

DEAR FELLOW SHAREHOLDERS

FISCAL 2011 WAS A YEAR OF GREAT ACCOMPLISHMENT AND ACHIEVEMENT FOR ELECTRO RENT.

We produced compelling financial results and identified fresh approaches to building our leadership position for the future. We achieved near-optimal equipment utilization levels, generating a solid return on our investment and enriching our ability to quickly meet customers' requirements. We strengthened our relationships with a range of manufacturers who understand Electro Rent's unique ability to get their equipment into the hands, hearts and minds of more end users.

During the year, we considerably expanded our rental inventory to ensure that we can meet, and hopefully exceed, our customers' needs and expectations. We have built a formidable sales force, further strengthened our technical expertise and effectively penetrated new segments of our market. Revenues related to our Authorized Technology Partner agreement with Agilent grew dramatically during the year, as we increased sales and flexed our selling skills, providing small and medium sized customers with good technical advice and building another aspect of our rental business. As customers focused on achieving maximum flexibility, along with the most effective ways to acquire test and measurement equipment while generating the highest possible returns, Electro Rent responded by providing the best solutions.

It is clear to us that substantial change will occur in our business and industry during the coming year. The presence of very serious economic uncertainty, continuing pressures on the national budget, changes in defense policy, and the ways in which companies measure their own performance will combine to force companies to become more self-reliant and more sensitive to costs and capital expenditures. Fundamental economic uncertainty will walk hand in hand with the major decisions companies will have to make. While these conditions threaten economic growth, they have one thing in common: a rental friendly environment.

Last year, we said that fiscal 2011 would be a breakout year for Electro Rent. By all measures, we were right on target.

Our reputation as trusted advisor to both customers and manufacturers will serve us well as we seek to realize our aspirations of becoming one of the world's most recognized capital equipment business partners.



The largest and most up-to-date, in-demand equipment inventory in the industry gives us an edge in successfully meeting the growing requirements of our customers, who rely on Electro Rent to provide the right equipment at the right time in the most cost-effective manner possible.



A BREAKOUT YEAR

Last year, we said that fiscal 2011 would be a breakout year for Electro Rent. By all measures, we were right on target. Sales rose by an impressive 57% to \$228.7 million from \$145.9 million last year, while the considerable leverage we've built into our model resulted in net income more than doubling over fiscal 2010.

Equipment sales and other revenues advanced 114% to \$110.7 million for fiscal 2011 from \$51.7 million for fiscal 2010. Rental and lease revenues also kept stride, increasing more than 25% to \$118.1 million from \$94.2 million a year ago. Our solid and profitable data products business grew in fiscal 2011 and we remain one of the largest rental companies in the U.S. for personal computers and servers. Business activity in Europe, which is now reaching critical mass, improved in fiscal 2011 after conscious efforts to invest in the region's growth. Burgeoning contract manufacturing activity and a pick-up in the R&D cycle in Asia are signaling that this is the right time to devote additional resources there.

Operating profit rose substantially for fiscal 2011 to \$36.9 million, or 16.1% of total revenue, from \$18.4 million, or 12.6% of total revenue, a year ago.

Selling, general and administrative costs grew modestly in comparison to our robust top-line growth, amounting to \$57.4 million in fiscal 2011, versus \$46.4 million last year. These costs accounted for only 25.1% of total revenues in fiscal 2011, compared with 31.8% a year ago, demonstrating our ability to work smarter and more efficiently.

Net income increased 105% for fiscal 2011 to \$23.8 million, or \$0.99 per diluted share, from \$11.6 million, or \$0.48 per diluted share, last year.

We capped fiscal 2011 with a terrific fourth quarter, generating earnings growth of 89% on a revenue increase of 48%, handily eclipsing the fourth quarter of fiscal 2010. We were able to capitalize on all of our strengths last year, and believe that Electro Rent is in great shape to adapt to the substantive changes occurring throughout our industry, and help make the rental option a preferred one.

CASH IS KING

We employed our strong and flexible balance sheet to purchase more than \$90 million in rental equipment during fiscal 2011, by far, the most aggressive ever, and we succeeded in putting that equipment out on rent, achieving one of the highest inventory utilization percentages in Electro Rent's history. The largest and most up-to-date, in-demand equipment inventory in the industry gives us an edge in successfully meeting the

growing requirements of our customers, who rely on Electro Rent to provide the right equipment at the right time in the most cost-effective manner possible.

Even though we committed significant capital to bolstering our competitive advantage and marketplace position, we still returned more than \$14.0 million to shareholders in the form of regular quarterly dividends. As a sign of increased confidence, Electro Rent's Board of Directors increased the quarterly dividend by more than 33% to \$0.20 per share in June to allow shareholders to participate in the company's considerable prosperity and success.

Amidst this environment of increased investment, and as testament to the financial discipline by which we live, we ended fiscal 2011 with \$41.4 million in cash, cash equivalents and investments, compared with \$47.2 million last year. Shareholders' equity grew to \$240.4 million, or \$10.02 per share, at the end of fiscal 2011, from \$230.0 million, or \$9.60 per share, at May 31, 2010. With no debt on our balance sheet and a stellar credit profile, we have ample capacity to borrow funds to opportunistically drive growth.

THE SEA OF UNCERTAINTY

Electro Rent's strategies have worked well during the past year and have produced very positive results in the test and measurement rental equipment industry. Today we cannot ignore the fact that the United States is facing very difficult and turbulent times. The recent budget battle in Washington, the subsequent downgrade of our country's credit rating, and widespread fear among investors, illustrates that fundamental uncertainty about the United States economy and the global economy will not only persist, but could change our business climate very substantially.

Although these ongoing constraints could cause our aerospace and defense end markets to contract, limit the choices available to us, or otherwise impact our business, we have the resources, the discipline and the ideas to confront whatever the future may bring. Our performance this past year, the experience of our management, and the ideas we bring to the table will serve us well in troubling times, and might present us with unusual opportunities. We have worked tirelessly with our customers and suppliers to build long term relationships and help them meet the serious economic challenges of the current environment by providing most useful, flexible and cost-effective solutions. In times like this, the breadth and scope of Electro Rent's services could prove to be an invaluable aid to customers, as they weather the economic storms ahead.

We hope that with fundamental change will come significant opportunity, especially for Electro Rent, which is situated at the confluence of several favorable industry trends. The recession, combined with recent policy



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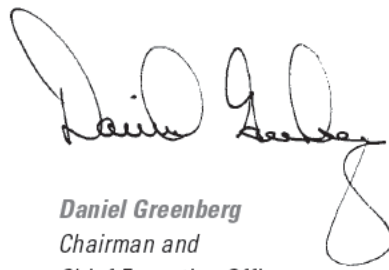


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changes, has created an environment in which flexibility is prized, and return on invested capital is tantamount. As a result, increasing numbers of businesses are turning to equipment rentals, rather than purchases, to eradicate large capital equipment purchase requirements and keep costs down. Our ability to provide customers with what they need for only as long as they need it, while offering unmatched visibility into total cost and utilization, and unequivocal ROIC advantages, makes Electro Rent a valuable test and measurement equipment partner.

Our level of technical proficiency is higher than ever before, allowing us to provide a distinctly different, and more sophisticated and comprehensive, service to customers. We are making it easier to do business with Electro Rent by offering industry-pioneering warranties, along with buyback and maintenance programs. By transparently planning, financing and delivering equipment, customers need not worry about the “how” and can focus instead on spending their time running and growing their businesses. No matter how onerous the external economic climate might become, Electro Rent’s rental proposition offers real and substantial advantages to industry participants, under their terms and requirements, not ours. We believe this is a well-defined measure of success. We are up to the challenge.

To our fellow shareholders, thank you for your support. We believe the strategies we have outlined above will resonate with you. To our partners and customers, we greatly appreciate the opportunity to earn your trust every single day. To the hardworking Electro Rent team, your efforts have made all of the difference and will allow us to continually raise the bar. After a breakout year in fiscal 2011, we are honing the strengths and capabilities that we have built over the last several years and are vigorously applying them to making our business even stronger.



Daniel Greenberg
Chairman and
Chief Executive Officer



Steven Markheim
President and
Chief Operating Officer

August 8, 2011