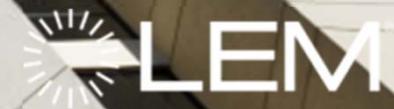


# Results

## Q4 of 2012/13 and Financial Year 2012/13

Media & Analyst Conference  
Zurich, 5 June 2013



# Agenda

## 1. LEM at a Glance

2. Highlights and Business Review

3. Financial Review

4. Strategy and Outlook

5. Proposals Shareholders' Meeting

## François Gabella

François Gabella

Julius Renk

François Gabella

Felix Bagdasarjanz



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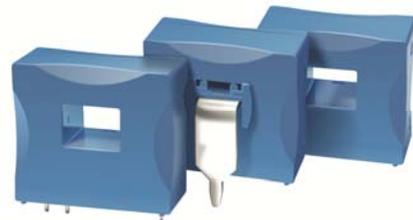
# 1. About LEM

- 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 industry and automotive markets.
- LEM is a high growth global company with 1'137 employees per 31 March 2013. Production plants are in Beijing (China), Geneva (Switzerland), Machida (Japan) and from October 2013 Sofia (Bulgaria). 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 672 million per 31.3.2013.

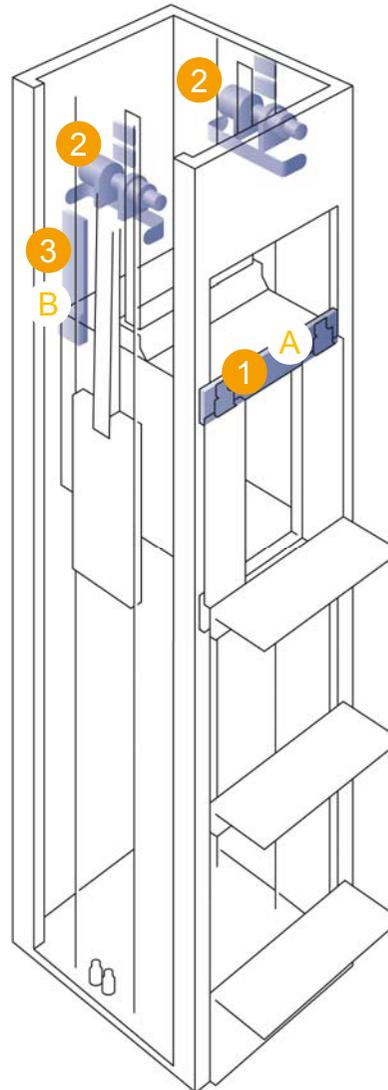
# 1. LEM Applications: Elevator



A LTS



B LA 150-P

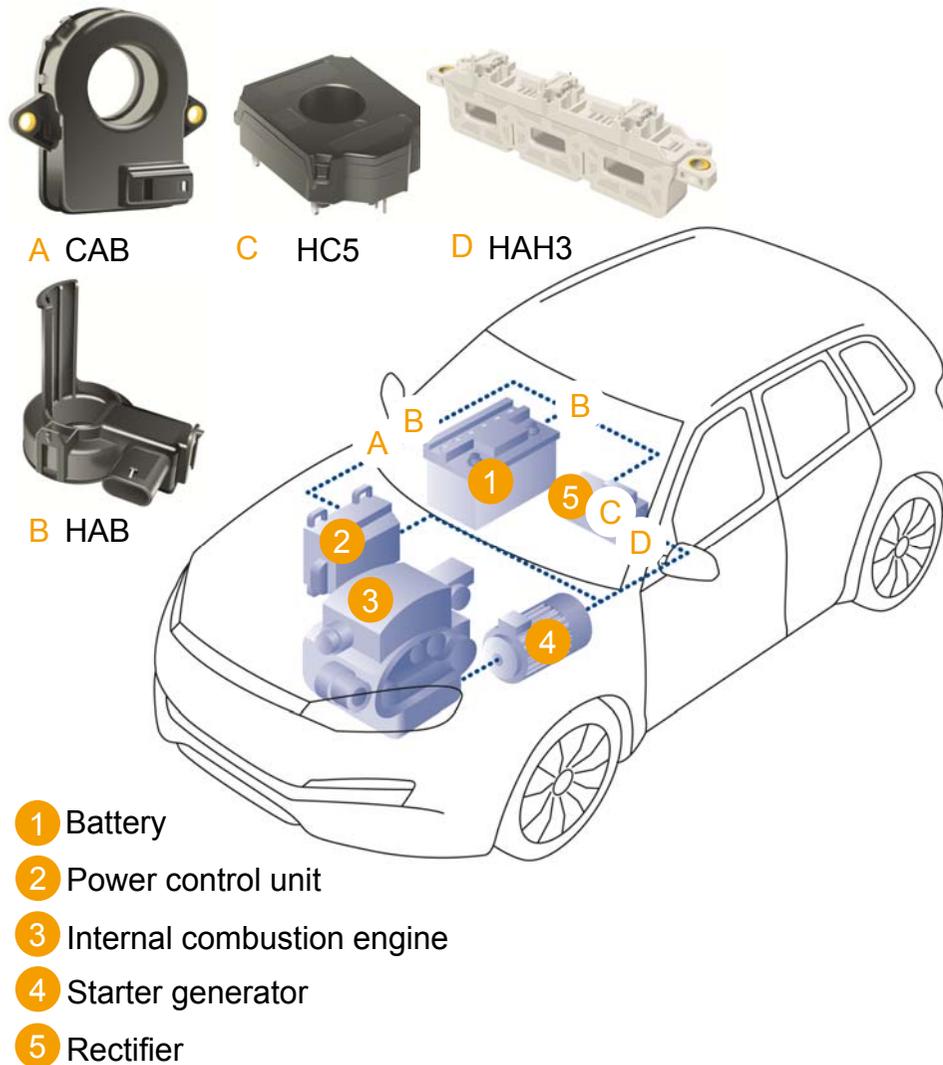


- 1 Door control unit
- 2 Motor
- 3 Controller

The controller moves the motor in the right direction and lets it stop exactly at the right position to the floor ground, independent of the weight in the elevator car. The current transducers take care that the motor is powered with the correct current.

Elevator doors are controlled by a control unit that integrates the motors of the sliding doors. The current transducer measures the current in the motors to run the panels smoothly and to discover if something (e.g., a finger, a leg) obstructs the doors.

# 1. LEM Applications: Start-Stop System for Cars



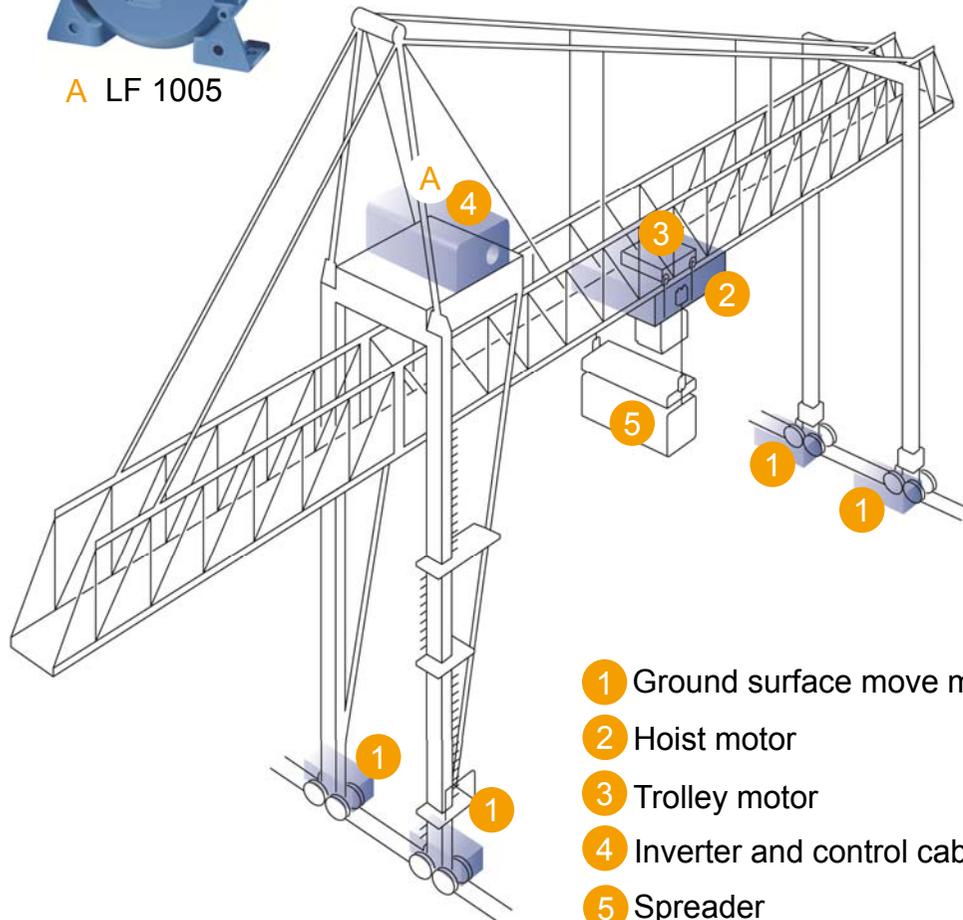
The current sensors (HAB, CAB) allow the battery management system to decide if enough energy is available in the battery to operate the accessories (such as air-conditioning, headlights, and radio) while the engine is off, and still have ample charge left to restart the engine.

The “power-control unit” will instruct the “starter generator” to restart the engine or recharge the battery, as needed, and current sensors (HC5, HAH3) used in the converters and inverter modules allow it to operate smoothly, improving the driver experience while helping the environment.

# 1. LEM Applications: Container Gantry Crane



A LF 1005



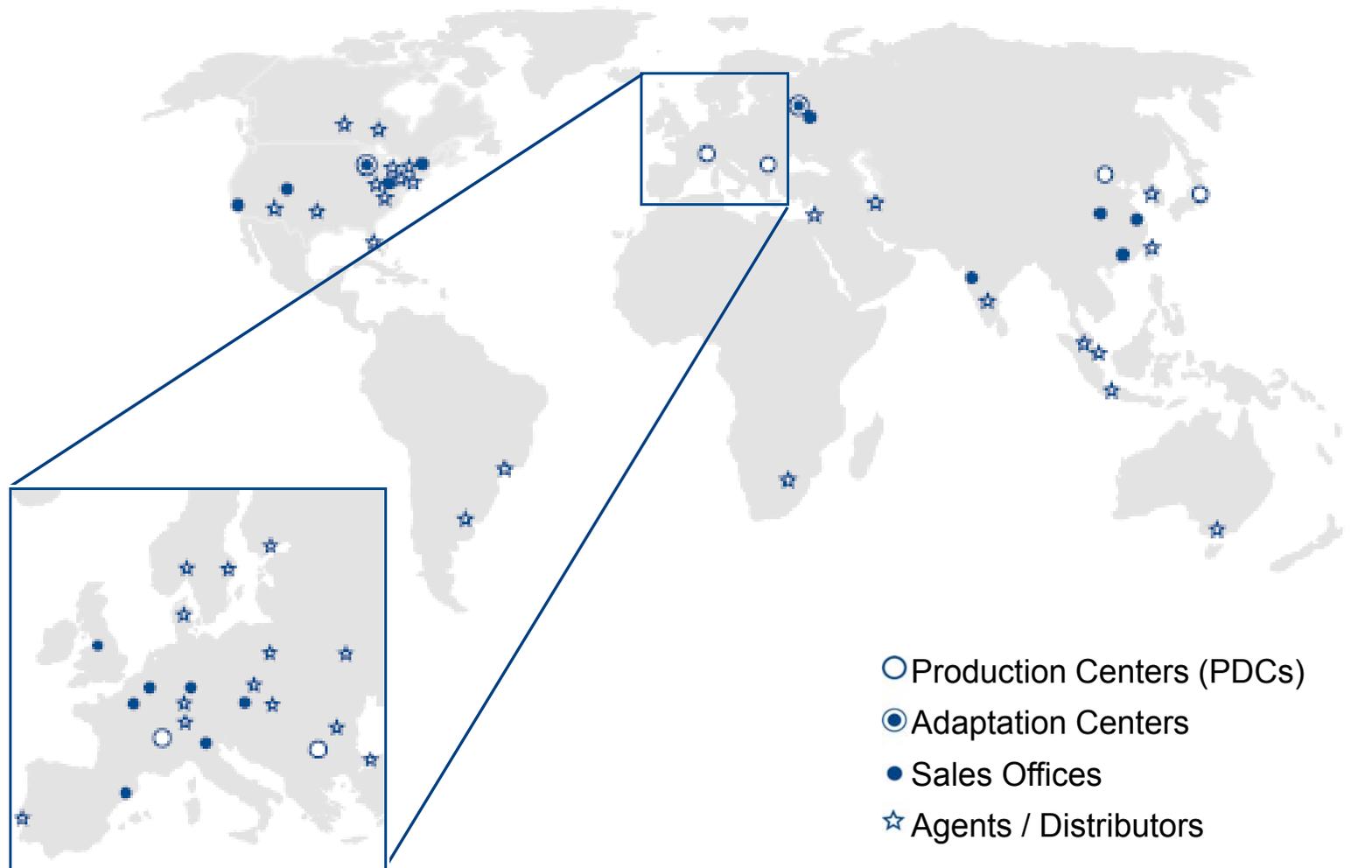
- 1 Ground surface move motors
- 2 Hoist motor
- 3 Trolley motor
- 4 Inverter and control cabinet
- 5 Spreader

A crane can be moved on rails over the ground surface normally driven by four motors. The trolley runs along rails that are located on top or sides of the boom and girder. The movement is done with two motors located on the trolley. Once the spreader locks onto a container, the container is lifted and moved. The lift of the container is done normally by one axis by a very sophisticated rope system and driven by one motor.

Current transducers are used in all motor inverters to satisfy all requirements for safe and accurate movements.



# 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
- Embedded charger



# Agenda

1. LEM at a Glance
- 2. Highlights and Business Review**
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François Gabella

**François Gabella**

Julius Renk

François Gabella

Felix Bagdasarjanz



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## 2. Highlights 2012/13: Increased Margins with Stable Sales

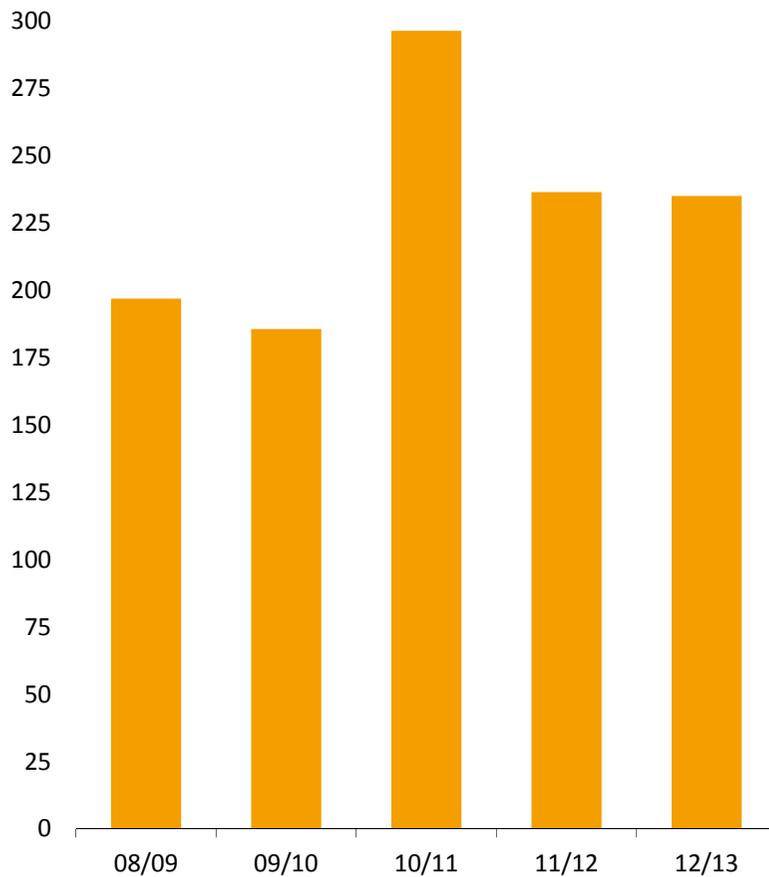
In CHF million, %	2012/13	2012/13 vs. 2011/12	Q4 vs. Q3 2012/13
Orders	230.6	+26.1%	+14.3%
Sales	235.0	-0.6%	+1.4%
Operational EBIT	41.0	+20.1%	-37.9%
Net earnings	32.6	+14.5%	-51.6%

- Second-best result in LEM's history after record year 2010/11
- Depressed sales development in Industry businesses, but stabilization since Q3 of 2012/13
- Automotive businesses delivering sustainable growth
- Investment in R&D leading to record number of product launches and patents
- Decision to launch a low-cost production site in Sofia, Bulgaria
  - Planned start of production in October 2013
  - Restructuring provision booked in Q4 of 2012/13

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## 2. Net Sales

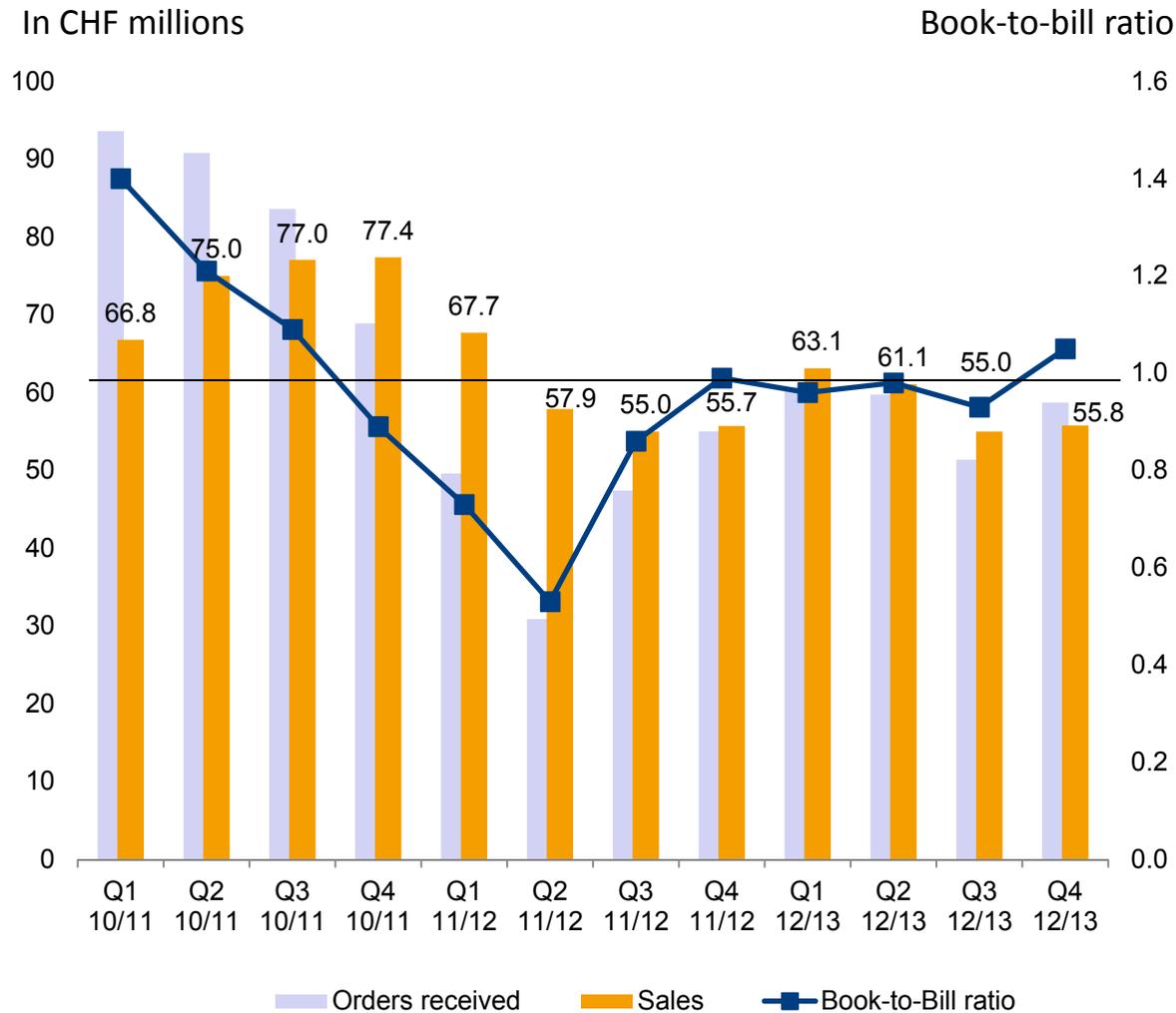
In CHF millions



In CHF million, %	Sales	YoY	YoY at constant currencies	QoQ
Industry	200.0	-4.0%	-6.6%	+2.5%
Automotive	35.0	+24.8%	+18.0%	-4.5%
<b>Total sales</b>	<b>235.0</b>	<b>-0.6%</b>	<b>-3.7%</b>	<b>+1.4%</b>

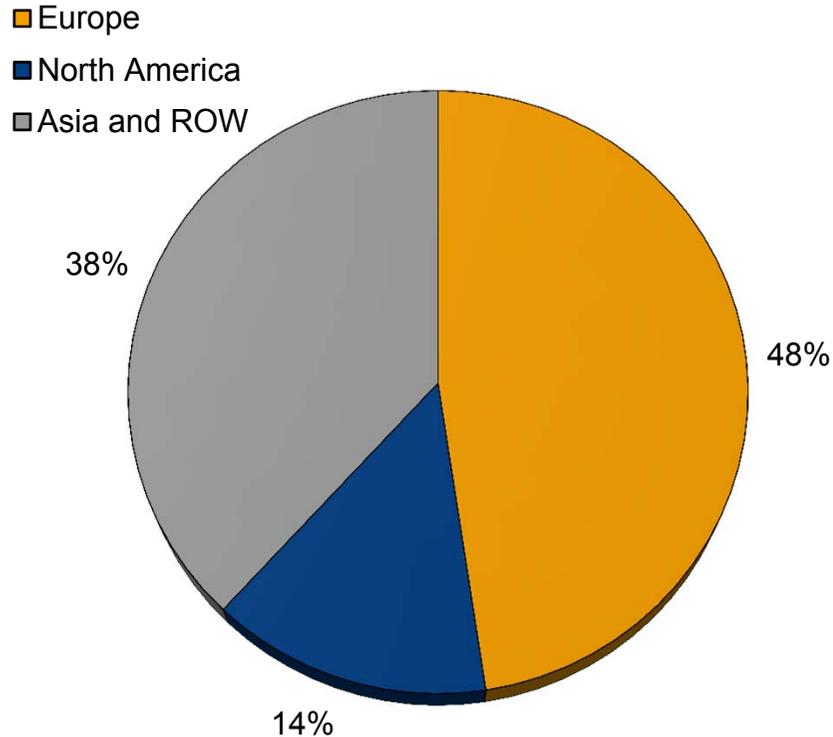
- Industry business slowed down
- Strong performance of automotive businesses
- Positive currency impact

## 2. Quarterly View



- Recovery of bookings: Q4 of 2012/13 with book-to-bill ratio 1.05
- Short lead times requested by customers
- Customer service reached all-time high levels of on-time delivery ratios

## 2. Industry Segment: Regional Markets

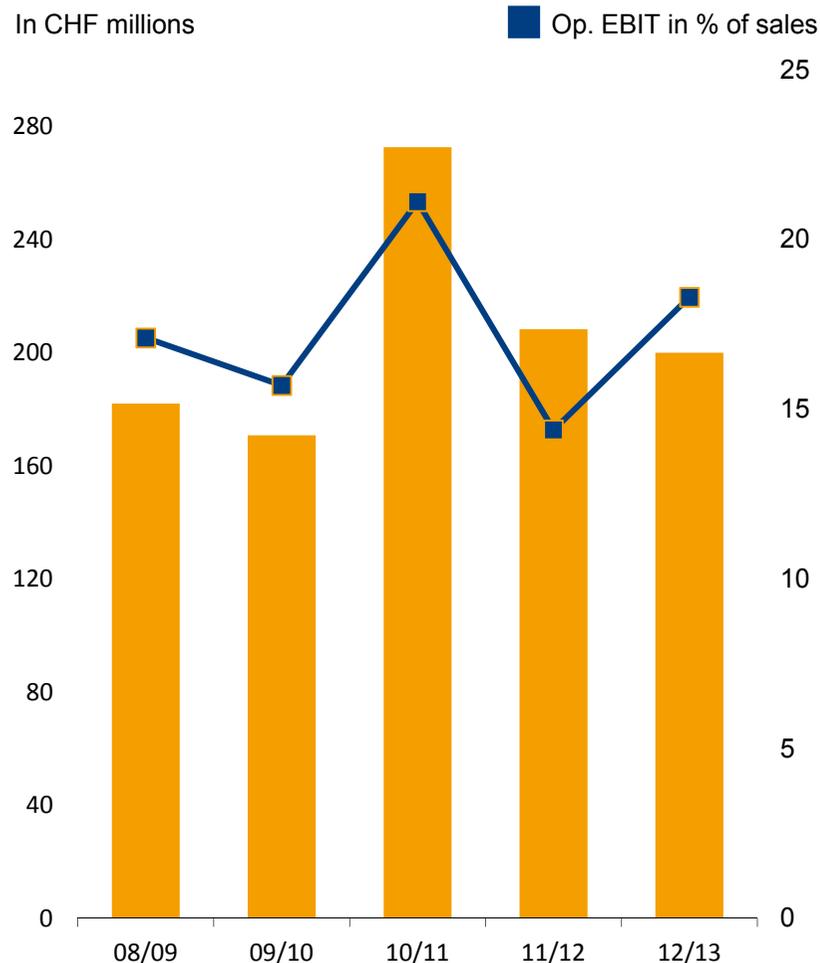


In CHF million, %	Sales	YoY	QoQ
Europe	95.2	-11.3%	+17.2%
N. America	28.5	+3.2%	-8.2%
Asia and ROW	76.3	+4.0%	-9.7%
<b>Total</b>	<b>200.0</b>	<b>-4.0%</b>	<b>+2.5%</b>

- Slow growth in Asia and North America while Europe being slow
- China was #1 industry market in 2012/13
- Volatile economic environment
- Increasing price pressure across all markets

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## 2. Industrial Segment: Business Development



### Businesses and Applications

#### Drives & welding (growth YoY: -12%)

- Weak markets, mainly in Europe
- Stabilization in Europe and North America in H2 of 2012/13

#### Renewable energies & power supplies (+7%)

- Volatile business
- Consolidation in solar and wind markets
- Increased demand for large power installations

#### Traction (-0%)

- Weak demand in Europe and Japan
- North America and China growing slowly

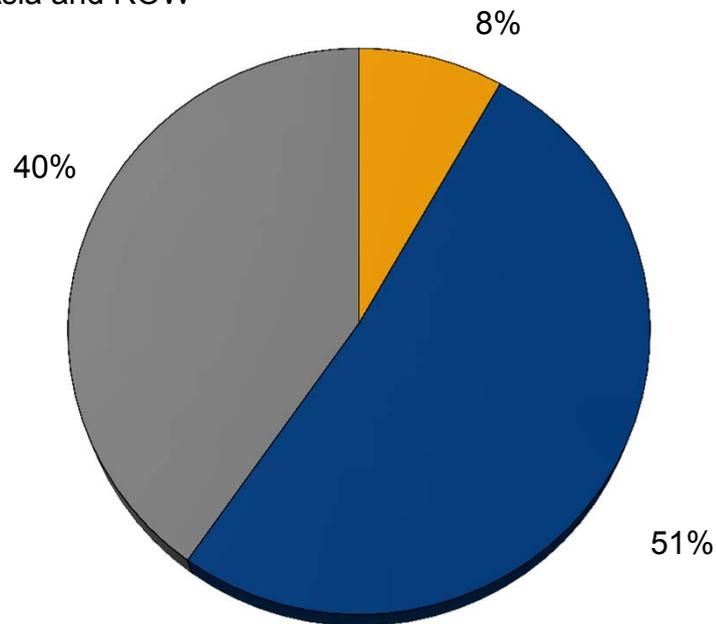
#### High-precision (-4%)

- Weak demand in Europe and Asia
- Increased market share

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## 2. Automotive Segment: Regional Markets

- Europe
- North America
- Asia and ROW

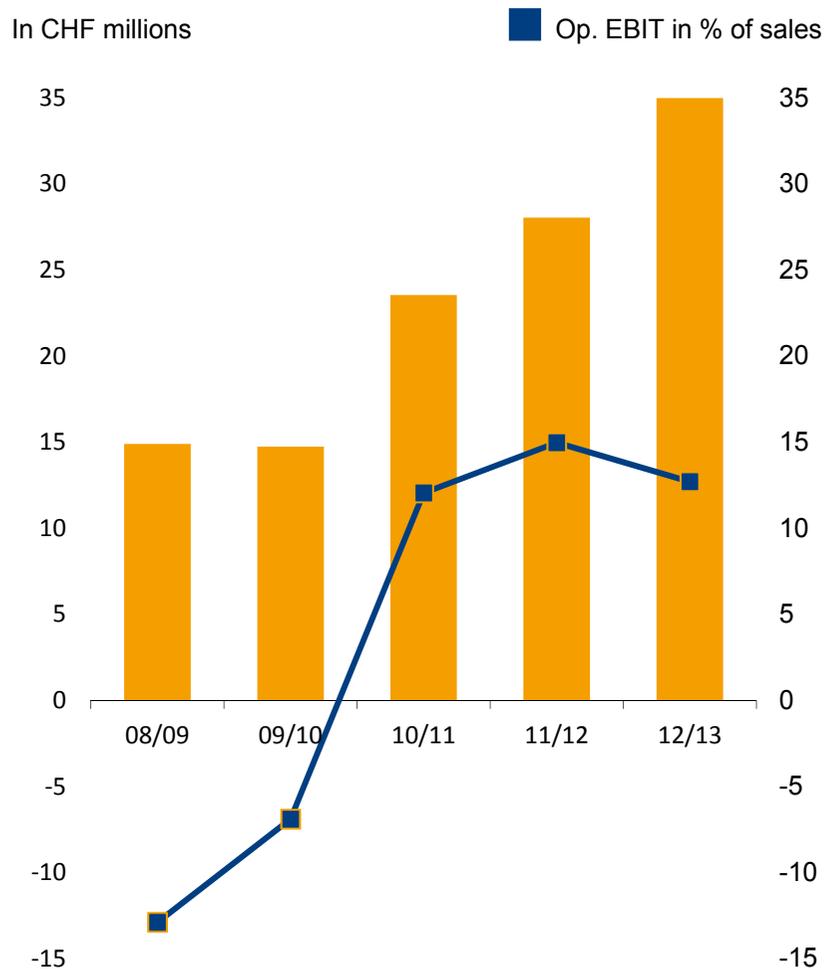


In CHF million, %	Sales	YoY	QoQ
Europe	2.9	+9.2%	+45.9%
N. America	18.0	+24.5%	-1.6%
Asia and ROW	14.1	+28.9%	-17.0%
<b>Total</b>	<b>35.0</b>	<b>+24.8%</b>	<b>-4.5%</b>

- Strong sales growth YoY, third consecutive year with double-digit growth
- Conventional cars business driving performance
- Strongest growth in China and USA
- Focus on Asian and North American markets

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## 2. Automotive Segment: Business Development



### Businesses and Applications

#### Conventional cars (growth YoY: +33%)

- World car demand resumed
- Strong growth in battery management application
- Increasing interest in start-stop-application
- Price erosion compensated with increased volume

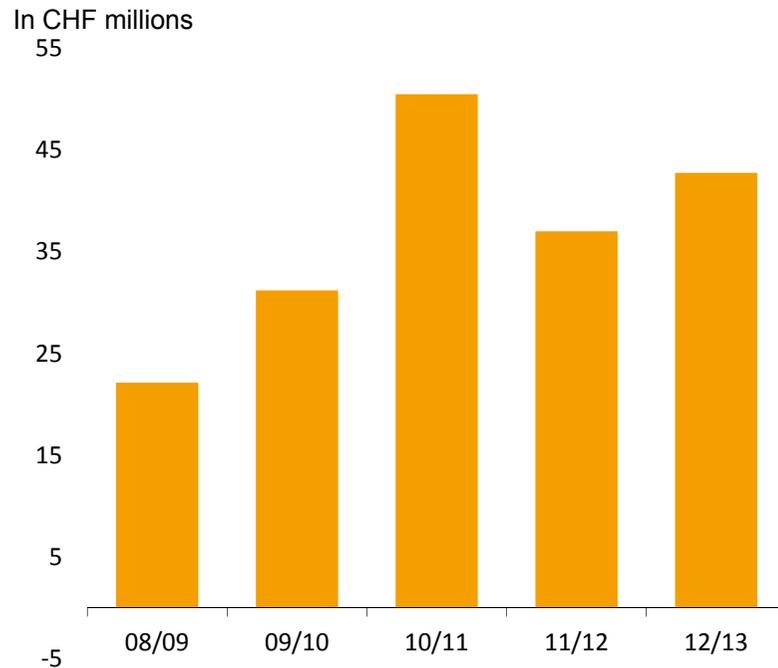
#### Green cars (HEV, EV) (-4%)

- Market burdened by high vehicle prices
- Limited success of electrical cars

## 2. Business Development China

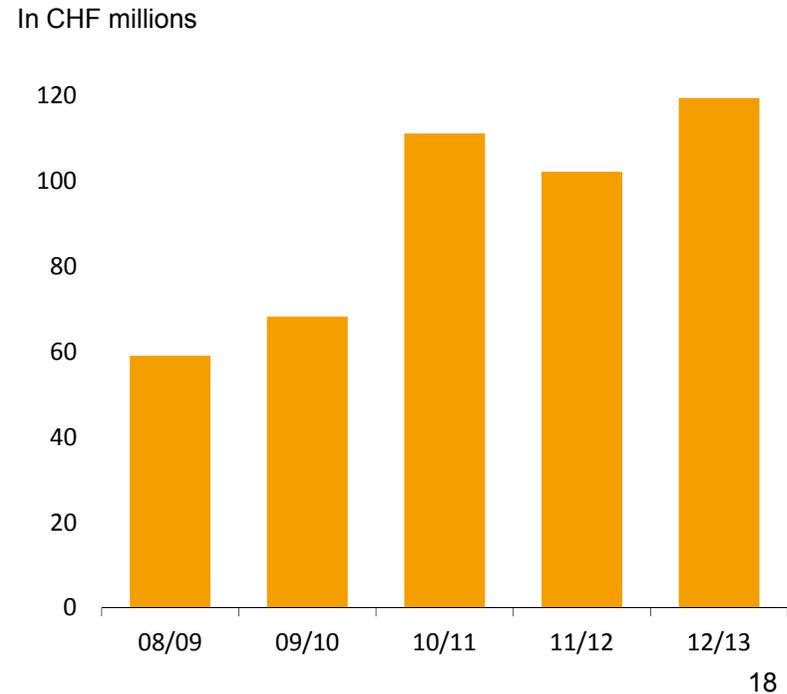
### Sales

- 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 (50.8% of total production, compared to 43.2% in 2011/12)
- “Made by LEM” quality



## 2. LEM Perceived as the Global Leader in Providing Transducers to Measure Electrical Parameters

### **2012 customer satisfaction survey conducted in all territories**

- LEM rated as high as in a 2009 study
- LEM most valued for
  - Focus on customer demands and requests
  - Ease to work with
  - Trustworthiness
  - Professionalism in solving issues
- Highest ratings for reliability, performance and quality of products

## 2. Product Launches 2012/13 (1/2)

CAB



- Digital bus output and embedded microcontroller
- Highest accuracy for battery monitoring application
- State of charge measurement for hybrid vehicles



Automotive

HAH3 DR



- Customer specific transducer
- Communication with microcontroller / serial interface
- Adapted for tri-phase machine for HEV and EV



Automotive

HC 20



- High current range: 1'000 to 2'000 A
- Small size
- Designed for battery monitoring in conventional cars



Automotive

HLSR



- New ASIC with twice improved accuracy
- Very cost effective with new design
- Designed for drives and solar market



Industry

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## 2. Product Launches 2012/13 (2/2)

HO



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



Industry

DVL



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

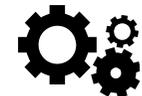


Industry

HFWS

confidential

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



Industry

LA130-150



- Design for cost to replace older versions
- Proven technology based on closed loop hall
- Designed for industrial applications



Industry

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

- Objectives 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 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

# Agenda

- |                                    |                    |
|------------------------------------|--------------------|
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### 3. Consolidated Balance Sheet

In CHF thousands

	31.3.2012	31.3.2013
Cash and cash equivalents	21'121	27'629
Accounts receivable	42'140	43'080
Inventories	26'605	23'619
Income tax receivables	2'009	1'264
Other current assets	2'956	3'250
Total non-current assets	37'683	41'026
<b>Total assets</b>	<b>132'514</b>	<b>139'867</b>
Accounts payable	17'863	16'766
Other current liabilities	29'774	31'264
Total non-current liabilities	5'316	4'510
Equity	79'561	87'328
<b>Total liability and equity</b>	<b>132'514</b>	<b>139'867</b>
■ Avg. net working capital in % sales	12.3%	9.9%
■ Inventory turns	5.4	5.8
■ Equity ratio	60.0%	62.4%
■ Net financial assets (CHF millions)	18.1	27.6

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### 3. Income Statement

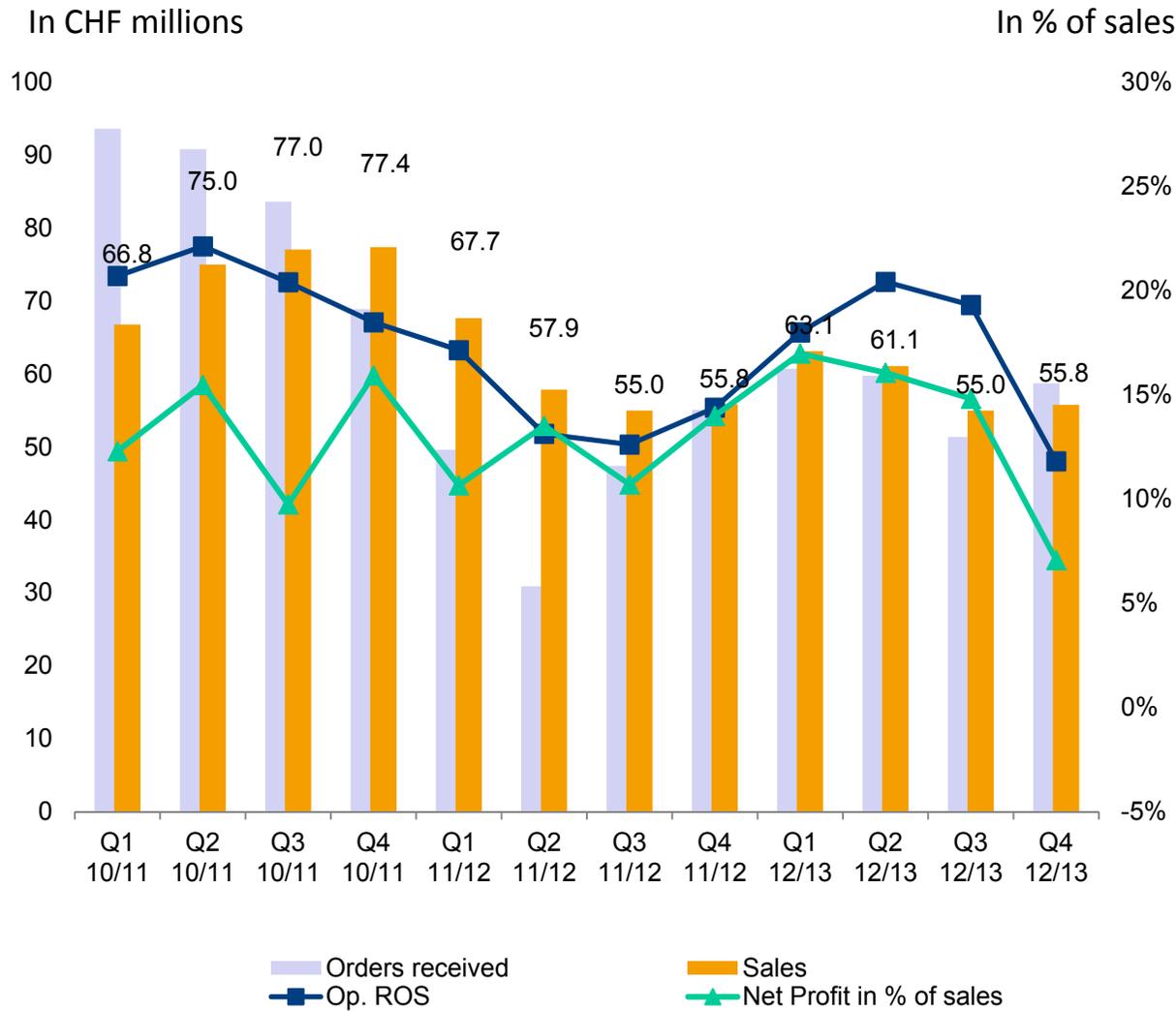
In CHF thousands,%	2011/12	2012/13	Change	Q3 2012/13	Q4 2012/13	Change
<b>Sales</b>	<b>236'634</b>	<b>234'953</b>	<b>-0.6%</b>	<b>54'989</b>	<b>55'770</b>	<b>+1.4%</b>
Gross margin	39.1%	42.0%	+2.9%pt	44.3%	37.6%	-6.7%pt
Operating costs	-58'128	-57'608	-0.9%	-13'742	-14'392	+4.7%
<b>Operational EBIT</b>	<b>34'171</b>	<b>41'036</b>	<b>+20.1%</b>	<b>10'618</b>	<b>6'589</b>	<b>-37.9%</b>
Additional SOP income / costs	315	0	N/A	0	0	N/A
<b>EBIT</b>	<b>34'486</b>	<b>41'036</b>	<b>+19.0%</b>	<b>10'618</b>	<b>6'589</b>	<b>+37.9%</b>
Financial expense (net)	-1'962	-1'489	-24.1%	-948	-1'257	+32.6%
Income tax	-4'037	-6'931	+71.7%	-1'526	-1'389	-9.0%
<b>Net profit</b>	<b>28'487</b>	<b>32'616</b>	<b>+14.5%</b>	<b>8'144</b>	<b>3'943</b>	<b>-51.6%</b>

### 3. Change in Classifications on Income Statement

In CHF thousands

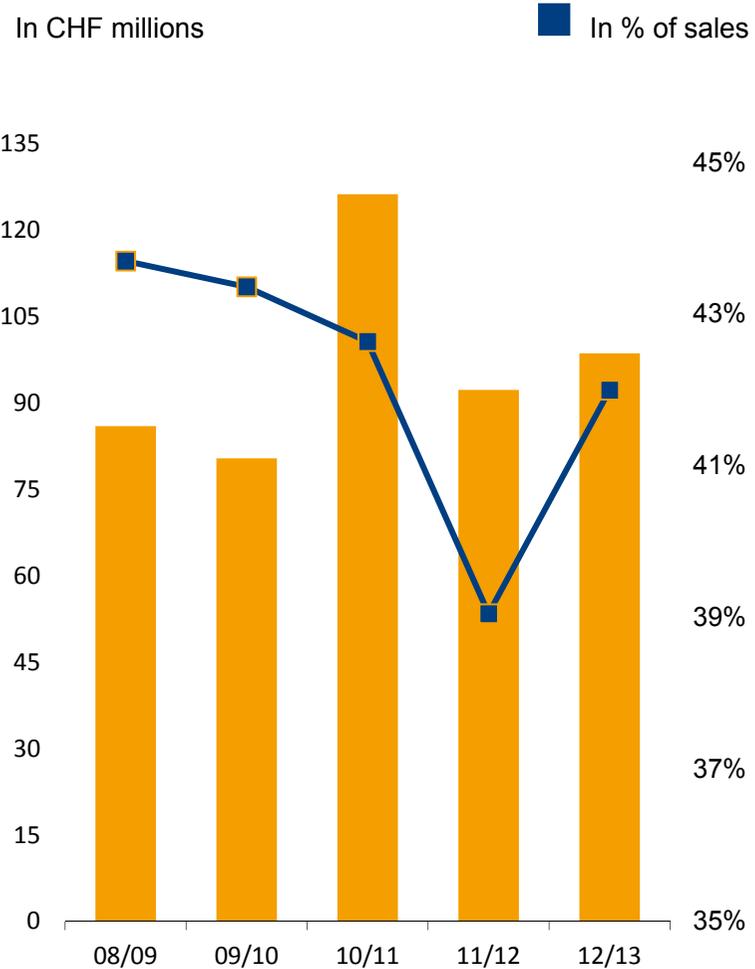
	Management compensation	Facility cost	Operation support cost	Total impact
Sales				0
Cost of goods sold	-1'649	-1'295	-1'243	-4'187
<b>Gross margin</b>				<b>-4'187</b>
Sales expense	-1'401	-229	159	-1'471
Administration expense	3'650	1'395	1'050	6'096
Research & development expense	-601	128	34	438
<b>Operational EBIT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# 3. Results by Quarter



■ Margins in Q4 of 2012/13 affected by restructuring charges due to relocation of production to Bulgaria

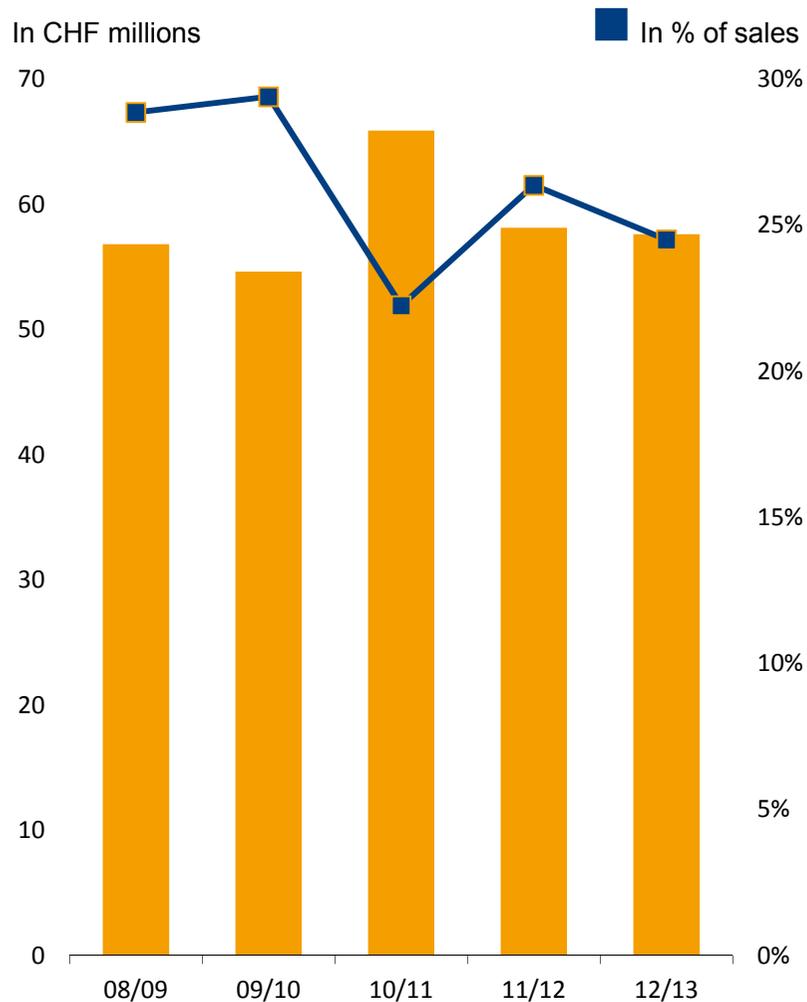
# 3. Gross Margin



	2011/12	2012/13	Q3 2012/13	Q4 2012/13
Gross margin in CHF million	92.3	98.6	24.4	21.0
Gross margin in % of sales	39.1%	42.0%	44.3%	37.6%

- Positive impacts on gross margin
  - Continued operating savings in COGS
  - Continued relocation to low cost manufacturing sites
  - Consolidation of high-precision manufacturing in Geneva
- Ongoing price erosion more than compensated by the savings

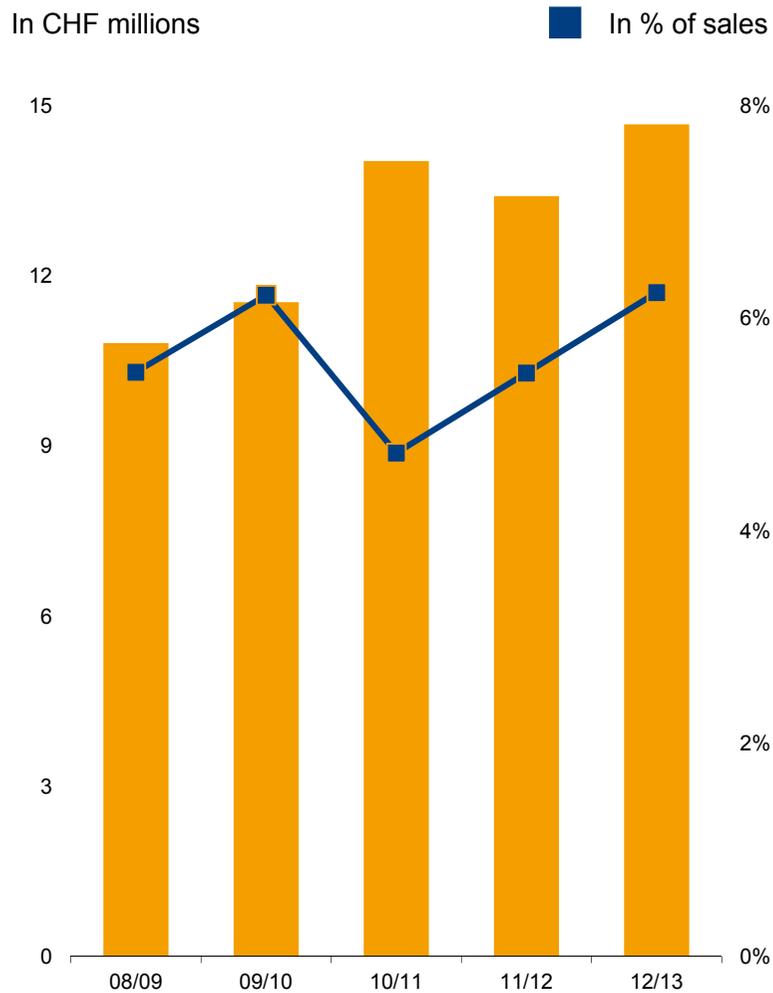
# 3. Operating Expense



	2011/12	2012/13	Q3 2012/13	Q4 2012/13
Operating expense in CHF million	58.1	57.6	13.7	14.4
Operating expense in % of sales	24.6%	24.5%	25.0%	25.8%

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

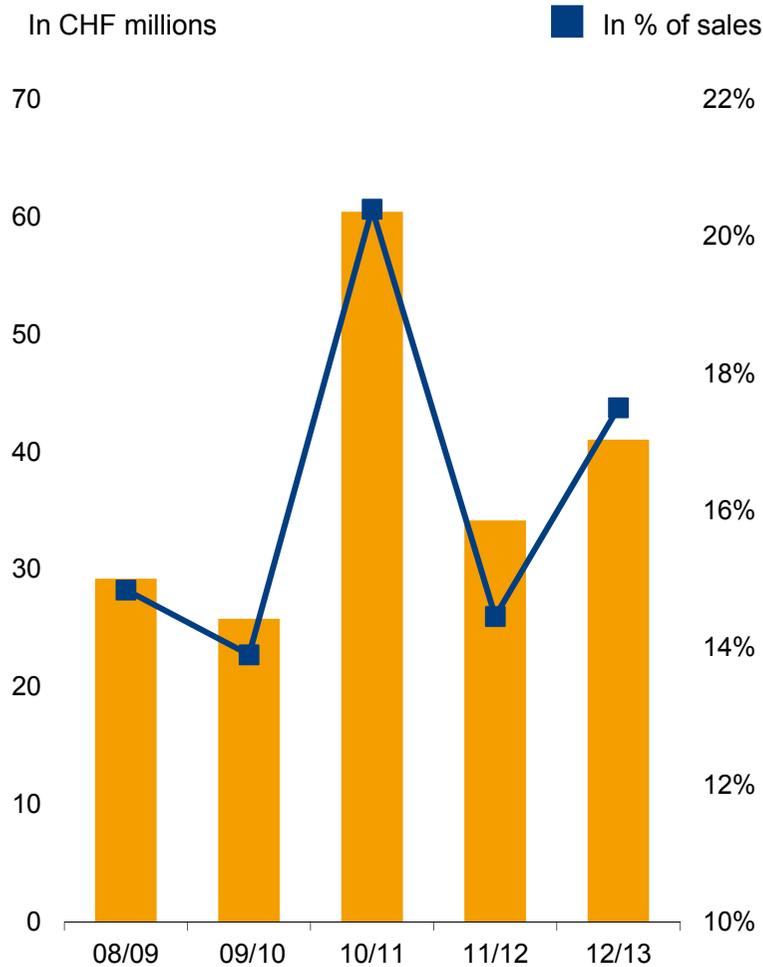
# 3. R&D Expense



	2011/12	2012/13	Q3 2012/13	Q4 2012/13
R&D expense in CHF million	13.4	14.7	3.8	3.9
R&D expense in % of sales	5.7%	6.2%	6.9%	7.1%

- Increased investment in R&D for both segments
- R&D expense above the long-term average of 5.5%
- Renewal of product range with focus on optimized cost, higher accuracy and new functions

# 3. Operational EBIT



	2011/12	2012/13	Q3 2012/13	Q4 2012/13
Operational EBIT in CHF million	34.2	41.0	10.6	6.6
Operational EBIT in % of sales	14.5%	17.5%	19.3%	11.8%

- Profitability within target range of 15 to 20%
- Q4 of 2012/13 operational EBIT decreased vs. Q3 of 2012/13 due to restructuring charge of CHF 1.9 million

### 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
- In financial year 2013/14, LEM will abandon the notion of operational EBIT and communicate on the EBIT exclusively

	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

	2011/12	2012/13	Q3 2012/13	Q4 2012/13
Exchange effect*	-1'704	-1'484	-954	-1'253
Other financial expense & income	-258	-5	6	-4
<b>Total</b>	<b>-1'962</b>	<b>-1'489</b>	<b>-948</b>	<b>-1'257</b>

- 2012/13 exchange effect mainly driven by depreciation of CHF vs USD, CNY and JPY
- 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.

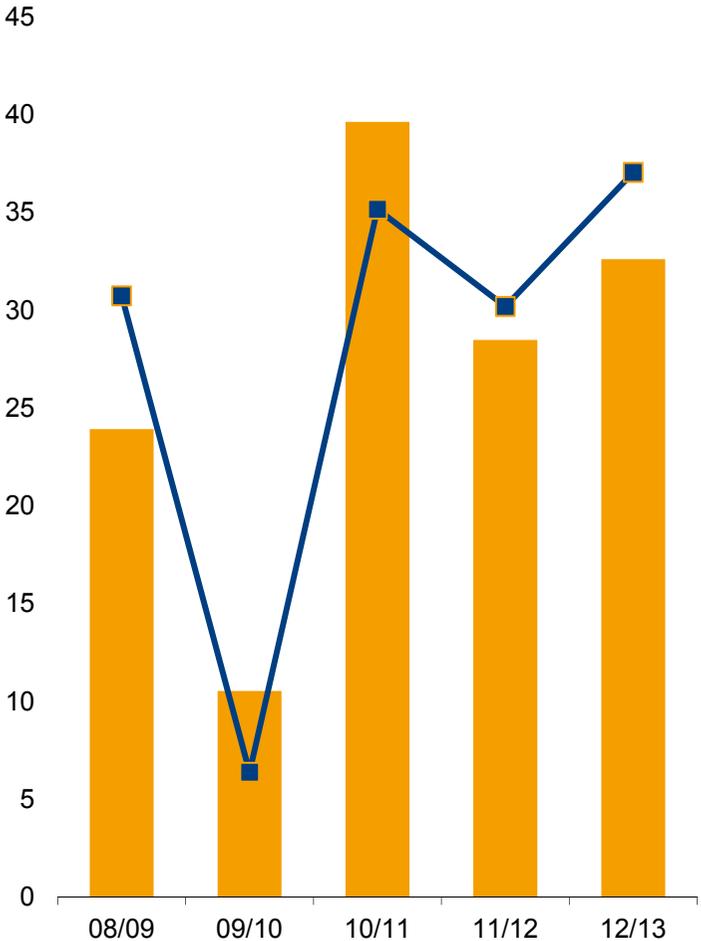
### 3. Income Taxes

	FY 2011/12	FY 2012/13
Expected income tax rate	16.5%	15.5%
Expected withholding tax rate	1.3%	2.3%
<b>Expected tax rate</b>	<b>17.8%</b>	<b>17.8%</b>
Expense not deductible for tax purposes	1.8%	0.0%
Permanent differences	1.1%	0.2%
Effect of changes in tax rates on deferred tax	-2.7%	0.1%
Adjustment in respect of previous period's income tax	-4.1%	-0.4%
Recognition of previously unrecorded tax losses	-1.4%	0.0%
Other differences	-0.1%	-0.2%
<b>Effective tax rate</b>	<b>12.4%</b>	<b>17.5%</b>

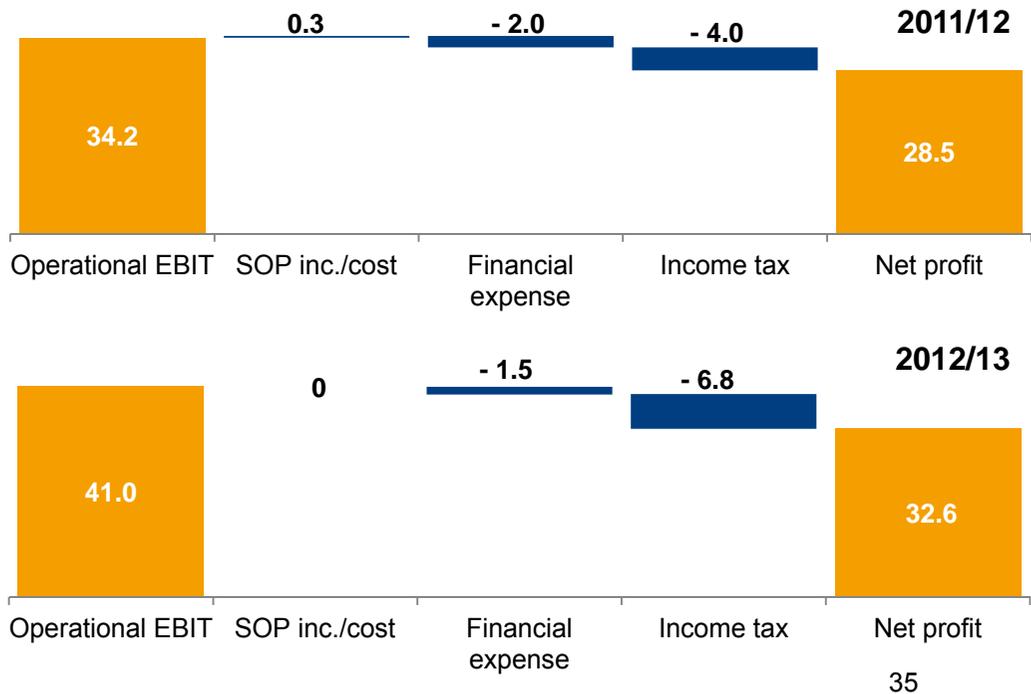
# 3. Net Profit

CHF millions

■ % of sales



	2011/12	2012/13	Q3 2012/13	Q4 2012/13
Net profit in CHF million	28.5	32.6	8.1	3.9
Net profit in % of sales	12.1%	13.9%	14.8%	7.1%



### 3. Cash Flow Statement

In CHF thousands	2011/12	2012/13
Profit before taxes	32'524	39'547
Non-cash items	2'892	3'561
Cash flow from changes in net working capital	11'238	3'083
<b>Cash flow from operating activities</b>	<b>46'654</b>	<b>46'191</b>
Cash flow from investing activities	-9'120	-10'410
<b>Free cash flow</b>	<b>37'534</b>	<b>35'781</b>
Cash flow from financing activities	-42'922	-29'894
Change in cash and cash equivalents	-5'388	5'887
<b>Cash and cash equivalents at the end of the period</b>	<b>21'121</b>	<b>27'629</b>

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

### **Strong balance sheet**

- Equity ratio 62.4% (60.0%)
- Net financial assets CHF 27.6 million (CHF 18.1 million)
- No interest bearing financial liabilities

### **Profitability within target range**

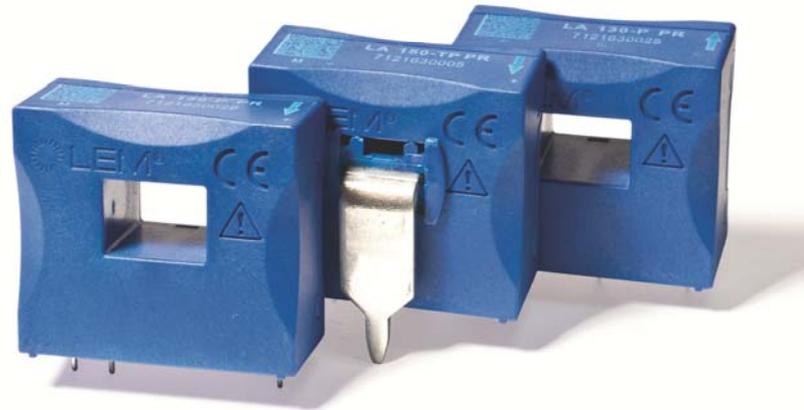
- Increased investment in R&D
- Stable operating expense
- Improved gross and operating EBIT margin
- Net profit margin at record level

### **Strong cash generation**

- Free cash flow CHF 35.8 million (CHF 37.5 million)

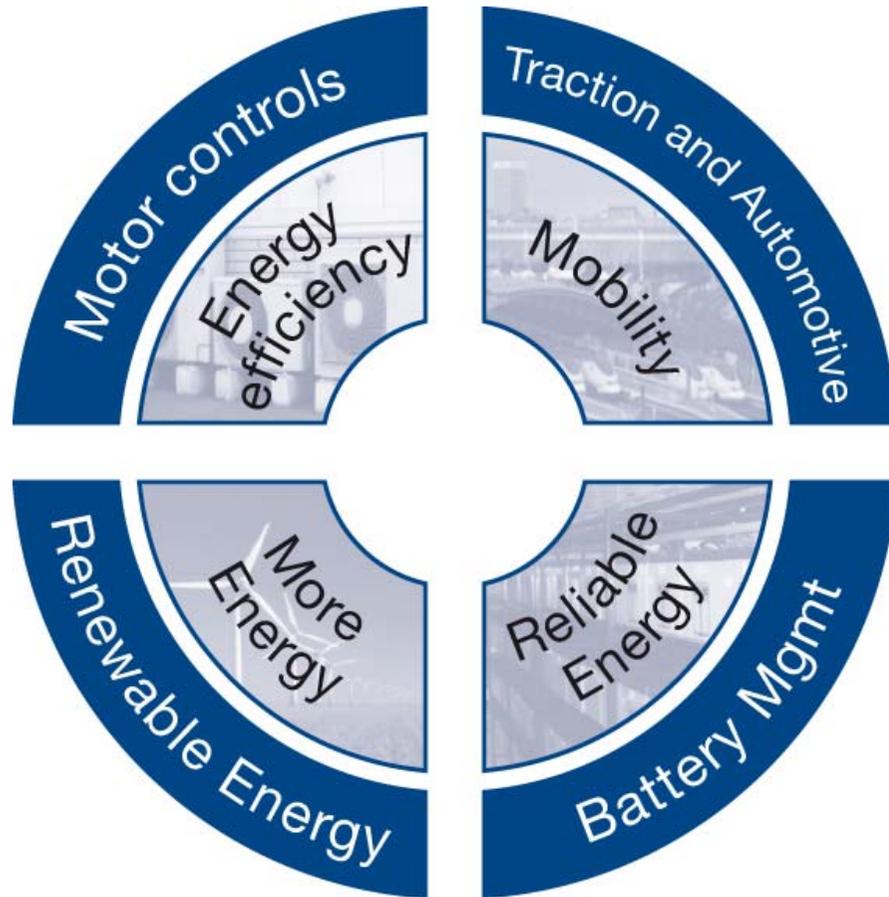
# Agenda

- |                                    |                         |
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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. Strategic Initiatives to Extend Leadership Position

<b>Key strategic initiative</b>	<b>Achievements 2012/13</b>
<b>Increase technology leadership</b> <ul style="list-style-type: none"><li>■ Reinforce multidisciplinary innovation team</li><li>■ Increase number of product launches</li><li>■ Constantly improve performance of products</li><li>■ Establish dedicated team of experts to manage LEM's IP</li></ul>	<ul style="list-style-type: none"><li>■ <i>Increased investment in R&amp;D</i></li><li>■ <i>Launched 8 new products, secured 11 new patents</i></li><li>■ <i>Established LEM IP in Fribourg</i></li></ul>
<b>Increase efficiency</b> <ul style="list-style-type: none"><li>■ Improve product cost through low cost sourcing and manufacturing</li><li>■ Reduce complexity of organization</li></ul>	<ul style="list-style-type: none"><li>■ <i>Centralized high precision business in Geneva</i></li><li>■ <i>Establish LEM Bulgaria</i></li></ul>
<b>Increase production flexibility</b> <ul style="list-style-type: none"><li>■ Develop systems to better forecast demand fluctuations</li><li>■ Improve supply chain management</li></ul>	<ul style="list-style-type: none"><li>■ <i>Improved S&amp;OP</i></li><li>■ <i>Improvements in cycle management</i></li></ul>

## 4. Outlook

- Economic climate expected to remain volatile
- For 2013/14 we expect
  - Industry segment: progressive restart of sales in North America and Asia, Europe to remain weak
  - Automotive segment: continued growth
- Further implementation of key strategic initiatives
- Operating margins to remain within target range of 15 to 20%

# Agenda

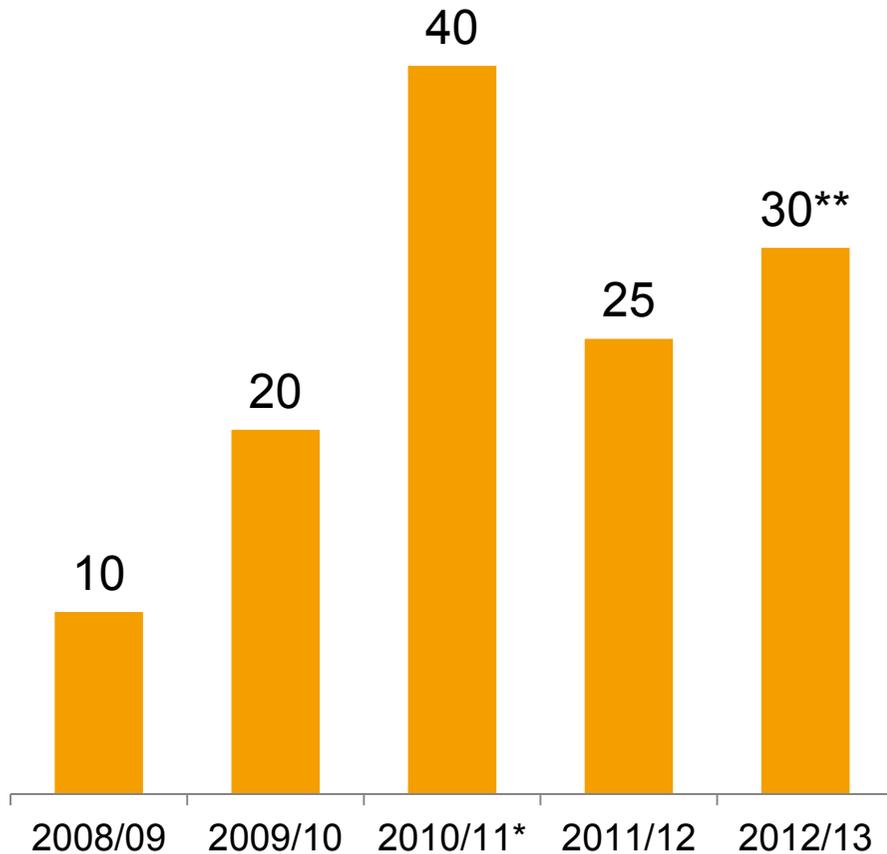
- |   |                           |
|---|---------------------------|
| 1. LEM at a Glance                        | François Gabella          |
| 2. Highlights and Business Review         | François Gabella          |
| 3. Financial Review                       | Julius Renk               |
| 4. Strategy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



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# 5. Dividend Proposal

LEM Dividend History



\* Including CHF 10 from early termination of share buy-back

\*\* Proposal to AGM of 27 June 2013

- High trust in the company's capability to generate strong cash flows
- Ordinary dividend of CHF 30 per share
- Payment corresponds to a payout ratio of 105%

## 5. Changes in the Board of Directors

- Felix Bagdasarjanz, member of the Board of Directors of LEM Holding SA since 2002 and Chairman since 2004, announced resignation
- Anton Lauber, member of the Board of Directors since 2004, will not stand for re-election
- Andreas Hürlimann to be nominated as new Chairman of the Board of Directors, subject to re-election at the upcoming annual shareholders' meeting
- Dr. Norbert Hess proposed as new member

## 5. Designated New Chairman



### Andreas Hürlimann (M. Sc. Electrical Engineering)

- Independent board professional and entrepreneur
- Board member of LEM since 2011
- Managing Director at Spencer Stuart in Zurich from 2005 to 2010
- Global Director of Industry Practices and a member of the Executive Board at Arthur D. Little in London and Paris
- Held international management positions at Oerlikon, ABB and Siemens
- Wide range of industrial management experience combined with strategic management and executive leadership advisory

## 5. Proposed New Board Member



### Dr. Norbert Hess (Dr.-Ing. TU Berlin)

- German national
- 25 years engineering and management career with Siemens AG and EPCOS AG
- Member of the Executive Committee and Chief Operations Officer at EPCOS AG
- Breadth of professional experience in material & technology, operations and business management in the electrical components field
- Deep insights into customer segments such as automotive, industry, energy and telecoms

# Financial Calendar and Contact Details

## Financial calendar

27 June 2013	Ordinary shareholders' meeting for the year 2012/13
2 July 2013	Dividend ex-date
5 July 2013	Dividend payment date
7 August 2013	First quarter results of 2013/14
13 November 2013	Half-year results of 2013/14
18 February 2014	Third quarter results of 2013/14
4 June 2014	Year-end results and media and analyst conference
26 June 2014	Ordinary shareholders' meeting for the year 2013/14
1 July 2014	Dividend ex-date
4 July 2014	Dividend payment date

## For further information

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