



Results

3<sup>rd</sup> Quarter of 2013/14

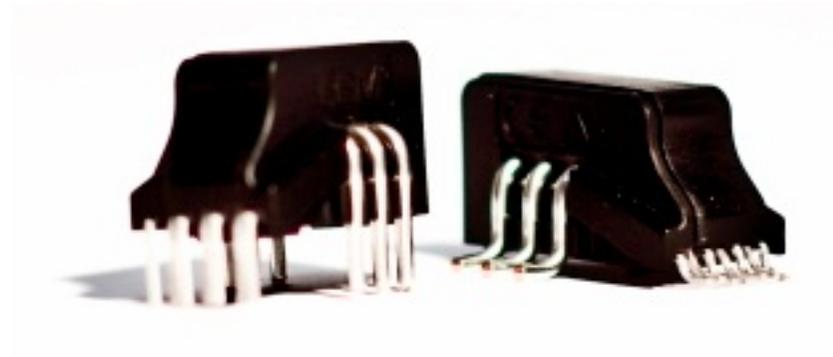
1 October 2013 to 31 December 2013

18 February 2014



# Agenda

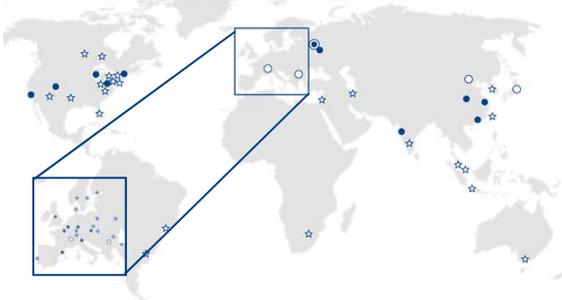
1. **LEM at a Glance**
2. Highlights and Business Review
3. Financial Review
4. Strategy and Outlook



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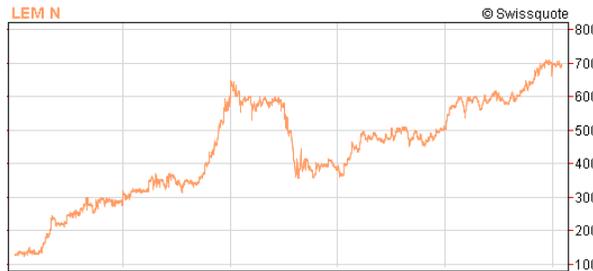
# Global Market Leader in Current and Voltage Transducers

## Market Position



- Global market share of 50% in Industry
- Benchmark in service and product quality
- 4 production sites in Europe and Asia
- Sales of CHF 235 million in 2012/13

## Performance



- Continued sales growth and margin improvements
- 47.5% average total shareholder return p.a. (1/2009 to 12/2013)
- Dividend yield >5% in each year since 2009

## Perspectives

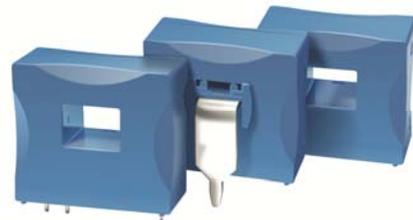


- Reinforced investment in innovation
- Solid growth perspectives due to underlying trends
- Strong foothold in China
- EBIT margin target of 15 to 20%

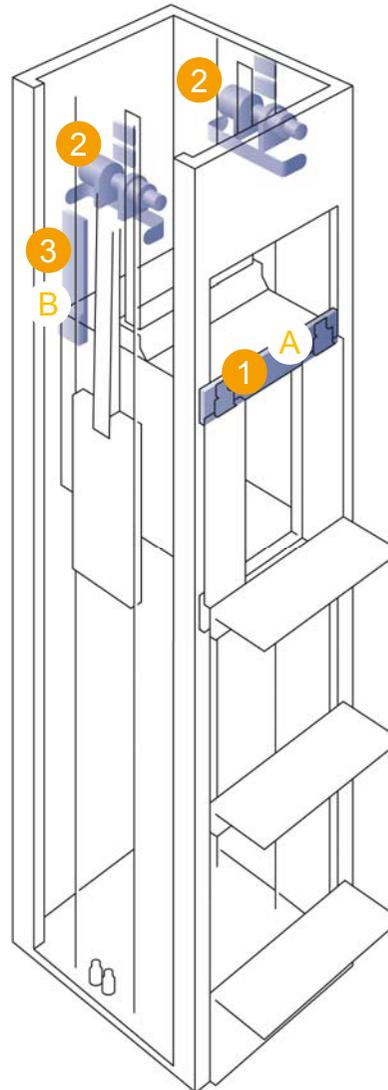
# 1. LEM Applications: Elevator



A LTS



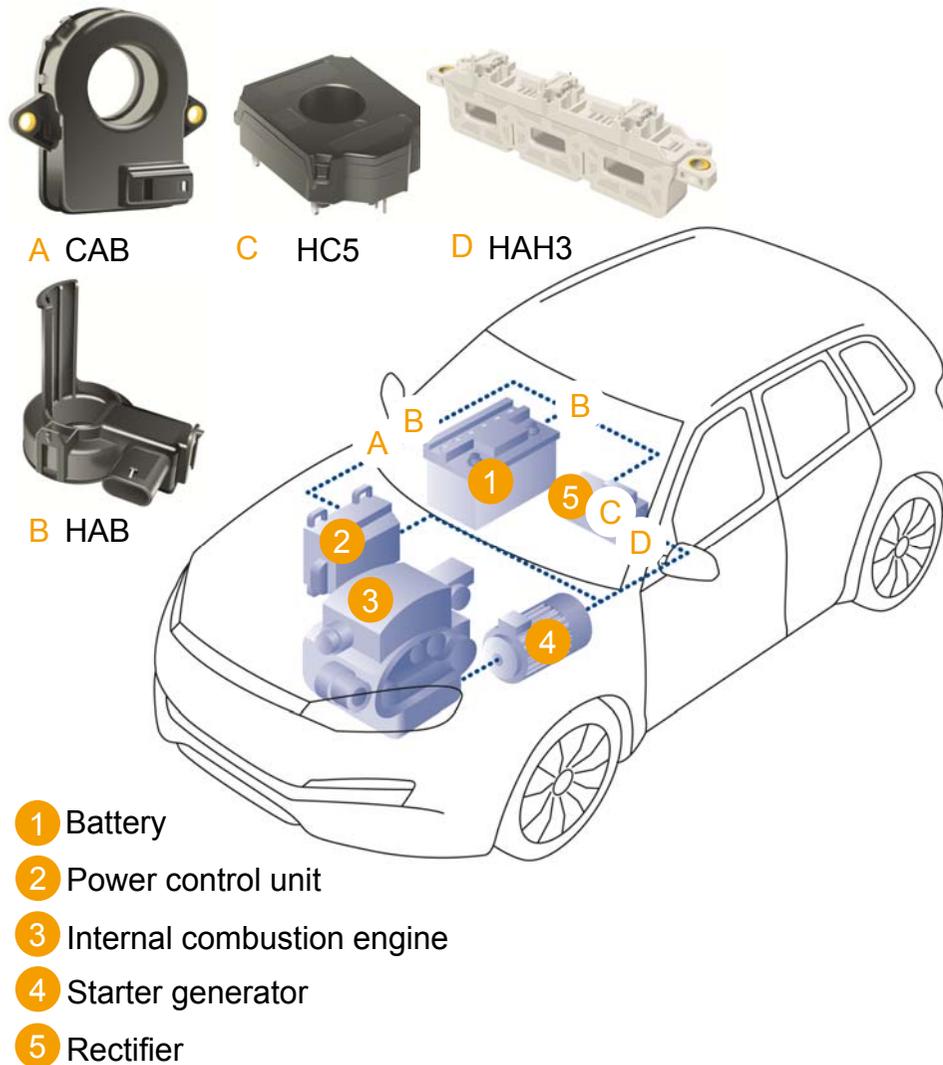
B LA 150-P



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



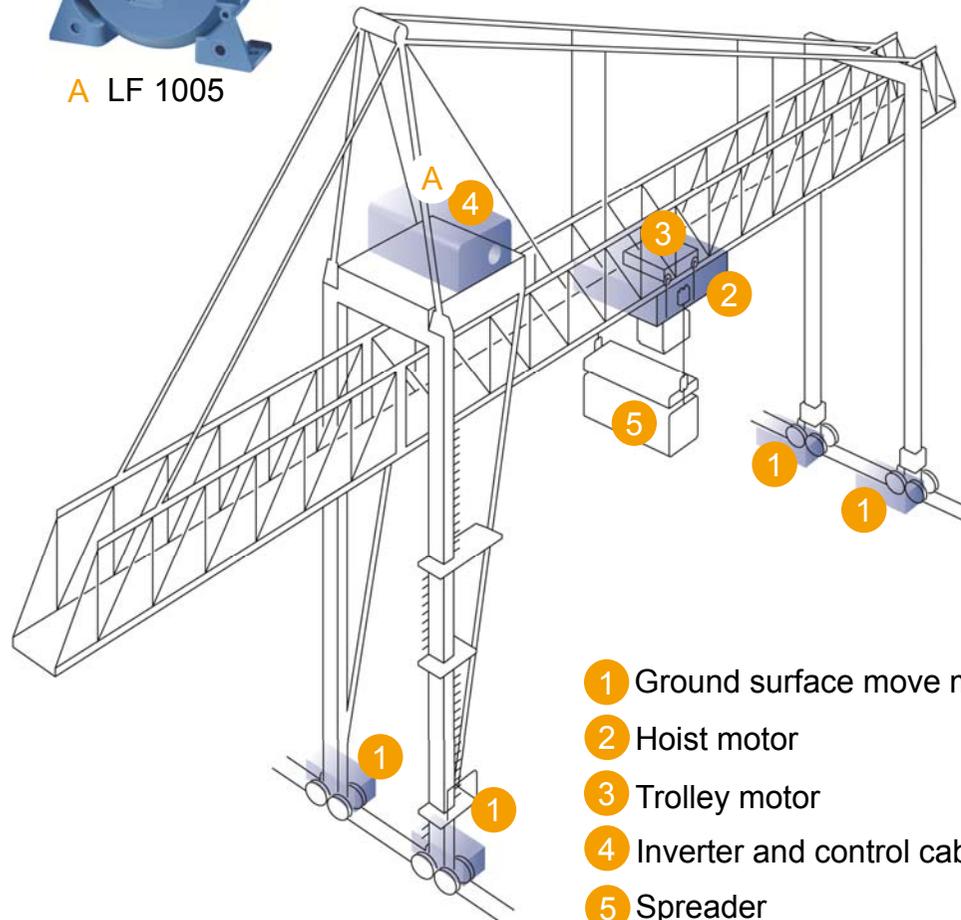
The current sensors (HAB, CAB) allow the battery management system to decide if enough energy is available in the battery to operate the accessories (such as air-conditioning, headlights, and radio) while the engine is off, and still have ample charge left to restart the engine.

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

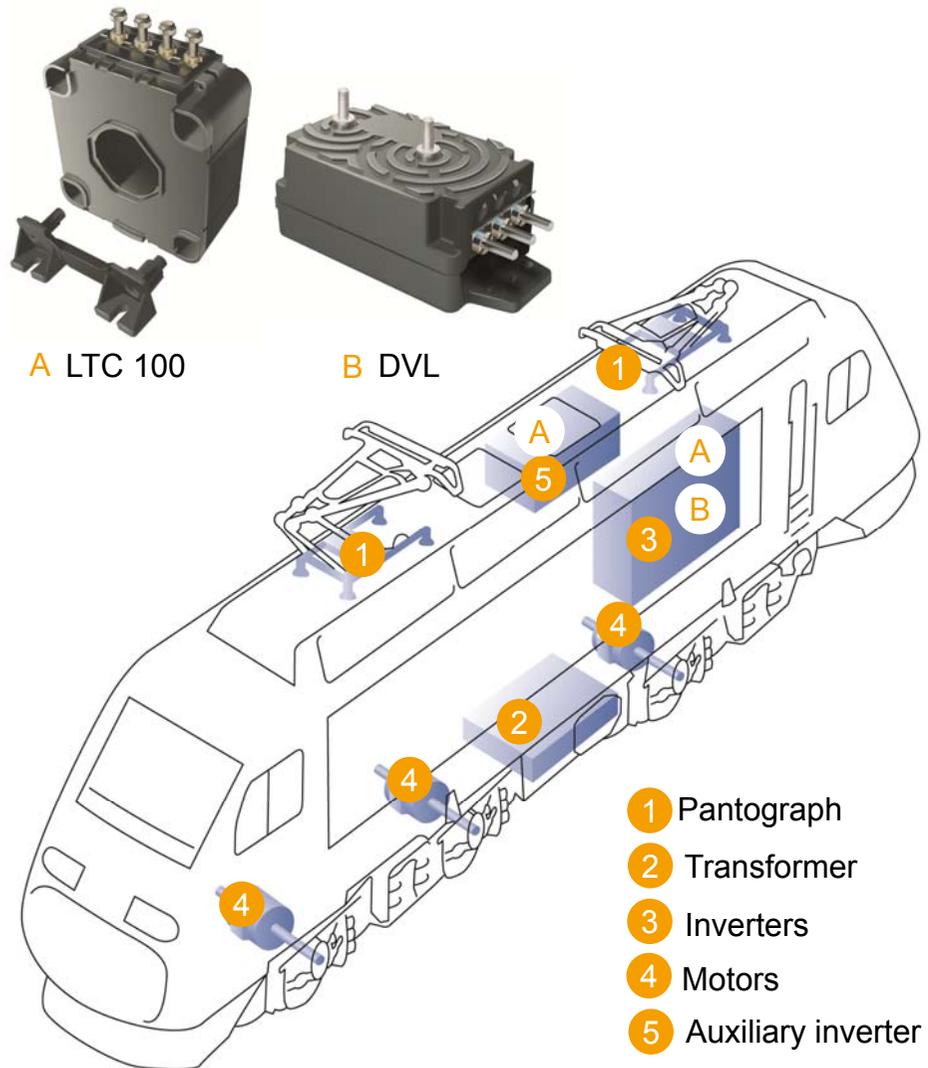


- 1 Ground surface move motors
- 2 Hoist motor
- 3 Trolley motor
- 4 Inverter and control cabinet
- 5 Spreader

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.

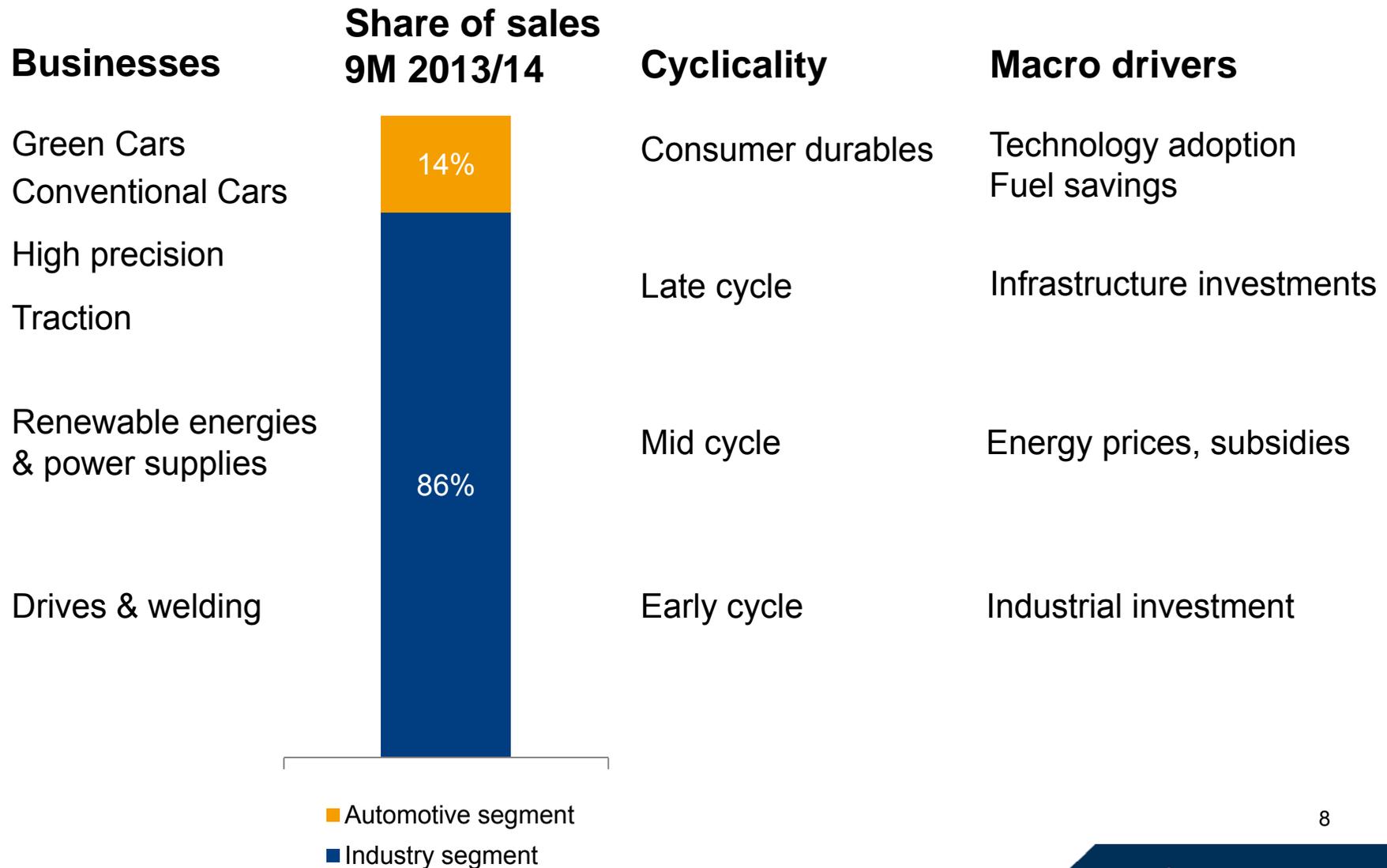
# 1. LEM Applications: Locomotive



Inverters are used to transform the energy into the right voltage and current to drive the motors. Voltage and current transducers are used to measure the current and the voltage on the secondary side of the transformer and on the DC-side. Special differential transducers are implemented at the secondary side of the transformer to detect any leakage current flowing in the train.

Additional inverters are used for heating, air-conditioning and ventilation. Transducers are used to measure the motor currents in order to optimize their efficiency.

# 1. Diverse Target Markets – Diversified Businesses



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



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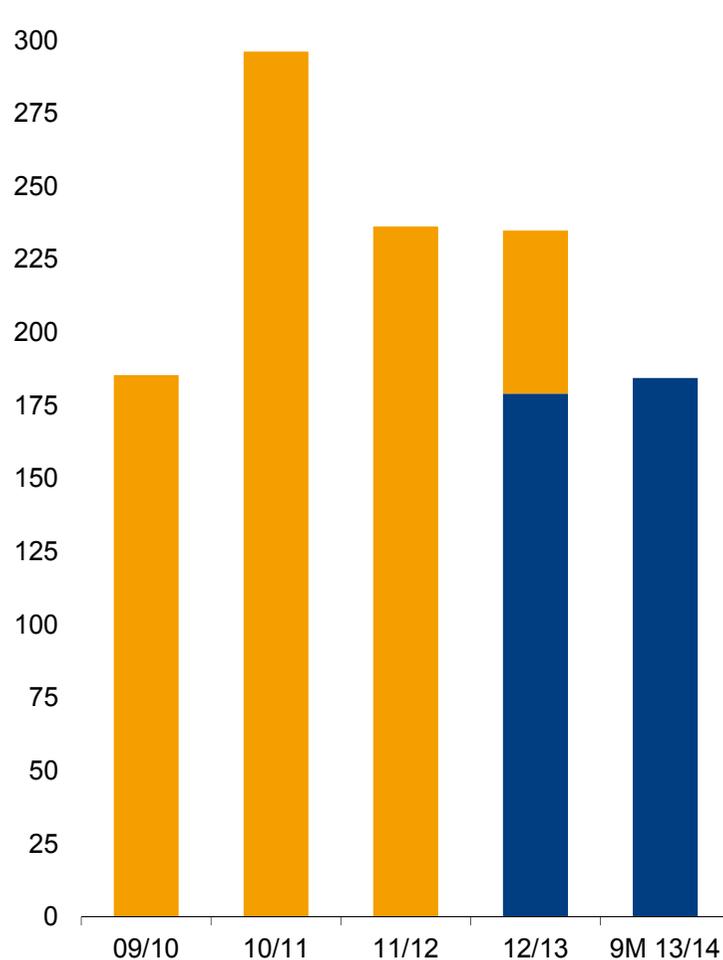
## 2. Highlights Q3 2013/14

In CHF million, %	9M 2013/14	9M 2013/14 vs. 9M 2012/13*	Q3 vs. Q2 2013/14
Orders	183.0	+6.5%	-1.0%
Sales	184.5	+3.0%	-11.5%
EBIT	42.1	+22.7%	-29.8%
Net profit	33.1	+16.0%	-41.8%

- Seasonal sales decrease in Q3 vs. Q2 with stable orders
- 9M performance improved vs. 2012/13
- Efficiency and product mix resulted in strong margins
- Continued recovery in green cars business
- Ramp-up of production in Sofia, Bulgaria, on track

## 2. Net Sales

In CHF millions

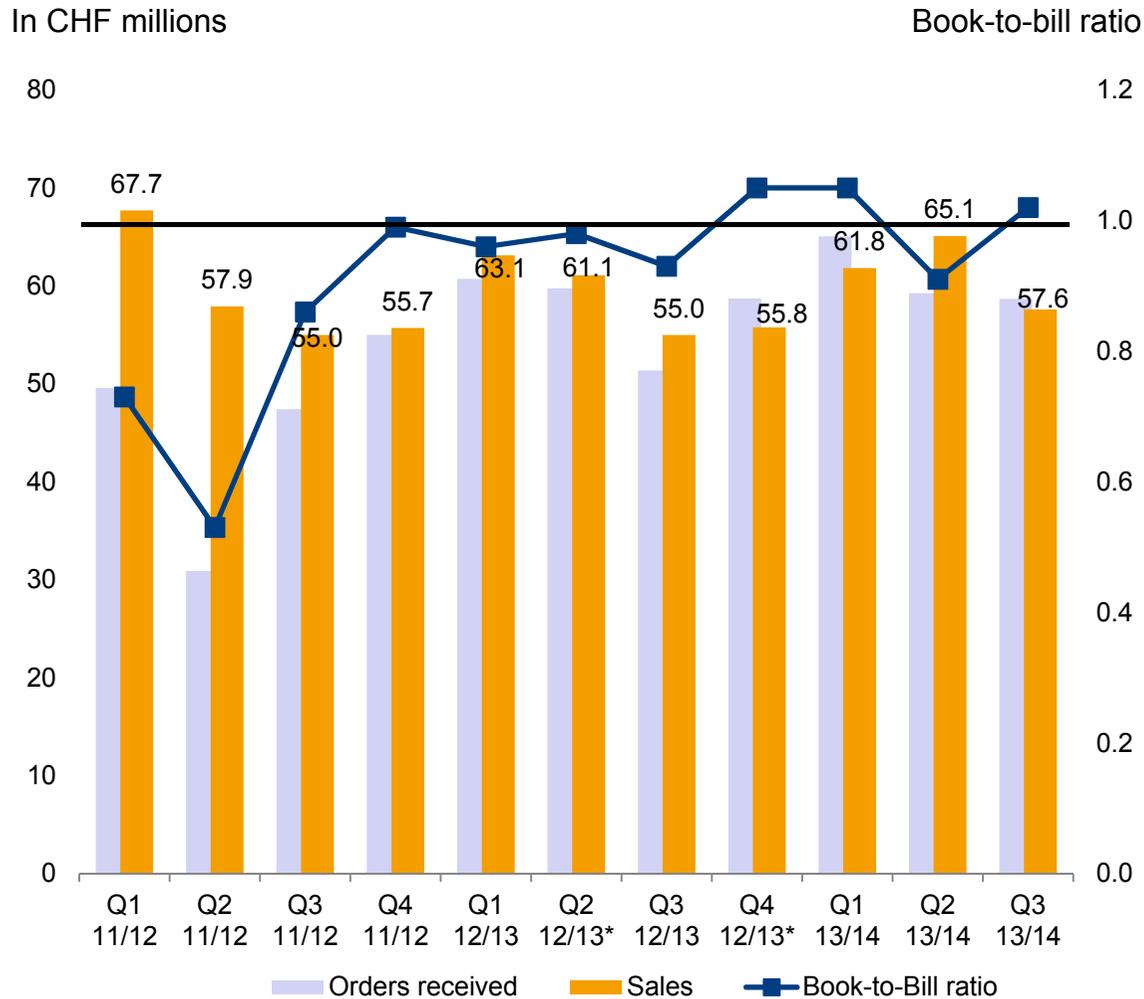


In CHF millions, %	9M Sales	9M vs. 9M		Q3 vs. Q2
		as reported	at constant currencies	
Industry	158.3	+3.9%	+6.0%	-13.8%
Automotive	26.2	-2.4%	+0.7%	+3.3%
<b>Total sales</b>	<b>184.5</b>	<b>+3.0%</b>	<b>+5.2%</b>	<b>-11.5%</b>

- Sales decrease in Q3 in Industry segment due to fewer working days in December and fewer solar installations in winter
- Sales increase in Q3 in Automotive segment due to pick up in green cars business, mainly for hybrid cars applications
- Negative currency impact on sales

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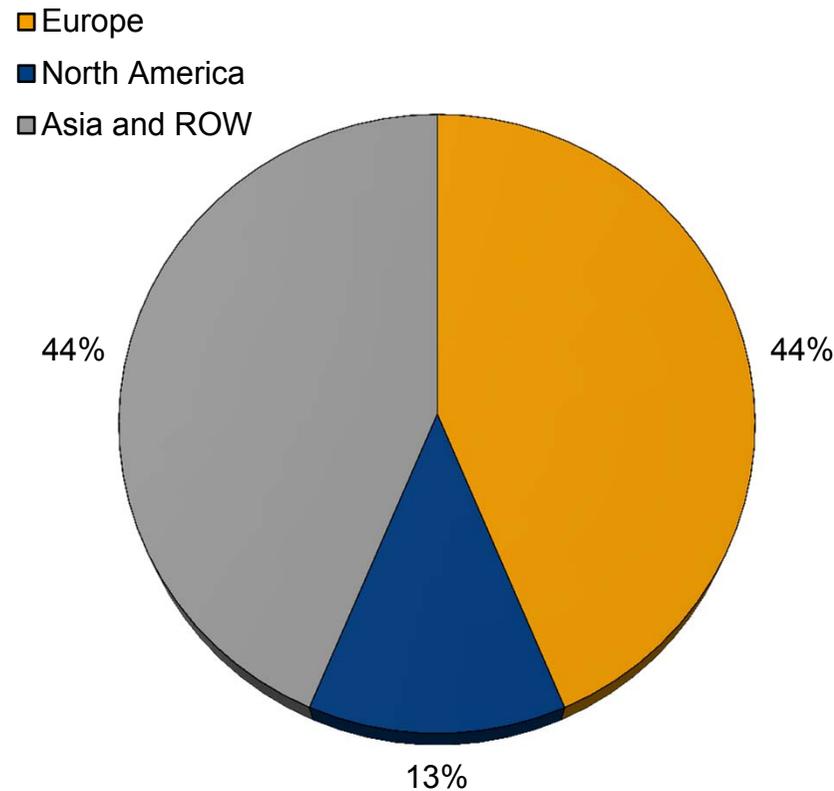
## 2. Quarterly View



- Stable book-to-bill ratio
- Lead times requested by customers remain short

\* Restatement following IAS 19R application (pensions)

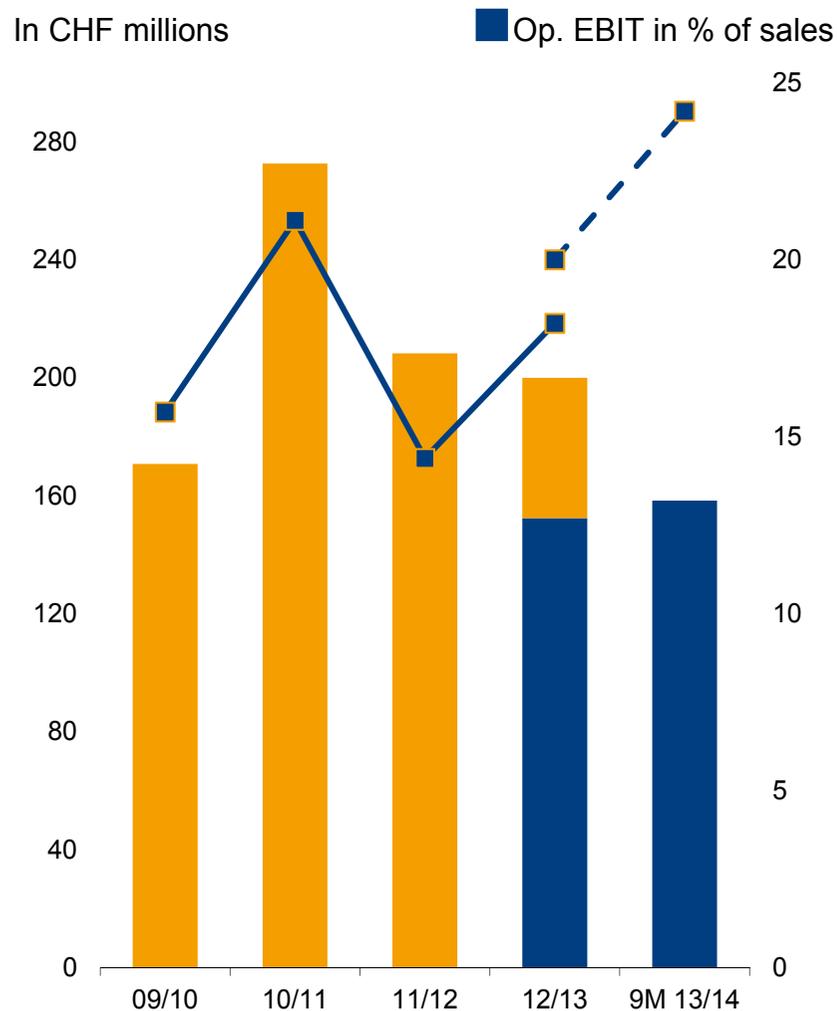
## 2. Industry Segment: Regional Markets



In CHF million, %	9M Sales	Growth 9M vs. 9M	Growth Q3 vs. Q2
Europe	69.1	-2.6%	-11.3%
N. America	20.2	-8.3%	-13.7%
Asia and ROW	69.1	+16.2%	-16.2%
<b>Total</b>	<b>158.3</b>	<b>+3.9%</b>	<b>-13.8%</b>

- China expands its #1 position in Industry
- Seasonal decrease in Q3 across all regions

## 2. Industry Segment: Business Development



### Businesses and Applications

#### Drives & welding (growth Q3 vs. Q2: -15%)

- Weak demand worldwide
- Stable market share

#### Renewable energies & power supplies (-12%)

- Seasonal weakness
- Pick up of activities in smart-grid and offshore-windpark applications

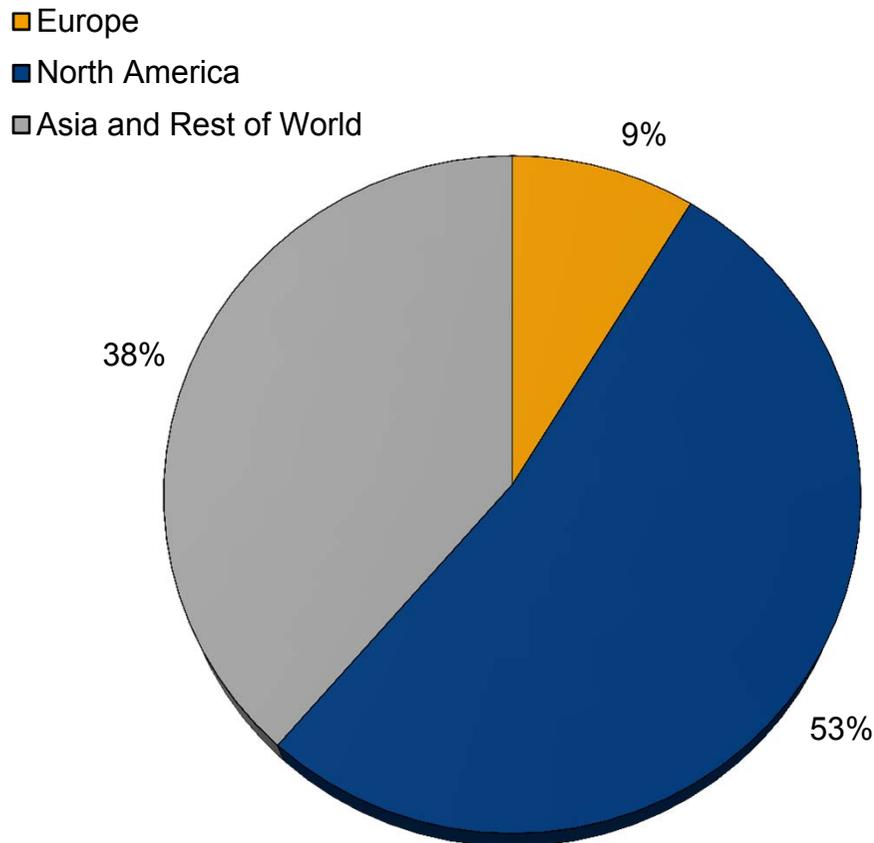
#### Traction (-6%)

- Stable sales in Europe and North America
- Declining sales in Asia, competitive challenges
- Restrained investments in rail infrastructure

#### High-precision (-37%)

- Weak test and measurement markets
- Stable medical applications

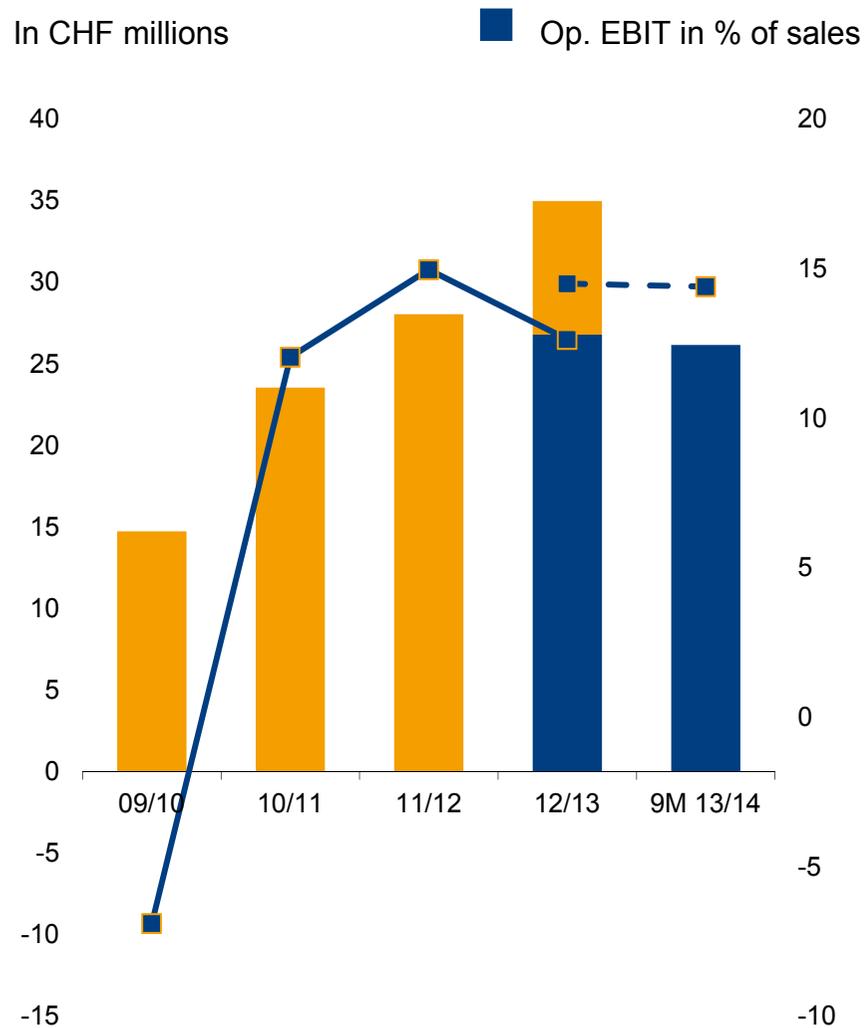
## 2. Automotive Segment: Regional Markets



In CHF million, %	9M Sales	Growth 9M vs. 9M	Growth Q3 vs. Q2
Europe	2.3	+13.9%	+7.7%
N. America	13.8	+1.3%	-2.5%
Asia and ROW	10.1	-9.7%	+10.3%
<b>Total</b>	<b>26.2</b>	<b>-2.4%</b>	<b>+3.3%</b>

- Recovery of green cars applications, mainly in Europe and Asia
- Focus on Asian and North American markets
- Negative currency impact in USD and JPY of -3%

## 2. Automotive Segment: Business Development



### Businesses and Applications

#### Conventional cars (growth Q3 vs. Q2: +2%)

- Performance reflects global car markets: flat in Europe, robust performance in Asia and the US

#### Green cars (HEV, EV) (+10%)

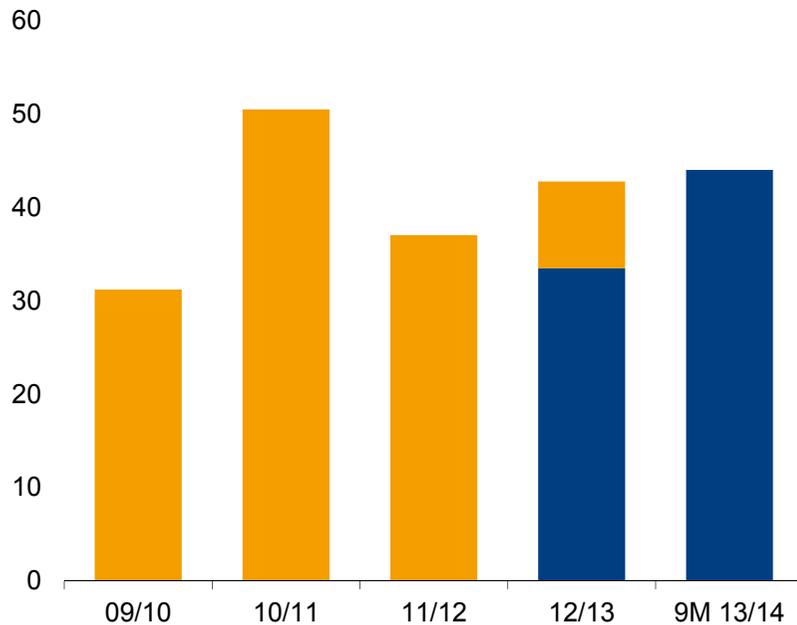
- Continued recovery mainly in Germany and Japan
- Higher activity in hybrid cars applications

## 2. Business Development China

### Sales

- Market share of over 50%
- Biggest market with 24% of total sales

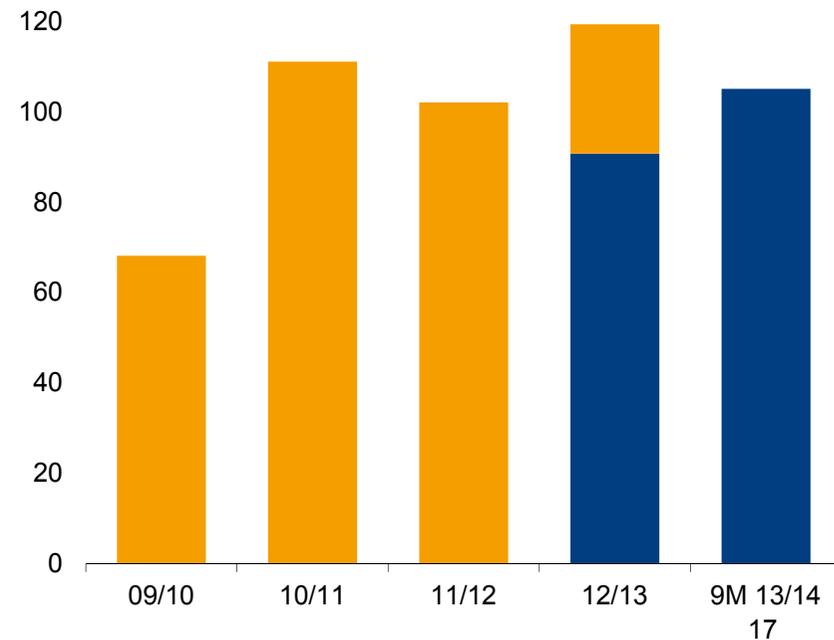
In CHF millions



### Production

- LEM China expands its #1 position as largest manufacturing site of the Group (57% of total production, compared to 51% in financial year 2012/13)
- “Made by LEM” quality

In CHF millions



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

- Achievements
  - Investment of CHF 2 million into new site
  - Production started 1 October 2013
  - Delivery approvals from customers received
  - First products delivered to customers
- 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



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### 3. Financial Highlights

- Seasonal decrease in sales in Q3 of 2013/14
- Maintained strong cost discipline
- Gross margin at record levels and EBIT margin remains above target range (15 to 20%)
- Slightly higher tax rate due to higher portion of profits in China, but still at low levels

### 3. Income Statement

In CHF millions

	9M 2012/13*	9M 2013/14	Change	Q2 2013/14	Q3 2013/14	Change
<b>Sales</b>	<b>179.2</b>	<b>184.5</b>	<b>+3.0%</b>	<b>65.1</b>	<b>57.6</b>	<b>-11.5%</b>
Gross margin	43.3%	46.5%	+3.2pt	47.5%	46.5%	-1.0pt
Operating expense	-43.3	-43.6	+0.8%	-13.9	-14.9	+6.8%
<b>EBIT</b>	<b>34.3</b>	<b>42.1</b>	<b>+22.7%</b>	<b>17.0</b>	<b>11.9</b>	<b>-29.8%</b>
Financial expense (net)	-0.2	-1.6	N/A	0.6	-0.9	N/A
Income tax	-5.5	-7.3	+32.7%	-2.8	-2.4	-14.3%
<b>Net profit</b>	<b>28.6</b>	<b>33.1</b>	<b>+16.0%</b>	<b>14.8</b>	<b>8.6</b>	<b>-41.8%</b>

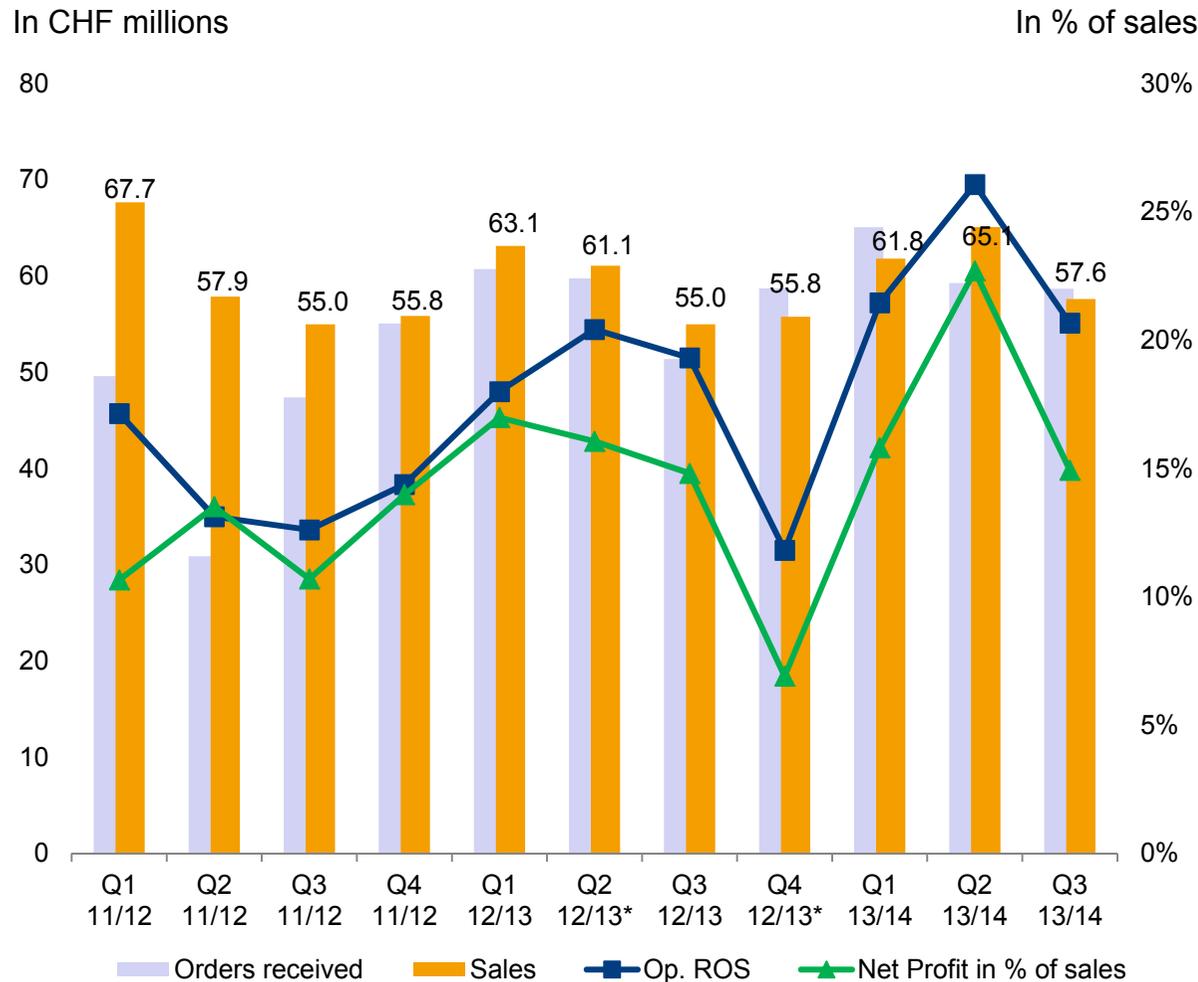
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\* Restatement following IAS 19R application (pensions)

At the heart of power electronics



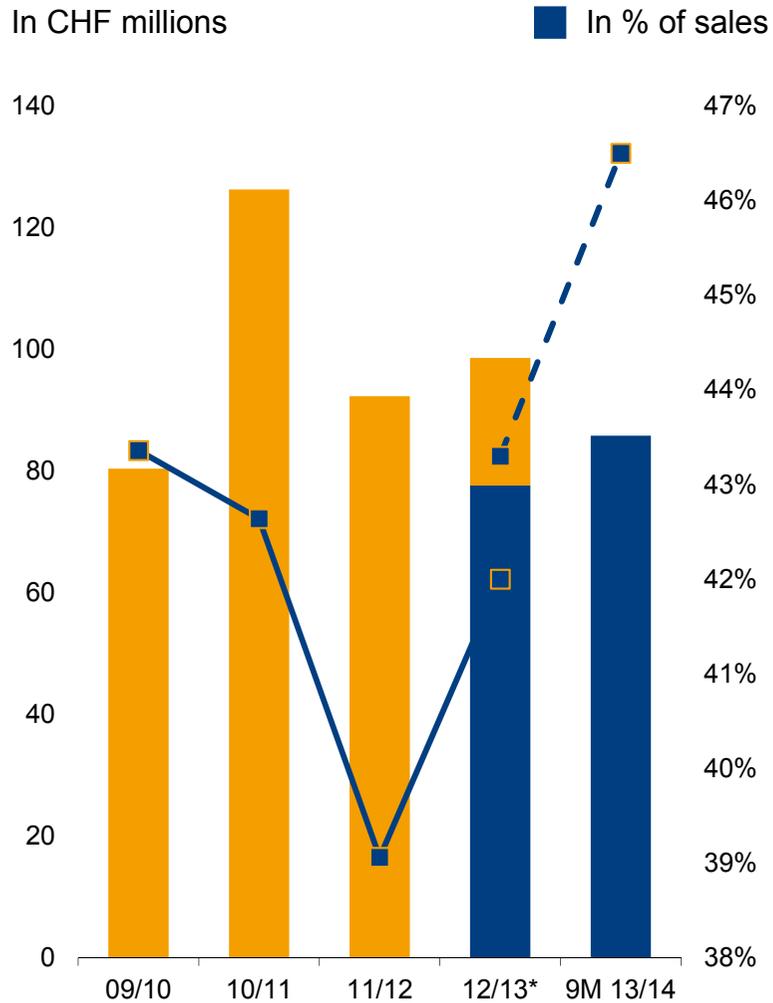
# 3. Results by Quarter



- Q3 of 2013/14 includes ramp-up cost for Sofia site
- Third consecutive quarter with EBIT margin above target range
- Q4 of 2012/13 includes a restructuring charge of CHF 1.9 million

\* Restatement following IAS 19R application (pensions)

# 3. Gross Margin

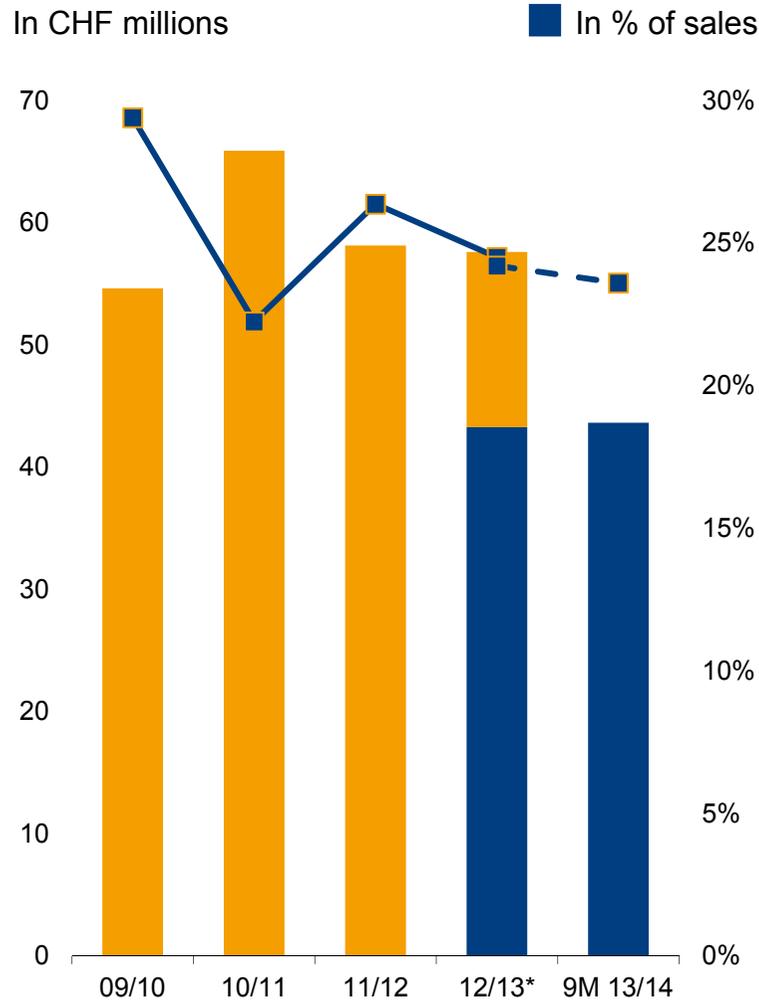


	9M 2012/13*	9M 2013/14	Q2 2013/14	Q3 2013/14
Gross margin in CHF million	77.6	85.8	30.9	26.8
Gross margin in % of sales	43.3%	46.5%	47.5%	46.5%

- Positive impacts on gross margin
  - Continued operating savings in COGS
  - Continued relocation to low cost manufacturing sites

\* Restatement following IAS 19R application (pensions)

# 3. Operating Expense



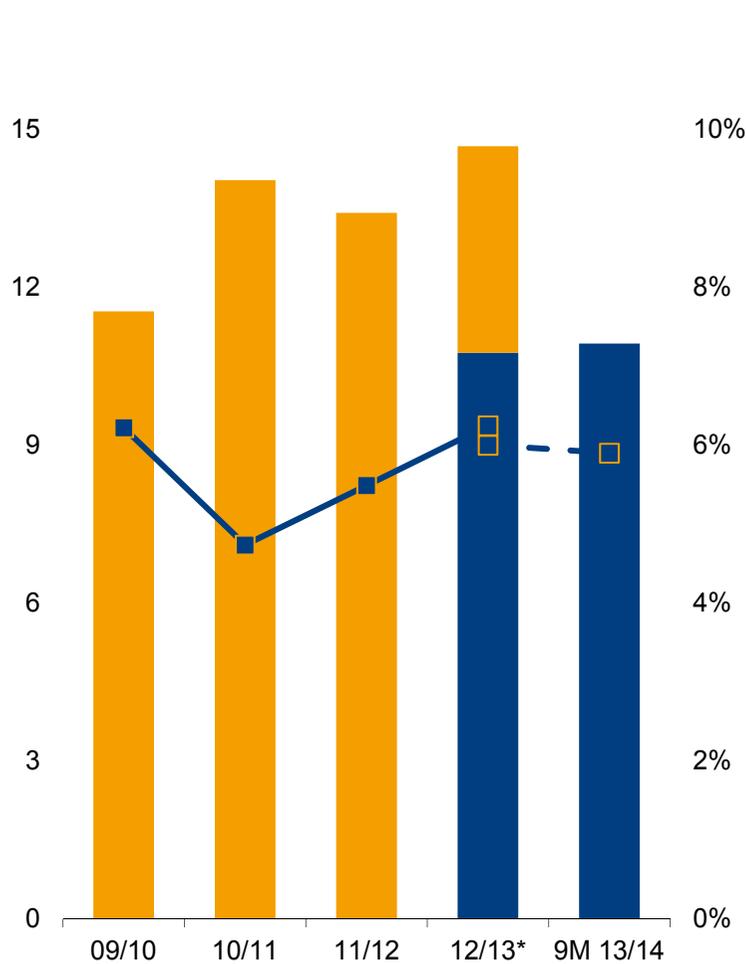
	9M 2012/13*	9M 2013/14	Q2 2013/14	Q3 2013/14
Operating expense in CHF million	43.3	43.6	13.9	14.9
Operating expense in % of sales	24.2%	23.6%	21.4%	25.8%

- Ongoing strict cost control measures
- Operating expense as a percentage of sales remain on low levels compared to historical average
- Q3 includes ramp-up cost for Sofia site

\* Restatement following IAS 19R application (pensions)

# 3. R&D Expense

In CHF millions ■ In % of sales

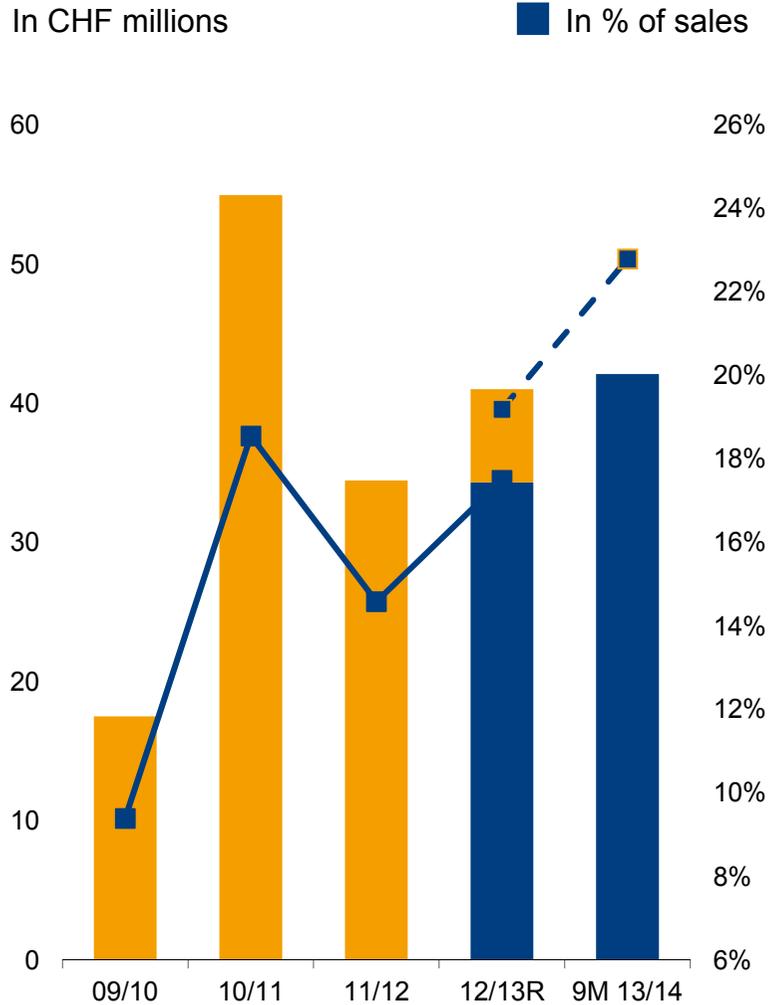


	9M 2012/13*	9M 2013/14	Q2 2013/14	Q3 2013/14
R&D expense in CHF million	10.8	10.9	3.4	3.6
R&D expense in % of sales	6.0%	5.9%	5.3%	6.2%

- Maintained high investment in R&D for both segments
- Ongoing renewal of product range with focus on optimized cost, higher accuracy and new functions

\* Restatement following IAS 19R application (pensions)

# 3. EBIT



	9M 2012/13*	9M 2013/14	Q2 2013/14	Q3 2013/14
EBIT in CHF million	34.3	42.1	17.0	11.9
EBIT in % of sales	19.2%	22.8%	26.1%	20.7%

- Continued cost control and high gross margins
- In Q3 EBIT margin impacted by lower volumes
- Profitability above target range of 15 to 20%

\* Restatement following IAS 19R application (pensions)

### 3. Financial Expense

In CHF millions

	9M 2012/13*	9M 2013/14	Q2 2013/14	Q3 2013/14
Exchange effect**	-0.2	-1.6	0.7	-0.9
Other financial expense & income	-0.0	-0.0	-0.0	-0.0
<b>Total</b>	<b>-0.2</b>	<b>-1.6</b>	<b>0.6</b>	<b>-0.9</b>

- 9M 2013/14 exchange effect mainly driven by appreciation of CHF vs. USD and JPY
- Foreign exchange hedging policy adapted
  - EUR: 100% of net exposure 12 months forward
  - USD: 100% of net exposure 18 months forward

\* Restatement following IAS 19R application (pensions)

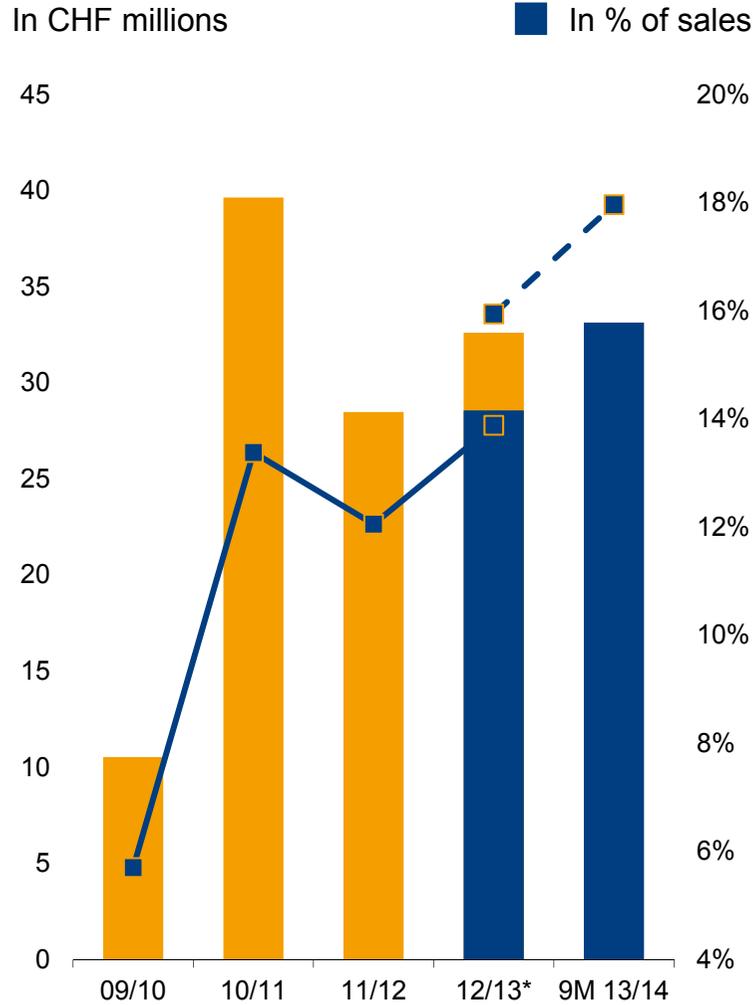
\*\* The line “exchange effect” in the financial result is mainly due to currency volatility during the time between booking and settling a receivable/payable. Over and above this line, foreign exchange rates impact every P&L line through the rate at which each transaction is booked and at which it is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

### 3. Income Taxes

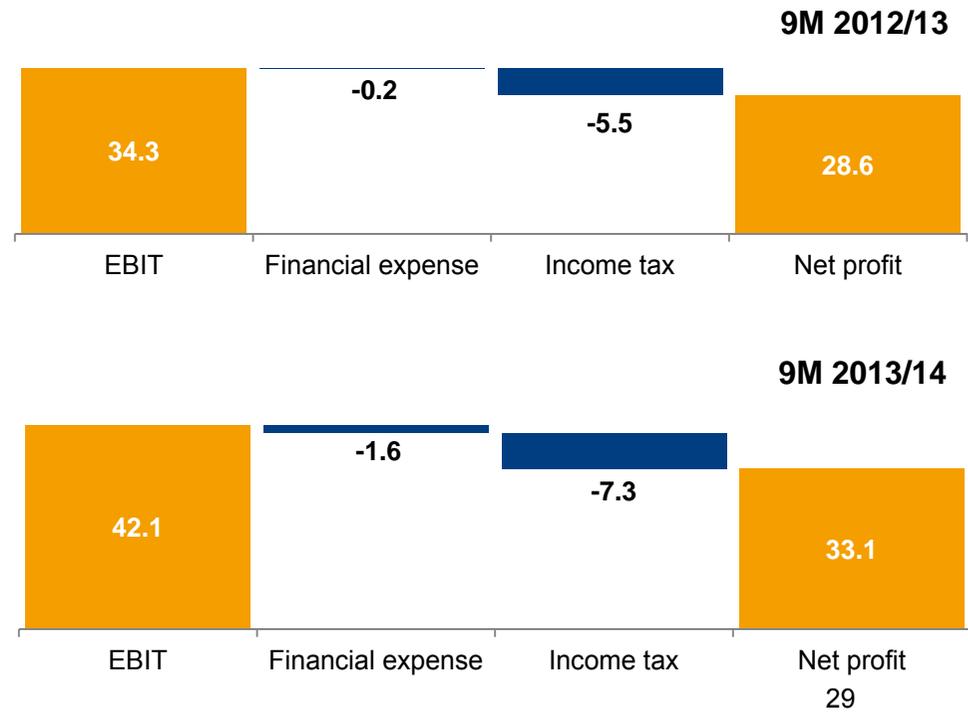
	9M 2012/13*	9M 2013/14
Expected income tax rate	12.6%	16.1%
Expected withholding tax rate	2.7%	1.9%
<b>Expected tax rate</b>	<b>15.3%</b>	<b>18.0%</b>
Other differences	0.9%	0.1%
<b>Effective tax rate</b>	<b>16.2%</b>	<b>18.1%</b>

- Slightly higher tax rate due to higher portion of profits in China
- Tax rate still at low levels

# 3. Net Profit



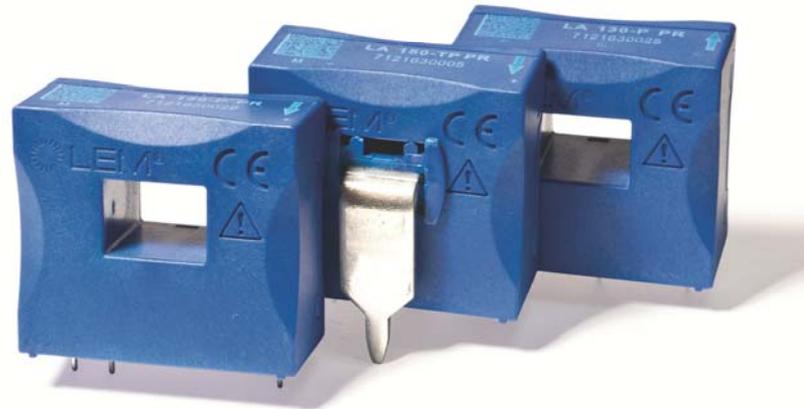
	9M 2012/13*	9M 2013/14	Q2 2013/14	Q3 2013/14
Net profit in CHF million	28.6	33.1	14.8	8.6
Net profit in % of sales	15.9%	18.0%	22.7%	14.9%



\* Restatement following IAS 19R application (pensions)

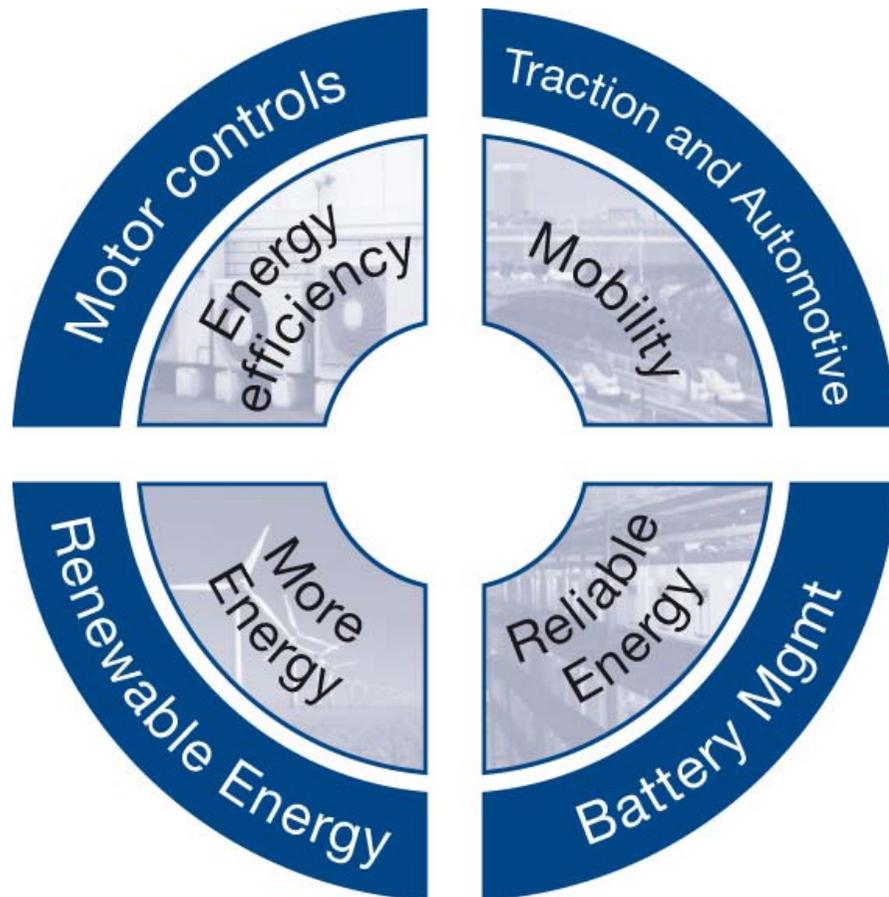
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## 4. Market Factors and Strategy



- 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 businesses

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## 4. Outlook

- Expectations for Q4 of 2013/14
  - Stable performance in the automotive segment
  - Seasonal recovery in the industry segment
- Financial year 2013/14 outlook
  - Sales of CHF 240 to 250 million
  - EBIT around CHF 54 million

# Financial Calendar and Contact Details

## Financial calendar

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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