

Press Release

Results for the first quarter from April to June for the financial year 2005/06

Weak demand hurts first quarter – improvement expected for the remainder of the year

For the Continuing Operations, sales reached MCHF 34.1 (+0.3% YoY; +0.9% QoQ) and orders received reached MCHF 34.4 (-1.4% YoY; +3.9% QoQ). This resulted in an EBIT of MCHF 2.4 compared to MCHF 4.4 in last year's same period and to MCHF 2.0 in the previous quarter. Net earnings for the LEM Group reached MCHF 24.1 thanks to the capital gain on the sale of LEM Instruments. The reduction of the nominal value of the LEM shares by CHF 98, decided at the shareholders' meeting on 1 July, will become effective mid September and the reimbursement to shareholders is foreseen by the end of September.

Continuing Operations

In the **Industrial Segment** sales decreased by 5% to MCHF 30.4. This impact is due to the general economic weakness, as widely commented for the Industry. Regionally, NAFTA and Europe declined respectively by 8% and 10%. In Asia, China grew by 61% whilst Japan declined by 23%. Moreover the negative impacts relate to the inventory decreases at customers and to some applications that were growing in last year's same period such as solar energy. The traction markets had positive growth in the period. The EBIT reached MCHF 2.8 against MCHF 4.8 in last year's same period.

The main reason for the negative impact on EBIT is substantial under-absorption due to lower manufacturing volumes taking into account also the realized inventory reduction of MCHF 3.2.

In the **Automotive Segment** sales grew by 90% to MCHF 3.7 YoY. Despite this strong growth, the first quarter was below our expectations due to lower demand by US customers. This led to under-absorption since resources had been built up and resulted in an EBIT of MCHF -0.4 as in last year's same period.

Discontinued Operations

Sales and EBIT of LEM Instruments for the first quarter were respectively MCHF 13.1 and MCHF -0.7. The net earnings reached MCHF 23.2 of which the capital gain from the divestment was MCHF 24. This amount includes an estimation of some post-closing adjustments that still have to take place.

LEM Group

Net earnings for LEM amounted to MCHF 24.1 compared to MCHF 2.5 for last year's same period. At the end of June, Group's net cash position amounted to MCHF 52.2, of which MCHF 5.7 is in an escrow account, corresponding to the equity transfer of the Chinese legal entities to Danaher, as reported on 24 June. On 31 March 2005 the net cash position was MCHF 1.2.

Outlook

After a weak first quarter in sales, the book-to bill ratio is now above one. It is expected that this small upturn continues over the next months. This together with more stringent cost controls and the ongoing production transfers to China starting to show first results, should from today's point of view result in stronger operating earnings for the remainder of the financial year so that full year EBIT should be in a range from MCHF 10 to MCHF 13.

For further information, please contact:

Paul Van Iseghem

CEO

Phone : +41-22-706 1409 or +41-79-213 8554

Email: pvi@lem.com

Kennerth Lundgren

CFO

Phone +4122 706 1220 or +4179 222 5518

Email: klu@lem.com

LEM – At the heart of power electronics

LEM is a market leader in providing innovative and high quality solutions for measuring electrical parameters. Its core products - current and voltage transducers - are used in a broad range of applications in industrial, traction, energy and automotive markets. LEM's strategy is to exploit the intrinsic strengths of its core business and develop opportunities in new markets with new applications. Together with production plants in Geneva (Switzerland), Machida (Japan) and Beijing (China) and regional sales offices LEM offers a seamless service worldwide. LEM has been listed on the SWX Swiss Exchange since 1986; the company's ticker symbol is LEHN.

<http://www.lem.com>

Appendix:

Consolidated Profit & Loss Account		April to June	
in CHF	2004/05	2005/06	
Continuing Operations			
Sales	34.0	34.1	
Cost of goods sold	-18.5	-20.6	
Gross margin	15.5	13.5	
in %	45.6%	39.5%	
Sales expense	-4.4	-4.7	
Administration expense	-4.3	-4.1	
Research & development expense	-2.4	-2.6	
Amortisation & impairment loss on goodwill	-	-	
Other expense	-0.0	-0.0	
Other income	0.1	0.2	
Earnings before interests and taxes	4.4	2.4	
Financial Expense (net)	-0.7	-0.8	
Earnings before taxes	3.8	1.5	
Income taxes	-0.9	-0.7	
Net earnings from Continuing Operations	2.8	0.8	
Discontinued Operations			
(Loss) earnings from discontinued operations	-0.4	23.2	
Net earnings	2.5	24.1	

Sales	2004/05				2005/06	Variation	Variation
	Q1	Q2	Q3	Q4	Q1	YoY	QoQ
Industrial	32.0	32.7	28.9	30.7	30.4	-5.0%	-0.9%
Automotive	2.0	2.5	4.0	3.1	3.7	85.0%	18.6%
Continuing Operations	34.0	35.2	32.9	33.8	34.1	0.3%	0.9%

Orders received	2004/05				2005/06	Variation	Variation
	Q1	Q2	Q3	Q4	Q1	YoY	QoQ
Industrial	32.9	27.9	27.4	30.1	30.1	-8.5%	0.2%
Automotive	2.0	2.4	4.2	3.1	4.3	115.0%	39.8%
Continuing Operations	34.9	30.3	31.6	33.1	34.4	-1.4%	3.8%

EBIT	2004/05				2005/06	Variation	Variation
	Q1	Q2	Q3	Q4	Q1	YoY	QoQ
Industrial	4.8	4.3	2.7	2.5	2.8	-41.7%	12.0%
Automotive	-0.4	-0.4	0.6	-0.5	-0.4	0.0%	-20.0%
Continuing Operations	4.4	3.9	3.3	2.0	2.4	-45.5%	20.0%

Note:
Last year's reported EBIT for Q1 and Q2 contained goodwill amortisation, which was discontinued in 3Q in accordance with IFRS3. In the above table Q1 and Q2 have been restated for this.