

# Continued strong growth

**Media and Analysts' Conference  
FY 2006/07**

Zurich, 5 June 2007



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## Agenda

<b>1</b>	<b>Suzanne Hochheimer</b> Corporate Communications	Welcome Agenda
<b>2</b>	<b>Paul Van Iseghem</b> President and CEO	Highlights 2006/07 Business review
<b>3</b>	<b>Ageeth Walti</b> CFO	Financial review 2006/07
<b>4</b>	<b>Paul Van Iseghem</b> President and CEO	Strategy Outlook
<b>5</b>	<b>Felix Bagdasarjanz</b> Chairman	Proposals for shareholders' meeting
<b>6</b>	all	Q&A

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2

## 1. Highlights 2006/07

### Marketing & Sales:

- Broadened total available market with new miniaturized transducer and new Macro-Components, transducers for Battery monitoring and Energy metering

### Operations: continuous focus

- Expansion of low cost production site in China – output more than doubled
- Global sourcing project to ensure smooth and lower cost supply chain
- Quality “made by LEM” is world-wide
- Launch of 13 new products of which 3 are flagship products

### Results: continued profitable growth

- Sales growth of 22% to CHF 184.5 million
- EBIT improved by 64% to CHF 25.5 million from CHF 15.5 million
- Net profit improved by 72% to CHF 15.6 million
- ROCE increased to 52%

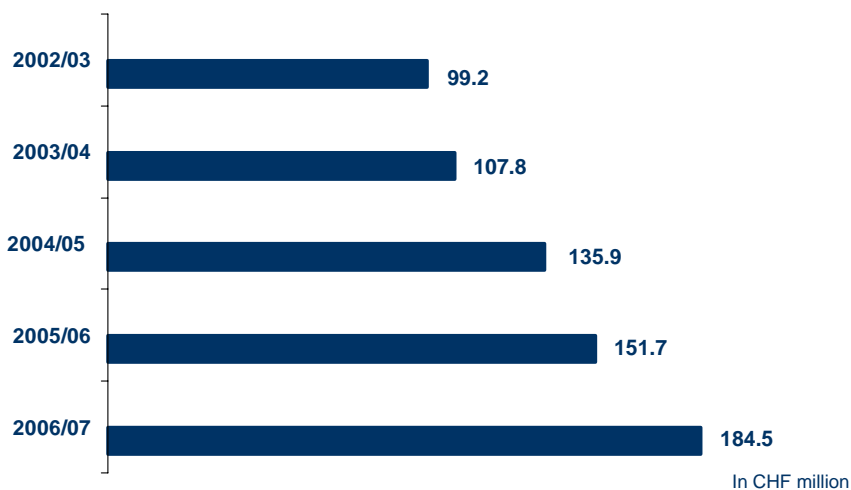
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## 1. Sales – CAGR of 16.8%



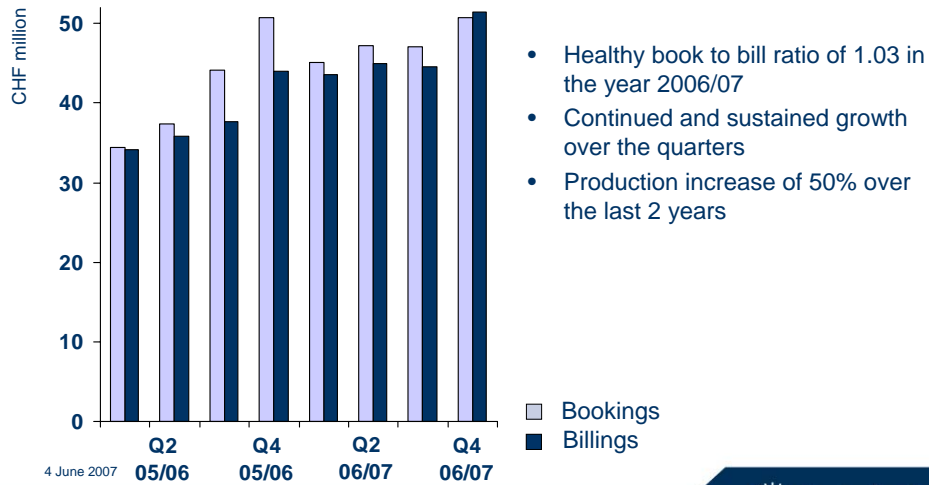
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## 1. Quarterly bookings and billings



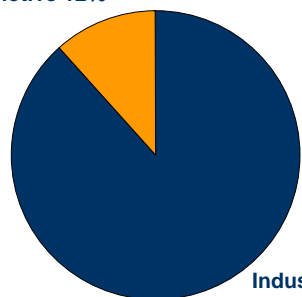
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## 1. Sales by segment

Automotive 12%



Industry 88%

Total sales CHF 184.5 million

Sales growth rates yoy:

- Industrial 23%
- Automotive 10%
- Total growth 22%

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## 1.2 Market factors providing strong tailwind


**More energy**




**Reliable energy**



**Better regulation  
Increased comfort**




**Need for mobility**

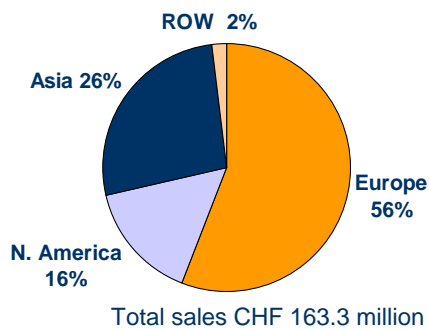


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## 1.2 Industrial segment: Driver for success in 2006/07



### Sales growth rates yoy:

- Europe 29%
- N. America 14%
- Asia 17%
- ROW 39%
- Total growth 23%

BRIC countries represent 15% of total sales and yoy growth of 41%

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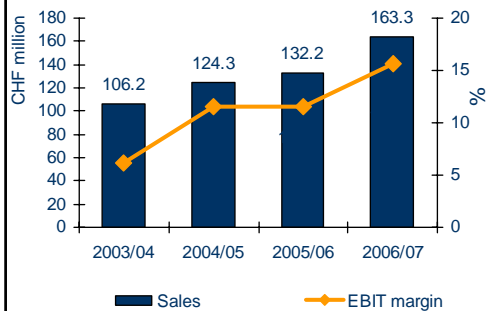
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## 1.2 Industrial: Business development



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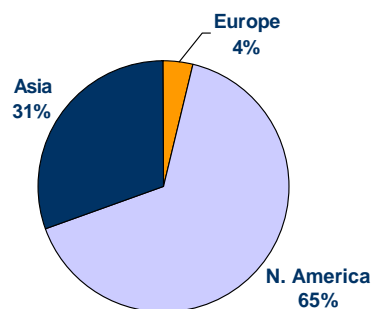
- Market
  - Growth well above industry average to all time high.
  - 49+% market share and increasing
- Applications
  - Industry: motor drives and renewable energies, wind and solar
  - Traction: products have performed exceptionally well
  - Energy and Automation: strong ramp up of new MacroComponents products

9

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## 1.2 Automotive: Regional markets



Total sales CHF 21.3 million

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Sales growth rates yoy:

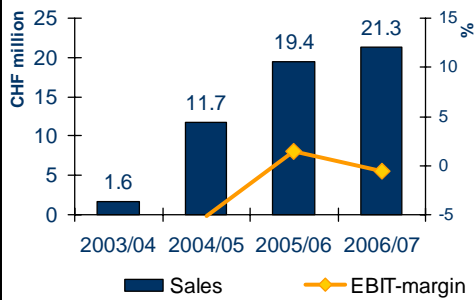
- Europe -22%
- N. America 2%
- Asia 38%
- Total growth 10%

10

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## 1.2 Automotive: Business development



- Market
  - US car manufacturers with depressed production
  - Focus on Asia and Europe, sales team strengthened
- Applications
  - Battery management now also for HEVs
  - Electronic Power Steering in Asia

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## 1.2 LEM production & logistics world-wide



★ **Production Centers:**  
 Geneva, Switzerland 380 employees  
 Beijing, China 230 employees  
 Tokyo, Japan 150 employees

★ **Adaptation Centers:**  
 Milwaukee, USA 25 employees  
 Tver, Russia 85 employees

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12

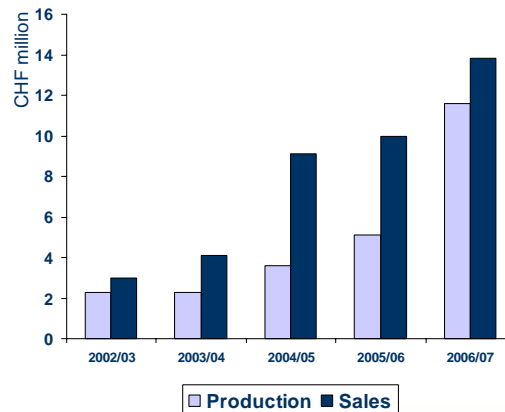
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## 1.2 China development



- Sales
  - Sales growth 31% yoy
  - Sales team increased
- Production
  - Production volume more than doubled since last year
  - Transfer of key products to China
  - “Made by LEM” quality



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13

## 1.2 Flagship Products launched successfully

- Minisens
  - LEM's first fully solid state integrated transducer
  - Efficient low cost – low current measurement device taking advantage of state-of-the-art Silicon technologies
  - **Target markets: white goods, HVAC systems**
- Battery Monitoring
  - Sentinel can measure the state of health of standby batteries used in various back-up energy systems
  - **Target markets: data centers (VAR), UPS (OEM)**
- Energy Metering
  - Wi-LEM is a set of components for electrical sub-metering to determine energy consumption in buildings
  - **Target markets: facilities mgmt, energy service Co (VAR) and energy mgmt equipment (OEM)**



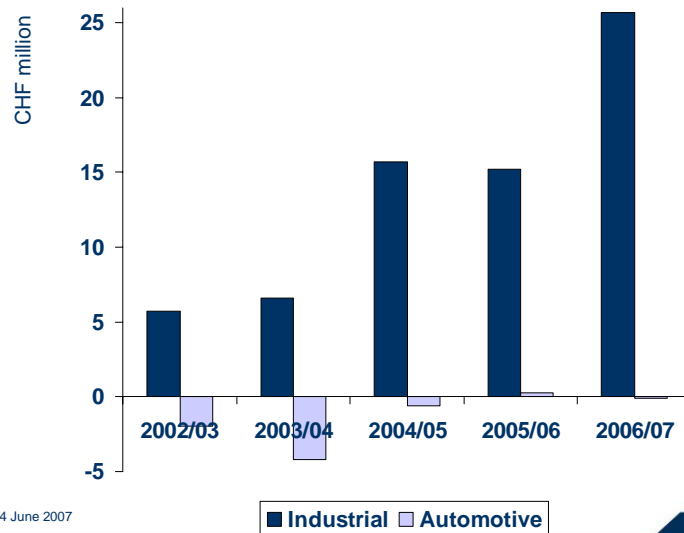
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14

## 1.2 EBIT breakdown: Industrial and Automotive



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15

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## 2. Financial review: Highlights

- Results: continued profitable growth
  - Sales growth of 22% to CHF 184.5 million
  - EBIT improved by 64% to CHF 25.5 million from CHF 15.5 million
  - Net profit improved by 72% to CHF 15.6 million
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## 2. Key figures: Profit and loss account

CHF million	2005/06	2006/07	%
Sales	151.7	184.6	21.7%
Gross margin in %	42.7	42.0	
Operating costs	49.3	51.9	
<b>EBIT</b>	<b>15.5</b>	<b>25.5</b>	<b>64.5%</b>
Net financial expenses	(4.8)	(0.7)	
Income taxes	(1.7)	(9.2)	
<b>Net earnings from Continuing Operations</b>	<b>9.1</b>	<b>15.6</b>	<b>71.6%</b>
<hr/>			
Discontinued Operations			
Net earnings	15.9		
<b>Net earnings LEM Group</b>	<b>25.0</b>	<b>15.6</b>	

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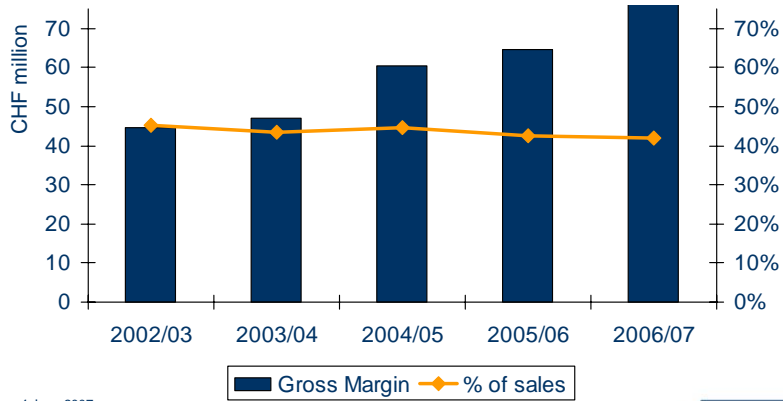
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## 2. Key figures: Gross margin development

Pressure of price decrease and raw material price increase



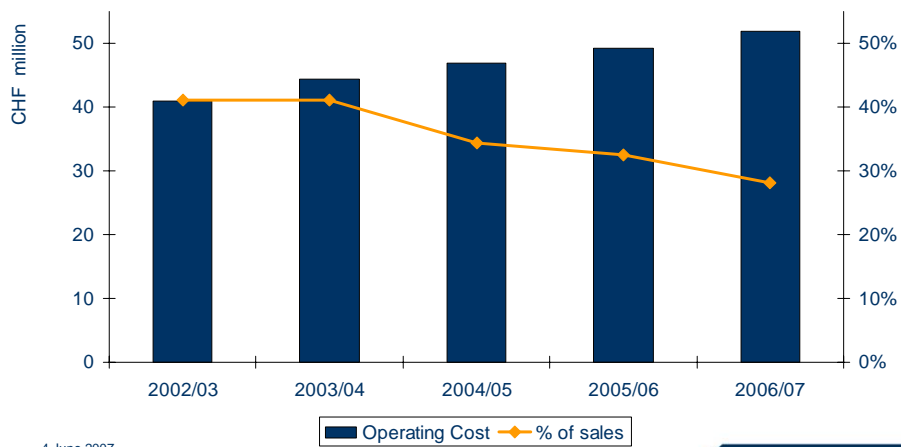
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19

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## 2. Key figures: Operating expenses



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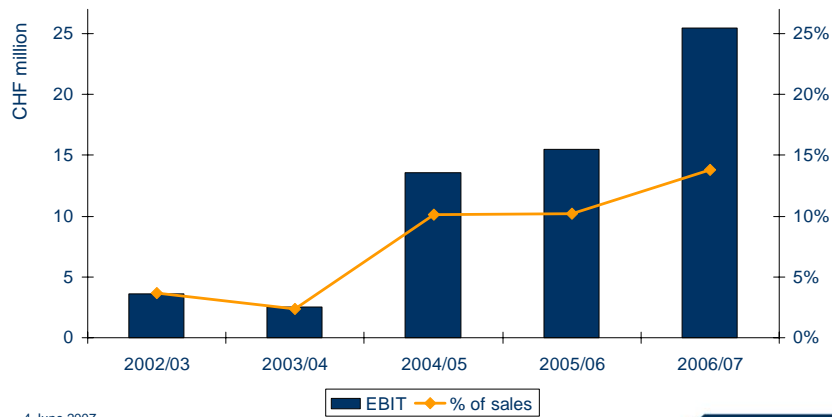
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## 2. Key figures: EBIT

Increased profitability since sale of Instruments business



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21

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## 2. Key figures: Financial expenses and taxes

in TCHF	2004/05	2005/06	2006/07
Financial expense	-1'998	-1'468	-1'083
Financial income	234	282	294
Exchange effect	-412	-3'576*	77
<b>Net financial expenses</b>	<b>-2'176</b>	<b>-4'762</b>	<b>-712</b>
<b>Taxes</b>	<b>40%</b>	<b>15%**</b>	<b>37.1%</b>

\* Includes loss on financial derivatives of TCHF 4'075  
 \*\* Includes mainly capitalized tax losses carry forwards of 18% of earnings before taxes

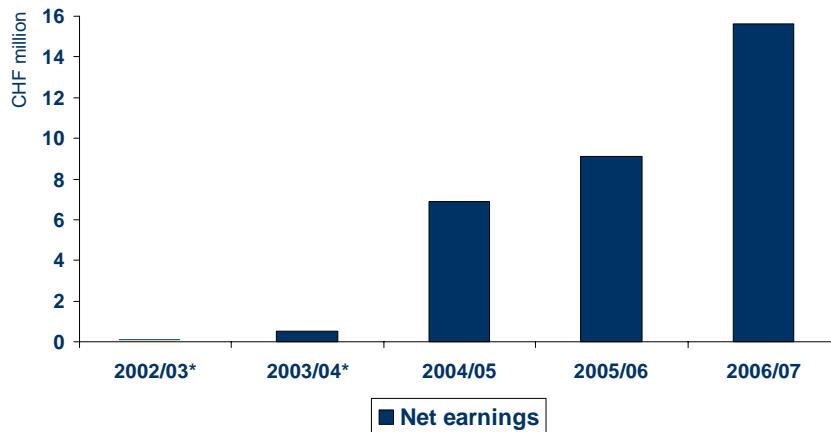
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## 2. Key figures: Net earnings – continuing ops



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23

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## 2. Key figures: Cash flow

in TCHF	2004/05	2005/06	2006/07
Cash flow statement			
Net earnings from operations	6'928	9'104	15'620
Cash flow from operating activities before changes in NWC	15'349	12'273	25'184
Changes in net working capital (NWC)	-5'355	-686	-10'690
Cash flow from investing activities	-4'351	-3'208	-6'296
<b>Free cash flow</b>	<b>5'643</b>	<b>8'379</b>	<b>8'198</b>
Cash flow from financing activities	1'496	-56'060	-13'117
Net cash flow from discontinued ops	15'491	40'022	0
<b>Change in cash and cash equivalents</b>	<b>22'630</b>	<b>-7'660</b>	<b>-4'920</b>

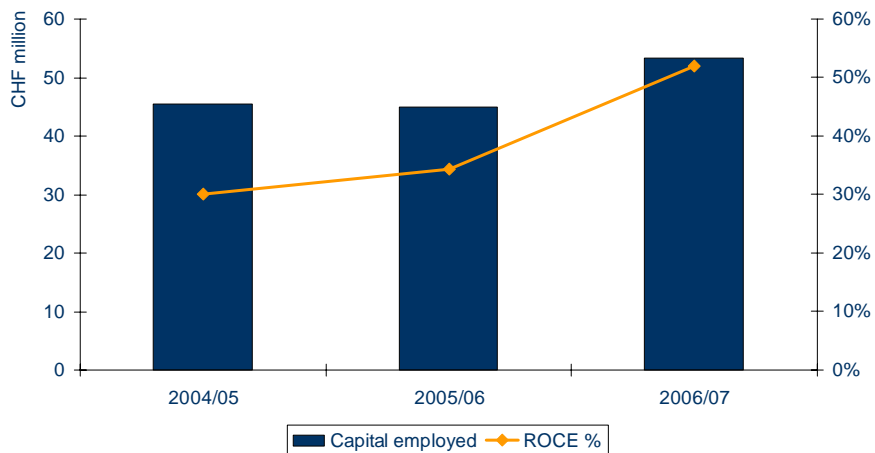
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24

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## 2. Key figures: Capital employed & ROCE



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25

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**Global leadership**  
Remain the global leader in providing transducers to measure electrical parameters

- Continue to anticipate customer needs and deliver advanced products

**New technologies and applications**  
Develop new applications in new markets using our existing and adjacent know-how

- Targeting of new customers with our flagship products
- Keeping R&D investment high and a priority

**Maximize value for our customers**  
Offer global presence with seamless service and follow customers to Asia

- Expansion of our sales teams where the business will be
- BRIC countries

**Focus on profitable growth**  
Achieve Operational excellence and run cost effective and service oriented production sites

- Further expansion of the China plant
- Low cost global sourcing project

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### 3. Outlook 1/2

- Although we see NO sign of a decline in current record demands, history has taught us that recent levels of growth can not be sustained for ever
- We see further potential to maintain the improvement in profitability
  - By further transfer to low cost production and sourcing
  - By adapting our structure to the new size and roles of the various production and R&D centers
- Automotive Segment should see signs of upturn by end of 2007/08

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### 3. Outlook 2/2

In the mid-term, LEM is ideally positioned to take maximum advantage of fundamental growth drivers:

- Strong new product pipeline as engine for future growth by substantially increasing the total available market
- Need for more energy, more savings, more renewable energy
- Increasing electrical and electronic management of various functions in the car and of the (hybrid) electrical vehicle

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29

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## 4. Proposal to the Shareholders Meeting

1. Ordinary dividend payment of CHF 4.50 per share
  - Totalling CHF 5.2 million which represents 33 % of net earnings
  - Increase of 80% compared to last years ordinary dividend
2. Cancellation of the 50'000 share bought back and reduction of the share capital from TCHF 600 to TCHF 575
3. Mr. Ueli Wampfler to be proposed for election as a new member of the Board of Directors

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## 4. Summary

- Clearly defined strategy, good execution
- Benefit from growing markets
- Improved profitability and strong balance sheet
- Positive outlook, short and medium term

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32

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## 4. Financial calendar and contact details

### Financial calendar

29 June	2007	Annual Shareholders' Meeting
7 August	2007	1st quarter result
6 November	2007	Half year results
7 February	2008	3th quarter results
5 June	2008	Full year results

### For further information

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33

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34

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