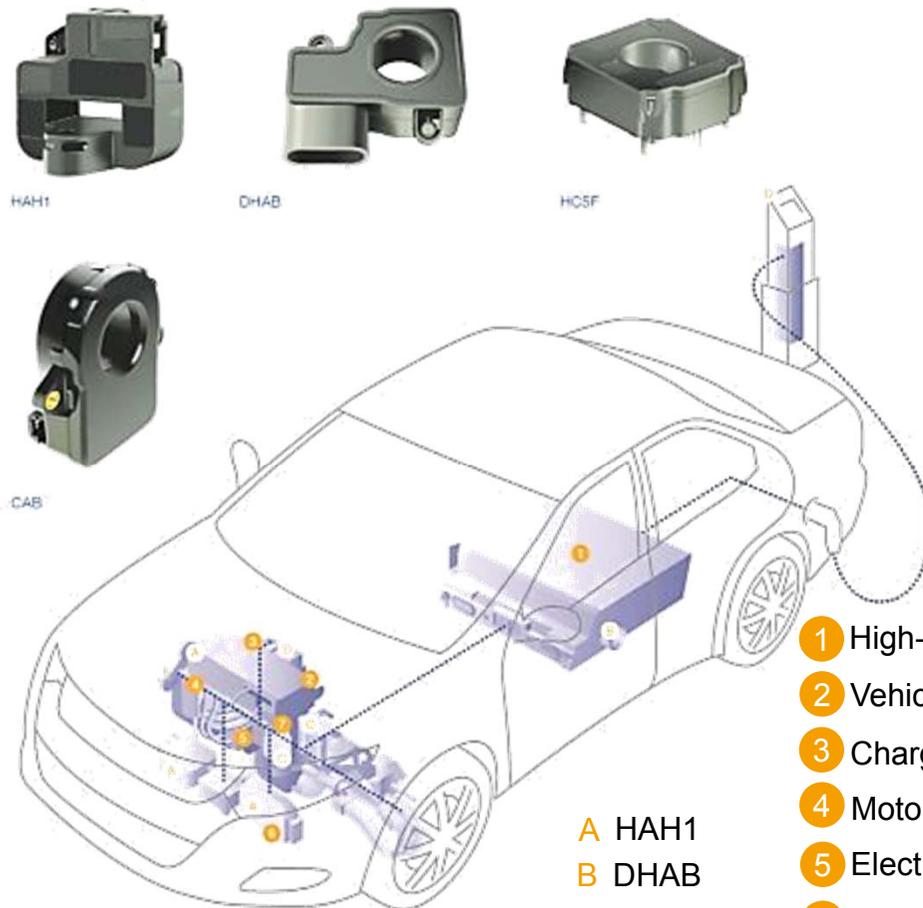
- To control the arm, power inverters drive a motor from one position to the next and stop precisely in position
- Accurate measurement of the current with transducers needed to control the arm

# 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

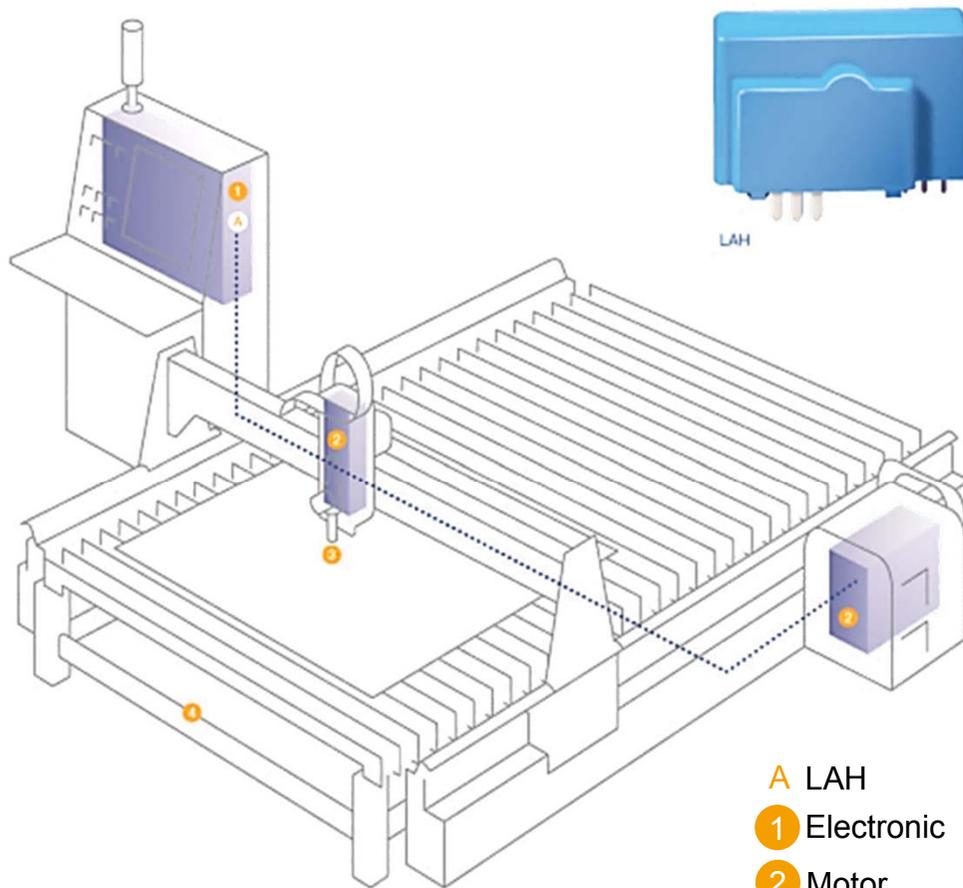


- Battery management
- Electric motor management
- Charger management

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

- 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

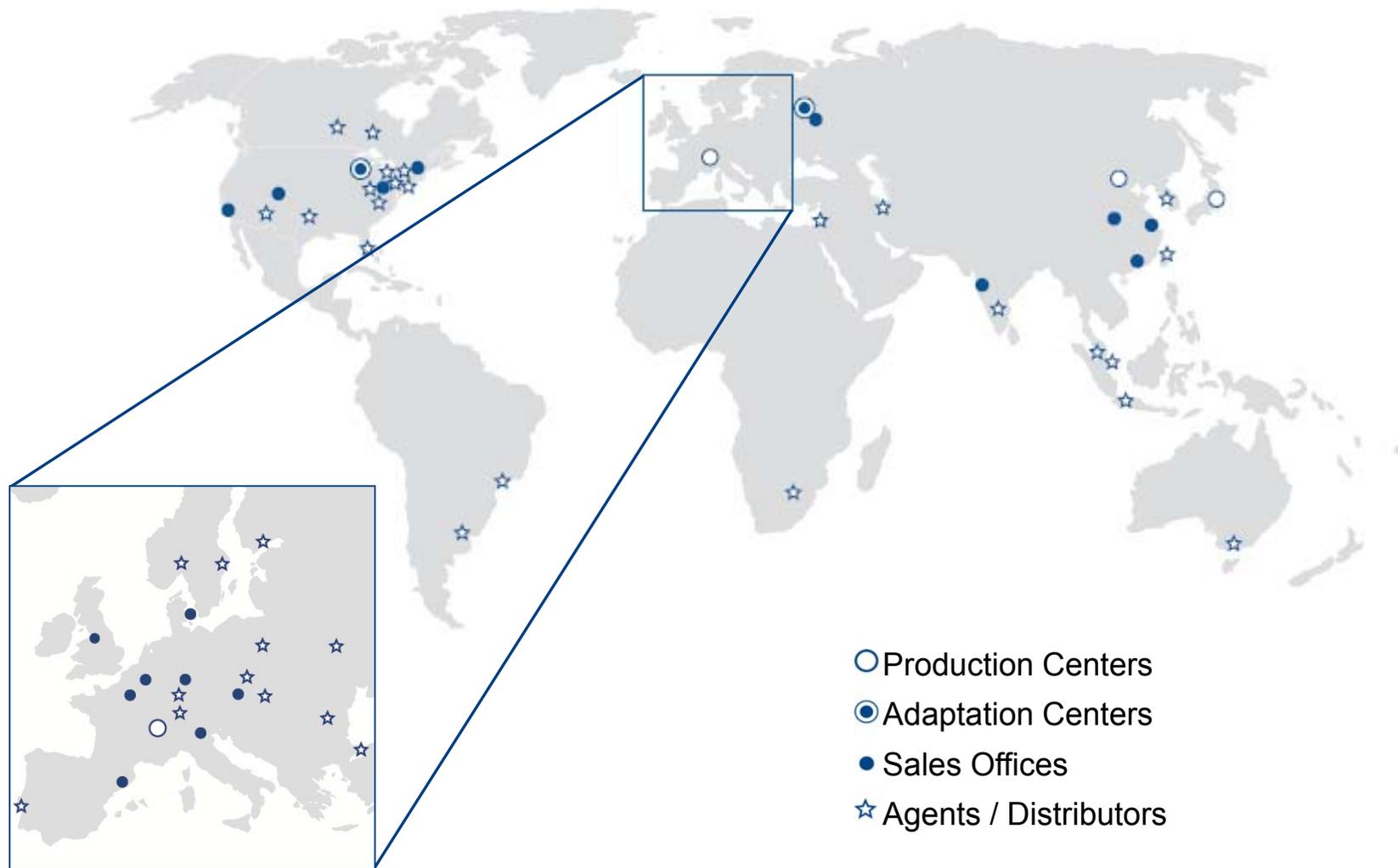
# 1. LEM Applications: Plasma Cutting



- 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



# 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



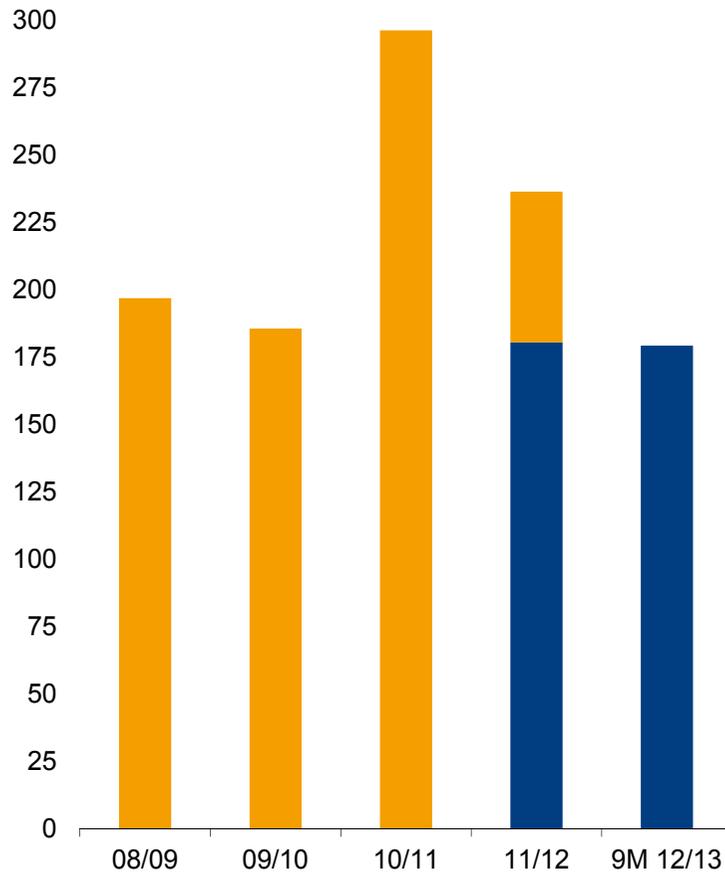
## 2. Highlights Q3 2012/13

| In CHF millions  | 9M 2012/13 | 9M 2012/13 vs.<br>9M 2011/12 | Q3 vs. Q2 2012/13 |
|------------------|------------|------------------------------|-------------------|
| Orders           | 171.8      | 34.4%                        | -14.0%            |
| Sales            | 179.2      | -0.7%                        | -10.0%            |
| Operational EBIT | 34.4       | 31.8%                        | -14.9%            |
| Net earnings     | 28.7       | 38.7%                        | -17.0%            |

- Slowing economy results in slowing sales and orders
- Low visibility in the market requiring increased flexibility in terms of timing and delivery volumes
- Overcapacities are prevalent in the markets resulting in price pressure
- Solid margins due to cost control measures

## 2. Net Sales

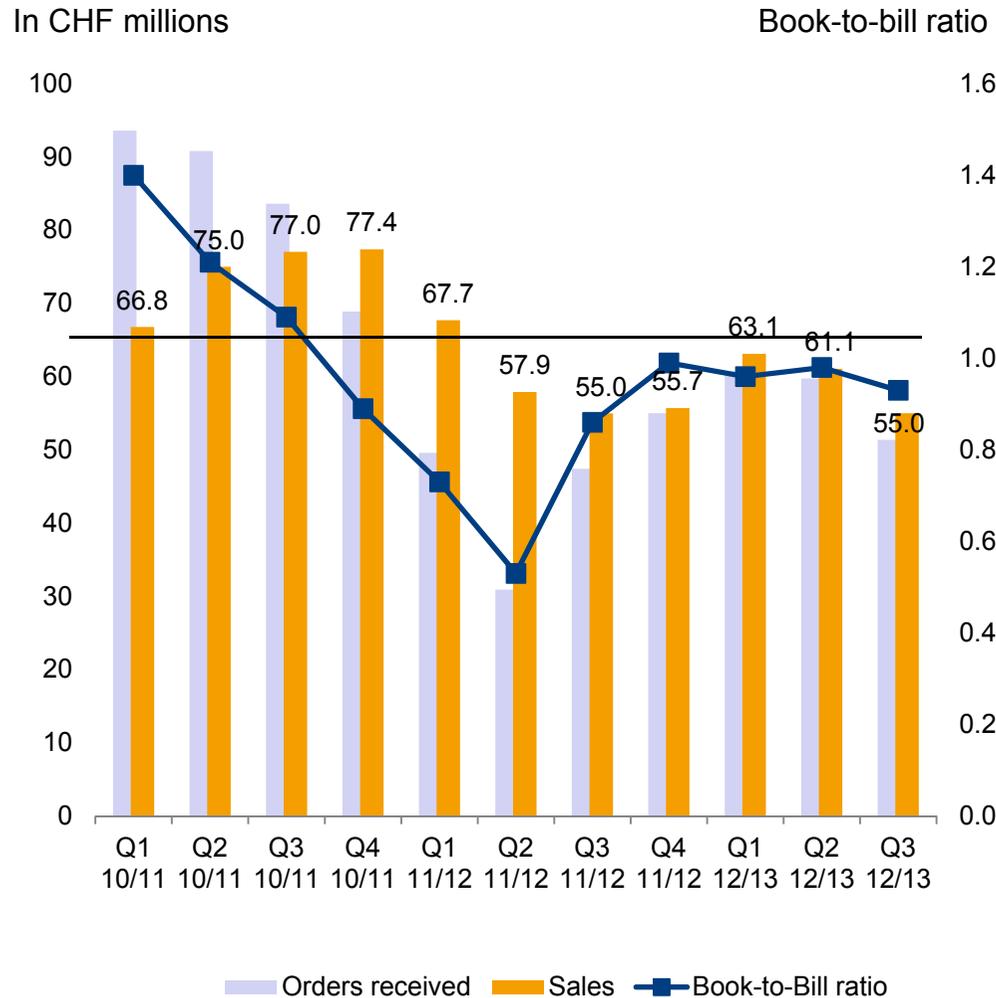
In CHF millions



| In CHF millions, % | 9M Sales     | 9M vs. 9M as reported | 9M vs.9M at constant currencies | Growth Q3 vs. Q2 |
|--------------------|--------------|-----------------------|---------------------------------|------------------|
| Industry           | 152.4        | -5.3%                 | -9.2                            | -11.5%           |
| Automotive         | 26.8         | 37.3%                 | 26.7                            | -0.3%            |
| <b>Total sales</b> | <b>179.2</b> | <b>-0.7%</b>          | <b>-5.3%</b>                    | <b>-10.0%</b>    |

- Industry businesses in all regions affected by weakening economy
- Stable sales in the Automotive businesses due to LEM's strategic focus on the Asian and North American markets

## 2. Quarterly View

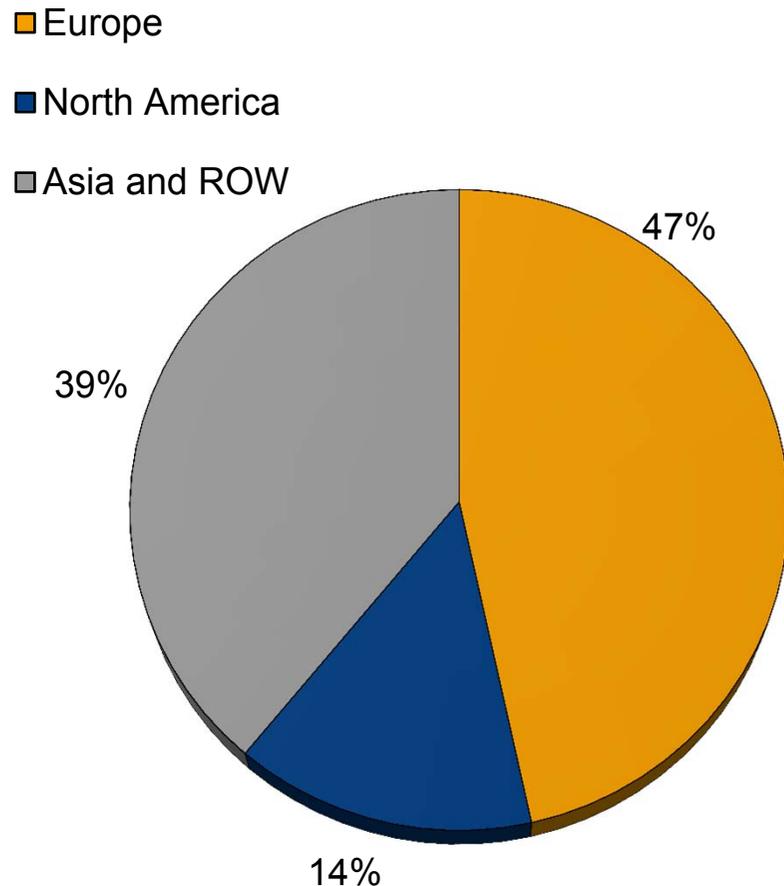


- Orders slowing in Q3 of 2012/13
- Short-term placing and calling of volumes by customers
- LEM needs to maintain high readiness to deliver
- Q3 book-to-bill ratio 0.93

## 2. New Production Plant in Sofia (Bulgaria)

- Goals of the new site
  - Diversify LEM's low cost production
  - Increase production capacity close to European customers
  - Increase natural hedge of operations
  - Absorb major part of LEM's future growth
- Continuation of strategy initiated in 2004
  - Production lines to be relocated from Machida/Japan and Geneva/Switzerland to low cost countries
  - Geneva/Switzerland site to be strengthened with investment in R&D and marketing
  - Machida/Japan site to focus on local Japanese market
- Plan
  - Investment of CHF 2 million into new site
  - Ramp-up production as from October 2013

## 2. Industry Segment: Regional Markets

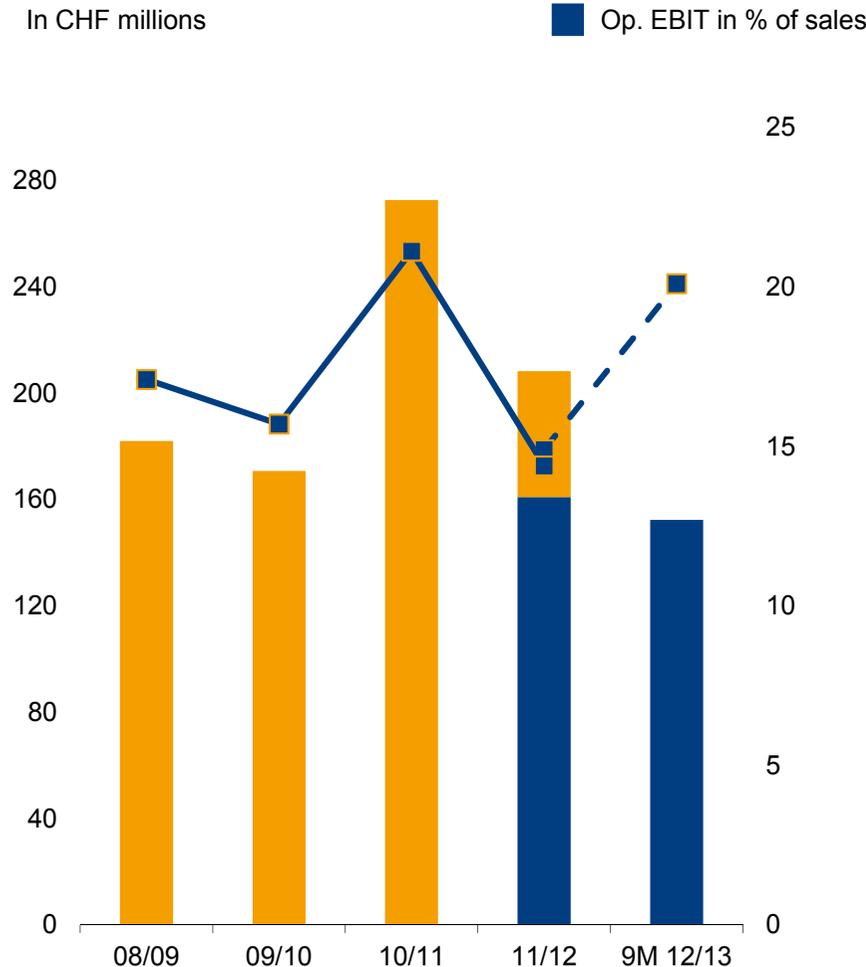


| In CHF millions, % | 9M Sales     | Growth 9M vs. 9M | Growth Q3 vs. Q2 |
|--------------------|--------------|------------------|------------------|
| Europe             | <b>71.0</b>  | -12.2%           | -12.8%           |
| N. America         | <b>22.0</b>  | 7.1%             | -4.7%            |
| Asia and ROW       | <b>59.4</b>  | -0.4%            | -12.5%           |
| <b>Total</b>       | <b>152.4</b> | <b>-5.3%</b>     | <b>-11.5%</b>    |

- All regions weakening, strongest decreases in China and Europe
- Price pressure is increasing across all markets

## 2. Industry Segment: Business Development

### Businesses and Applications



#### Drives & welding (growth Q3 vs. Q2: -11.9%)

- Weak markets
- LEM's market share remains stable

#### Renewable energies & power supplies (-23.3%)

- Volatile business
- Volumes in Japan picked up, most other regions are weak
- LEM observes an increasing demand for smart grid applications

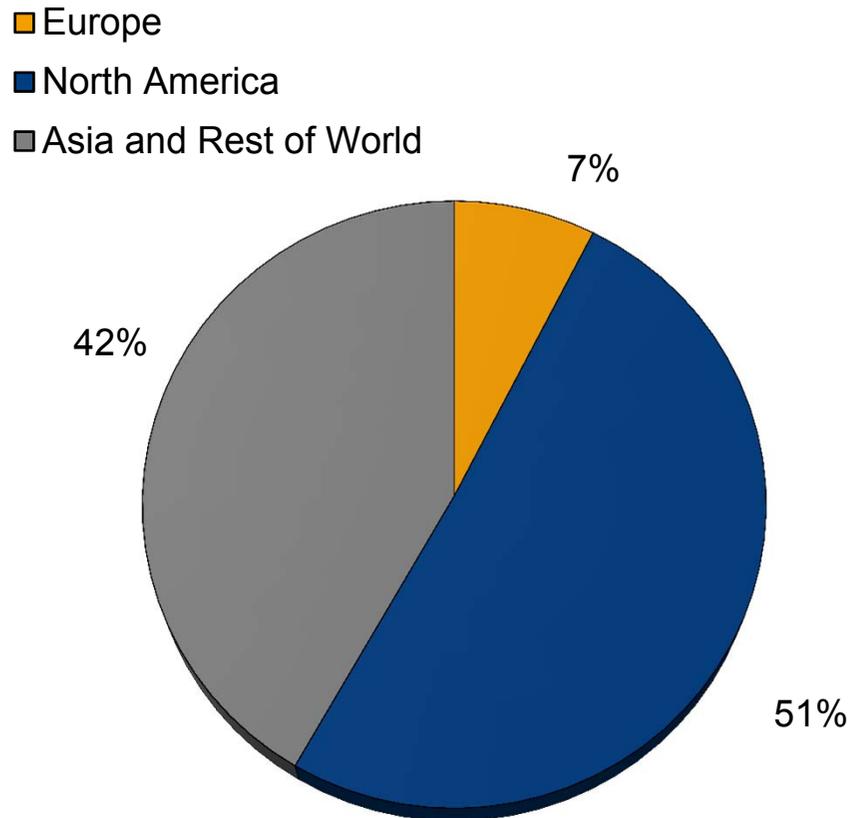
#### Traction (+4.2%)

- Strong orders in Asia (excluding China)
- New trackside projects in Europe

#### High precision (+18.1%)

- Growth originated from the test and measurement market in North America and scientific applications

## 2. Automotive Segment: Regional Markets

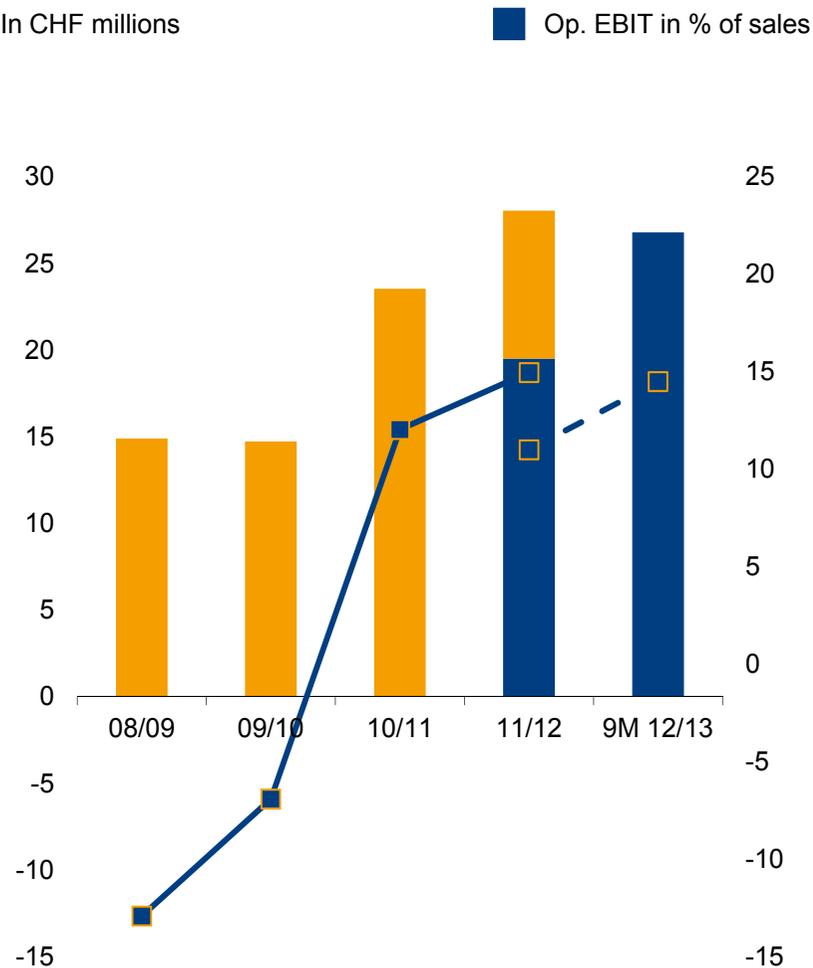


| In CHF millions, % | 9M Sales | Growth 9M vs. 9M | Growth Q3 vs. Q2 |
|--------------------|----------|------------------|------------------|
| Europe             | 2.0      | 15.3%            | 15.2%            |
| N. America         | 13.6     | 32.4%            | -0.8%            |
| Asia and ROW       | 11.2     | 49.1%            | -2.0%            |
| Total              | 26.8     | 37.3%            | -0.3%            |

- Sales remain stable vs. Q2 of 2012/13
- LEM focuses on the Asian and North American markets

## 2. Automotive Segment: Business Development

In CHF millions



### Businesses and Applications

#### Conventional cars (growth Q3 vs. Q2: -3.7%)

- Stable performance with battery management applications for conventional cars mainly driven by US and Japan
- Price erosion compensated with increased volume
- LEM won new projects and ramped up production of a new product

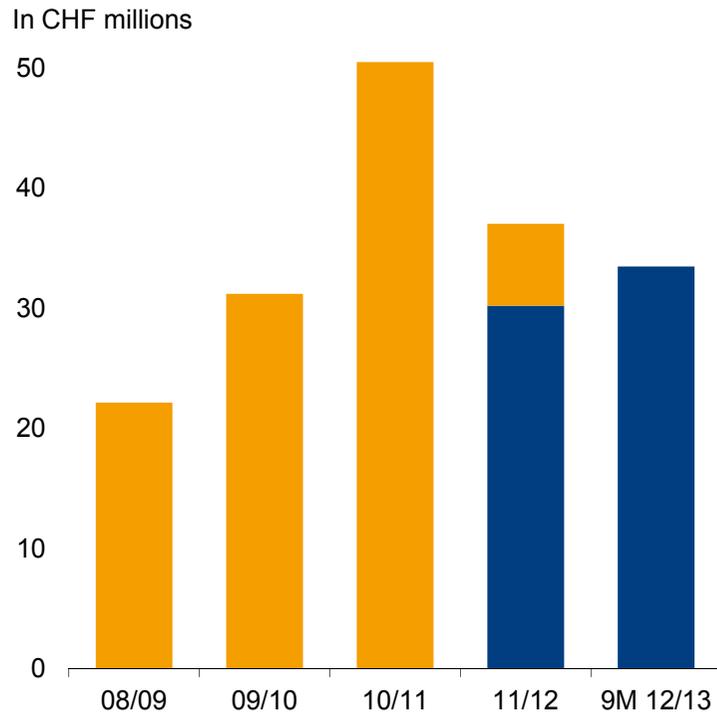
#### Green cars (HEV, EV) (+22.3%)

- Continued, but slowing growth

## 2. Business Development China

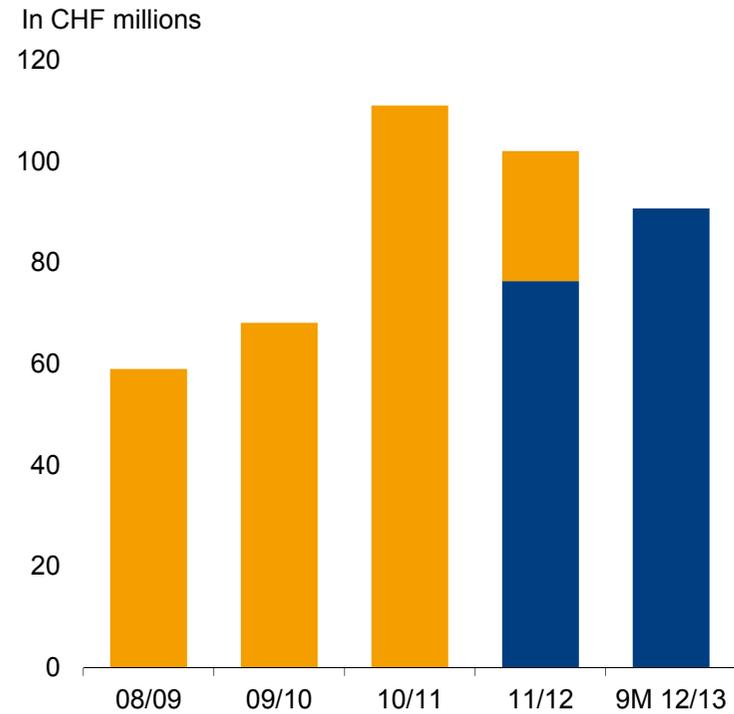
### Sales

- 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 50% of total production)
- “Made by LEM” quality



19

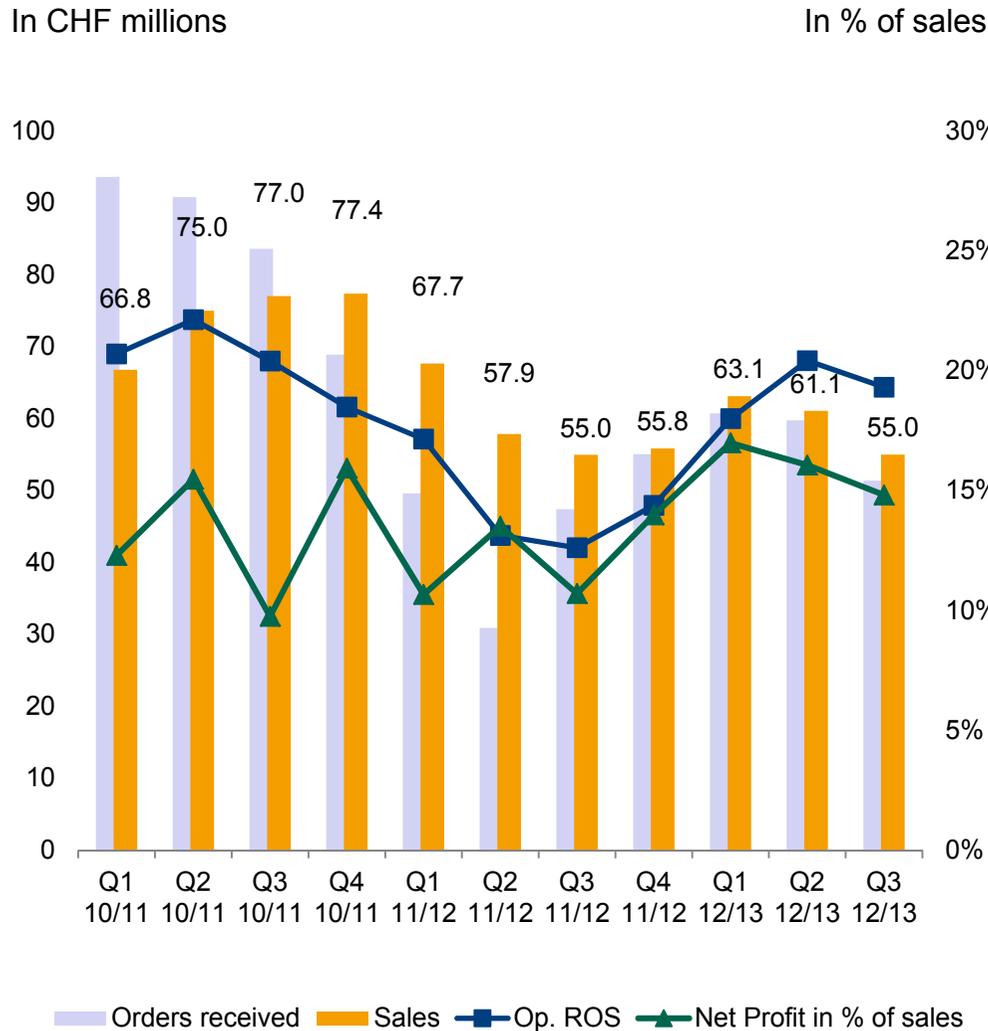
### 3. Financial Review



At the heart of power electronics



# 3. Results by Quarter



- Maintained operating EBIT margin, within target range of 15 to 20%
- Solid margins thanks to cost control measures

### 3. Income Statement

In CHF thousands

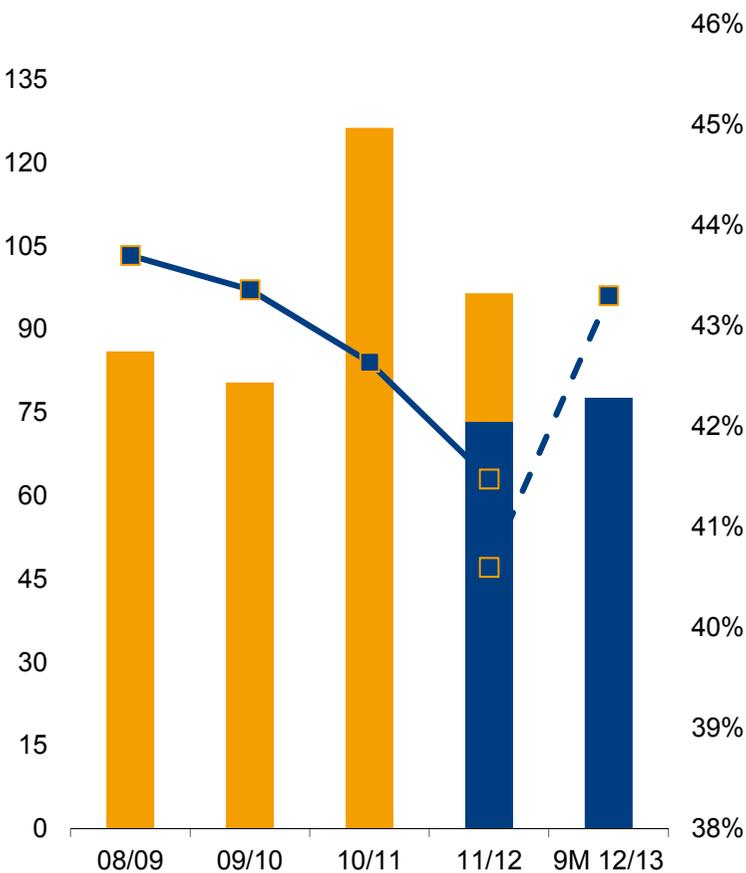
|                                  | 9M<br>2011/12  | 9M<br>2012/13  | Change       | Q2<br>2012/13 | Q3<br>2012/13 | Change        |
|----------------------------------|----------------|----------------|--------------|---------------|---------------|---------------|
| <b>Sales</b>                     | <b>180'491</b> | <b>179'183</b> | <b>-0.7%</b> | <b>61'076</b> | <b>54'989</b> | <b>-10.0%</b> |
| Gross margin %                   | 40.6%          | 43.3%          | 2.7pt        | 43.7%         | 44.3%         | 0.6pt         |
| Operating cost                   | -47'183        | -43'216        | -8.4%        | -14'250       | -13'742       | -3.6%         |
| <b>Operational<br/>EBIT</b>      | <b>26'140</b>  | <b>34'447</b>  | <b>31.8%</b> | <b>12'470</b> | <b>10'618</b> | <b>-14.9%</b> |
| Additional SOP<br>income / costs | 636            | 0              | N/A          | 0             | 0             | N/A           |
| <b>EBIT</b>                      | <b>26'777</b>  | <b>34'447</b>  | <b>28.6%</b> | <b>12'470</b> | <b>10'618</b> | <b>-14.9%</b> |
| Financial<br>expense (net)       | -872           | -232           | -73.4%       | -786          | -948          | N/A           |
| Income tax                       | -5'226         | -5'542         | 6.0%         | -1'875        | -1'526        | -18.6%        |
| <b>Net profit</b>                | <b>20'678</b>  | <b>28'673</b>  | <b>38.7%</b> | <b>9'809</b>  | <b>8'144</b>  | <b>-17.0%</b> |

22

# 3. Gross Margin Development

In CHF millions

■ In % of sales



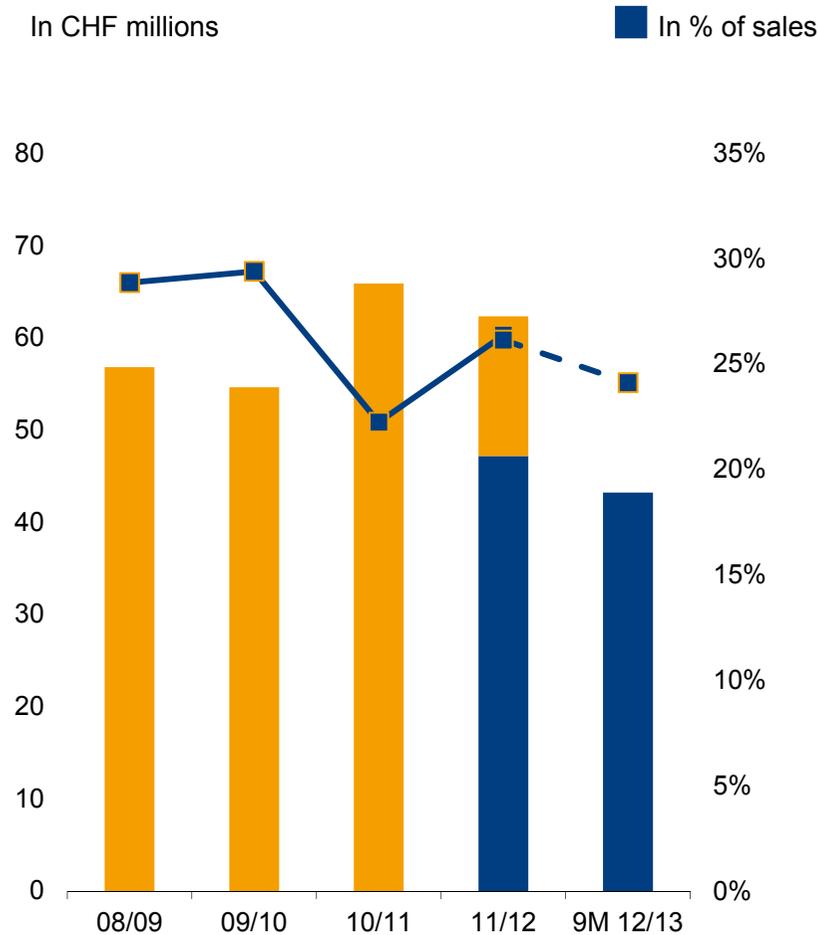
|  | 9M<br>2011/12 | 9M<br>2012/13 | Q2<br>2012/13 | Q3<br>2012/13 |
|--|---------------|---------------|---------------|---------------|
|--|---------------|---------------|---------------|---------------|

|     |                     |             |             |             |
|-----|---------------------|-------------|-------------|-------------|
| 46% | <b>Gross margin</b> |             |             |             |
|     | in CHF millions     |             |             |             |
|     | <b>73.3</b>         | <b>77.7</b> | <b>26.7</b> | <b>24.4</b> |
| 45% | <b>Gross margin</b> |             |             |             |
|     | in % of sales       |             |             |             |
|     | 40.6%               | 43.3%       | 43.7%       | 44.3%       |

- Positive impacts on gross margin vs. Q2 of 2011/12
  - Improved production efficiency
  - Ramp-up of production of new products
- Negative impacts
  - Price pressure

2011/12 and 2012/13 include reclassifications of expense items (see slide 24 of H1 2012/13 results presentation); 23  
 2008/09 to 2010/11 not restated

# 3. Operating Expenses

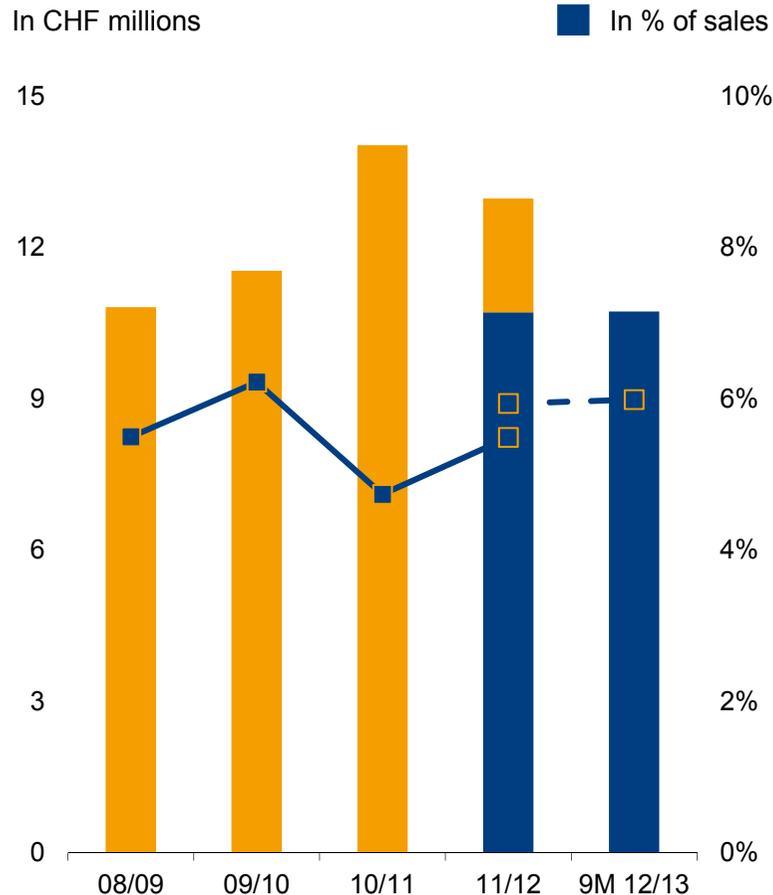


|                                    | 9M<br>2011/12 | 9M<br>2012/13 | Q2<br>2012/13 | Q3<br>2012/13 |
|------------------------------------|---------------|---------------|---------------|---------------|
| Operating expenses in CHF millions | 47.2          | 43.2          | 14.2          | 13.7          |
| Operating expenses in % of sales   | 26.1%         | 24.1%         | 23.3%         | 25.0%         |

- 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 of H1 2012/13 results presentation);  
2008/09 to 2010/11 not restated

# 3. R&D Expenses

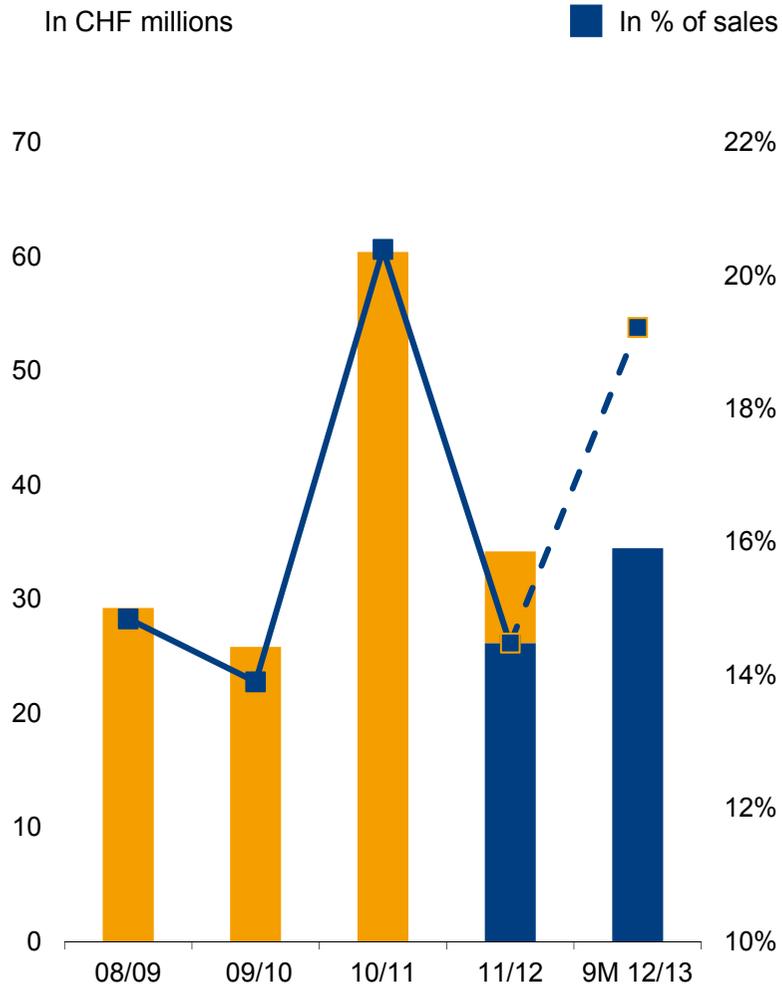


|                                 | 9M<br>2011/12 | 9M<br>2012/13 | Q2<br>2012/13 | Q3<br>2012/13 |
|---------------------------------|---------------|---------------|---------------|---------------|
| R&D expenses<br>in CHF millions | 10.7          | 10.7          | 3.4           | 3.8           |
| R&D expenses<br>in % of sales   | 5.9%          | 6.0%          | 5.6%          | 6.9%          |

- Continued investment in R&D for both segments
- R&D expense (6.9%) in Q3 of 2012/13 above the long-term average of 5.5%
- 9M of 2012/13 R&D spend corresponds to 6.0% of sales

2011/12 and 2012/13 include reclassifications of expense items (see slide 24 of H1 2012/13 results presentation);  
2008/09 to 2010/11 not restated

# 3. Operational EBIT



|                                     | 9M<br>2011/12 | 9M<br>2012/13 | Q2<br>2012/13 | Q3<br>2012/13 |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Operational EBIT<br>in CHF millions | <b>26.1</b>   | <b>34.4</b>   | <b>12.5</b>   | <b>10.6</b>   |
| Operational EBIT<br>in % of sales   | 14.5%         | 19.2%         | 20.4%         | 19.3%         |

- Q3 of 2012/13 operational EBIT decreased vs. Q2 of 2012/13 due to volume effects
- Q3 profitability within target range of 15 to 20%

### 3. Legacy SOP Programs Expired per 31.03.2012

- 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

In CHF thousands

|                                     | 9M<br>2011/12 | 9M<br>2012/13 | Q2<br>2012/13 | Q3<br>2012/13 |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Other financial expense +<br>income | -195          | -1            | 14            | 6             |
| Exchange effect*                    | -676          | -231          | -800          | -954          |
| <b>Total</b>                        | <b>-872</b>   | <b>-232</b>   | <b>-786</b>   | <b>-948</b>   |

- Q3 of 2012/13 exchange effect mainly driven by JPY depreciation
- Foreign exchange hedging policy
  - EUR: 100% of net exposure 18 months forward
  - USD: 50-100% of net exposure 6-18 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

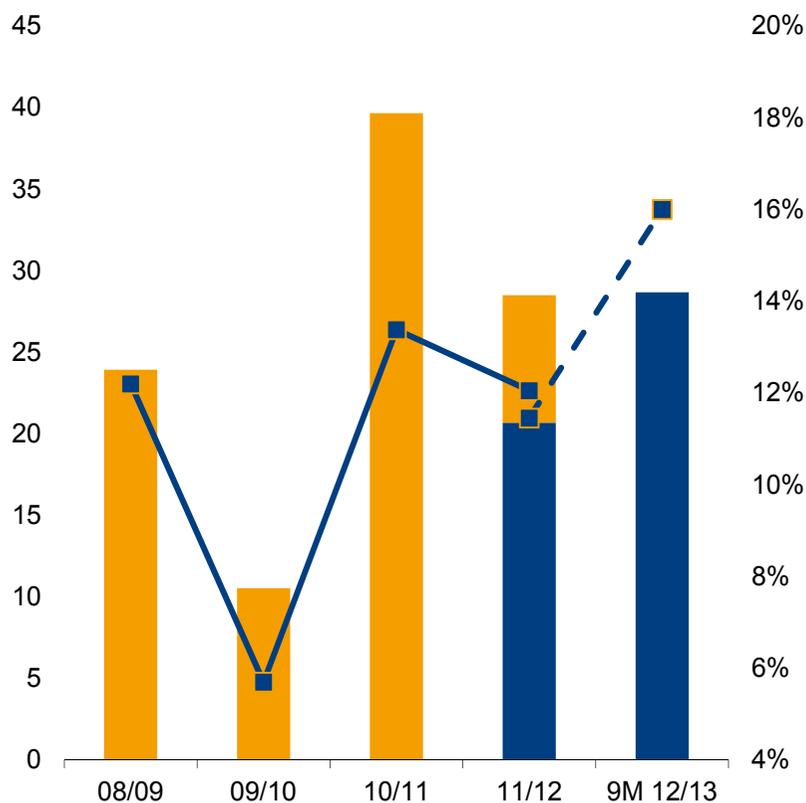
| In CHF thousands              | 9M<br>2011/12 | 9M<br>2012/13 | Q2<br>2012/13 | Q3<br>2012/13 |
|-------------------------------|---------------|---------------|---------------|---------------|
| EBT                           | 25'905        | 34'215        | 11'684        | 9'670         |
| Income taxes                  | -5'226        | -5'542        | -1'875        | -1'526        |
| <b>Effective tax rate</b>     | <b>20.2%</b>  | <b>16.2%</b>  | <b>16.0%</b>  | <b>15.8%</b>  |
| In %                          | 9M<br>2011/12 | 9M<br>2012/13 | Q2<br>2012/13 | Q3<br>2012/13 |
| Expected income tax rate      | 20.0%         | 12.6%         | 12.6%         | 12.4%         |
| Expected withholding tax rate | 2.4%          | 2.7%          | 2.6%          | 2.7%          |
| <b>Expected tax rate</b>      | <b>22.4%</b>  | <b>15.3%</b>  | <b>15.2%</b>  | <b>15.1%</b>  |
| Other differences             | -2.2%         | 0.9%          | 0.8%          | 0.7%          |
| <b>Effective tax rate</b>     | <b>20.2%</b>  | <b>16.2%</b>  | <b>16.0%</b>  | <b>15.8%</b>  |

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

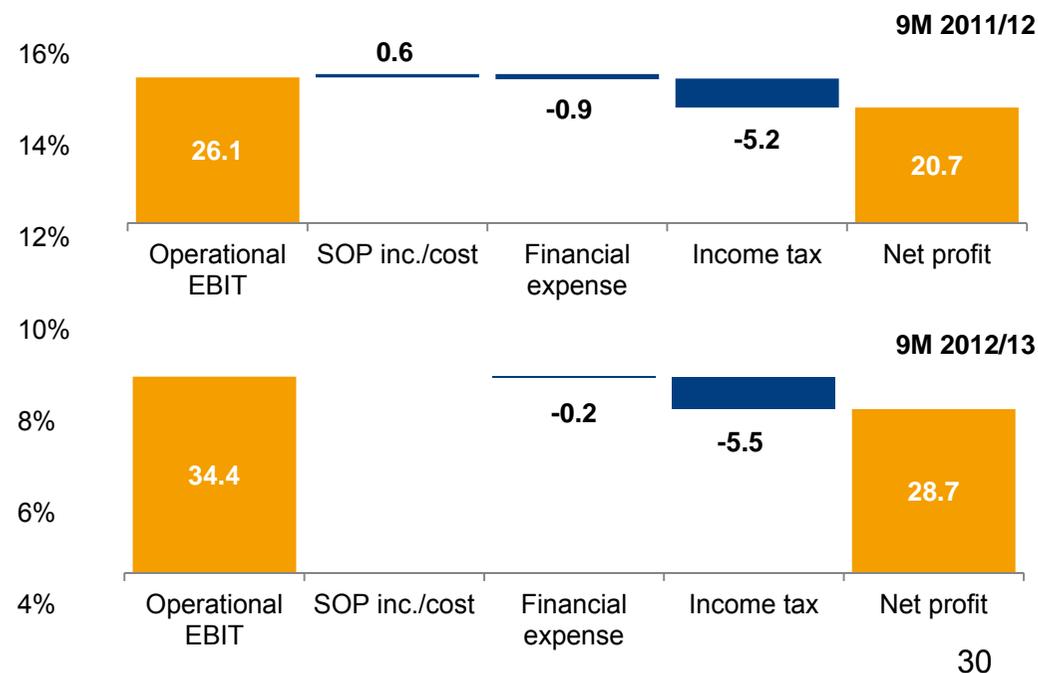
# 3. Net Profit

In CHF millions

■ % of sales



|                               | 9M<br>2011/12 | 9M<br>2012/13 | Q2<br>2012/13 | Q3<br>2012/13 |
|-------------------------------|---------------|---------------|---------------|---------------|
| Net profit<br>in CHF millions | 20.7          | 28.7          | 9.8           | 8.1           |
| Net profit<br>in % of sales   | 11.5%         | 16.0%         | 16.1%         | 14.8%         |



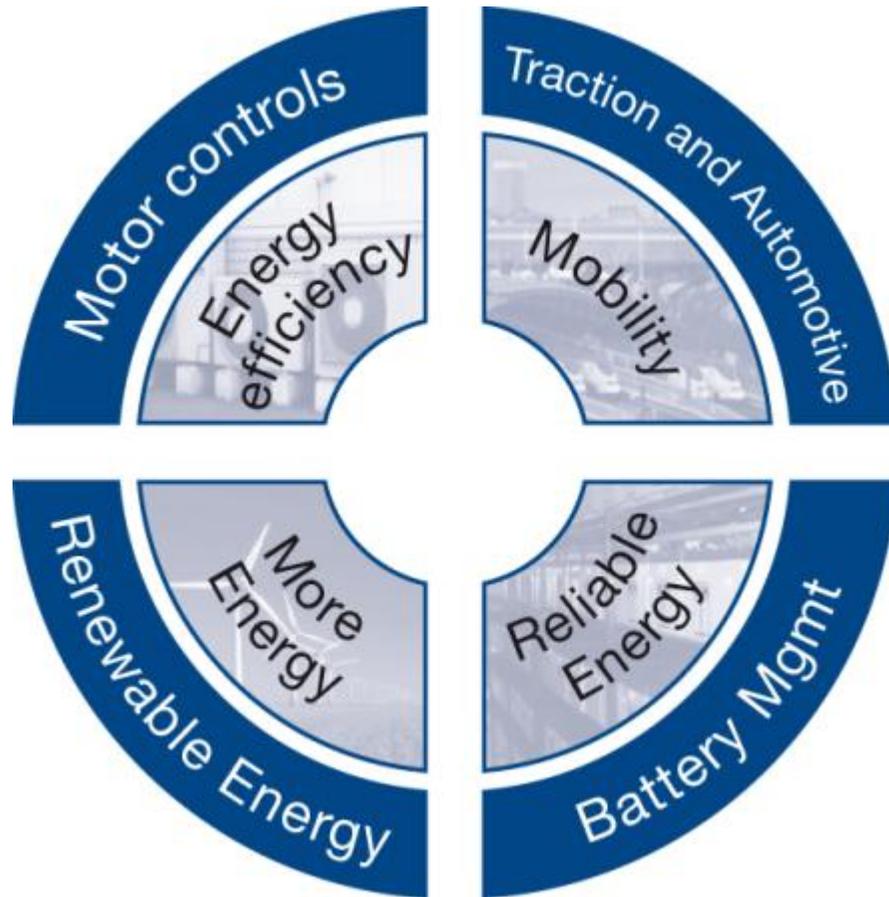
### 3. Financial Highlights in Q3 of 2012/13 - Summary

- Sales continued to decrease in Q3 of 2012/13
- Cost savings both in COGS and in Operating Expenses
- LEM keeps high level of R&D investments
- LEM maintains a strong gross and operating margin
- Tax rate remains at a low 16%

## 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. Outlook

- Uncertainty due to the economic slowdown – global political and economic implications of crisis remain unclear and make long-term planning difficult
- Expectations for Q4 of 2012/13
  - stable sales development in the Industry segment
  - resuming growth in the Automotive segment
- Full year 2012/13 sales forecasted to reach CHF 230 to 240 million, operational EBIT is expected to be around CHF 41 million.

# Financial Calendar and Contact Details

## Financial calendar

|              |  |
|--------------|--|
| 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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