

Results

First Half Year of 2013/14

1 April 2013 to 30 September 2013

13 November 2013



Agenda

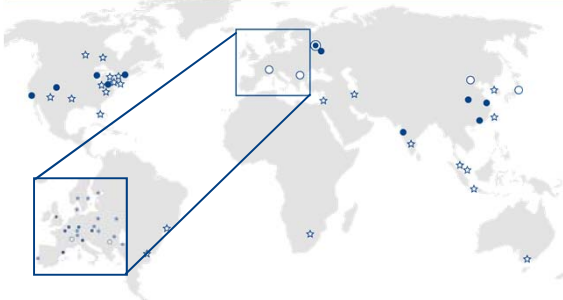
1. **LEM at a Glance**
2. Highlights and Business Review
3. Financial Review
4. Strategy and Outlook



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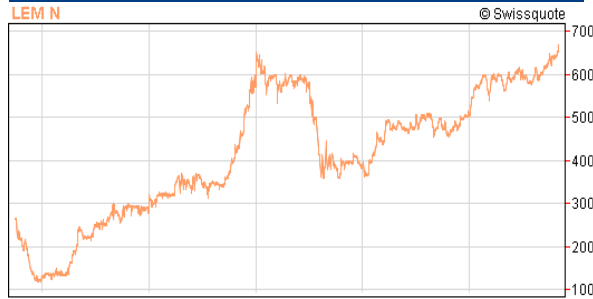
Global Market Leader in Current and Voltage Transducers

Market Position



- Global market share of 50%
- 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
- 27.2% average total shareholder return p.a. (10/2008 to 10/2013)
- Dividend yield >5% in each year since 2009

Perspectives



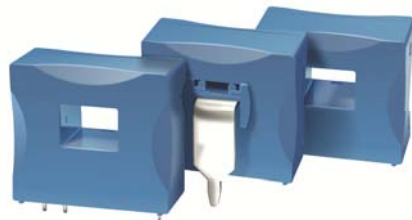
- Reinforced investment in innovation
- Solid growth perspectives due to underlying trends
- Strong foothold in China
- EBIT margin target of 15 to 20%

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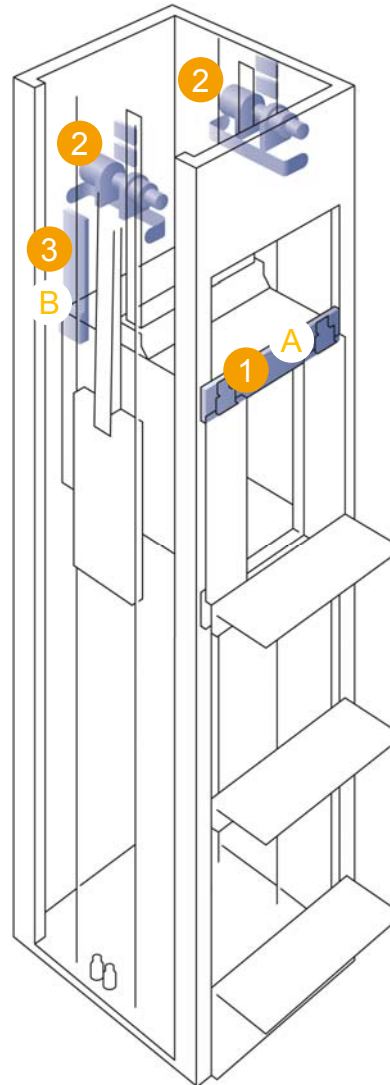
1. LEM Applications: Elevator



A LTS



B LA 150-P

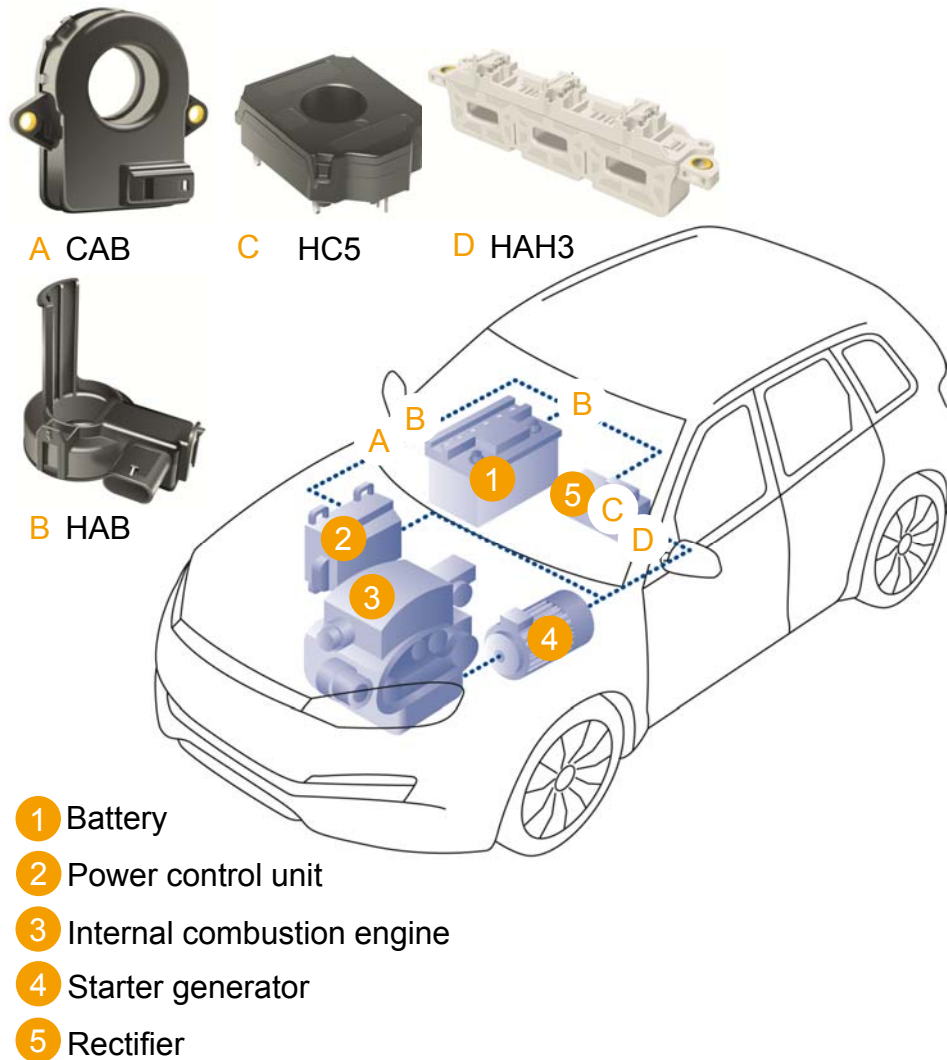


- 1 Door control unit
- 2 Motor
- 3 Controller

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



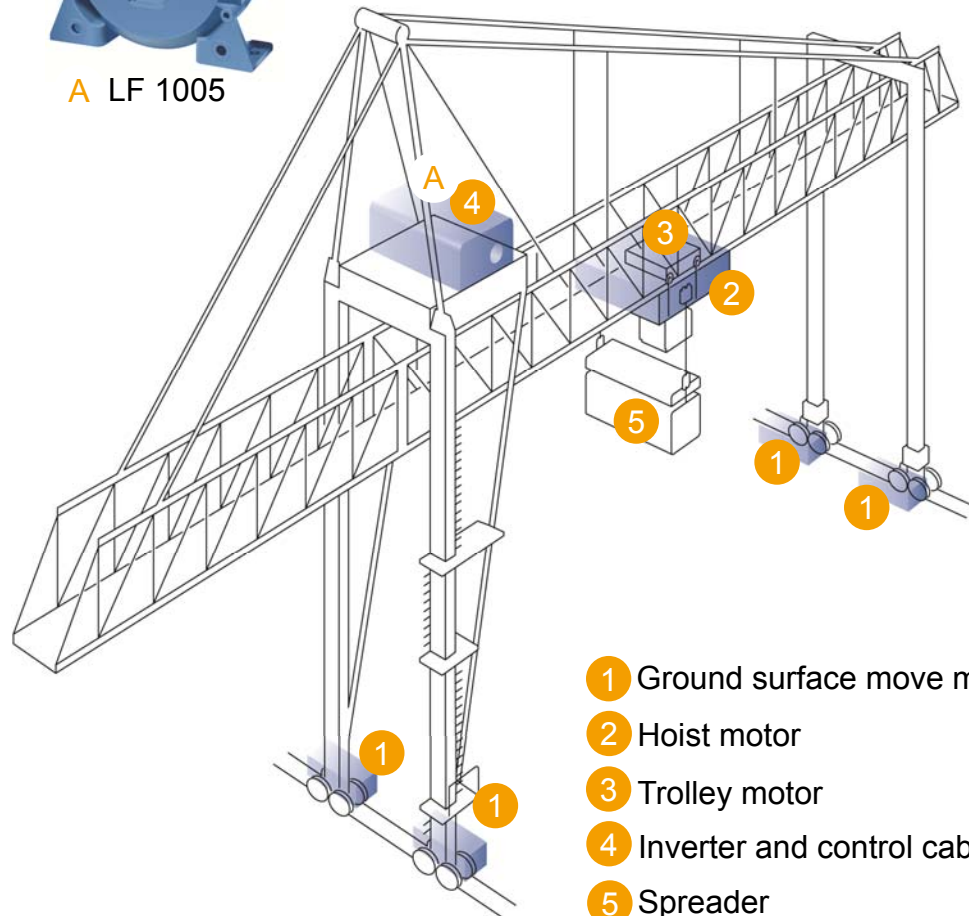
The current sensors (HAB, CAB) allow the battery management system to decide if enough energy is available in the battery to operate the accessories (such as air-conditioning, headlights, and radio) while the engine is off, and still have ample charge left to restart the engine.

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

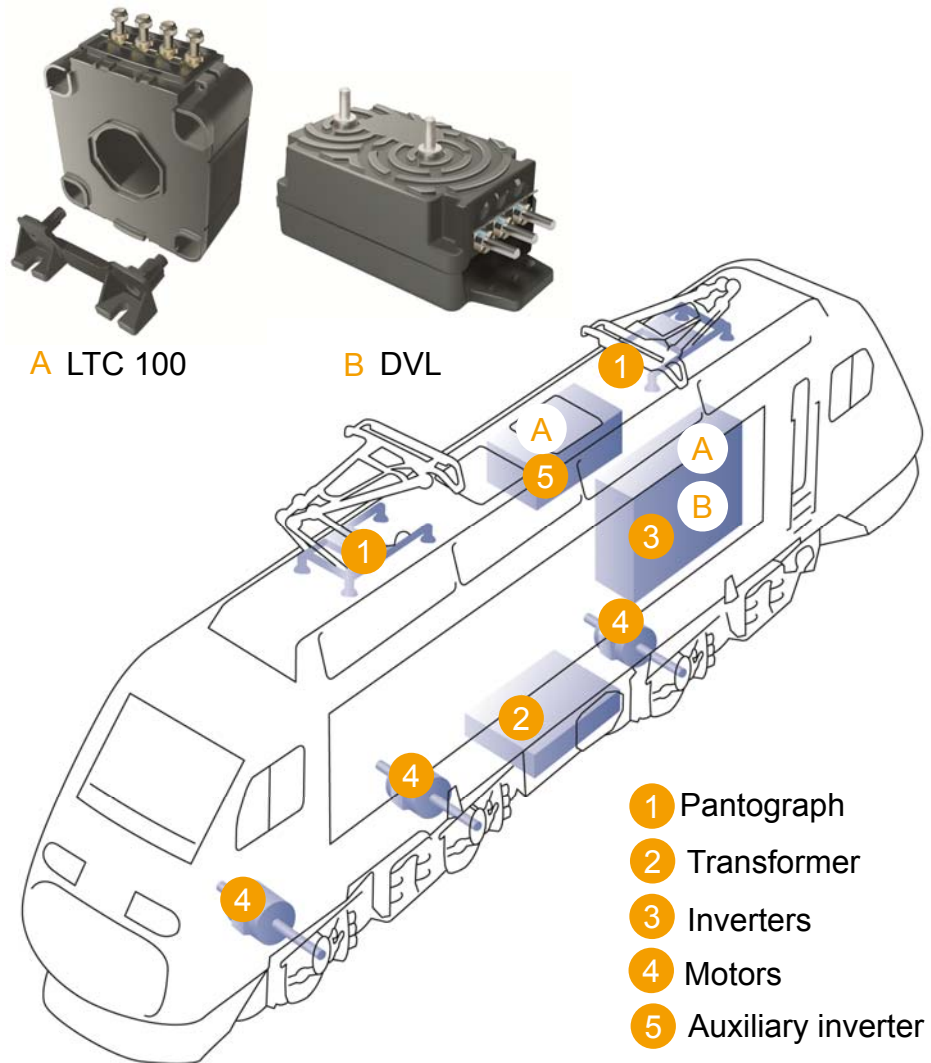


- 1 Ground surface move motors
- 2 Hoist motor
- 3 Trolley motor
- 4 Inverter and control cabinet
- 5 Spreader

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.

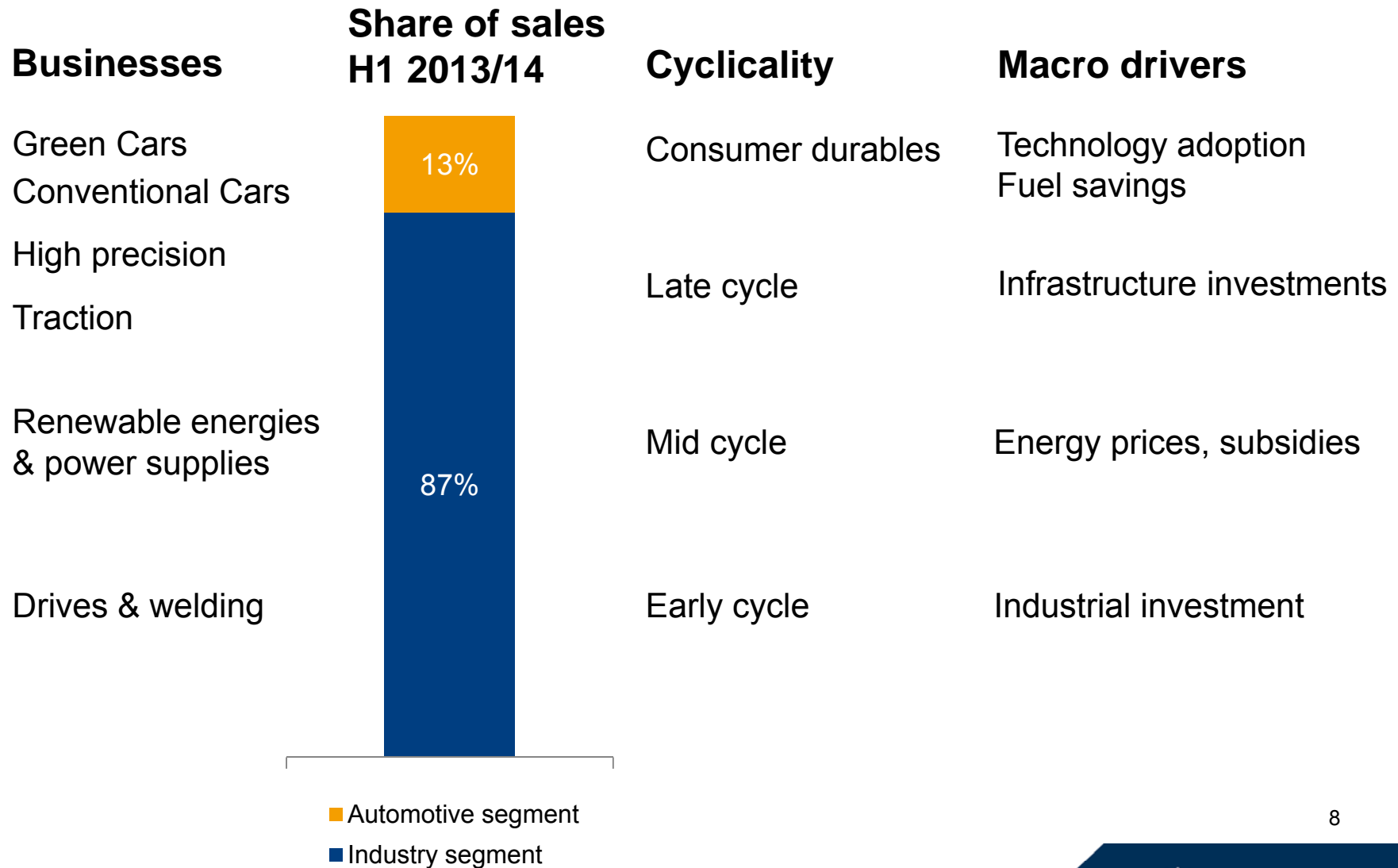
1. LEM Applications: Locomotive



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



Agenda

1. LEM at a Glance
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2. Highlights H1 2013/14

In CHF million, %	H1 2013/14	H1 2013/14 vs. H1 2012/13*	Q2 vs. Q1 2013/14
Orders	124.3	+3.2%	-8.9%
Sales	126.9	+2.2%	+5.3%
EBIT	30.2	+27.4%	+27.9%
Net profit	24.5	+20.2%	+51.2%

- Increased efficiency resulted in improved operating margins to record levels
- Industry businesses with strong growth in China
- Slow recovery in green cars business
- Economic uncertainty remained key challenge

2. Product Launches H1 2013/14

ITL 1200-T



- Extended current range from 900 to 1200 A
- High accurate Fluxgate closed loop technology
- Accuracy is expressed in ppm
- Designed for latest versions of MRI



Industry

RT 500



- Rogowski coil measurement technology
- Split-core current sensor for easy installation
- High accuracy regardless the position of the primary conductor by eliminating coil-clasp discontinuity
- High immunity against surrounding perturbations



Industry

TOP 90-S

confidential

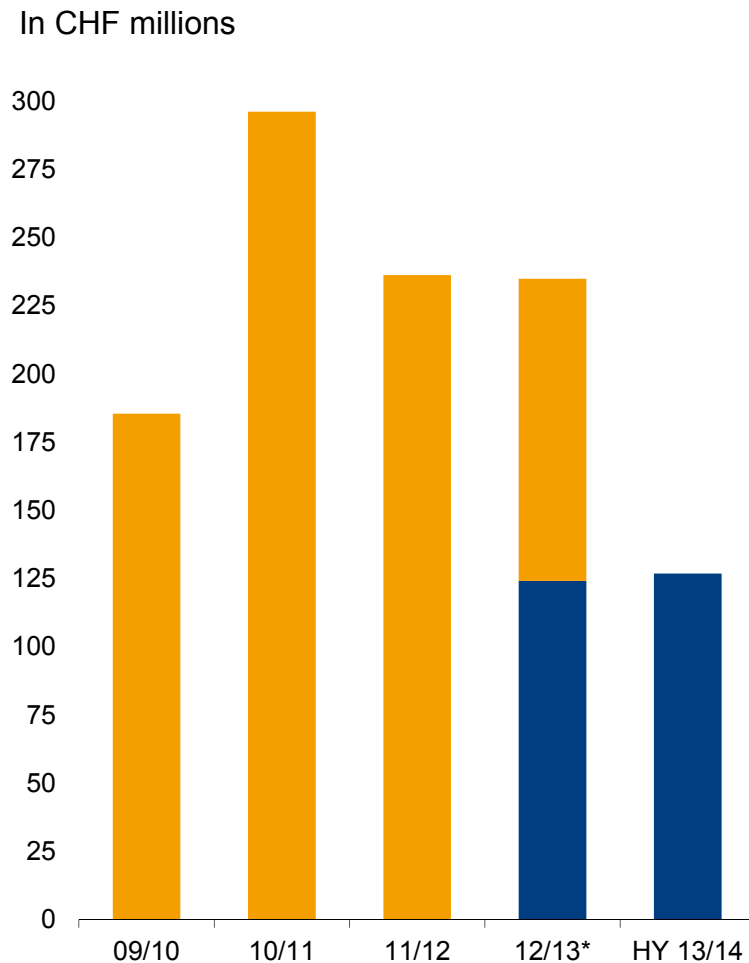
- Split-core current sensor for easy mounting
- Cost effective solution for AC non-contact isolated current measurement
- Ideal tool for use with power meters, energy sub-metering in industrial applications



Industry

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2. Net Sales

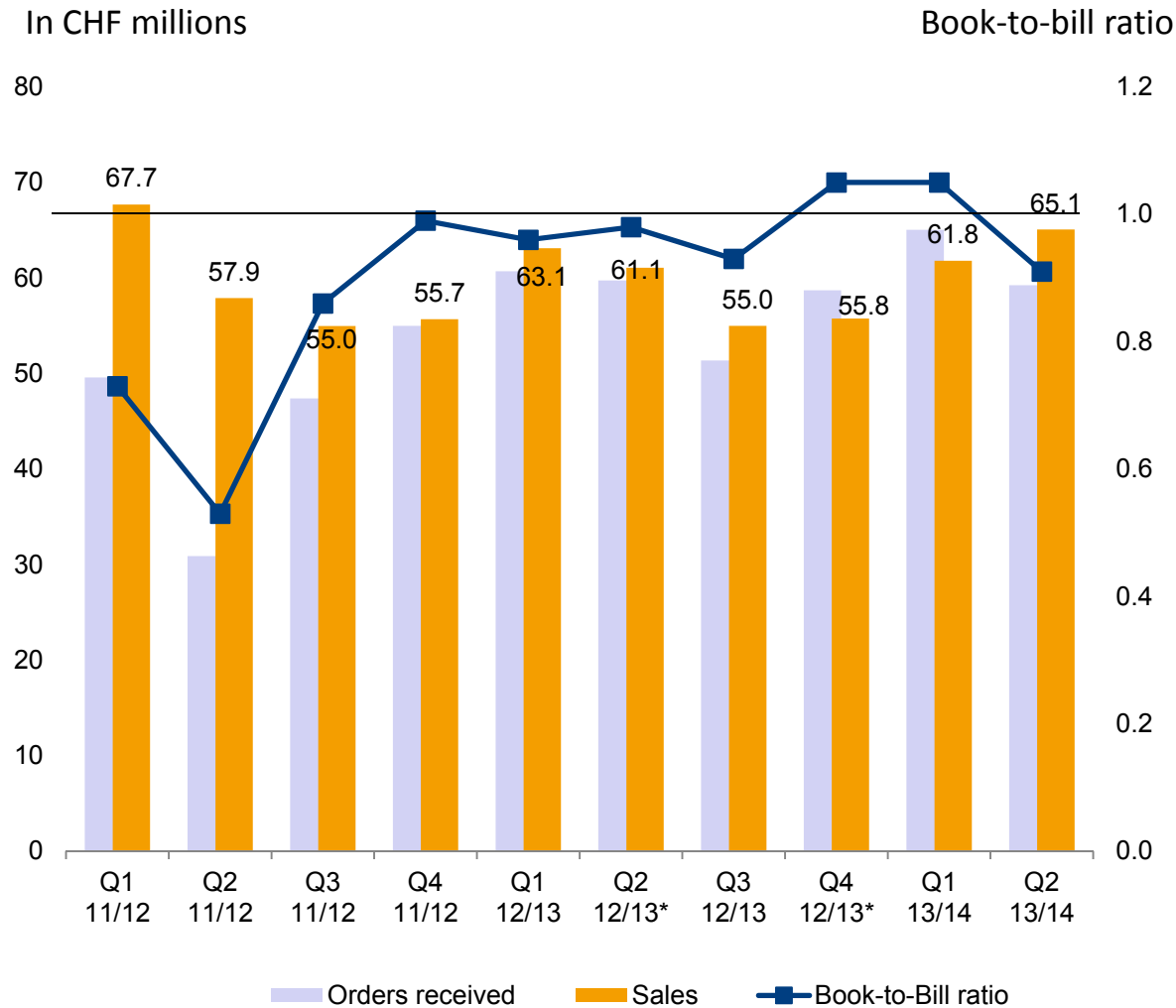


In CHF millions, %	Sales	H1 vs. H1		Q2 vs. Q1
		as reported	at constant currencies	
Industry	109.8	+3.6%	+5.2%	+5.3%
Automotive	17.1	-6.1%	-3.3%	+5.5%
Total sales	126.9	+2.2%	+4.0%	+5.3%

- Sales growth in most Industry businesses
- Increasing activity in green cars business in Q2 of 2013/14, but still below previous year

* Restatement following IAS 19R application (pensions)

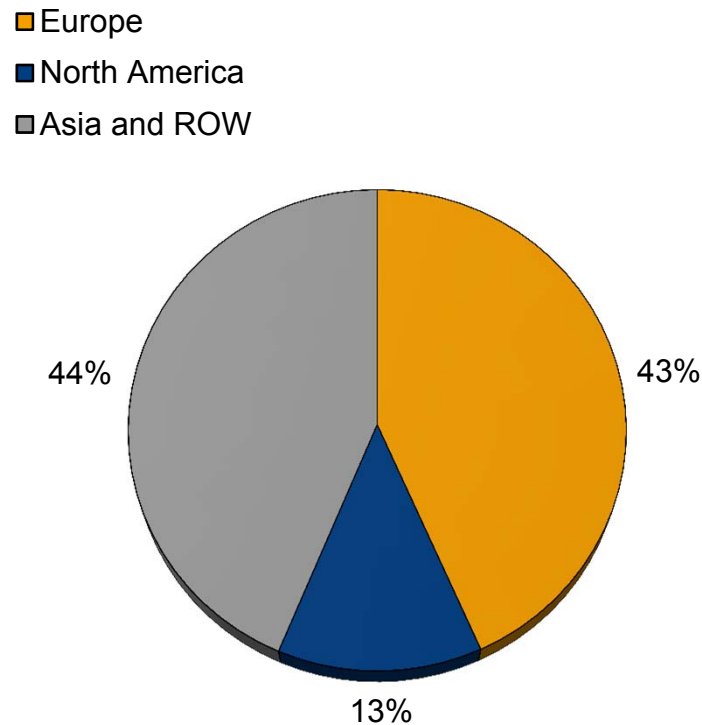
2. Quarterly View



- Book-to-bill ratio pointing to a slowing activity
- Lead times requested by customers remain very short

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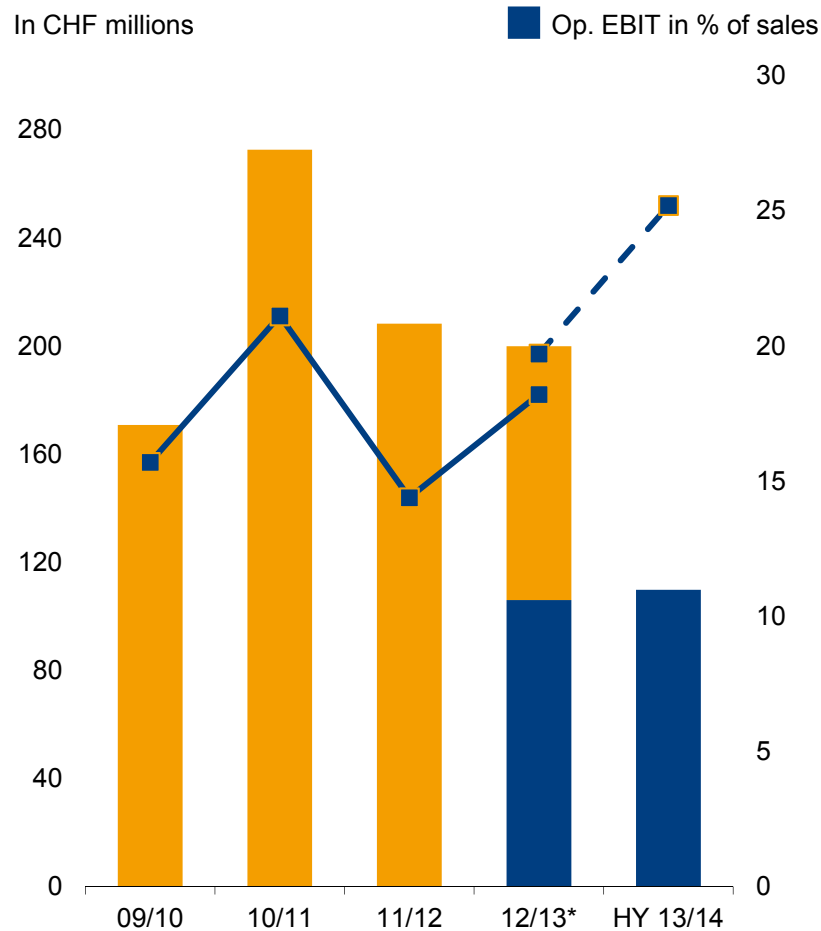
2. Industry Segment: Regional Markets



In CHF million, %	Sales	H1 vs. H1	Q2 vs. Q1
Europe	47.6	-5.5%	+4.0%
N. America	14.3	-4.5%	-7.9%
Asia and ROW	47.9	+17.8%	+10.9%
Total	109.8	+3.6%	+5.3%

- Double digit growth in Asia
- China remains #1 industry market
- Weak businesses in Europe and North America

2. Industry Segment: Business Development



* Restatement following IAS 19R application (pensions)

Businesses and Applications

Drives & welding (growth H1 vs. H1: +9%)

- Strong market growth in China
- Won market share in certain applications

Renewable energies & power supplies (+1%)

- Strong performance of solar applications in Asia
- Increasing activity in off-shore wind parks in China, India and Europe

Traction (-7%)

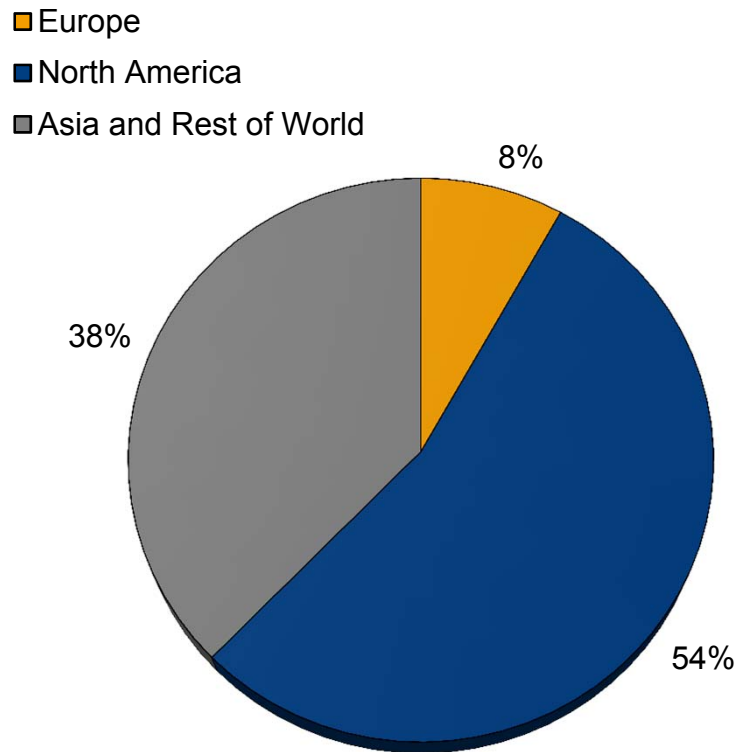
- New orders for energy meter (EM4TII)
- Restrained investments in rail infrastructure

High-precision (+14%)

- New medical projects in Europe and North America
- New HVDC projects in China

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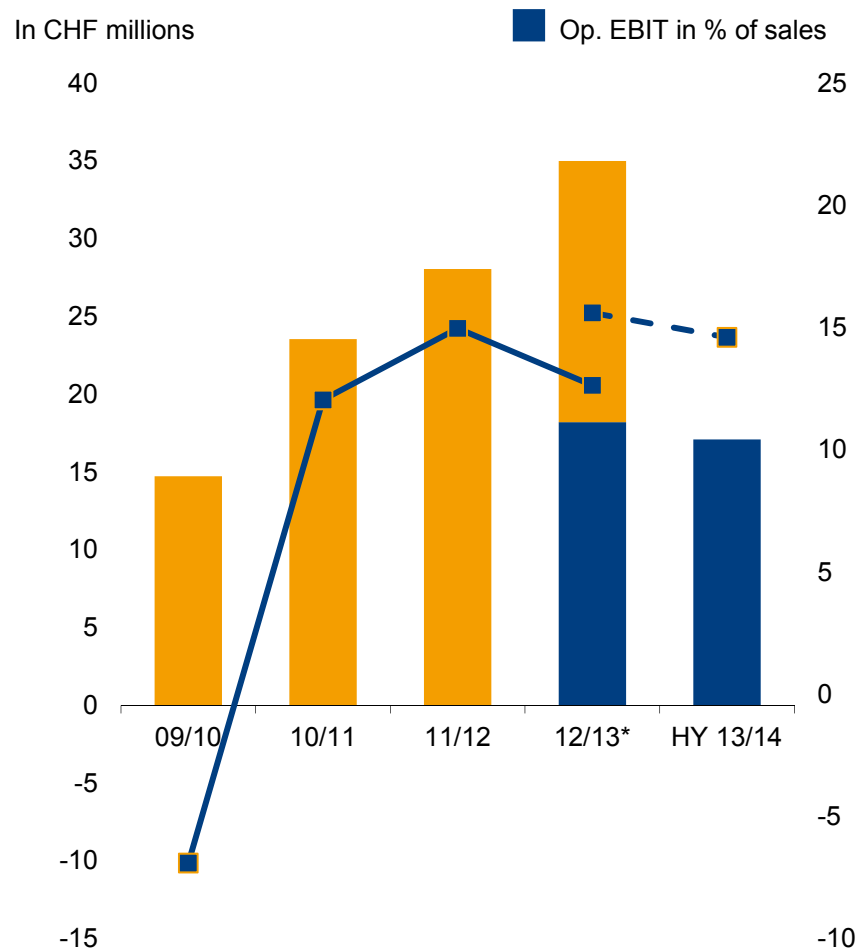
2. Automotive Segment: Regional Markets



In CHF million, %	Sales	H1 vs. H1	Q2 vs. Q1
Europe	1.4	-2.1%	+53.8%
N. America	9.3	+1.6%	-0.4%
Asia and ROW	6.4	-16.0%	+5.8%
Total	17.1	-6.1%	+5.5%

- Conventional cars business driving performance
- Focus on Asian and North American markets
- Pick-up of green cars sales in Q2 of 2013/14

2. Automotive Segment: Business Development



Businesses and Applications

Conventional cars (growth H1 vs. H1: +3%)

- Growth in battery management application
- Ramp-up of LEM's new start-stop-application faster than expected

Green cars (HEV, EV) (-35%)

- Market burdened by high vehicle prices
- Limited success of electrical cars
- Increasing sales of new CAB (measures state of the battery)

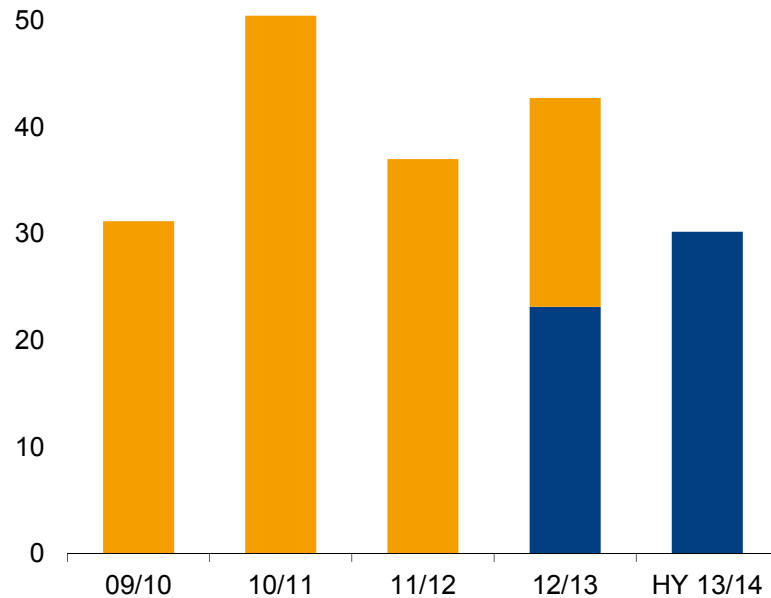
* Restatement following IAS 19R application (pensions)

2. Business Development China

Sales

- Market share of over 50%
- Market share increase in some drives & welding applications
- Biggest market with 24% of total sales

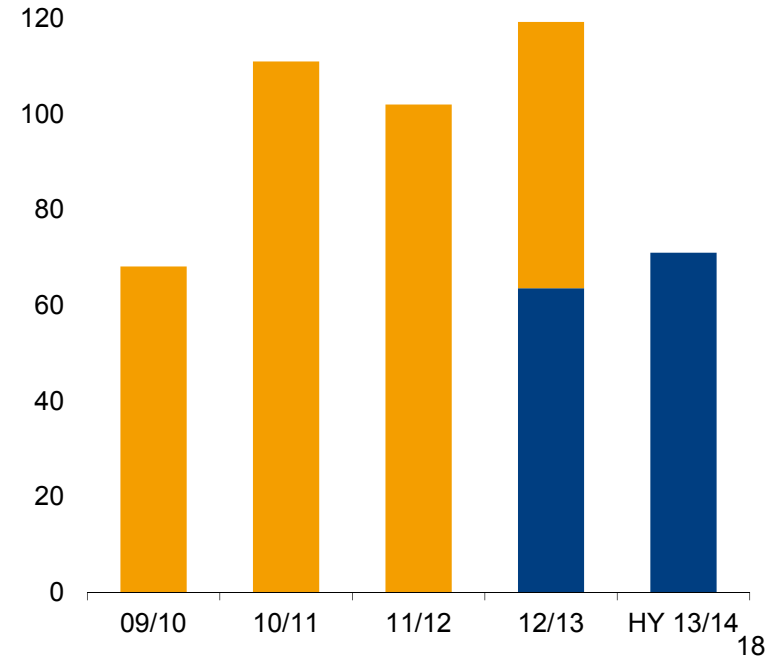
In CHF millions



Production

- LEM China expands its #1 position as largest manufacturing site of the Group (56% 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)

- 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
- Project on plan
 - Investment of CHF 2 million into new site
 - Production started early October 2013, first products delivered to customers



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3. Financial Highlights

- Strong balance sheet
 - Dividend payment of CHF 34.2 million to shareholders in July 2013
 - Equity at CHF 72.1 million, equity ratio 57% (62% per 31.3.2013)
- Improved profitability
 - Gross margin of 46.5% (42.9%)
 - SG&A down to 22.7% of sales (23.8%)
 - EBIT margin of 23.8% (19.1%)
 - Net profit CHF 24.5 million (CHF 20.4 million)
- Strong cash generation
 - Free cash flow CHF 10.9 million (CHF 15.6 million)
- First-time application of IAS 19R (pensions)
 - Reduction of equity by CHF 3.3 million

3. Consolidated Balance Sheet

In CHF millions	30.09.2013	31.03.2013*
Cash and cash equivalents	12.8	27.6
Accounts receivable	47.7	43.1
Inventories	26.4	23.6
Income tax receivable	0.6	1.3
Other current assets	2.7	3.3
Total non-current assets	35.5	36.8
Total assets	125.8	135.6
Accounts payable	16.5	16.8
Other current liabilities	33.4	31.3
Total non-current liabilities	3.8	3.5
Equity	72.1	84.0
Total liability and equity	125.8	135.6
■ Avg. net working capital in % sales	14.4%	9.9%
■ Inventory turns	5.2	5.8
■ Equity ratio	57.3%	62.0%
■ Net cash (CHF millions)	3.8	27.6

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* Restatement following IAS 19R application (pensions)

3. Income Statement

In CHF millions

	H1 2012/13*	H1 2013/14	Change	Q1 2013/14	Q2 2013/14	Change
Sales	124.2	126.9	+2.1%	61.8	65.1	+5.3%
Gross margin	42.9%	46.5%	3.6pt	45.4%	47.5%	+2.1pt
Operating Cost	-29.5	-28.7	-2.7%	-14.8	-13.9	-5.8%
EBIT	23.7	30.2	+27.4%	13.3	17.0	+27.9%
Financial expense (net)	0.7	-0.7	N/A	-1.4	0.6	N/A
Income tax	-4.0	-4.9	+23.2%	-2.1	-2.8	+31.7%
Net profit	20.4	24.5	+20.2%	9.8	14.8	+51.2%

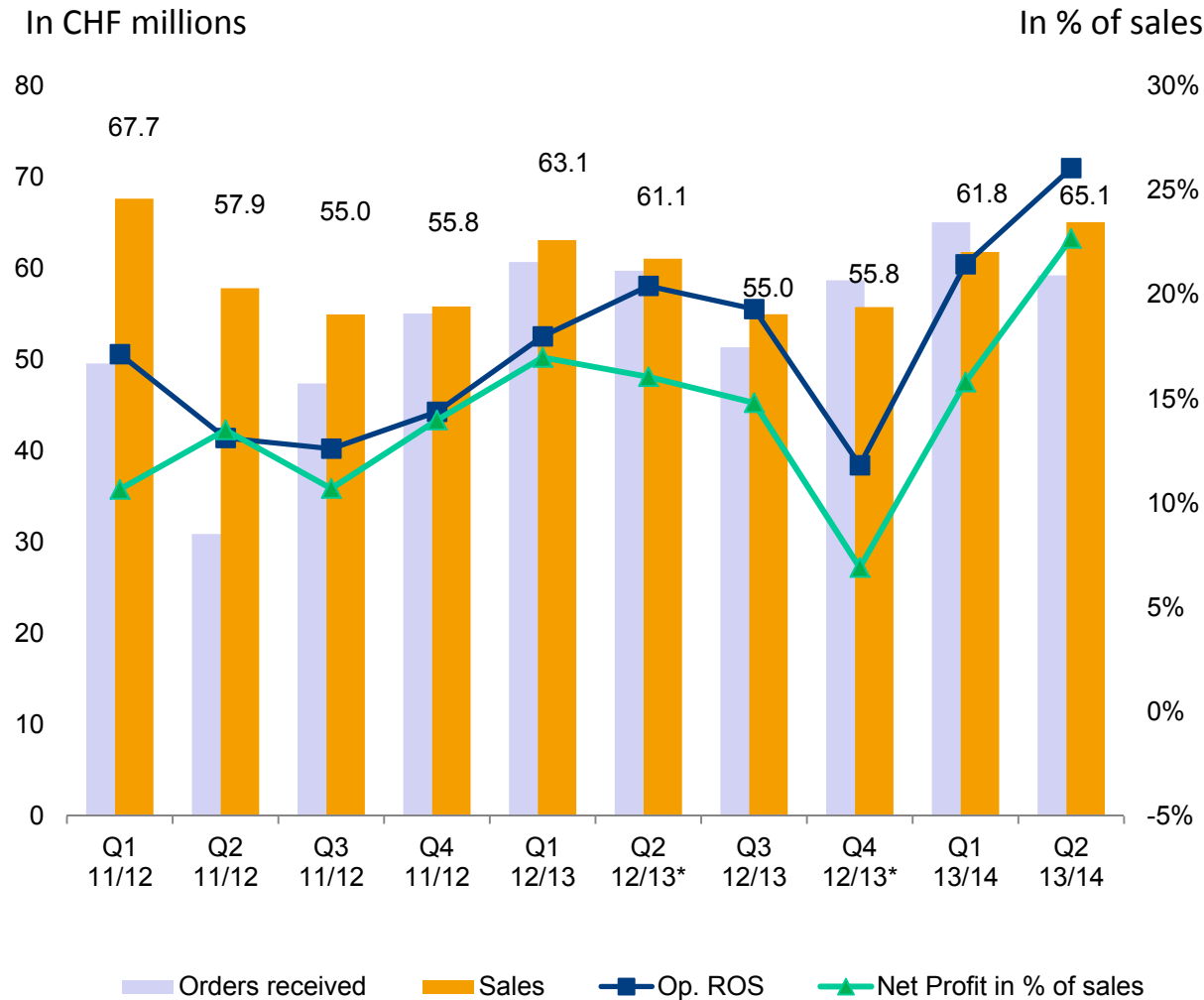
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* Restatement following IAS 19R application (pensions)

At the heart of power electronics



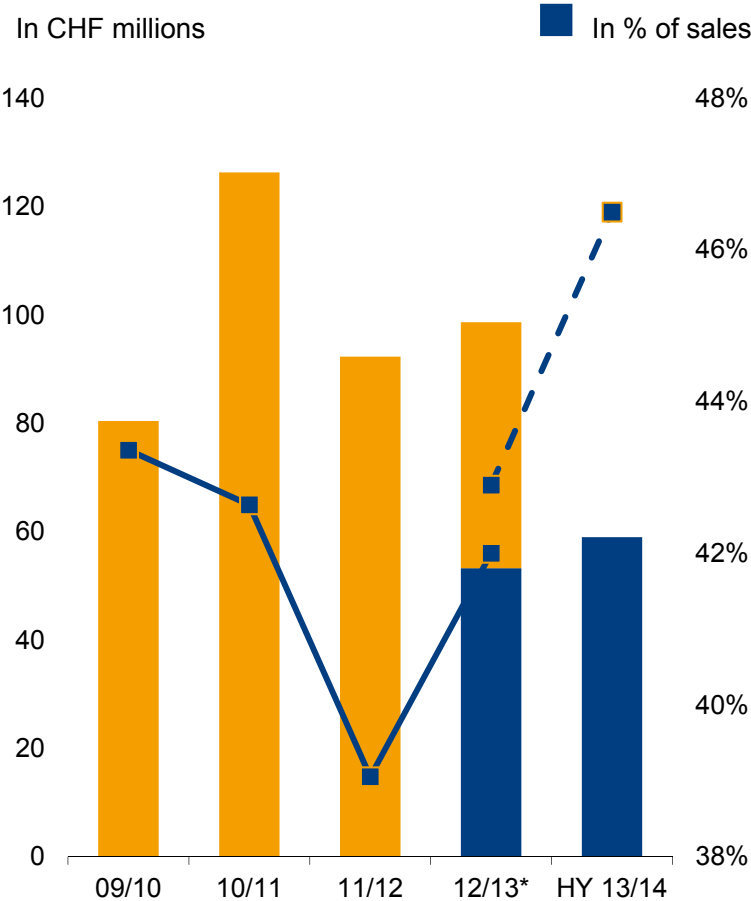
3. Results by Quarter



- Positive volume leverage effect on margins in H1 of 2013/14
- Positive FX impact on EBIT in H1 of 2013/14
- Q4 of 2012/13 includes a restructuring charge of CHF 1.9 million

* Restatement following IAS 19R application (pensions)

3. Gross Margin

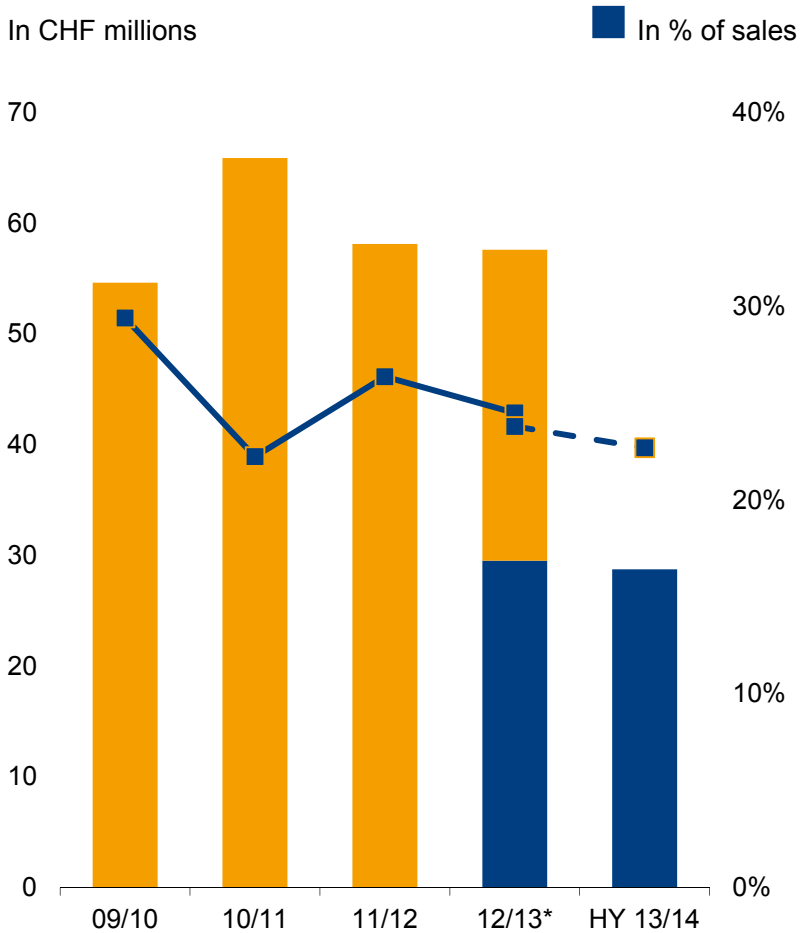


	H1 2012/13*	H1 2013/14	Q1 2013/14	Q2 2013/14
Gross margin in CHF million	53.3	58.9	28.1	30.9
Gross margin in % of sales	42.9%	46.5%	45.4%	47.5%

- 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



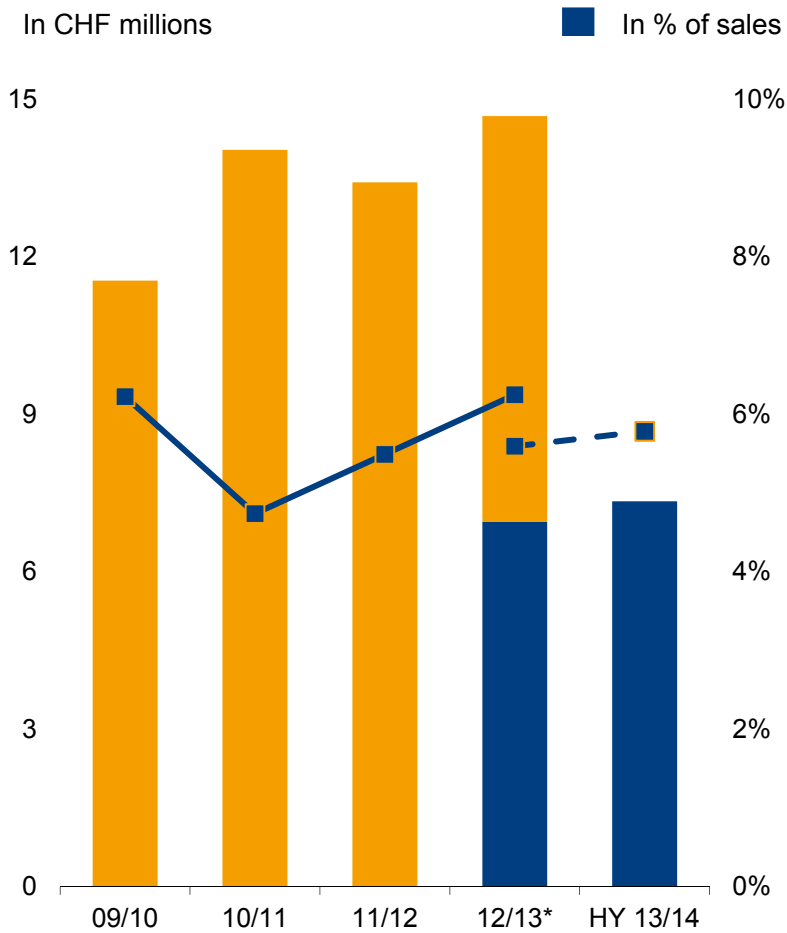
	H1 2012/13*	H1 2013/14	Q1 2013/14	Q2 2013/14
Operating expense in CHF million	29.5	28.7	14.8	13.9
Operating expense in % of sales	23.8%	22.7%	23.9%	21.4%

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

* Restatement following IAS 19R application (pensions)



3. R&D Expense

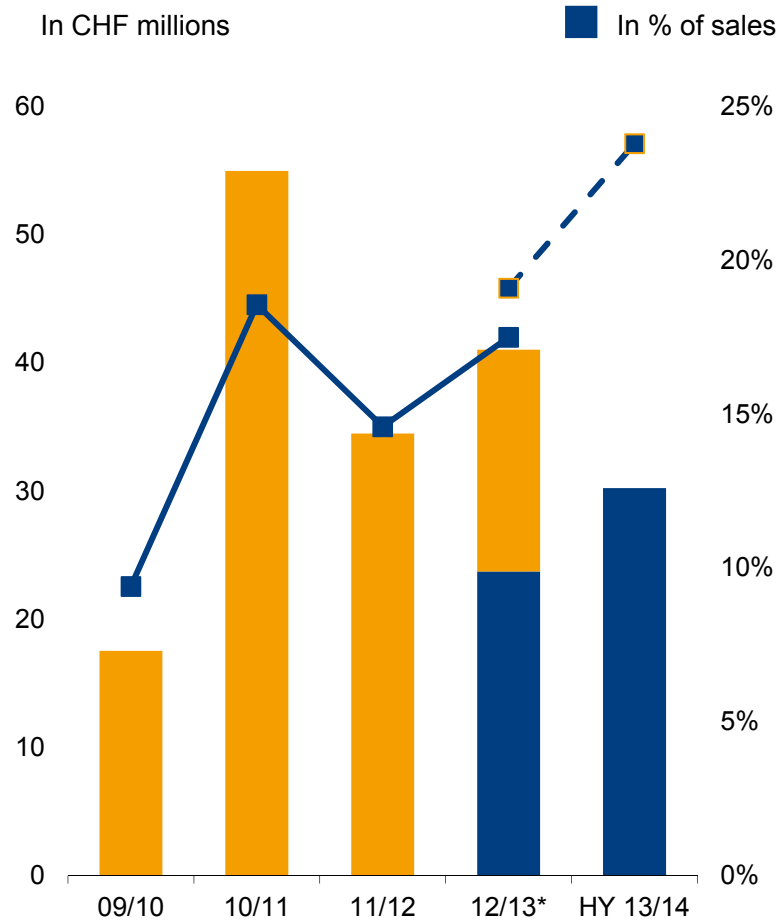


* Restatement following IAS 19R application (pensions)

	H1 2012/13*	H1 2013/14	Q1 2013/14	Q2 2013/14
R&D expense in CHF million	6.9	7.3	3.9	3.4
R&D expense in % of sales	5.6%	5.8%	6.3%	5.3%

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

3. EBIT



* Restatement following IAS 19R application (pensions)

	H1 2012/13*	H1 2013/14	Q1 2013/14	Q2 2013/14
EBIT in CHF million	23.7	30.2	13.3	17.0
EBIT in % of sales	19.1%	23.8%	21.5%	26.1%

- Profitability above target range of 15 to 20%
- Resulting from strong sales and tight cost control

3. Financial Expense

In CHF millions

	H1 2012/13*	H1 2013/14	Q1 2013/14	Q2 2013/14
Exchange effect**	0.7	-0.7	-1.4	0.7
Other financial expense & income	-0.0	-0.0	0.0	-0.0
Total	0.7	-0.7	-1.4	0.6

- H1 2013/14 exchange effect mainly driven by appreciation of CHF vs. EUR, USD and JPY
- Foreign exchange hedging policy
 - EUR: 100% of net exposure 18 months forward
 - USD: 50-100% of net exposure 6-18 months forward

* Restatement following IAS 19R application (pensions)

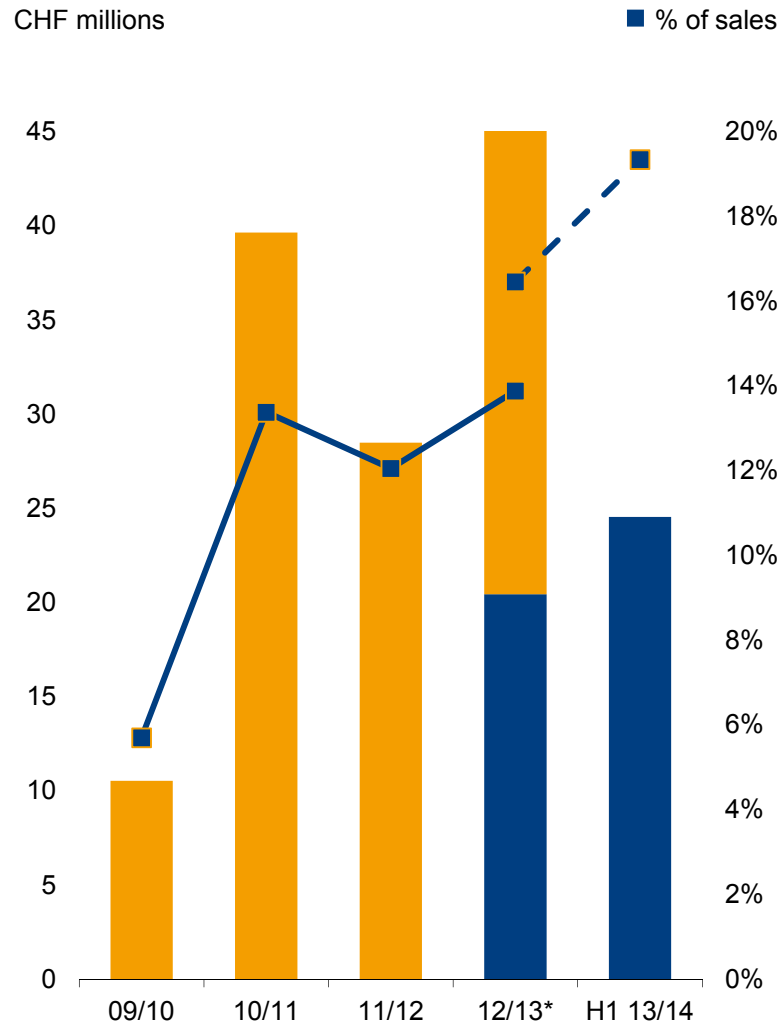
** The line “exchange effect” in the financial result is mainly due to currency volatility during the time between booking and settling a receivable/payable. Over and above this line, foreign exchange rates impact every P&L line through the rate at which each transaction is booked and at which it is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

3. Income Taxes

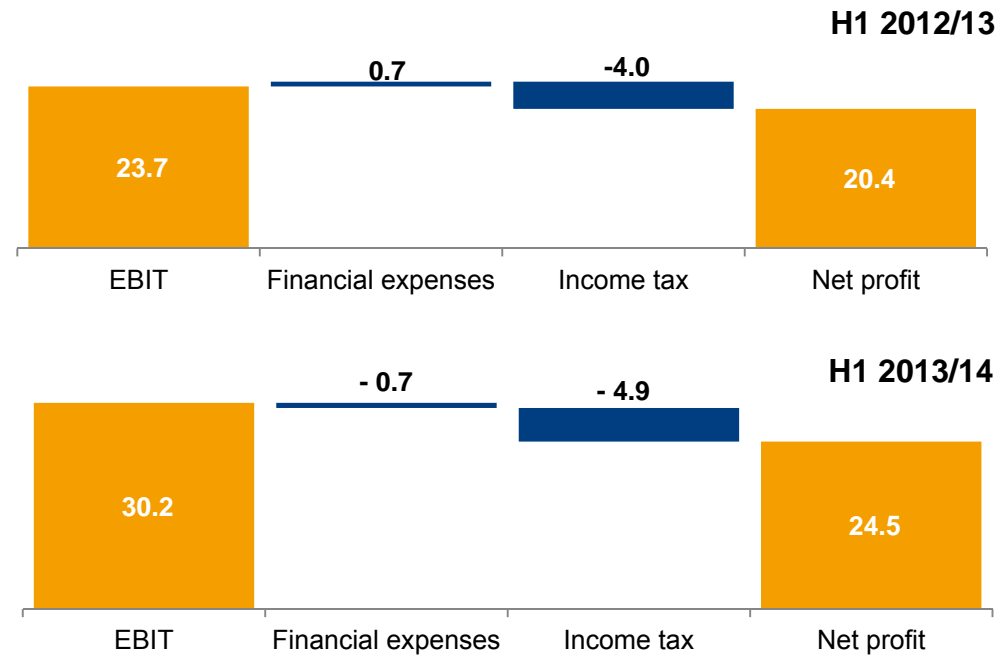
	H1 2012/13*	H1 2013/14
Expected income tax rate	13.8%	14.1%
Expected withholding tax rate	2.6%	2.2%
Expected tax rate	16.4%	16.3%
Adjustment in respect of previous period's income tax	0.0%	0.4%
Effective tax rate	16.4%	16.7%

* Restatement following IAS 19R application (pensions)

3. Net Profit



	H1 2012/13*	H1 2013/14	Q1 2013/14	Q2 2013/14
Net profit in CHF million	20.4	24.5	9.8	14.8
Net profit in % of sales	16.4%	19.3%	15.8%	22.7%



* Restatement following IAS 19R application (pensions)

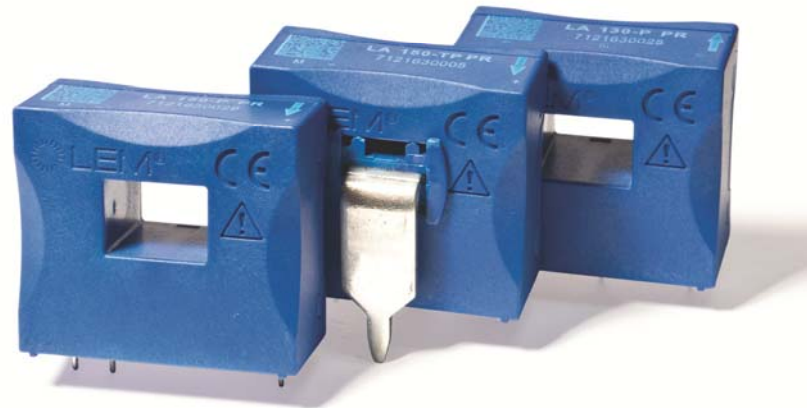
3. Cash Flow Statement

In CHF millions	H1 2012/13*	H1 2013/14
Profit before taxes	24.4	29.5
Non-cash items	0.2	-5.4
Cash flow from changes in net working capital	-1.6	-8.6
Cash flow from operating activities	23.0	15.5
Cash flow from investing activities	-7.4	-4.6
Free cash flow	15.6	10.9
Cash flow from financing activities	-25.1	-25.3
Change in cash and cash equivalents	-9.5	-14.3
Cash and cash equivalents at the end of the period	12.4	12.8

* Restatement following IAS 19R application (pensions)

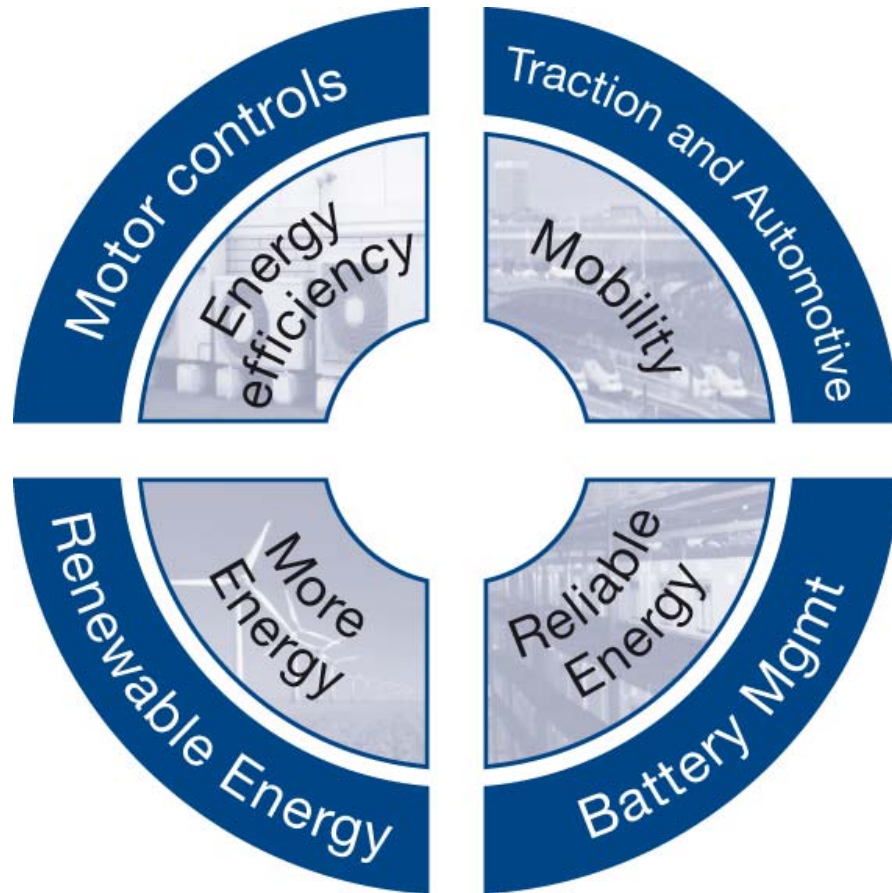
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4. Market Factors and Strategy



- 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. Executing Strategy

Strategic priorities

Achievements in H1 of 2013/14

Increase technology leadership

- Reinforce multidisciplinary innovation team
- Increase number of product launches
- Constantly improve performance of products

- Launched 3 new products
- Worldwide technology survey

Increase efficiency

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

- Established new low cost site in Sofia, Bulgaria

Increase production flexibility

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

- Maintained high level of flexibility and on-time delivery

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4. Outlook

- For H2 of 2013/14 we expect
 - Industry segment: easing activity
 - Automotive segment: resuming growth
- Key operational challenges for H2 of 2013/14
 - Ramp up production in Sofia
 - Manage economic uncertainty
- Financial year 2013/14 outlook
 - Sales of CHF 240 to 250 million
 - EBIT margin above 20%

Financial Calendar and Contact Details

Financial calendar

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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