
PRESS RELEASE

Results for the financial year ending March 31 2003

The Group adapts its structure to market conditions

In 2002/03 the LEM Group achieved sales of CHF 150.4 mio., not including the CHF 6.5 mio. of sales in discontinued operations. In local currencies this represents a growth of 1.4%, but in Swiss francs a decrease of 3.9%. The EBIT, which includes a restructuring charge of CHF 3.1 mio., reached CHF 0.9 mio. against CHF 5.7 mio. last year. This charge, together with a one-off loss of CHF 1.5 mio. on the sale of High Current Systems, accounts for a net loss of CHF 4.9 mio. compared to net earnings of CHF 1.9 mio. last year.

Restructuring charges and divestment affecting results

The economic downturn continued throughout the financial year ending March 31 2003. Although the situation has stabilised and orders received have increased in some areas, the Executive Management Team focuses since mid 2002 on restructuring the Group to restore LEM's profitability. The resulting plan is now being implemented and the necessary provisions have been made. The restructuring measures resulted in a total charge of CHF 3.1 mio.. The restructuring programme aims to cut costs through simplified organisational structures (e.g. close-down of sales offices in Lyons and Nuremberg), to reduce the product diversity (e.g. reduced number of variants for components and common instruments platforms) and to lower the manufacturing depth by outsourcing parts of the production in Geneva, Vienna and Skelmersdale (UK).

The decision, which was announced last week, to divest the High Current Systems resulted in one off-loss of MCHF 1.5 recorded as an exceptional loss on discontinued operations, which does not affect the EBIT.

Comparison of results between 2002/03 and 2001/02

Compared to our last forecasts in February we had to add another CHF 2.1 mio. of restructuring charges. Together with lower sales this resulted in an EBIT of CHF 0.9 mio. against CHF 5.7 mio. last year. The negative impact from exchange rates was of minus CHF 10.4 mio. on sales and minus CHF 2.6 mio. on EBIT.

Despite this negative impact, we were able to maintain gross margin above 47%. The decisions to close the manufacturing operations of Digital Fault Recorders in the USA and to restructure NANALEM in Japan had their full impact in the financial year 2002/03 contributing total savings of CHF 2 mio..

In this tough economic situation, we have reallocated and even reinforced our R&D efforts (8.3% of sales) in order to speed up the development of effective and innovative products for the future.

Net financial expenses were reduced to CHF 2.8 mio. from CHF 3.5 mio., mostly because of lower interest rates which also explain the increase of net real estate earnings from CHF 0.4 mio. in 2001/02 to CHF 0.8 mio. in 2002/03. Taxes amounted to CHF 2.1 mio. compared to CHF 0.4 mio. in the previous year. Last year included negative deferred taxes of CHF 0.7 mio. against a deferred tax expense of CHF 1.1 mio. for 2002/03, which has no cash impact.

Losses from discontinued operations of CHF 1.5 mio. refer to the divestment of High Current Systems.

The net loss for 2002/03 amounts to CHF 4.9 mio. compared to net earnings of CHF 1.9 mio. for 2001/02. On this basis the Board of Directors proposes not to distribute a dividend for the financial year 2002/03.

Balance sheet and Cash flow

The cash flow from operations increased by CHF 5.8 mio. to CHF 14 mio. thanks to a reduction in the working capital. The cash flow from investments amounts to CHF 9.6 mio. (CHF 15.0 mio. last year). This resulted in free cash flow excluding acquisitions of CHF 8.1 mio. against CHF 1.0 in the previous year. The net debt has been reduced by CHF 3.1 mio. to CHF 63.5 mio., of which CHF 26.1 mio. relates to industrial activity and the rest to real estate business.

Real estate

We are presently negotiating the sale of the CTN real estate complex with investors, who have signed a confidentiality agreement.

Business Status

LEM Components' sales grew by 1.5% in local currencies (-5% in Swiss francs). Orders received grew by 12% over last year, coming mainly from the industrial segment in Europe and Asia, with North American demand remaining weak. At the end of January, we finalised the acquisition of the assets of the Hinode transducer business in Tokyo. Over two months this activity contributed CHF 0.6 mio. to LEM Components' sales.

LEM Instruments' overall sales remain stable in local currencies (-5.7% in Swiss francs). The 4th quarter sales were as high as the seasonally affected 3rd quarter sales, a strong performance explained by Digital Fault Recorders and Power Quality Systems orders shipped at the end of March. Sales in the Power segment grew last year whereas those related to traditional instrumentation declined. Orders dropped by one percent but were 4% higher than sales, which means that the new financial year starts with a good order book.

For **LEM Ventures**, organic growth in local currencies amounted to 8.2% (0.5% in Swiss francs). As for Probes, the acquisition of Universal Technic SAS, which is fully consolidated for nine months, contributed CHF 1.5 mio. to the growth of LEM Ventures. In the Automotive Program current year sales are modest as we deliver pre-series and prototypes. The contract, which we received in 2001, has been extended, even though the starting date has been postponed to 2004. We have also concluded an additional contract with a first tier supplier. Both are for battery monitoring, with the second for US applications aimed at reducing fuel consumption to meet new legal requirements. The cumulative sales of both contracts total CHF 90 mio. for the period 2004-2008.

Outlook

Against all the market uncertainties, we feel confident that the adaptations of our Group structures combined with new market alliances, will allow us to restore LEM to profitability in the current financial year 2003/04.

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Appendix: table sales, orders and P&L

Appendix to press release:

1. Sales

LEM	Sales: April to March										
in CHF mio	2001/02					2002/03					
	1 QTR	2 QTR	3 QTR	4QTR	YTD	1 QTR	2 QTR	3 QTR	4QTR	YTD	Variation
LEM Components	31.1	24.7	23.1	24.5	103.4	22.7	24.2	25.2	26.1	98.2	-5.0%
LEM Instruments	8.9	9.0	13.3	12.2	43.3	7.6	10.0	11.6	11.6	40.8	-5.8%
LEM Ventures	2.6	2.9	2.8	3.2	11.6	3.4	3.4	3.1	3.3	13.2	13.8%
Elim inter BA	(0.4)	(0.4)	(0.3)	(0.6)	(1.8)	(0.6)	(0.3)	(0.6)	(0.3)	(1.8)	
Total	43.4	37.8	41.0	34.3	156.5	33.1	37.3	39.3	40.7	150.4	-3.9%
Discontinued operations	1.3	1.6	2.1	2.2	7.2	1.2	1.1	2.2	2.0	6.5	-9.7%

2. Orders received

LEM	Orders received: April to March										
in CHF mio	2001/02					2002/03					
	1 QTR	2 QTR	3 QTR	4QTR	YTD	1 QTR	2 QTR	3 QTR	4QTR	YTD	Variation
LEM Components	21.6	21.9	22.4	25.4	91.3	23.2	23.9	29.1	25.9	102.1	11.8%
LEM Instruments	11.0	7.7	15.2	8.9	42.8	10.8	8.9	13.1	9.6	42.4	-0.9%
LEM Ventures	3.4	1.8	3.1	4.2	12.6	1.6	3.8	1.5	3.7	10.6	-15.9%
Elim BA/BU	(0.2)	(0.2)	0.0	(0.6)	(1.0)	(0.2)	(0.7)	(0.2)	(0.2)	(1.3)	
Total	36.9	34.0	42.5	32.4	145.7	35.6	35.7	43.5	39.0	153.8	5.6%
Discontinued operations	1.1	2.7	1.7	1.2	6.7	0.8	2.1	2.3	1.8	7.0	4.5%

N.B. The orders for the Automotive program for the period 2004-2008 for CHF 90 mio are not yet included in the above table since the delivery dates are not yet scheduled.

3. Profit & Loss Account

LEM in thousand CHF	Profit & Loss Account	
	April to March	
	<u>2001/02</u>	<u>2003/03</u>
Sales	156'495	150'401
Gross margin	74'432	71'320
in %	47.6%	47.4%
EBIT	5'756	853
ROS in %	3.7%	0.6%
Net financial expenses	-3'463	-2'794
Net real-estate income	387	794
Taxes	-438	-2073
Minority interests	251	176
Loss on discontinued operations	-54	-1'466
Net (loss) earnings	1'938	-4'862