

LEM - Maintaining the Growth Momentum

Half year results FY 2006/07

November 17, 2006



Agenda

Paul Van Iseghem
President and CEO

- Highlights Half Year 2006/07
- Business review

Ageeth Walti
CFO

- Financial review

Paul Van Iseghem
President and CEO

- Strategy update
- Outlook

- Q&A

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Highlights Half Year 2006/07

- **Strategy:**
 - Deployment of Business Model for Energy & Automation, using a classical Platform Strategy with OEM's and VAR channels-to-market
- **R&D and Innovation:**
 - Launch of a new product with good market acceptance, Sentinel for Battery Mgmt.
- **Operations:**
 - Increase of production capacity and supply chain to more than MCHF 45 per quarter.
 - Ramp up of China operation, growth YoY of 87%
 - Strengthened management teams in Japan, China, Corporate
- **Results: continued profitable growth momentum**
 - Sales growth of 27% to CHF 89 million, improved EBIT margin of 12.7%
 - Significant reduction of financial expenses
 - ROCE (return on capital employed) reached 47%

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LEM serves growth markets

Energy – Power Electronics – Power conversion & regulation

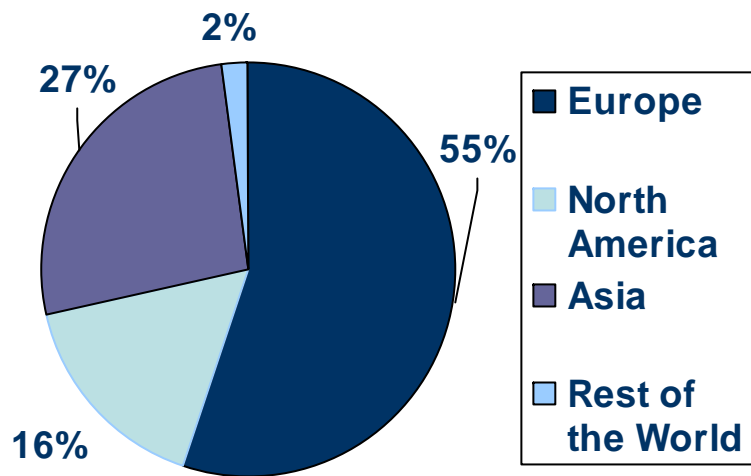
- In highly developed regions
 - Regulation & improved comfort (motor drives control)
 - Energy savings
 - Renewable energies (wind, solar)
- In emerging regions
 - More energy and renewable energy
 - Capital investment goods
 - Reliable energy (UPS and stand-by battery)
- Transport, mobility
 - Automotive 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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Regional markets - Industrial

Sales HY 2006/07



Total: CHF 77.6 M

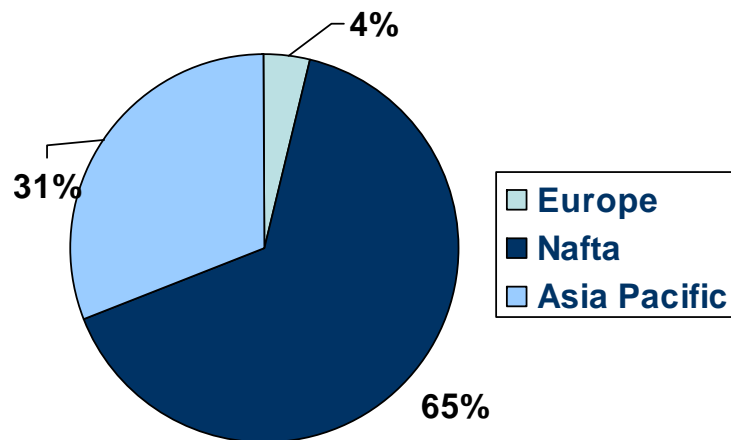
EBIT CHF 10.8 million

Sales growth rates

Region	Growth
W. Europe	29%
N. America	17%
Asia	27%
ROW	35%
Total	27%

Regional markets - Automotive

Sales HY 2006/07



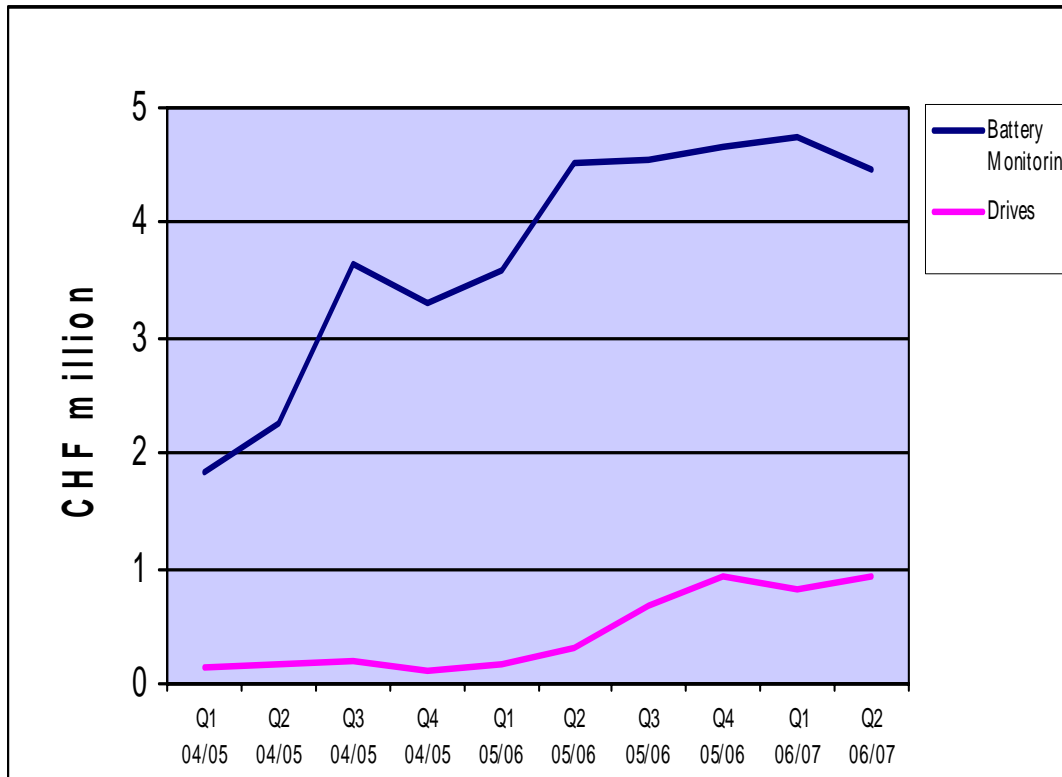
Total: CHF 11.0 M

EBIT: CHF 0.4 million

Sales growth rates

Region	Growth
Europe	-31%
N. America	13%
Asia	105%
Total	28%

Development of Drives and Battery Management for the Automotive segment



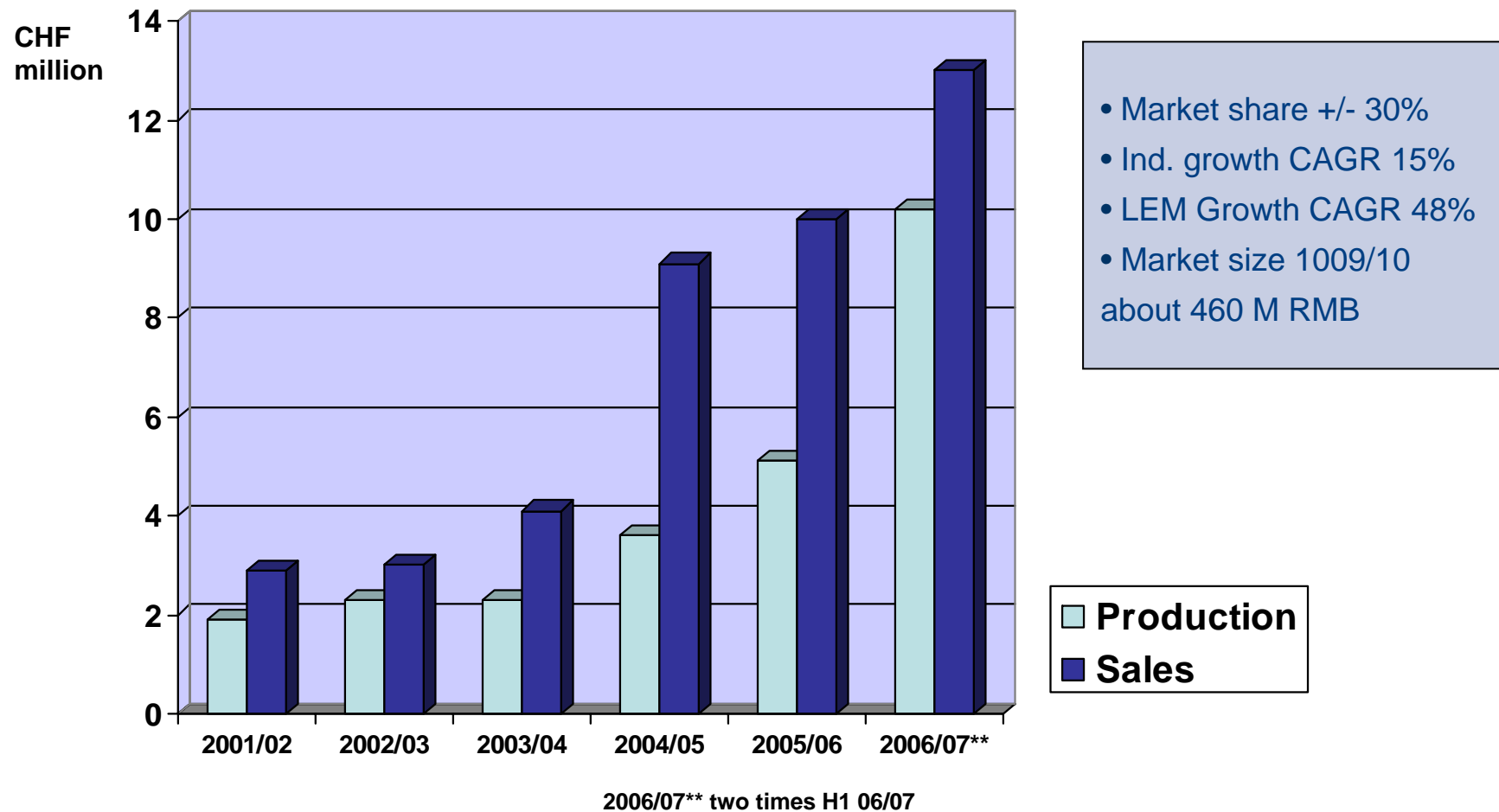
- Limited growth Battery Monitoring due to market weakness in N. America for SUV's
- New platforms will increase volumes later in the year

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At the heart of power electronics



China development, sales and production site



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Q1 06/07: Successful launch of the SENTINEL

- SENTINEL, transducer to monitor the status of standby industrial batteries
- Growing demand in areas where standby batteries are critical such as
 - Data centers
 - Telecommunications
 - Renewable Energy
- Using a classical Platform strategy with well known OEM's and new VAR channels-to-market



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At the heart of power electronics



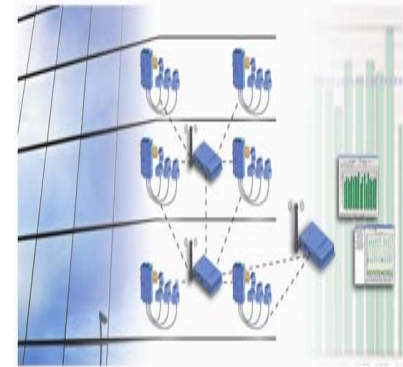
More products to be launched this year

- Q3 06/07: Wi-LEM

New higher level of Integration

Wireless Local Energy Meter

- Transducers that measure various electrical parameters regarding energy consumption in a building
- The data that the transducers measure are communicated via a wireless network



- Q4 06/07: Minisens

Miniaturization

LEM's first fully solid state integrated transducer

Low cost – low current measurement device

taking advantage of state-of-the-art Silicon technologies



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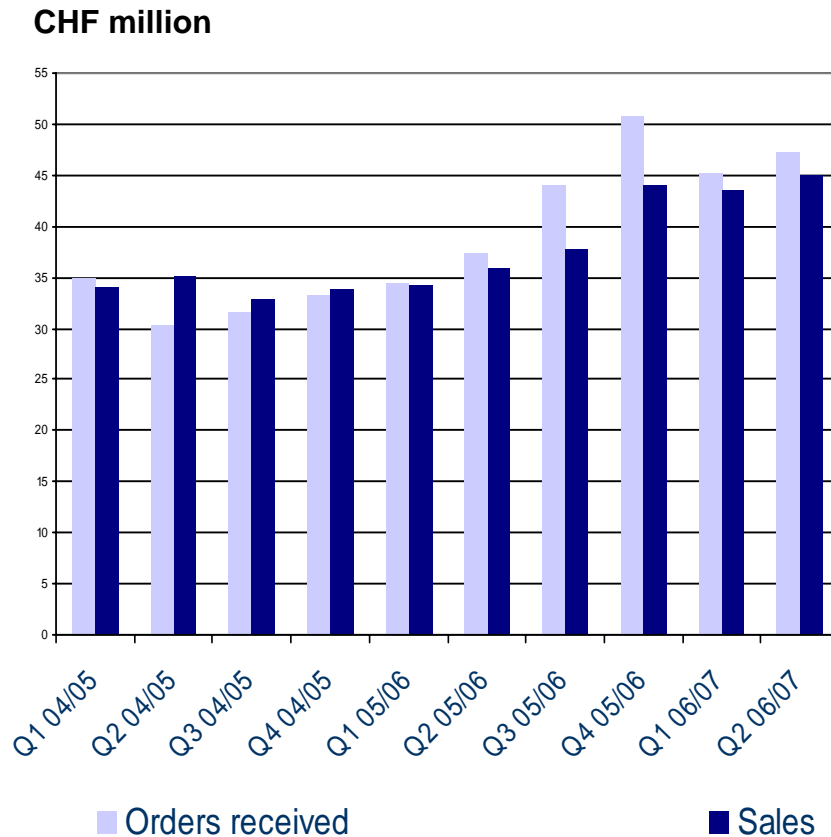
Profit and loss account

CHF million	H1 2006/07	H1 2005/06	Growth
Sales	88.6	69.8	27%
Gross margin in %	41.0%	40.6%	
Operating costs	25.1	22.6	
EBIT	11.2	5.8	94%
Net financial expenses	(0.6)	(2.9)	
Earnings before taxes	10.6	2.9	
Income taxes	(4.4)	(1.2)	
Net earnings from Continuing Operations	6.2	1.7	260%
Discontinued Operations		17.9	
Net earnings after Discontinued Operations	6.2	19.6	

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Maintaining the growth momentum



Book to Bill ratio:
H1 06/07 1.04
H1 05/06 1.02

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Gross margin development

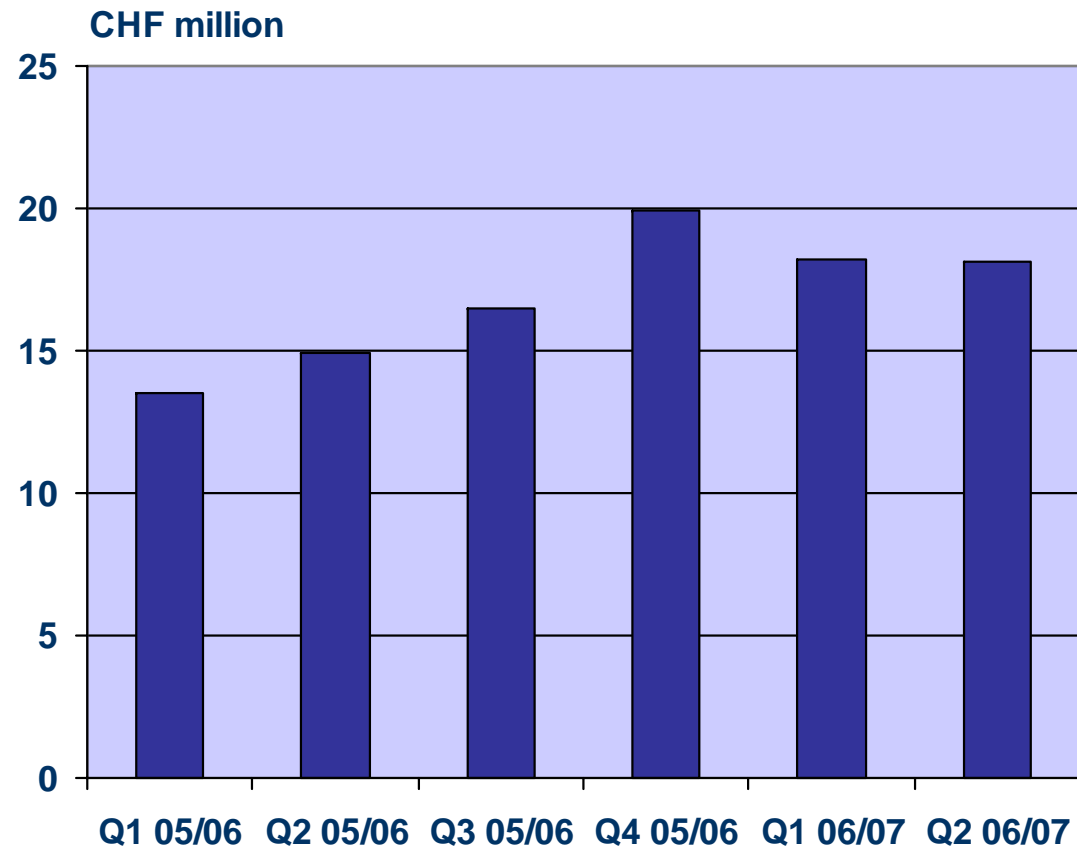
Gross Margin:	
H1 06/07	41.0%
H1 05/06	40.6%

Gross margin under pressure:

- Raw material increases
- Cost for building up new production capacities

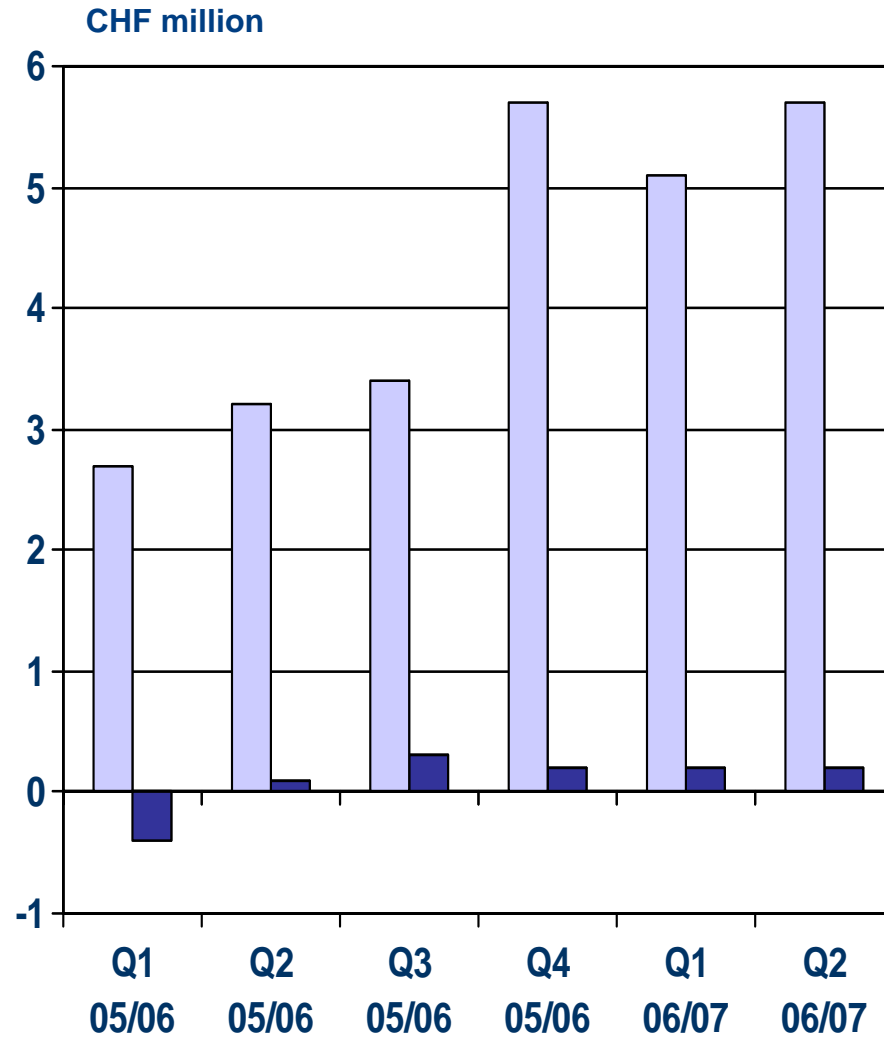
Counteracting measures:

- Sales price increases
- Production transfer
- More low cost sourcing



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EBIT by segment



EBIT Margin:

	H1 05/06	H1 06/07
Industrial	9.8%	14.1%
Automotive	-2.7%	3.6%



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Key figures: cash flow and balance sheet

CHF million	H1 2006/07	H1 2005/06
Cash flow statement		
Cash flow from operations	2.3	1.3
CAPEX	3.1	1.1
Free cash flow	(0.8)	0.2
Balance sheet		31.03.06
Shareholders' equity in % of assets	59%	69%
Net interest bearing debt (net cash)	(4.2)	(24.2)
Capital employed	52.0	44.6
Return on capital employed (ROCE)	47%	35%

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At the heart of power electronics



Share buy back program

Successfully completed the share buy back program via a second SWX trading line on November 3, 2006.

- CHF 7.8 million
- 50'000 shares representing 4.17% of outstanding shares
- Average purchase price CHF 156

Financial summary

- **Profitable growth**, 27% sales increase leads to 94% EBIT increase
- Gross Margin to be assured by an accelerated production transfer and low cost sourcing
- Sales increase required increasing the working capital and investments (CAPEX) which results in a small negative free cash flow
- Return on Capital employed, **ROCE increases from 28% to 47%**

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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

Outlook

- **Positive short term outlook**
 - **Expected sales growth in the range of 15-18% for the full year**
- Sales growth driven by
 - Strong new product pipeline as engine for future growth
 - Innovation and expected positive economic environment in Asia, Europe and North America
- Improvement in operating profit driven by good volume leveraging
- 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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Financial calendar and contact details

Financial calendar

- November 17, 2006
Half year results
- February 7, 2007
3th quarter results
- June 5, 2007
Full year results
- June 29, 2007
AGM

For further information

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