

Profitable Growth in the Core Business

Media and Analysts' Conference
FY 2005/06

Zurich, 6 June 2006



At the heart of power electronics



Introducing the new LEM logo

- A new message, a new image
 - LEM is a unified company, the LEM Group
 - LEM is a dynamic, global player and market leader
- The new logo
 - Represents aspects of our activities: precision in measurement
 - Reminds us of the magnetic field used in current measurement
 - Stands for motion & energy, conveys the global nature of the business
 - Radiates an image of a young, growing company
 - Shows a round table for close interaction with customers

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Agenda

Paul Van Iseghem
President and CEO

- Highlights 2005/06
- Business review

Heinz Stübi
Acting CFO

- Financial review 2005/06

Paul Van Iseghem
President and CEO

- Strategy
- Outlook

Felix Bagdasarjanz
Chairman

- Proposals to the shareholders' meeting
- Share buy back program
- Summary
- Q&A

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Highlights 2005/06

Strategy

- Completion of the strategic re-alignment, divestment of the Instruments business
- Focus on the core business of manufacturing and supplying current and voltage transducers to a number of different industrial and automotive markets

Operations: quest for continuous improvements

- Build-up of low cost China operations with growing sales and production volumes
- Introduction of new transducer in electronic power steering with Japanese volume car manufacturer
- 1.4 million current transducers produced per month

Results: continued profitable growth momentum

- Sales growth of 11.6% to CHF 151.7 million
- Improved EBIT margin of 10.2%
- Strong cash generating capability
- Solid balance sheet with net cash position of CHF 24.2 million.

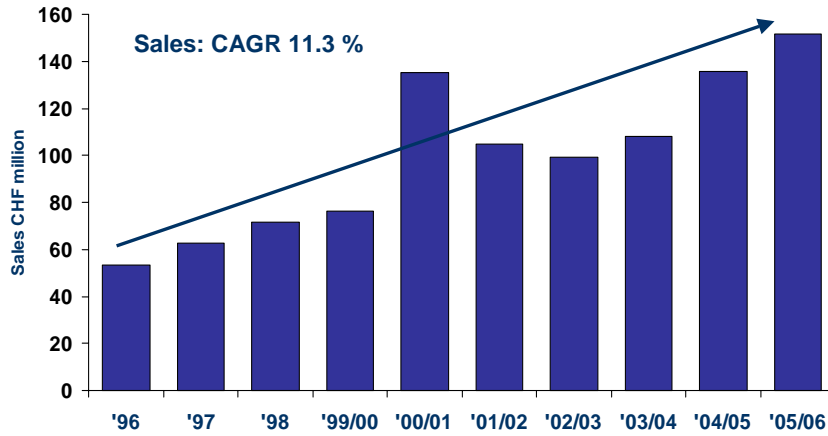
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Industrial & Automotive: 1996 to 2006 - a track record of growth



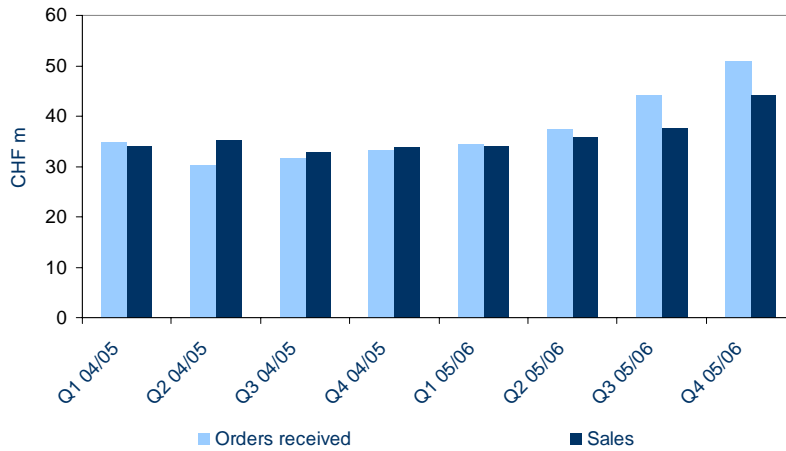
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Significant pick-up in the second half of 2005/06



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LEM serves growth markets

- Energy and power electronics
 - Energy conversion & regulation
- Regulation & improved comfort
 - motor drive controls
- Energy savings
- Capital investment goods
- Reliable energy
 - UPS and stand-by battery
- Transport, mobility
 - Automotive and traction

LEM benefits from the general economical upturn especially in Europe and strong developments in Asia and other emerging economies.

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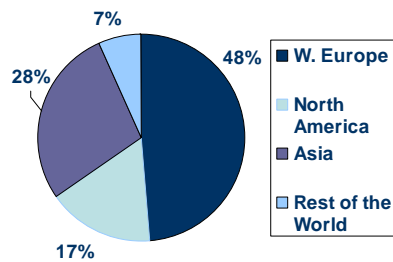
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Industrial: regional markets

Sales 2005/06



Total: CHF 132.3 million

Sales growth rates YoY

Region	Growth
W. Europe	7.0%
N. America	4.5%
Asia	6.8%
ROW	6.0%
Total	6.4%

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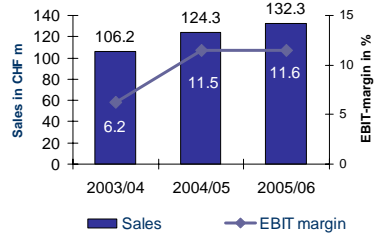
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Industrial: business development

- **Market**
 - Growth well above GDP growth
 - 47+% market share and increasing
 - Europe and Asia were main drivers
- **Applications**
 - Industry: growth in UPS, variable speed drives, renewable energies
 - Traction
- **Innovation**
 - Battery monitoring for standby battery parks
 - Macro components for Automation



- **Performance 2005/06**
 - Slow H1, substantial increase in H2, sequential increase by 16%
 - Gross margin and EBIT nearly constant despite increases in raw material prices, heavy competition

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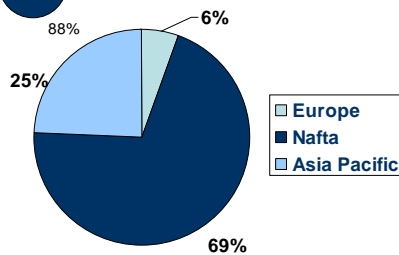
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Automotive: regional markets

Sales 2004/05



Sales 2005/06



Sales growth rates YoY

Region	Growth
Europe	51%
N. America	32%
Asia	629%
Total	67%

Total: CHF 19.4 million

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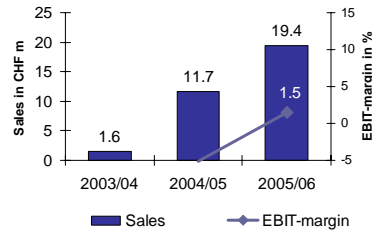
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Automotive: business development

- Market
 - LEM products are successful with key players
 - Value chain continues moving to Asia
 - instabilities with some players in the US car market
- Applications
 - Battery management
 - Motor drive for Electronic Power Steering
- Innovation
 - New developments for motor drives
 - 2nd generation products for battery management



- Performance 2005/06
 - Break even level reached
 - Ramp-up of EPS in a volume car
 - Delivery of 5th million transducers for battery management in 24 months

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Focus on innovation

- Miniaturization (Minisens)
 - LEM's first fully solid state integrated transducer (IMC technology)
 - Efficient low cost – low current measurement device taking advantage of state-of-the-art Silicon technologies
- Battery monitoring
 - Need for increased reliability of standby batteries used in various back-up energy systems
- Higher level of Integration (MacroComponents)
 - For condition monitoring in various applications in Automation
 - LEM offers direct interface to microcontrollers, under full isolation from high power sources



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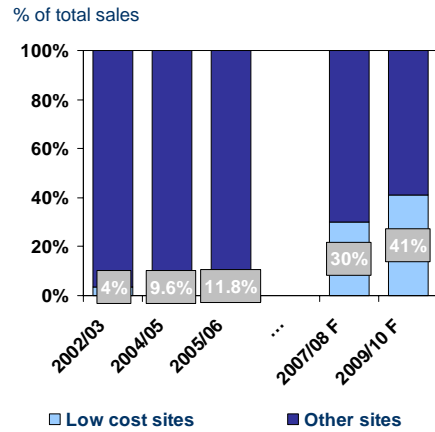
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China development

- Sales and marketing
 - Opening of 3th sales office in Shenzhen
 - Sales growth 44% in total
 - Production
 - Production volume increase by 41%
 - “Made by LEM” quality program
- China is now the 4th market for LEM in terms of sales



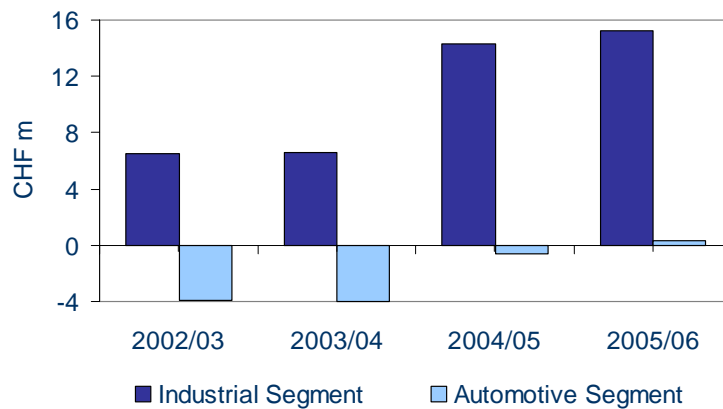
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EBIT breakdown



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Financial review: highlights

- Another good performance of Industrial and Automotive segments
 - Sales increase by 12%
 - EBIT margin improvement to 10.2%
 - Reduced tax rate
 - Net earnings increased by 31% to CHF 9.1 million
 - Improvement in working capital
 - Return on capital employed (ROCE) of 35%
 - Strong free cash flow of CHF 8.4 million
- Successful divestment of LEM Instruments
 - Net earnings of CHF 15.9 million, cash inflow of CHF 40.0 million
- Group net earnings reached CHF 25.0 million or EPS of CHF 21.11
- Strong balance sheet with equity ratio of 69% and net cash of CHF 24.2 million - after capital repayment to shareholders (CHF 29.4 million) and repayment of loans (CHF 30.7 million)

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Key figures: profit and loss account

in CHF million	2005/06	2004/05
Industrial and Automotive		
Sales	151.7	135.9
Gross margin in %	42.7%	44.5%
Operating costs	49.3	46.8
EBIT	15.5	13.7
Net financial expenses	(4.8)	(2.2)
Earnings before taxes	10.8	11.5
Income taxes	(1.7)	(4.6)
Net earnings from Continuing Operations	9.1	6.9
Discontinued Operations		
<i>Net earnings Discontinued Operations Instruments</i>	16.1	(0.9)
<i>Net earnings Discontinued Operations Real Estate</i>	(0.2)	(5.7)
Net earnings Discontinued Operations - total	15.9	(6.6)
Net earnings LEM Group	25.0	0.3

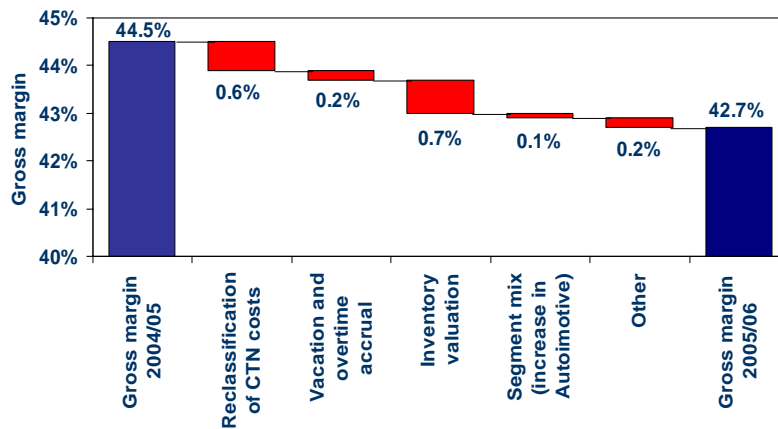
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Gross margin development



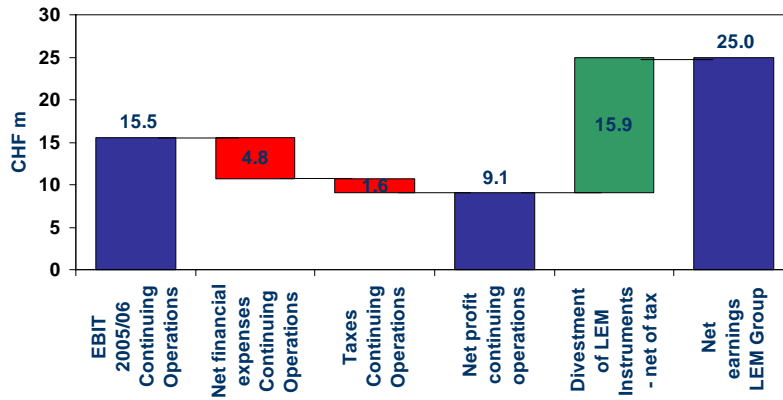
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From EBIT to net earnings



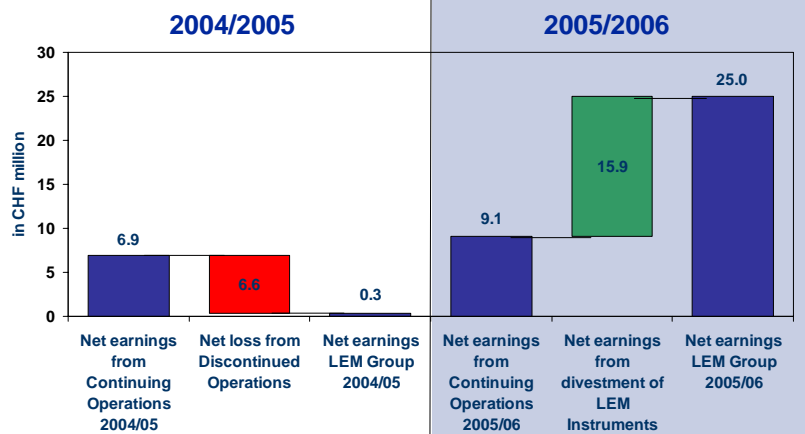
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Net earnings comparison



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Financial expenses & taxes

in CHF m	2005/06	2004/05
Net financial expenses		
Interest expenses (incl. hedging results)	1.9	2.0
Exchange losses (incl. hedging results)	3.8	0.2
Total	4.8	2.2
Income tax rates		
Average tax rate	33%	45%
Refund taxes in China	-3%	
Usage of tax losses carried forward	-15%	-5%
Effective tax rate	15%	40%

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Key figures: cash flow and balance sheet

in CHF m	2005/06	2004/05
Cash flow statement Industrial and Automotive		
Cash flow from operations	11.6	10.0
CAPEX	-4.0	-5.2
Free cash flow	8.4	5.6
Balance sheet		
Shareholders' equity in % of assets	69%	45%
Net interest bearing debt (net cash)	-24.2	1.2
Capital employed	45.6	66.8
Return on capital employed (ROCE)	35%	11%

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Segment strategy

“Focus on the core business of manufacturing and supplying current and voltage transducers to a number of different industrial and automotive markets “

Industrial

- **Traditional business: growth above industry average**
- **New applications, new products, growth by innovation**
- **Expand 'Fortune 1000' customer base**
- **Drive to lower cost manufacturing**

Differentiator

Automotive

- **Role of Innovator & Specialist**
- **New business model focus top customers automotive Q-C-D performance**
- **HEV-EV-power electronics functions**

Innovator

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LEM's four strategic priorities

- 1 Global leadership**
Remain the global leader in providing transducers to measure electrical parameters; focus on organic growth
- 2 New technologies and applications**
Develop new applications in new markets using our existing and adjacent know-how
- 3 Maximize value for our customers**
Offer global presence with seamless service and follow customers to Asia
- 4 Focus on profitable growth**
Achieve Operational excellence and run cost effective and service oriented production sites; expansion of the China plant

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Outlook

- Positive short term outlook
 - Sales growth driven by innovation and expected positive economic environment in Asia, Europe and North America
 - Strong product pipeline as engine for future growth
 - Improvement in operating profit driven by strong cost and efficiency management
- In the mid-term, LEM is ideally positioned to take maximum advantage of fundamental growth drivers
 - Need for more energy, more savings, more renewable energy and replacement of other energy sources by power electronics
 - Increasing electrical and electronic management of various functions in the car and of the (hybrid) electrical vehicle

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Repayment of excess liquidity to Shareholders

1. Ordinary dividend payment of CHF 2.50 per share
 - Totaling CHF 3 million or 33% of net earnings of continuing operations
2. Extraordinary dividend payment of CHF 7.50 per share on gain of sale of Instruments segment
 - Totaling CHF 9 million
3. Share buy back in the aggregate amount of up to CHF 8.0 million on a second SWX trading line

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Summary

- Clearly defined strategy, 'pure play'
- Benefit from growing markets in Industrial and Automotive
- Improved profitability and strong balance sheet
- Positive outlook, short and medium term

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Financial calendar and contact details

Financial calendar

June 30, 2006
Annual Shareholders' Meeting

August 7, 2006
1st quarter result

November 17, 2006
Half year results

February 7, 2007
3th quarter results

June 5, 2007
Full year results

For further information

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Backup slides

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Segment results

in CHF m		Sales	EBIT	EBITDA
Industrial	2004/05	124.3	14.3	18.3
	2005/06	132.2	15.2	18.7
Automotive	2004/05	11.7	-0.6	0.5
	2005/06	19.4	0.3	1.6
Total	2004/05	135.9	13.7	18.8
	2005/06	151.6	15.5	20.3

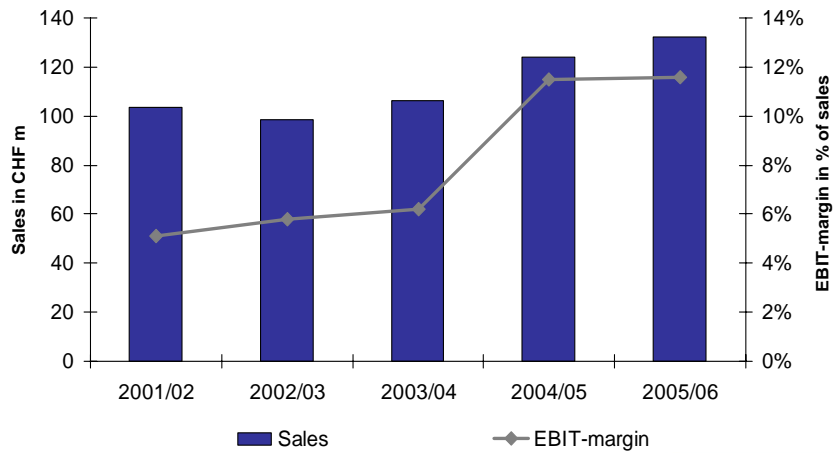
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Performance Industrial



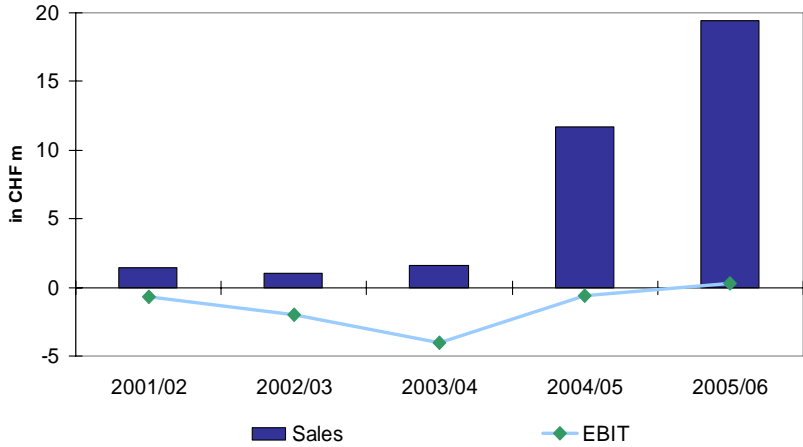
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Performance Automotive



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