

# Results

## Q4 of 2011/12 and Fiscal Year 2011/12

Media & Analyst Conference  
Zurich, 6 June 2012



# 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   |
| 5. Proposals Shareholders' Meeting | Felix Bagdasarjanz |

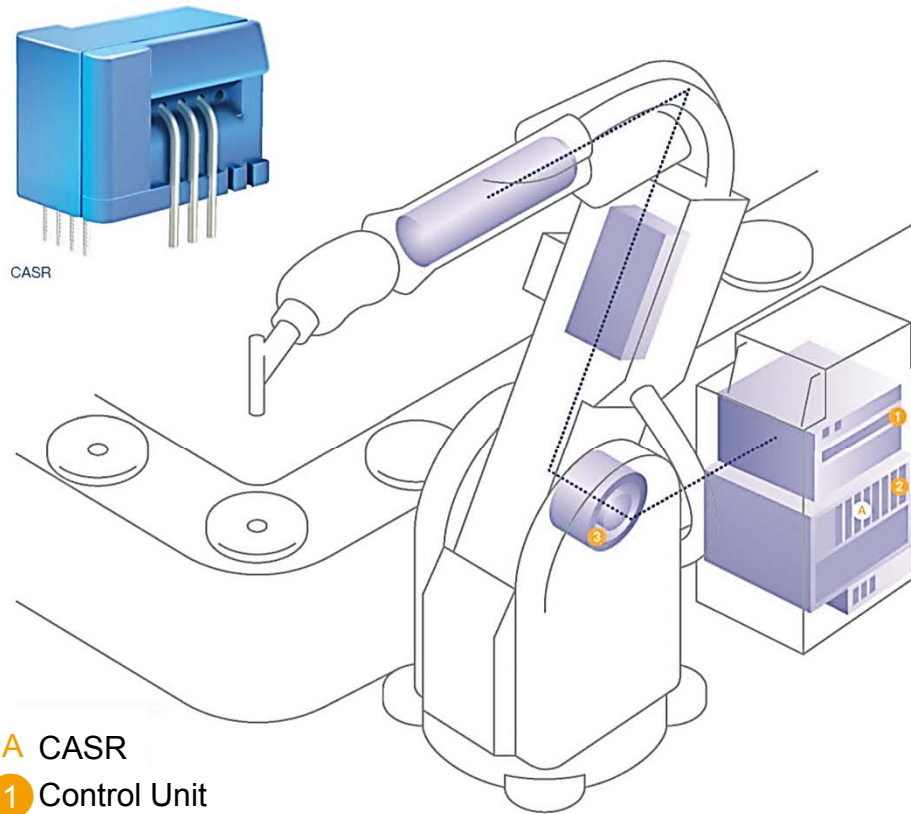


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# 1. About LEM

- 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 applications in Industrial, Traction, Energy & Automation and Automotive markets.
- LEM is a high growth global company with approximately 1'100 employees. Production plants are in Geneva (Switzerland), Beijing (China) and Machida (Japan). Regional sales offices are close to the clients' locations.
- LEM (SIX: LEHN) has been listed on the SIX Swiss Exchange since 1986 and has a market cap of CHF 564 million per 31.3.2012.

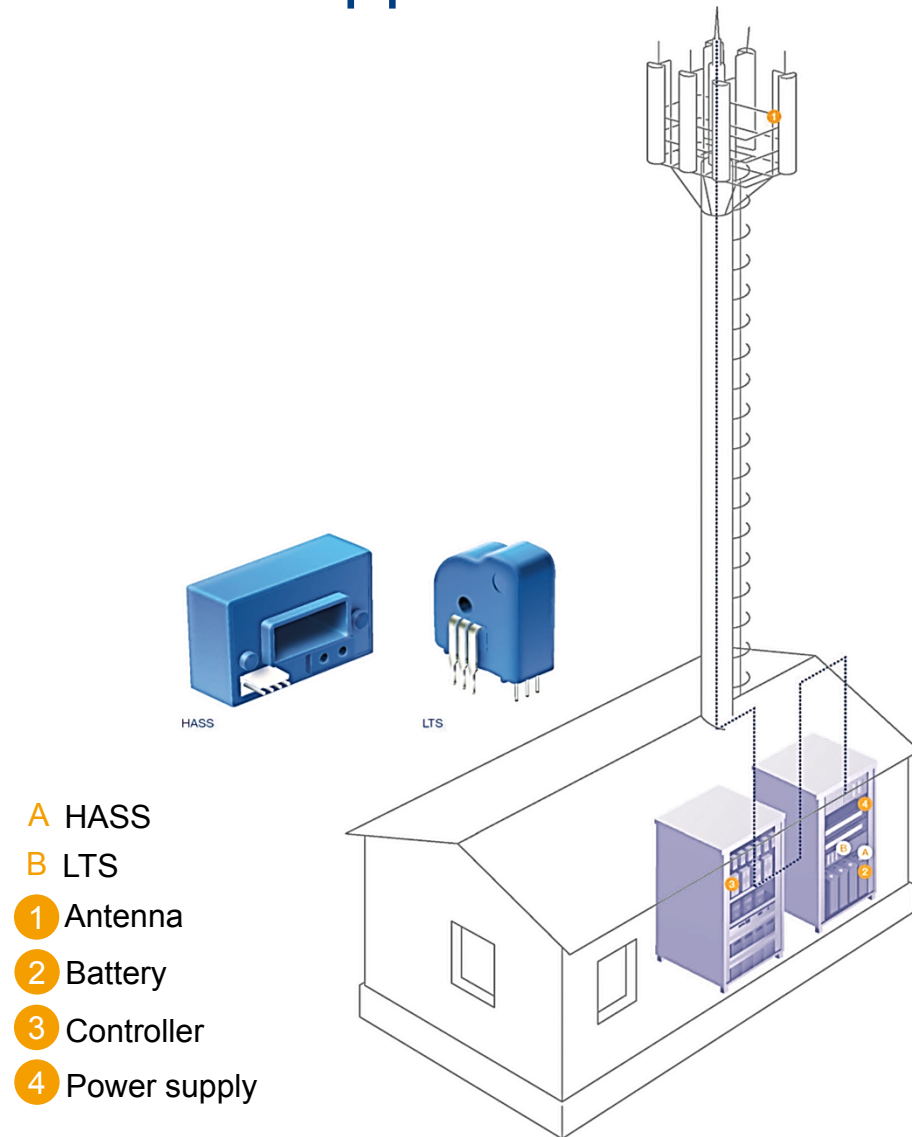
# 1. LEM Applications: Robot



- 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



HAH1



DHAB

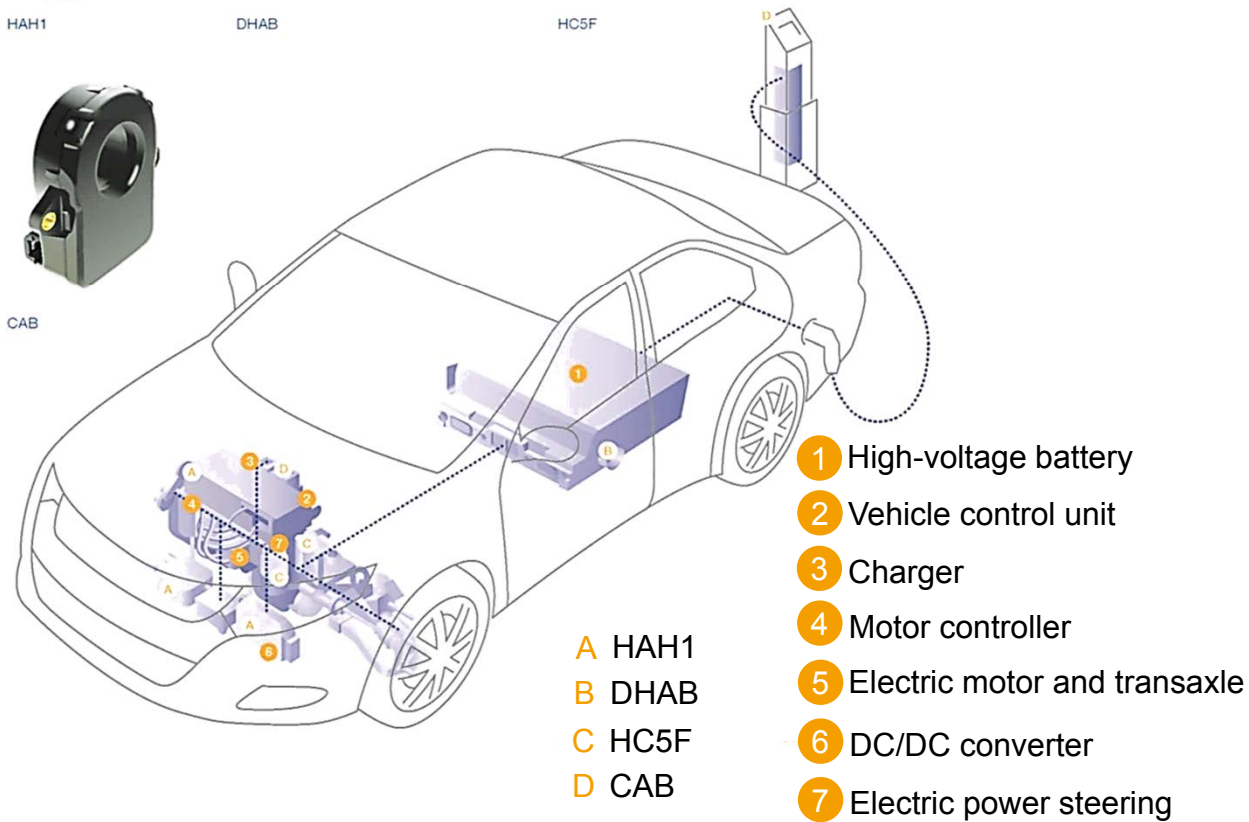


HC5F

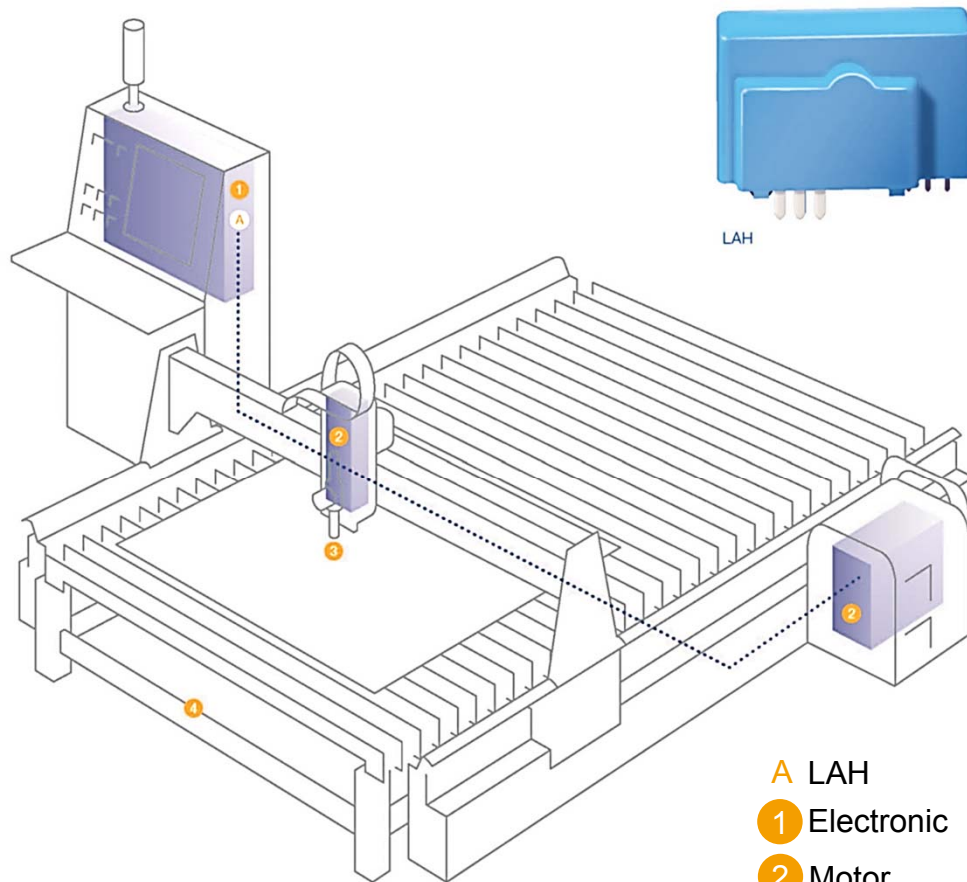


CAB

- Battery management
- Electric motor management
- Charger management



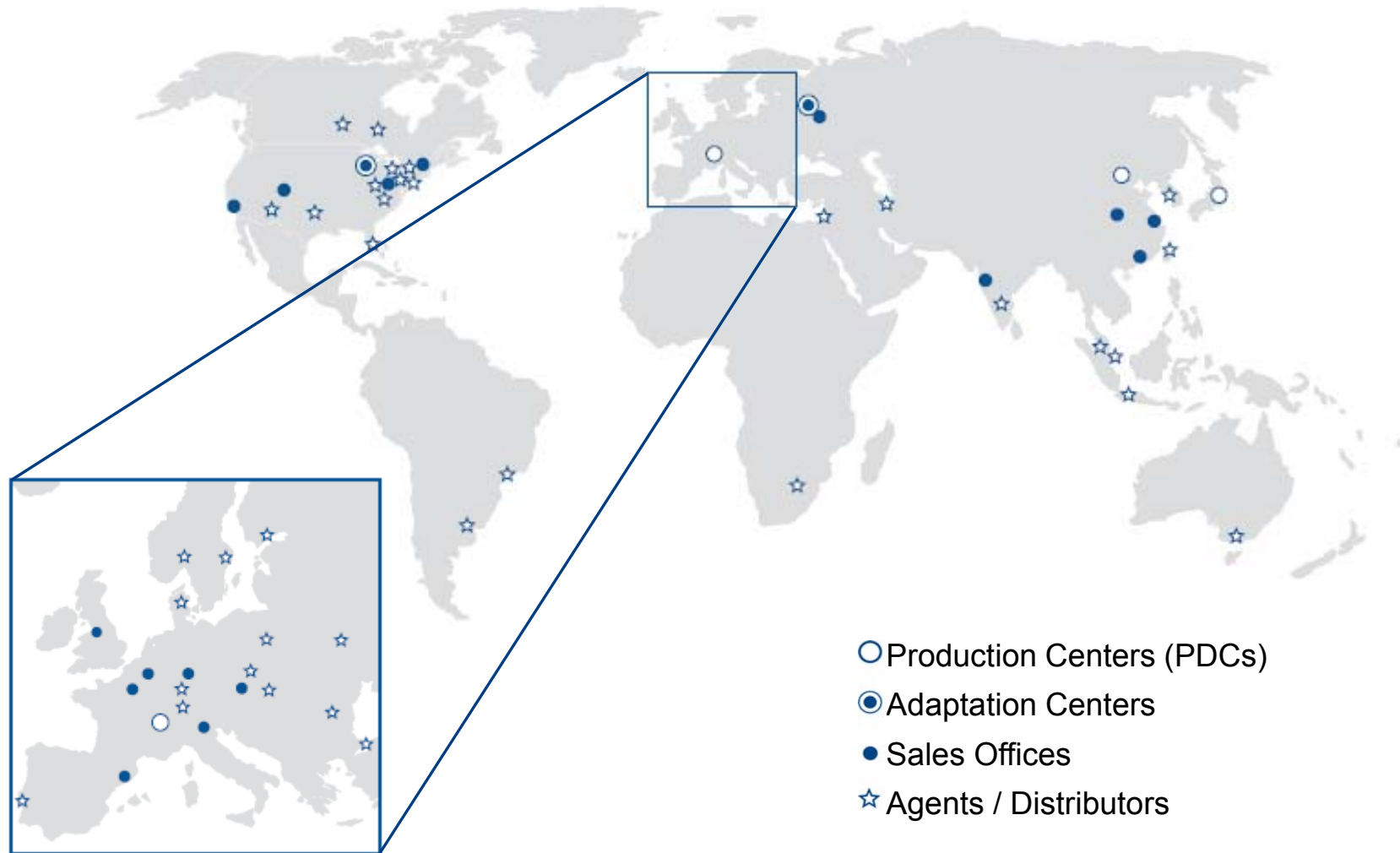
# 1. LEM Applications: Plasma Cutting



- 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

François Gabella, CEO



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## 2. Highlights 2011/12

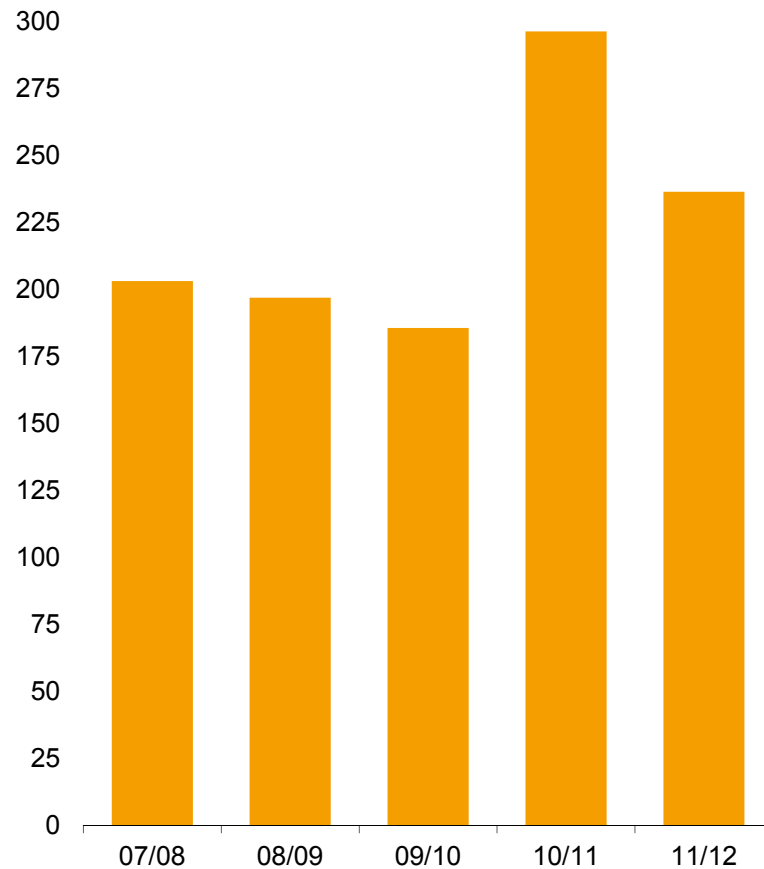
In CHF million, %	2011/12	2011/12 vs. 2010/11	Q4 vs. Q3 2011/12
Orders	182.9	-45.7%	16.2%
Sales	236.3	-20.2%	1.6%
Operational EBIT	34.2	-43.4%	15.6%
Net earnings	28.5	-28.1%	38.2%

- Economic weakness adversely impacted LEM's industry businesses with renewables energies business affected most
- Second-best result in LEM's history after record year 2010/11
- Automotive businesses growing constantly
- Restructuring measures in order to adjust capacity
- Slow recovery in Q4 of 2011/12
- Continued investment in R&D and operational excellence

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## 2. Net Sales

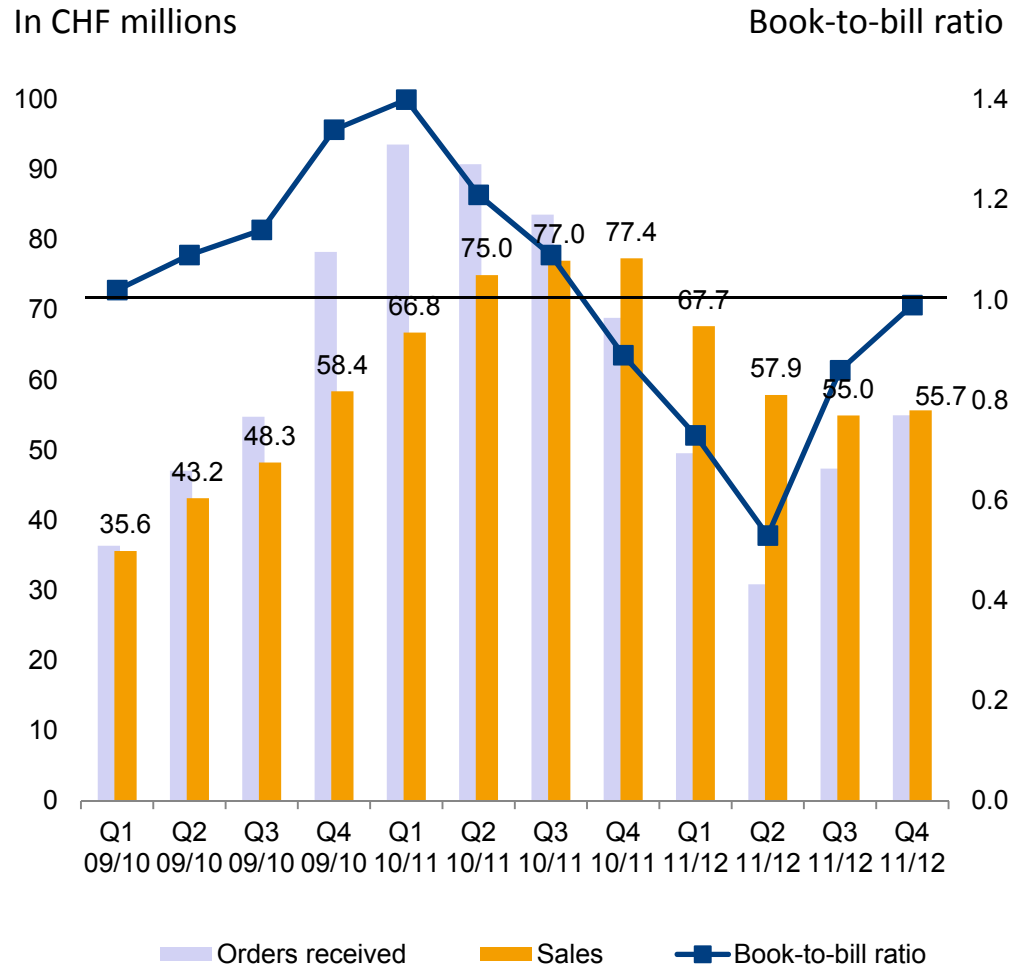
In CHF millions



In CHF million, %	Sales	YoY	YoY at constant currencies	QoQ
Industry	208.3	-23.6%	-16.2%	-0.9%
Automotive	28.0	19.1%	34.3%	17.5%
<b>Total sales</b>	<b>236.3</b>	<b>-20.2%</b>	<b>-12.2%</b>	<b>1.6%</b>

- Second highest sales in LEM history after record 2010/11
- Industry business slowed down
- Strong performance of automotive businesses
- Strong currency impact

## 2. Quarterly View



- Slow recovery of bookings: Q4 of 2011/12 book-to-bill ratio 0.99

- Customers' inventory corrections ended in Q4 of 2011/12

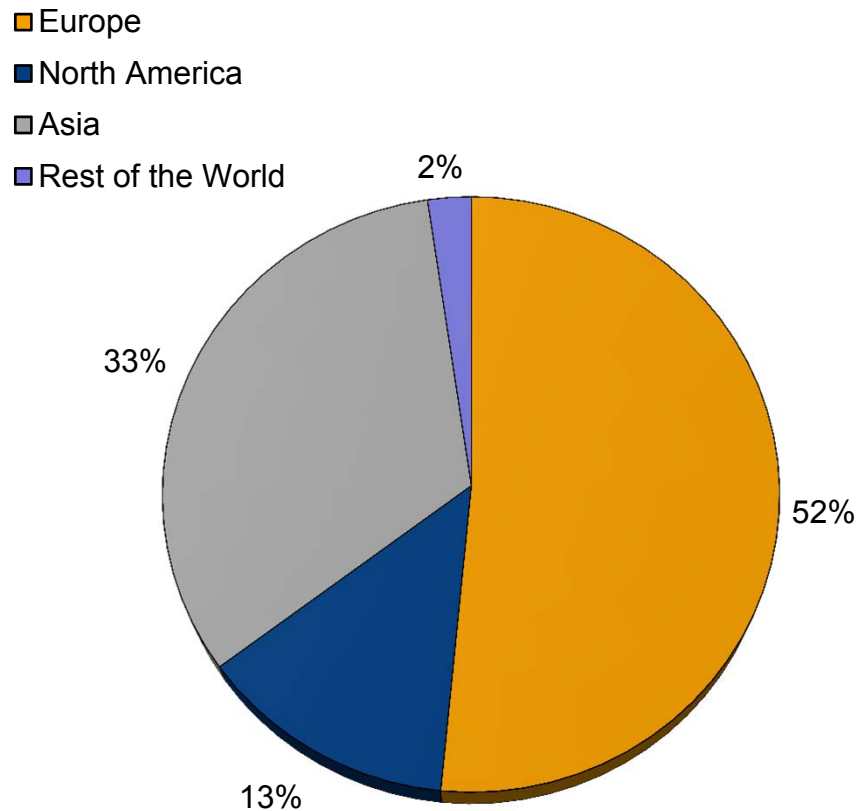
- Cancellations of orders received of CHF 10.5 million in Q1 and CHF 14.0 million in Q2 of 2011/12

## 2. Cost and Capacity Management Update

- On 22 September 2011 LEM announced a step-up of cost reduction measures
  - Reduction of worldwide headcount to below 1'100 employees
  - Continued transfer of production lines to China
  - Strict cost control
- Successful cost management
  - Restructuring cost of CHF 0.7 million recorded in Q2 of 2011/12
  - Sales, general & administrative expenses (SG&A) declined by 5.4% compared to 2010/11
- Continued investment in LEM's future
  - Increased focus on R&D, operational excellence and efficiency



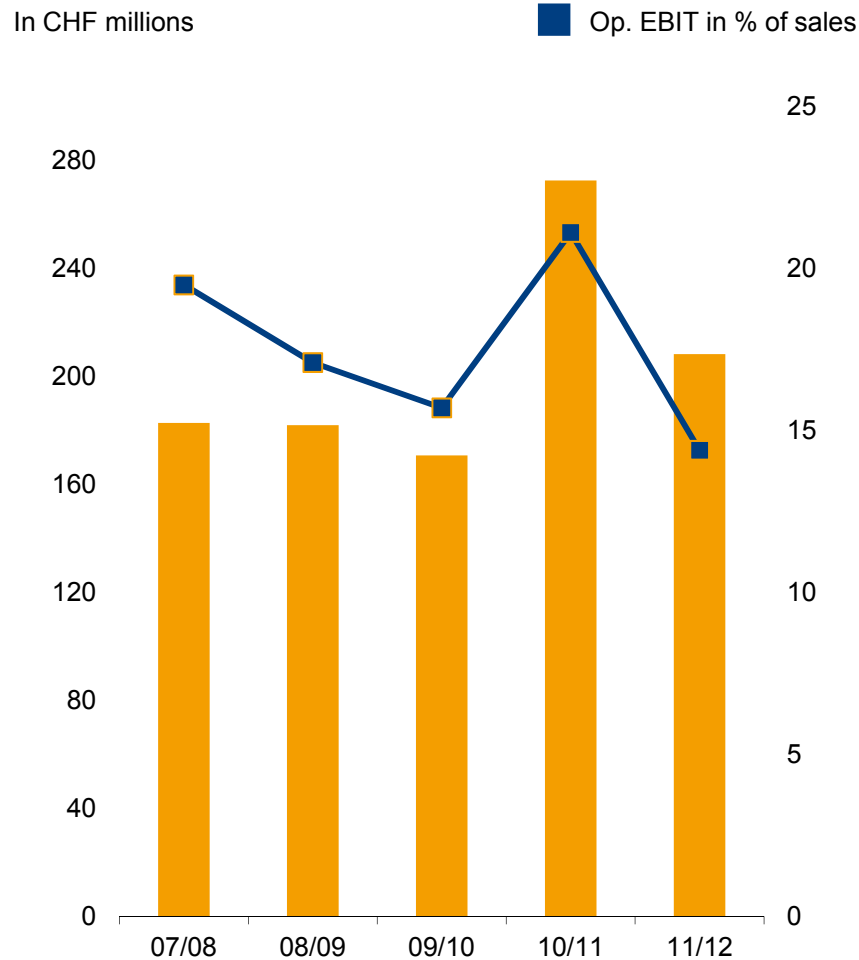
## 2. Industry Segment: Regional Markets



In CHF million, %	Sales	YoY	QoQ
Europe	107.3	-26.6%	19.4%
N. America	27.6	-9.1%	-1.0%
Asia	68.5	-24.7%	-23.9%
ROW	4.9	-4.7%	-42.3%
<b>Total</b>	<b>208.3</b>	<b>-23.6%</b>	<b>-0.9%</b>

- Intensified competition with new capacities and broadened product portfolios
- LEM launched important new products

## 2. Industrial Segment: Business Development



### Businesses and Applications

#### Drives & welding

- Weak demand and continued inventory corrections of customers in Europe and Asia in H1 2011/12
- Stabilization since Q4 of 2011/12

#### Renewable energies & power supplies

- Most volatile business
- Normalization of customers' inventories and restart of bookings in Q4 of 2011/12

#### Traction

- Delays of major projects in China
- Partial compensation with trackside project in UK

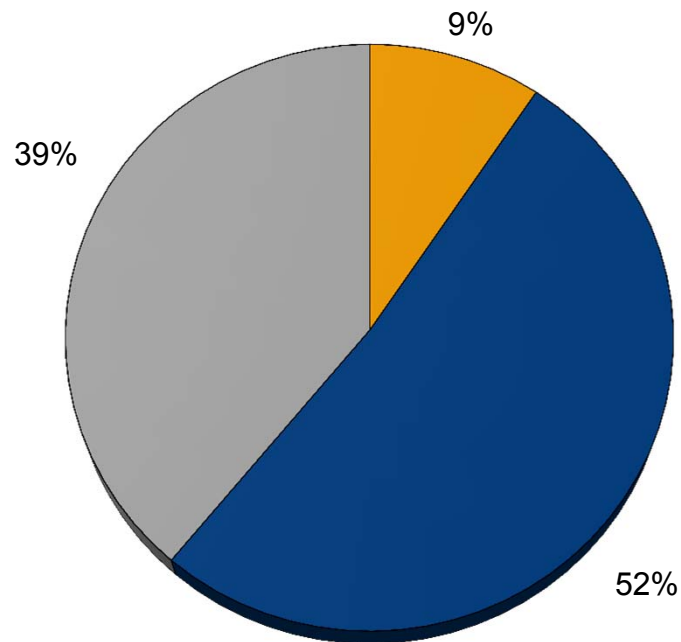
#### High precision

- Increased market share in the medical market

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## 2. Automotive Segment: Regional Markets

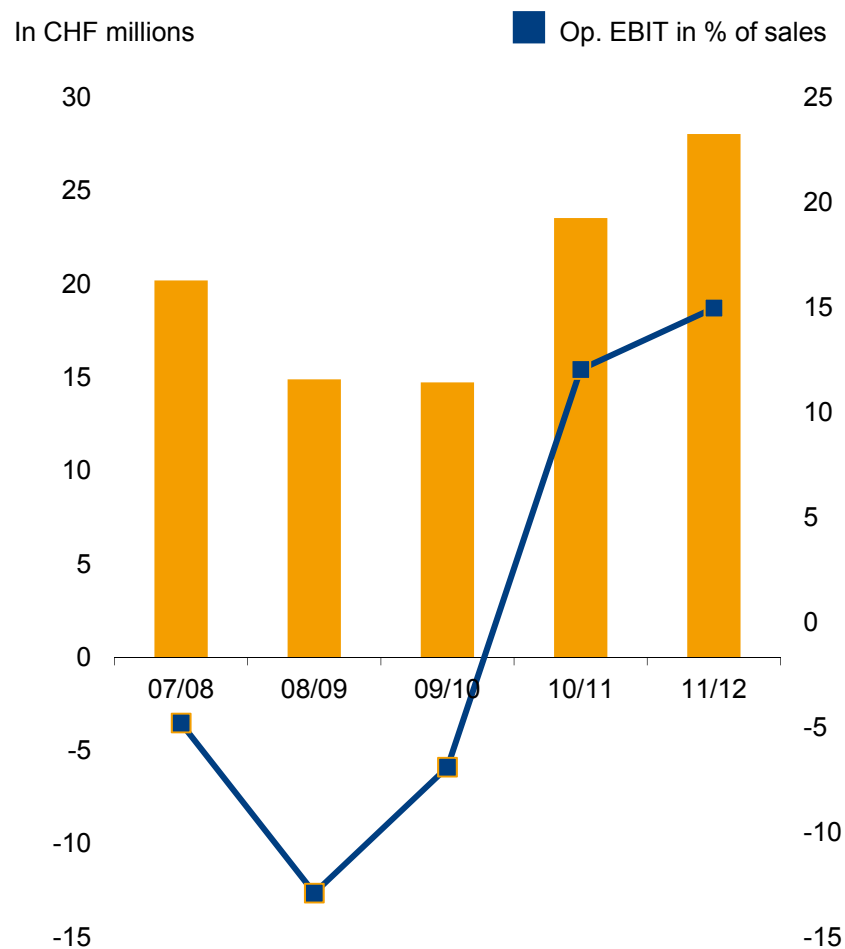
- Europe
- North America
- Asia and Rest of World



In CHF million, %	Sales	YoY	QoQ
Europe	2.7	-8.9%	39.9%
N. America	14.5	14.4%	10.6%
Asia and ROW	10.9	36.8%	21.7%
<b>Total</b>	<b>28.0</b>	<b>19.1%</b>	<b>17.5%</b>

- Global car industry performed well in 2011/12 with more focus on energy efficiency
- Increased price competition due to more “me-too” products
- Signed new contracts in all regions

## 2. Automotive Segment: Business Development



### Businesses and Applications

#### Conventional cars

- Increased sales with key customers
- Won new contracts in Asia and North America
- New start/stop application attractive addition to the product range

#### Green cars (HEV, EV)

- Positive trend due to market growth
- Growth above 50%
- Majority of all green car platforms planned or in production today equipped with LEM products

## 2. Business Development Automotive Market

New business > CHF 0.5 million	Application	In volume	Added platforms 2011/2012	Added platforms 2012/2013
USA	BM	x	Q3	Q1 + Q3
USA	BM			Q4
USA	Green Car	x	Q3	Q1
Europe	BM	x	Q3	
Europe	Green Car	x	Q4	Q2
Korea	Green Car	x	Q2	Q2 + Q4
Japan	BM			Q4
Japan	BM	x	Q2	Q2
Japan	Green Car			Q3 + Q4
China	Green Car			Q4
China	BM	x	Q2	

BM: battery management

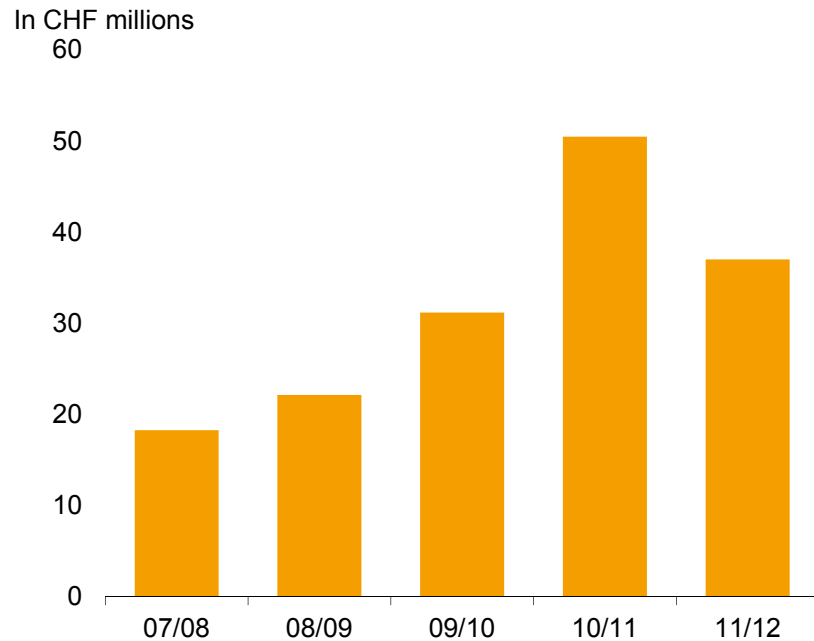
Green Car: electric vehicle + hybrid electric vehicle + fuel cells

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## 2. Business Development China

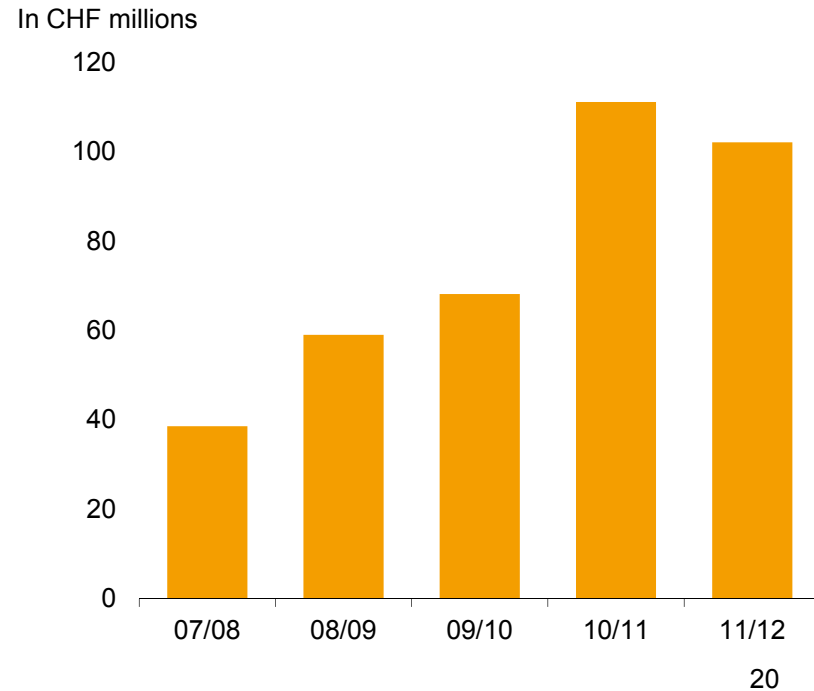
### Sales

- 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 (43.2% of total production, compared to 37.5% in 2010/11)
- “Made by LEM” quality





### 3. Financial Review

Julius Renk, CFO



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### 3. Consolidated Balance Sheet

In CHF thousands

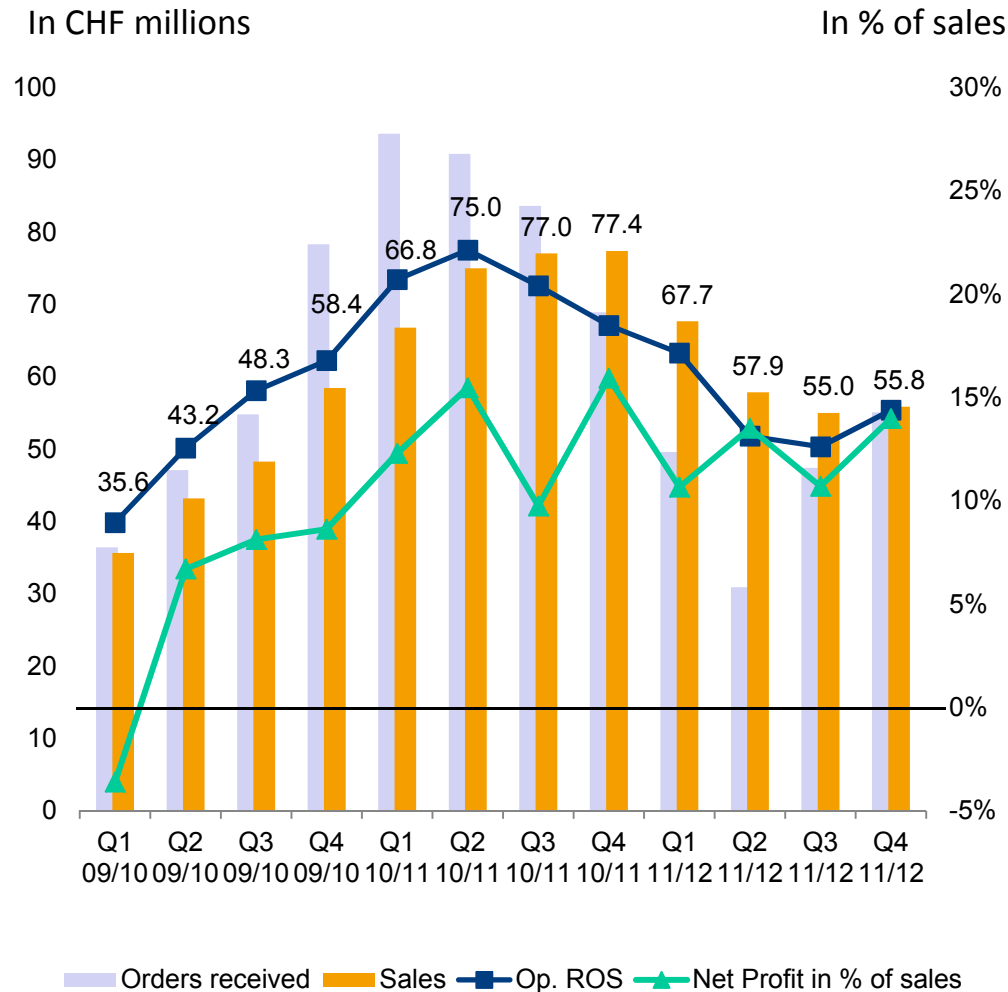
	31.3.2011	31.3.2012
Cash and cash equivalents	27'231	21'121
Accounts receivable	60'026	42'140
Inventories	34'187	26'605
Other current assets	3'027	4'965
Total non-current assets	37'508	37'683
<b>Total assets</b>	<b>161'979</b>	<b>132'514</b>
Accounts payable	29'617	17'863
Other current liabilities	28'850	29'774
Total non-current liabilities	6'599	5'316
Equity	96'913	79'561
<b>Total liability and equity</b>	<b>161'979</b>	<b>132'514</b>
■ Avg. net working capital in % sales	13.3%	12.3%
■ Inventory turns	5.0	5.3
■ Equity ratio	59.8%	60.0%
■ Net financial assets	26'613	18'121

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### 3. Income Statement

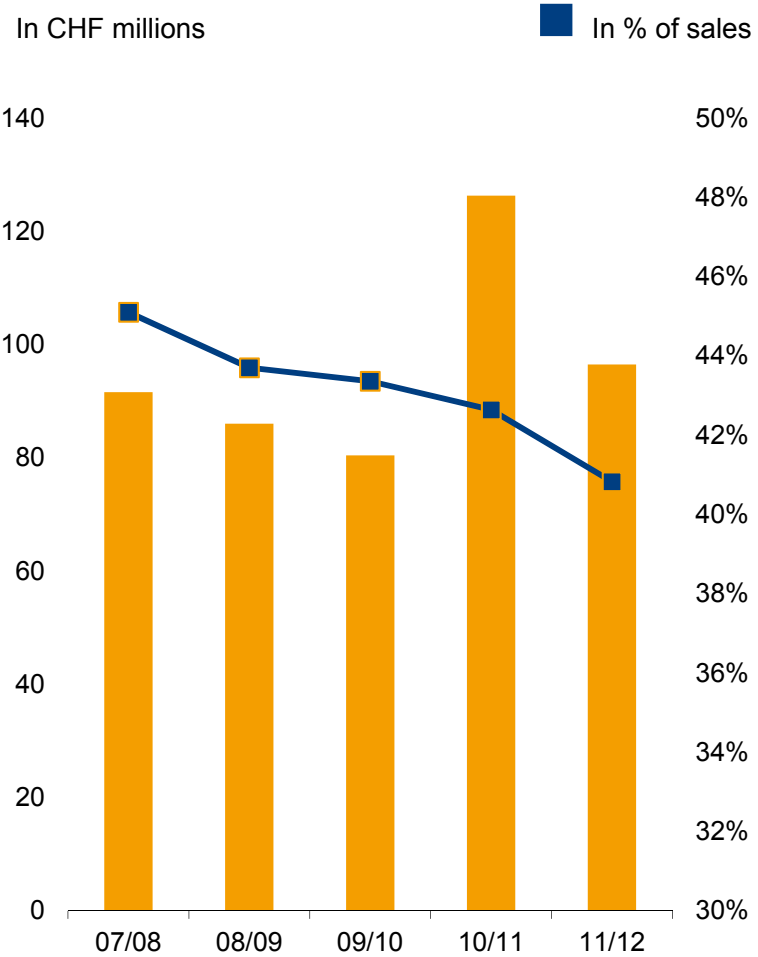
In CHF thousands,%	2010/11	2011/12	Change	Q3 2011/12	Q4 2011/12	Change
<b>Sales</b>	<b>296'203</b>	<b>236'634</b>	<b>-20.2%</b>	<b>54'980</b>	<b>55'844</b>	<b>1.6%</b>
Gross margin	42.6	40.8%	-1.8%pt	41.0%	37.0%	-4.0%pt
Operating expenses	-65'886	-62'315	-5.4%	-15'569	-12'617	-19.0%
<b>Operational EBIT</b>	<b>60'413</b>	<b>34'171</b>	<b>-43.4%</b>	<b>6'946</b>	<b>8'030</b>	<b>15.6%</b>
Additional SOP income / costs	-5'426	315	N/A	17	-322	N/A
<b>EBIT</b>	<b>54'987</b>	<b>34'486</b>	<b>-37.3%</b>	<b>6'964</b>	<b>7'709</b>	<b>10.7%</b>
Financial expense (net)	-4'622	-1'962	-57.5%	290	-1'090	N/A
Income tax	-10'722	-4'037	-62.3%	-1'603	1'189	-174.2%
<b>Net profit</b>	<b>39'643</b>	<b>28'487</b>	<b>-28.1%</b>	<b>5'651</b>	<b>7'808</b>	<b>38.2%</b>

# 3. Results by Quarter



- Orders normalizing, sales stabilizing
- Improved operating EBIT margin in Q4 of 2011/12 ; still below target range
- High net profit in % of sales, resulting from significantly decreased tax charge

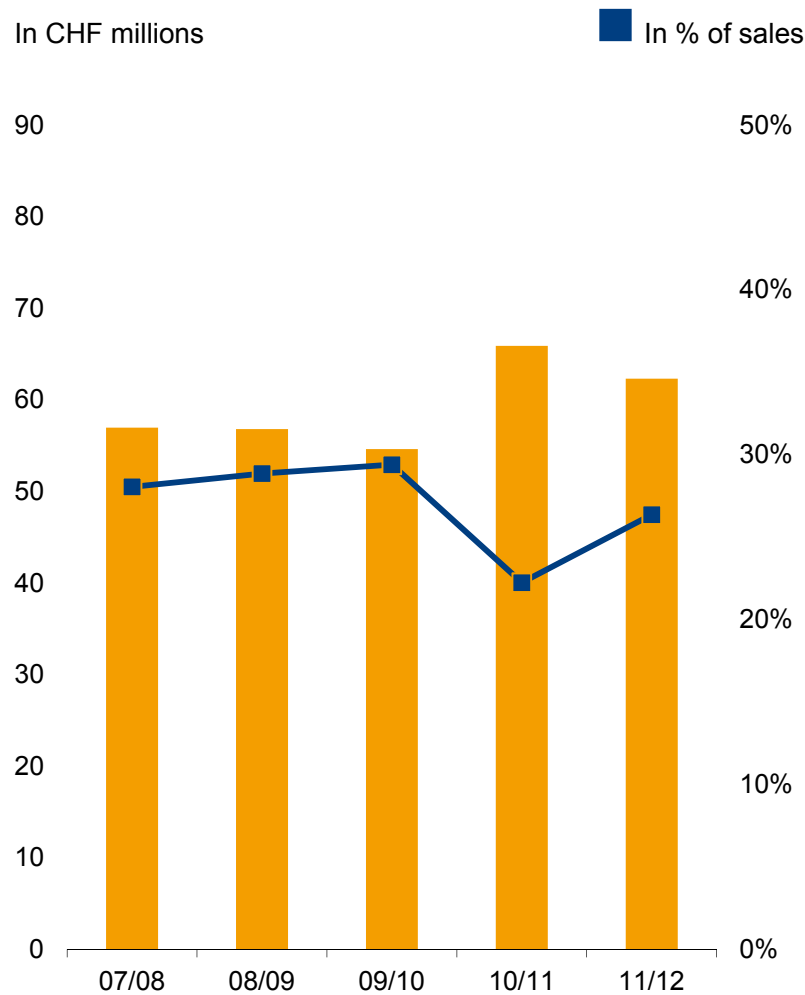
# 3. Gross Margin



	2010/11	2011/12	Q3 2011/12	Q4 2011/12
Gross margin in CHF million	126.3	96.5	22.5	20.6
Gross margin in % of sales	42.6%	40.8%	41.0%	37.0%

- Negative impacts on gross margin:
  - Foreign exchange effects
  - Increased price pressure
  - Lower absorption of fixed cost
  - Impairment of CHF 2.1 million in renewables energies production equipment in Q4 of 2011/12

# 3. Operating Expenses

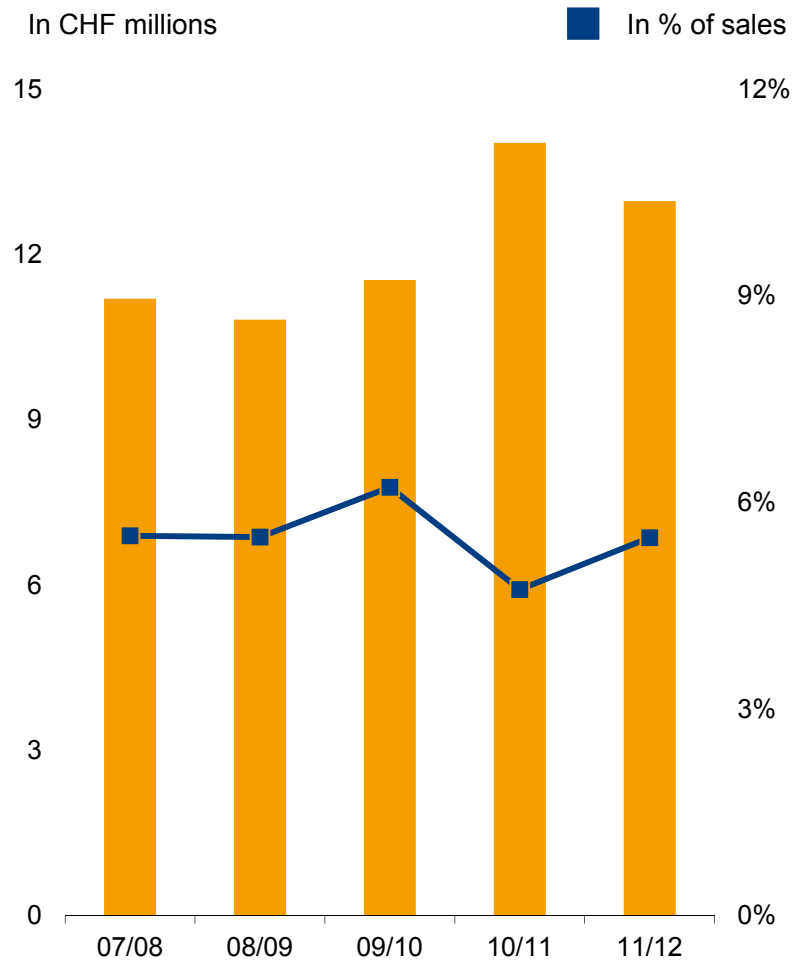


	2010/11	2011/12	Q3 2011/12	Q4 2011/12
Operating expenses in CHF million	65.9	62.3	15.6	12.6
Operating expenses in % of sales	22.2%	26.4%	28.3%	22.6%

- Restructuring cost of CHF 0.7 million in Q2 of 2011/12
- All savings targets more than achieved in Q4 of 2011/12
- Overall savings of 5.4% in 2011/12 compared to 2010/11



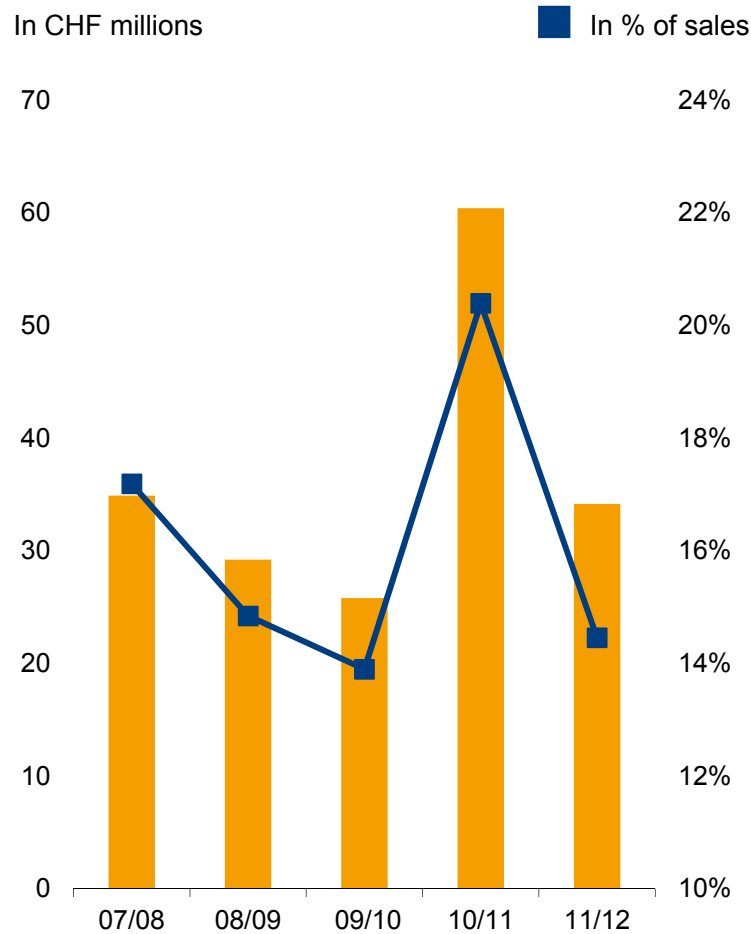
# 3. R&D Expenses



	2010/11	2011/12	Q3 2011/12	Q4 2011/12
R&D expenses in CHF million	14.0	13.0	3.4	2.6
R&D expenses in % of sales	4.7%	5.5%	6.2%	4.7%

- R&D exempt from restructuring exercise
- R&D expense within long-term average of 5.5%

# 3. Operational EBIT



	2010/11	2011/12	Q3 2011/12	Q4 2011/12
Operational EBIT in CHF million	60.4	34.2	6.9	8.0
Operational EBIT in % of sales	20.4%	14.5%	12.6%	14.4%

- Excluding additional SOP cost/income
- Exceptionally good profitability in 2010/11
- Lower sales impacted operational EBIT

### 3. Legacy SOP Programs Expired per 31.03.2012

- Additional stock option plan cost/income amounted to CHF 0.3 million, directly linked to the share price decrease from CHF 570 at 31 March 2011 to CHF 494.50 at 31 March 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

	31.3.2008	31.3.2009	31.3.2010	31.3.2011	31.3.2012
# outstanding options	70'457	66'207	40'794	4'952	0
			Closure of	SOP 5	SOP 6

### 3. Financial Expense

In CHF thousands

	2010/11	2011/12	Q3 2011/12	Q4 2011/12
Exchange effect*	-4'263	-1'704	359	-1'028
Other financial expense & income	-359	-258	-69	-62
<b>Total</b>	<b>-4'622</b>	<b>-1'962</b>	<b>290</b>	<b>-1'090</b>

- Q4 of 2011/12 exchange effect mainly driven by JPY (dividend), EUR, USD
- Foreign exchange hedging policy
  - In general: 50% of net exposure on a rolling 3-9 month basis
  - Euro: 100% of net exposure 12 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	2010/11	2011/12
EBT	50'365	32'524
Income taxes	-10'722	-4'037
<b>Effective tax rate</b>	<b>21.3%</b>	<b>12.4%</b>

- Strongly decreased tax rate from 34.9% in 2009/10 to 12.4% in 2011/12
- Expected tax rate decreased from 31.9% in 2009/10 to 17.8% in 2011/12
- Events in 2011/12:
  - Japan withholding tax reduction
  - High and New Technology Status in China

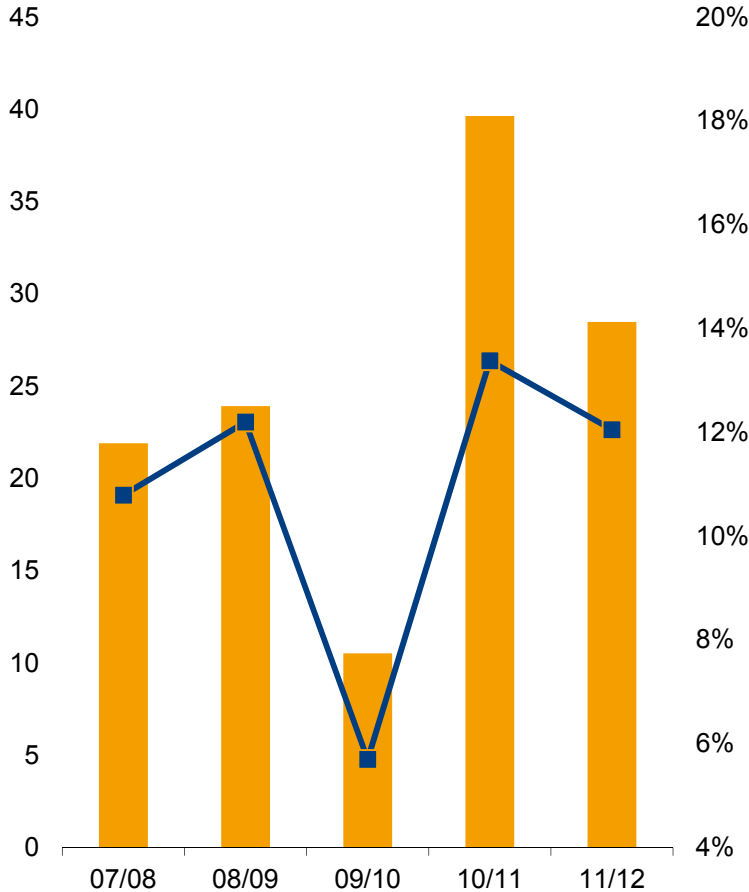
### 3. Income Taxes

	Expected tax rate	One-off items	Total tax rate
<b>2010/11 effective tax rate</b>	<b>-20.8%</b>	<b>-0.5%</b>	<b>-21.3%</b>
Japan withholding tax reduced for results covering prior years		+3.7%	+3.7%
Other adjustments in withholding tax for results covering prior years		+2.5%	+2.5%
China adjustment in prior period income tax		+0.5%	+0.5%
China adjustment in prior period deferred tax		-0.8%	-0.8%
China reduced current income tax (HNTE status)	+1.6%		+1.6%
Other expected tax rate impacts	+1.4%		+1.4%
<b>Variation</b>	<b>+3.0%</b>	<b>+5.9%</b>	<b>+8.9%</b>
<b>2011/12 effective tax rate</b>	<b>-17.8%</b>	<b>5.4%</b>	<b>-12.4%</b>

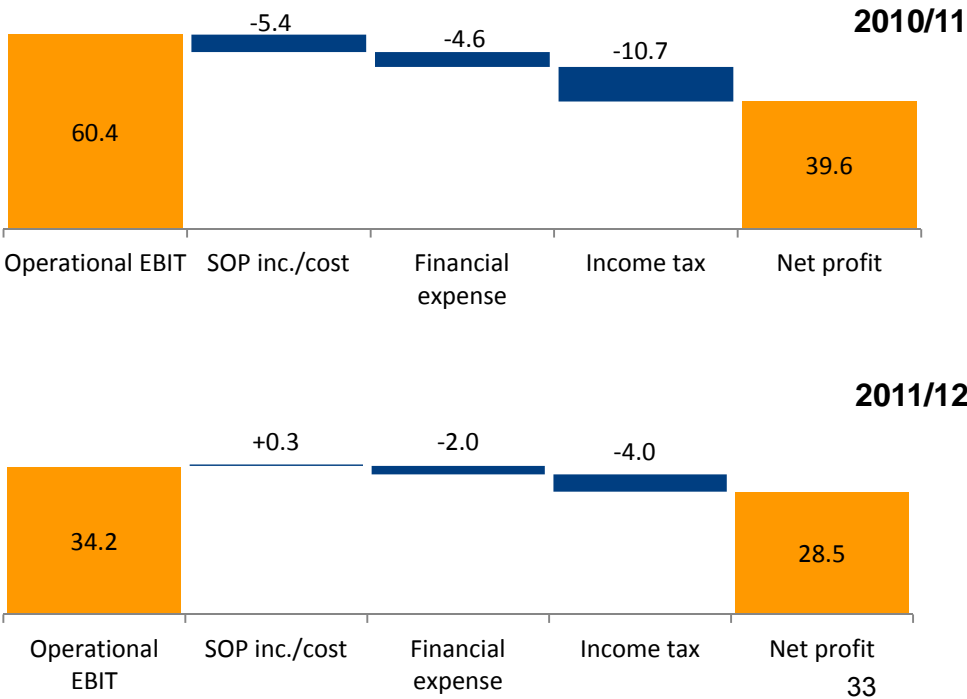
# 3. Net Profit

CHF millions

■ % of sales



	2010/11	2011/12	Q3 2011/12	Q4 2011/12
Net profit in CHF million	39.6	28.5	5.7	7.8
Net profit in % of sales	13.4%	12.1%	10.3%	14.0%



### 3. Cash Flow Statement

In CHF thousands	2010/11	2011/12
Profit before taxes	50'365	32'524
Non-cash items	1'133	2'892
Cash flow from changes in net working capital	-21'452	11'238
<b>Cash flow from operating activities</b>	<b>30'046</b>	<b>46'654</b>
Cash flow from investing activities	-9'383	-9'120
<b>Free cash flow</b>	<b>20'663</b>	<b>37'534</b>
Cash flow from financing activities	-23'209	-45'922
Change in cash and cash equivalents	-2'546	-8'388
<b>Cash and cash equivalents at the end of the period</b>	<b>26'613</b>	<b>18'121</b>



## 3. Financial Highlights in 2011/12 - Summary

### Strong balance sheet at 31 March 2012

- Total assets CHF 132.5 million (CHF 162.0 million)
- Equity ratio 60% (unchanged)
- Net financial assets CHF 18.1 million (CHF 26.6 million)

### Profitability slightly below target range

- In fiscal year 2011/12 operating expenses declined by 5.4%
- Operating EBIT margin of 14.5% for fiscal year 2011/12

### Strong cash generation

- Free cash flow CHF 37.5 million (CHF 20.7 million) for fiscal year 2011/12

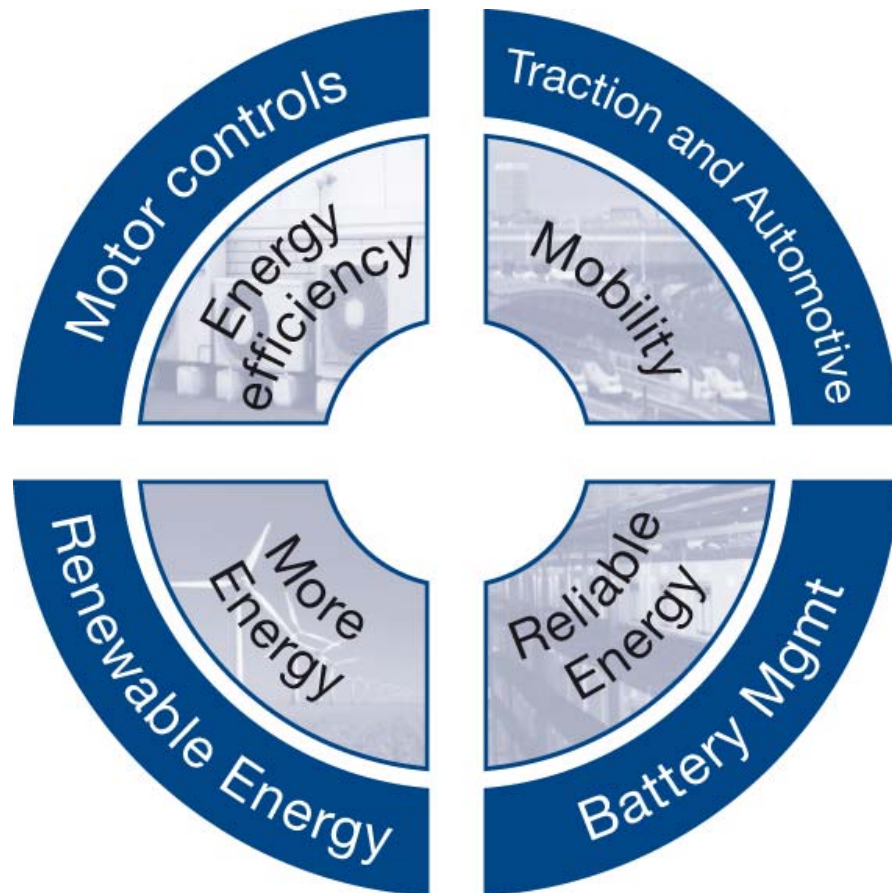
## 4. Strategy and Outlook

François Gabella, CEO



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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 Priorities to Extend Leadership Position

### **Increase technology leadership**

- Established multidisciplinary innovation team
- R&D roadmap foresees increased number of product launches
- Improve performance of products in terms of precision and functionalities
- Dedicated team of experts to manage LEM's IP

### **Increase efficiency**

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

### **Increase production flexibility**

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

## 4. Outlook

- We expect the economic climate to remain challenging and uncertainty to persist in LEM's markets
- For 2012/13 we expect:
  - progressive restart in the Industry segment
  - growth in the Automotive segment
  - increasing competitive pressure
- Our ambition is to deliver a result within the operational EBIT margin target range of 15 to 20%

## 5. Proposals Shareholders' Meeting

### Felix Bagdasarjanz, Chairman of the Board



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# 5. Proposals for the Shareholders' Meeting

## Dividend proposal

- Ordinary dividend of CHF 25 per share
- Payment corresponds to a payout ratio of 99.7%

## Organizational structure

- Transfer seat of LEM Holding SA to Fribourg
  - LEM becoming an increasingly global company with the majority of its employees outside Switzerland
  - Clarify roles between the sites providing R&D, manufacturing and support services to the Group and the Group management represented by LEM Holding
  - Established LEM Intellectual Property in Fribourg to reinforce LEM's global intellectual property strategy

# Financial Calendar and Contact Details

## Financial calendar

28 June 2012	Ordinary shareholders' meeting for the year 2011/12
4 July 2012	Dividend ex-date
9 July 2012	Dividend payment date
7 August 2012	First quarter results of 2012/13
13 November 2012	Half-year results of 2012/13
14 February 2013	Third quarter results of 2012/13
5 June 2013	Year-end results and media and analyst conference
27 June 2013	Ordinary shareholders' meeting for the year 2012/13
2 July 2013	Dividend ex-date
5 July 2013	Dividend payment date

## For further information

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