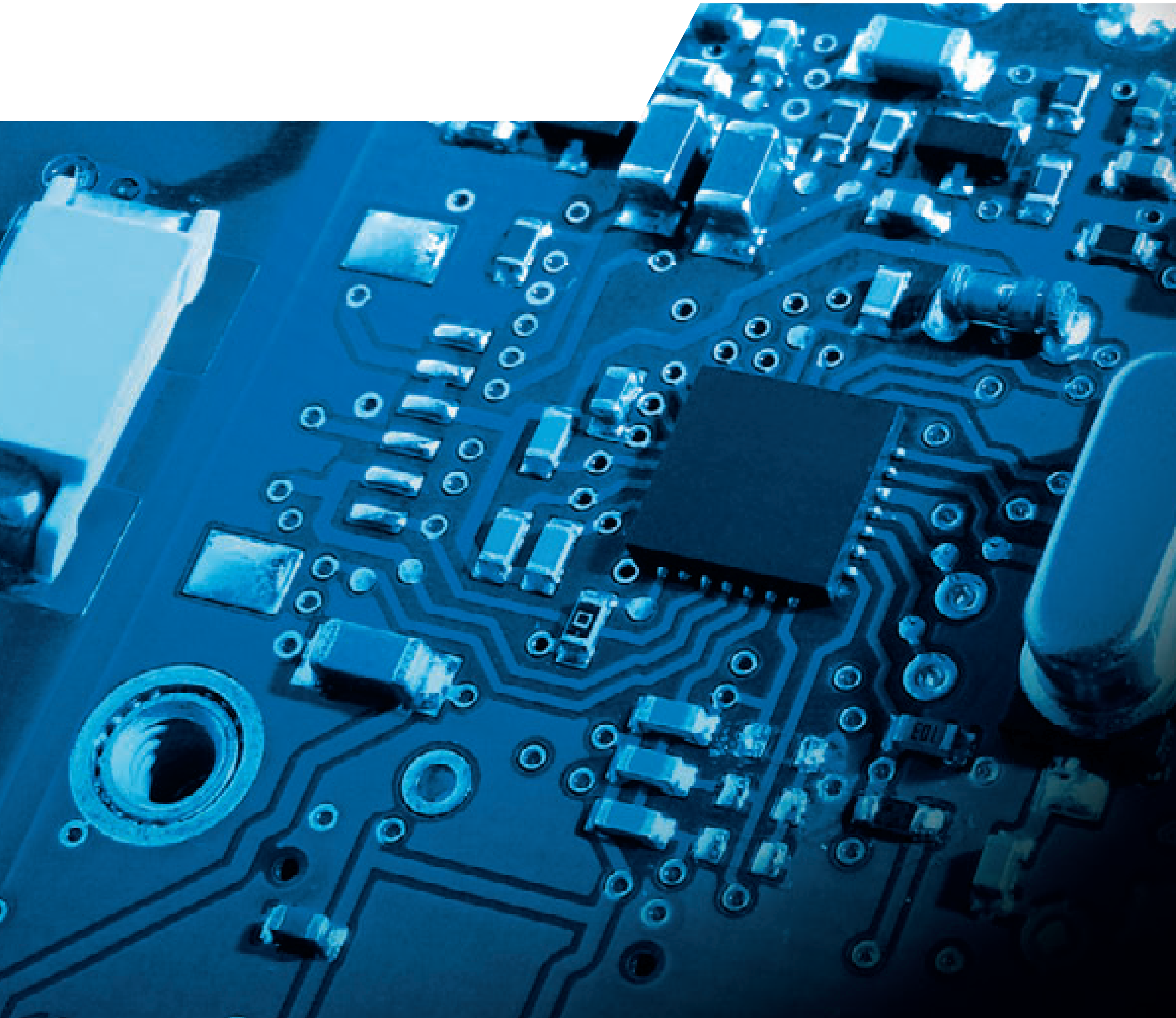


Annual Report
2007/08

At the heart of power electronics

LEM

ANNUAL REPORT 2007/08

Period 1st April 2007 to 31st March 2008

LEM AT A GLANCE

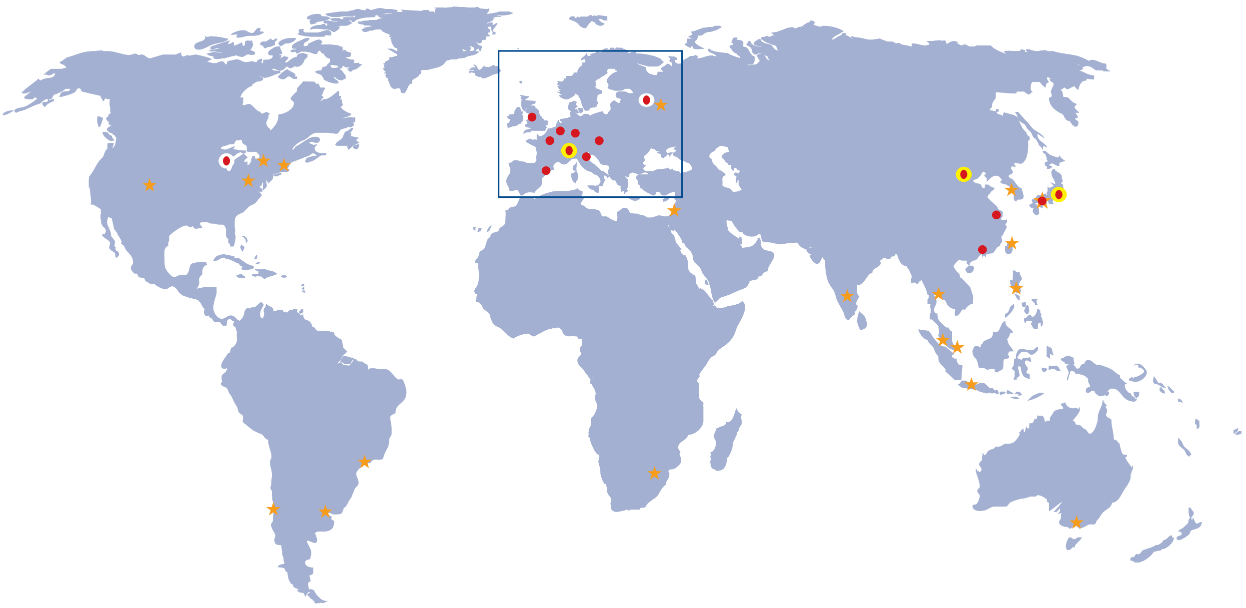
LEM – At the heart of power electronics

LEM is a focused manufacturer and a global market leader. Its core products, transducers for measuring electrical parameters like current and voltage, are used in a broad range of applications. Although these devices are not visible to the outside world, they are vital for application functionality and the benefits provided to the end users. Starting with products for locomotives in the seventies, LEM expanded into a vast area of industrial applications, including variable speed drives for motors and power supplies for industrial applications. Today, LEM's current and voltage transducers are also used in AC/DC converters, uninterrupted power supply systems for computers as well as in new innovative energy applications like micro-turbines, and wind and solar power generation. In addition, new opportunities have been developed in the automotive market for battery management and electrical motor controls for steering and braking systems. This evolution underscores the company's exceptional skills in adapting to rapidly changing industrial trends, such as miniaturization, higher performance levels and a greater degree of application integration and complexity. LEM has the strongest brand recognition in its markets. Its products – commonly called "LEMs" – are at the heart of many power electronics applications.

LEM's strategy is to exploit the intrinsic strengths of its core business and develop opportunities in new markets with new applications. At the same time, LEM is committed to maintaining customer focus and operational excellence by running cost-effective and service-oriented production platforms. Profitable growth is a key objective.

Worldwide presence

LEM is a global organization with production plants in Geneva (Switzerland), Machida (Japan) and Beijing (China). The company has sales offices close to its main clients' locations and offers seamless service around the globe.

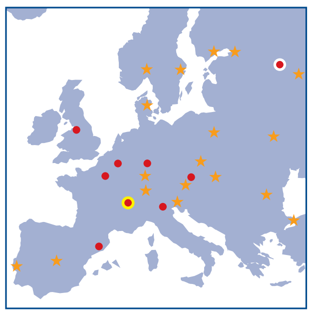


PRODUCTION CENTERS (PDCs)
Geneva, Switzerland
Beijing, China
Tokyo, Japan

ADAPTATION CENTERS
Milwaukee, USA
Tver, Russia

SALES OFFICES
Geneva, Switzerland
Milwaukee, USA
Tver, Russia
Beijing, Shanghai, Shenzhen, China
Tokyo, Osaka, Japan
Braine-le-Comte, Belgium
Frankfurt, Germany
Paris, France
Skelmersdale, UK
Padova, Italy
Vienna, Austria
Barcelona, Spain

AGENTS/DISTRIBUTORS

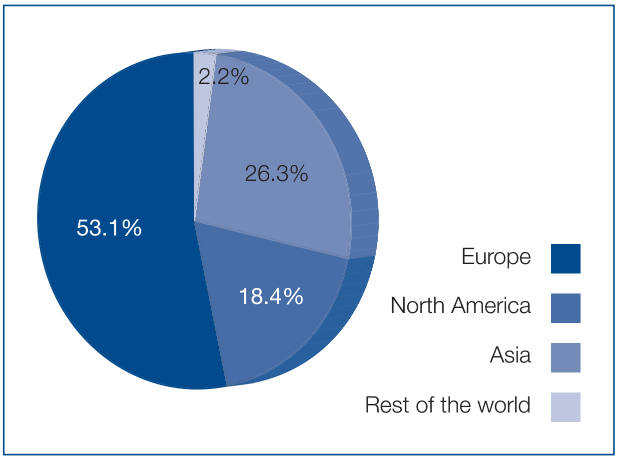


Key figures 2007/08

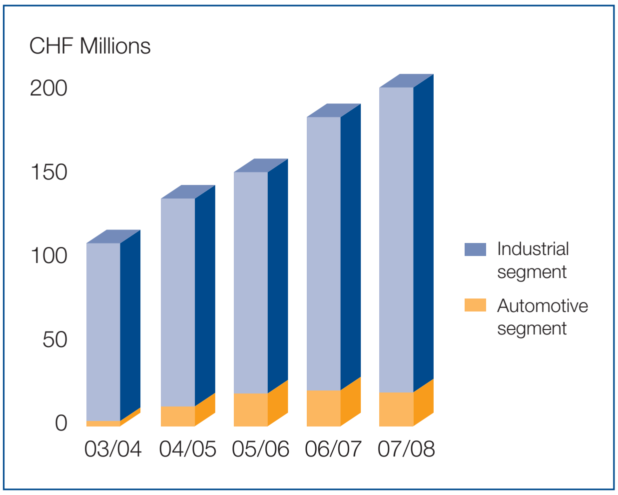
in CHF Millions	2007/08	2006/07	2005/06
Sales*	203.0	184.5	151.7
EBIT*	30.3	25.5	15.5
In % of sales	14.9%	13.8%	10.2%
Net earnings*	21.7	15.6	9.1
Net earnings including discontinued operations	21.7	15.6	25.0
Shareholder's equity	70.1	64.9	69.7
Net financial assets (+) / liabilities (–)	23.7	12.2	24.2
Market capitalization (per 31.3.)	310.5	311.4	184.8

*industrial and automotive segment

Regional sales breakdown 2007/08



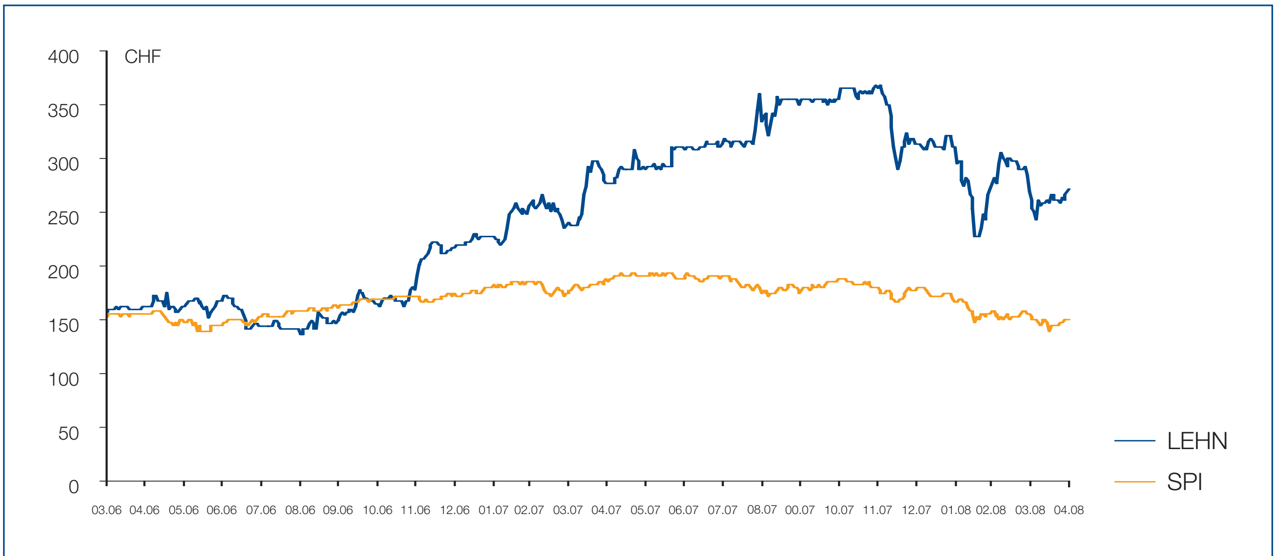
Sales in continuing operations over 5 years per segment



LEM AT A GLANCE

203 MCHF +10 % SALES GROWTH	45.1 % +3.1 p.p. GROSS MARGIN	30.3 MCHF +18.6 % OPERATING PROFIT
21.7 MCHF +38.9 % NET EARNINGS	18.4 CHF +38.3 % EARNINGS PER SHARE	

Share price evaluation LEHN Holding SA compared to SPI



Share price chart (2 years benchmark SPI)

LEM has been listed on the SWX Swiss Exchange since 1986; LEHN

"As an independent components supplier
we deliver our products to the majority
of the industry leaders worldwide."

FOREWORD

Dear Shareholders,

We concluded another successful year with sales passing the CHF 200 million mark! We have exceeded our outlook statements, both in terms of sales growth and in profitability growth.

The sales in our components business have doubled over the last 4 years by pure organic growth. The EBIT of the company increased by a factor of 10 and our net profit grew from about zero to over CHF 20 million, which is more than 10% of our sales.

Continuation of our strategic focus

The main drivers for success have been and were in particular this past year:

- our pure play strategy
- our focus on the customer and the market
- our stringent cost management
- our highest quality performance worldwide, “made by LEM”

We have been able to support our customers in our traditional markets – Industry and Traction – with new and adapted products and have increased our customer loyalty. At the same time, we have expanded our efforts to develop new markets and products for new applications for our future growth in the markets of Energy & Automation and Automotive.

As an independent components supplier we deliver our products to the majority of the industry leaders worldwide. Market share and strategic focus have become key criteria of choice.

Many cost averse elements, like raw material increases, and revenue averse elements like the drop in the US dollar and price pressure in the market, have lead us to accelerate the transfer of production to our facility in Beijing China. This has given us an important cost advantage for the selected transferred products. We were able to improve our gross margin substantially during this year.

LEM is known for high quality products. We have reached the same highest standards at all the LEM manufacturing sites. “Made by LEM” quality is now a goal that we have achieved.

The market and business development

During the year 2007/08 the market has been favorable to our business, with the exception of the Automotive segment.

The demand for more energy, including renewable energies, and the need for energy efficiency, reliable energy and for mobility have been the tailwind for our development.

On the other hand the Automotive business, which so far is based primarily in North America, is not developing as expected. We suffered from the very weak US dollar and the continued market weakness for the North American car manufacturers.

Felix Bagdasarjanz
Chairman of the
Board of Directors

Paul Van Iseghem
President & CEO

However new initiatives have been taken to ensure a better and faster growth for this business. The prime focus is the development of the Asian market (Japan and China), where we have secured contracts for several small volume hybrid car models and additional new design-in projects are ongoing.

Due to the long lead times in the Automotive industry and the uncertainty about the ramp-up of the hybrid technology, the development of this business segment is difficult to predict. Therefore, we do not expect a major change for the year 2008/09.

For the other markets, the business level is high: our last quarter was a record quarter with record sales together with a very robust bookings level.

Change in the conditions of the stock option plans

The Board of Directors decided to modify as of 31 December 2007, the conditions of the stock options issued and not yet exercised. Since then, the reporting method changed from equity settled to cash settled. The resulting fair value revaluation at the March closing – at a share price of CHF 270.00 – generated an additional charge of CHF 4.3 million.

Appropriation of the available earnings

A top priority for LEM is to offer an attractive return on the shareholders' investment. Last year we were able to pay out a regular dividend of CHF 4.50 to our shareholders, following our policy of a payout between 25% and 50% of the net earnings.

As we remain confident about the outlook of the company, the Board will recommend the payment of regular dividend of CHF 7.00 per share, supplemented by an extraordinary dividend of CHF 4.00 per share to our shareholders.

Thanks

We would like to thank our shareholders for their continued faith in us. The year 2007/08 has been a good one for LEM and we look forward to continued success in the years to come.

We also say thanks to our customers for their trust in our products, competence and service.

And last but not least, we would also like to thank our employees for their dedicated hard work. We are looking at a global team of 1000 employees which is highly motivated and enthusiastic about the future!

F. Bagdasarjanz

Felix Bagdasarjanz
Chairman of the
Board of Directors

Paul Van Iseghem
President & CEO

Profitable growth

In the financial year 2007/08, the business level remained very high. We achieved double digit sales growth of 10% after the very high growth the previous year (21.7%).

With this result, we exceeded the outlook. We finished the year with a very strong 4th quarter and passed the CHF 200 million mark.

The profitability improvement continued, the operational profit EBIT reached CHF 30.3 million which is an increase of 18.6% – despite the change in the accounting for the stock option plans. The net profit of the Group improved to CHF 21.7 million, due to the lower tax rates achieved by the changes made during the year in the legal structure of the Group.

We also improved our balance sheet substantially. The return on capital employed (ROCE) is 60% and Free Cash Flow is CHF 17.5 million.

The Industrial Segment continues its success

Sales in the Industrial Segment reached CHF 182.8 million and increased by 11.9%. The EBIT improved to CHF 31.8 million, up by 24% compared to the CHF 25.7 million last year. At constant exchange rates, sales growth would have been 12.4%.

In the Industry market growth was 8.6%. The result is driven by the increased demand from our customers especially in our main market of motor controls but also from the significant upswing in all renewable energy related areas. The motor control market is expanding above average and is driven by the substantial energy savings that are achieved in its applications. Renewable energy (wind and solar energy) now constitute 10% of our Industry sales with a growth rate of near 60%. However other traditional Industrial applications were growing less and at a more typical economical growth rate.

In the Traction market, growth was over 22% and exceeded our expectations. For this market, which was also LEMs first market to serve, we are offering a full and renewed range of products to our customers. The significant increase in sales is fuelled by the need to improve the public mobility systems in developed and developing countries. There is a strong need to make more trains, refurbish existing ones, improve the infrastructure and allow for more cross-border traffic and metering the energy consumption on board.

In the Energy & Automation market, the continued focus is paying off. Sales have increased by over 60% – still coming from a small base. Many new products and applications are developed, opening the total available market for LEM. Process control for factory automation, current monitoring and battery monitoring for telecom antennas, data centers and other secure systems, energy consumption monitoring in industrial and distribution sites. Besides our traditional OEM customer, we are developing a new VAR (Value added reseller) sales channel to expand in this system related business.

Overall growth was the strongest in Western Europe, with an increase of 16.3%, followed by Asia at 9.6% and slightly negative for NAFTA at –4.8%. Of course this reflects the important currency effects of the year.

The growth in the BRIC countries (Brazil, Russia, India and China) exceeded all others and is 28.5%.

Automotive Segment: disappointing year but new business secured

This past year has been a challenge for the Automotive Segment. Sales amounted to CHF 20.3 million, –4.8% compared to last year. EBIT was – CHF 1.5 million. At constant exchange rates, sales growth would have been –1.2%.

The result is due to the substantial decline in production of the US car manufacturers especially in the SUV market, superimposed by a very weak US dollar exchange rate. Though we have moved the production to our plant in China, sales are primarily in US dollars and costs are in Euro, Swiss francs and RMB's, which all strengthened to the US dollar.

We have focused on generating new business and have secured several new contracts in the hybrid car market in Asia, China and Japan, and in Europe. Production of these products starts in 2009, so next year will still be a transition year for the Automotive segment.

The two main applications in the car are the battery management – increasingly for the hybrid electric vehicles and the motor controls, like for Electronic Power Steering (EPS).

We are confident that we are on track for a new growth phase after this 2008/09 year, allowing for the traditional long lead time from design-in to production.

Operations: operational excellence continues

Several developments made a substantial difference this year:

- The accelerated transfer of the production of selected product lines to our facility in Beijing. This was done without service, nor quality issues, but making a big difference in our cost structure. The build up of this facility allowed sales in China to triple and we will continue this trend. Many important customers have audited the Chinese factory, with success.

- Following the Customer and Employee survey that took place in the 3rd quarter of 2007, we have launched several projects to improve the administrative processes, especially the order to shipping to bill process. We have already reached a major improvement, and are ready to launch a 6 sigma project to reach best-in-class performances.

- The focus on low cost global sourcing, using LEM's total leveraging effect, striving to improve not only cost but also quality and service levels.

LEM has achieved some major goals, in reaching top quality levels across all its plants, having a unified "made by LEM" quality performance and in providing a seamless service to our customer's requirements.

Innovation is key

Three product launches were made to complement our portfolio, strengthening our position in high performance applications for industrial drives and allowing a more complete offer of components in Energy & Automation.

R&D efforts remain at a high 5.5% of sales with a special focus on innovation. On one hand, we intensified our collaboration on advanced technologies with universities (especially with Aachen, Lausanne and Tokyo), while on the other hand our R&D team succeeded in bringing to maturity a new state-of-the-art fluxgate technology for several new products to be launched in 2008/09.

Thanks to our continuous efforts on improving design methodologies, our lean products development process is delivering high quality product and production from the launch date.

Outlook: growth ahead

The basic drivers for our business remain quite robust for the short and medium term:

- the need for more energy and the demand for more renewable energy.
- the need for reliable energy and for more controls and standby battery management.
- the need for better energy efficiencies, increasing the demand for the more efficient motor controls.
- the need for more mobility, public transport and automotive with a shift to more energy friendly solutions.

We closed the year on a quarter of high sales and expect this positive trend to continue. Our major customers support this outlook though several clouds are in the sky keeping us cautious at this early time of the year.

The growth driven by our traditional applications in addition to the growth of our new products and applications should allow us to deliver another robust year.

Energy Metering on board Trains

The growth in the Traction market has been fuelled by various factors. There is an increasing demand for higher capacity due to the requirement for more mobility of people and the transportation of goods. Furthermore trains are considered as an environmentally friendly – or "green" means of transport. In a lot of countries this demand is significant and far from complete – recent projects in India, China, Russia and parts the Middle East are impressive.

The liberalization and privatization of the rail networks in Europe are a fact, in the UK there are 27 different train operator companies competing for the British railway market. The development of the cross-border traffic has been identified as a key area of priority for many train operators and we are seeing developments take place firstly in Europe but also more and more in the rest of the world.

This means that the operators will need to rely on many different energy providers for the journeys, but how do the providers bill all these different operators?

These circumstances have created the need to be able to measure and allow for the billing of the energy needed by the trains independent of its company or origin.

LEM has developed the EM4T – Energy Meter for Traction which is the first universal energy meter for electric traction units with a formal approval to be utilized for billing purposes. It can be used in new multi-system locomotives but also can be retrofit into existing trains already in operation. The EM4T is a highly accurate energy meter compliant to all relevant traction standards for metering and onboard use. In its basic single-phase version, the EM4T energy meter can be used in all existing rail networks (600 V to 3000 V DC, 15 kV/16.7 Hz and 25 kV/50 Hz AC). It is the only multi-network energy meter able to measure both AC and DC currents and can therefore be used for cross-border traffic on all existing networks.

The EM4T counts the energy that is being used by the locomotive. It can also measure the energy that is being generated by the regenerative braking, which is a process that reduces speed by converting some of the kinetic energy back into electricity. This captured energy is either stored or fed back into the network. All the energy values measured by the EM4T are gathered and stored in load profiles, which can be set to different intervals according to the need. These data recordings contain parameters like date, time, events such as network change, power off and on, train numbers, frequency and absolute energy values for consumption and feedback of active and reactive energy. This data can be transmitted to the billing center of the energy company or the central office of the railway provider to ensure the billing process, all made possible by LEM transducers.

EM4T

Photovoltaics

Due to the growing demand for solar energy, the manufacturing of solar cells and solar photovoltaic inverters has expanded dramatically in recent years. Photovoltaic production has been doubling every two years, increasing by an average of 50% each year since 2002, making it the world's fastest-growing energy technology. World solar photovoltaic market installations reached a record high of 2.8 gigawatts peak (GWp) in 2007, this is the same amount that 2.8 nuclear power plants would generate. 90% of this generating capacity consists of grid-tied electrical systems, where the energy that has been generated by the sun is fed into the energy grid. The four leading countries – Germany, Spain, Japan and the USA represent nearly 90% of the total worldwide installed capacity, but a production facility in China is announced, which is projected to be one of the largest in the world, with an annual capacity of around 1.5 GW.

Photovoltaics is a method for generating power by using solar cells packaged in photovoltaic modules, often electrically connected in multiples as solar photovoltaic arrays to convert energy from the sun into electricity. Solar cells produce direct current (DC) electricity, which can be used to charge a battery, but today the majority of photovoltaic modules are used for grid connected power generation. In this case an inverter, which is an electronic circuit that converts direct current (DC) to alternating current (AC), is required. The inverter contains electronics that amplify, modify and synchronize the electricity so that it matches exactly what is needed to operate in the grid, namely AC current at a 50 or 60 Hz frequency.

LEMs transducers play multiple roles in the generation and conversion of the electricity and the interface to the grid.

By precise measurement in the inverter LEMs transducers ensure that the correct current and waveform is fed into the grid thus enabling high quality electricity. Another application in this process is to protect the inverter from short circuits and overload. Here the current needs to be measured to detect any significant sudden increases in order to shut off the inverter to protect it against overheating and short circuiting. Furthermore it is vital to the employees' safety to be able to detect any earth leakage current potentially happening, as this would be a safety hazard. The transducers measure the current to ensure that the circuits are not loosing any current anywhere.

A new application for LEMs Energy & Automation transducers is the so called "condition monitoring" of the strings. Here the DC current is measured directly to ensure that strings are all functioning properly and the panels are correctly oriented into the sun. Together with the other LEM transducers this will ensure safe, high quality and optimal electricity generation.

CT - P

CORPORATE GOVERNANCE

The following information complies with the SWX Directive on Information Relating to Corporate Governance, which has been in effect since July 2002 including updates until 20 September 2007. Key elements are contained in the Articles of Incorporation revised 1 October 2007. In cases where the required information is provided in other sections of this Annual Report, reference is made to the appropriate sections and page number(s).

1 Group Structure and Shareholders

Group structure

LEM Holding SA is domiciled at 8, chemin des Aulx in CH-1228 Plan-les-Ouates, Geneva. LEM's registered shares are listed on the main segment of the SWX Swiss Exchange (LEHN, security no. 2 242 762; ISIN CH0022427626). On 31 March 2008, the market capitalization was CHF 310.5 million.

The LEM Group is structured into the Industrial Segment and the Automotive Segment. Appropriate segment reporting pursuant to IFRS is contained on pages 34 of the notes to the consolidated financial statements. All companies in the LEM Group are listed under "scope of consolidation" on page 49, where the company names, registered offices, share capitals and the relevant percentages of shares held are indicated. There are no other listed companies in the scope of consolidation.

Significant shareholders

On 31 March 2008 the following shareholders held 3% or more of the share capital and voting rights:

Shareholder	
Werner O. Weber, in Zollikon, Switzerland	20.9%
Sarasin Investmentfonds SA, in Basel, Switzerland	10.4%
Threadneedle Asset management Holding Ltd, in London, United Kingdom	10.0%
Erwin Studer, in Zollikerberg, Switzerland	3.7%
Powe Capital management Ltd, in London, United Kingdom	3.3%
Joraem de Chavonay SA, in Zug, Switzerland	3.3%

There are no known shareholder agreements between individual shareholders.

Cross-shareholdings

LEM has no interlocking shareholding with other joint-stock companies.

2 Capital Structure

Capital and shares

The nominal value of the share capital of LEM Holding SA is CHF 575'000, which is divided into 1'150'000 fully paid-up registered shares with a par value of CHF 0.50 each. There are no shares with preferred voting rights. All shareholders are entitled to the same dividends.

Detailed information about the capital structure in the last three years is shown in LEM Holding statutory accounts on page 54.

There are no restrictions on the transfer of shares. In order to be registered in the share register, each shareholder shall declare that he holds the shares for his own account.

On 31 March 2008, LEM Holding SA held no own treasury shares. At the ordinary shareholders' meeting of 29 June 2007 the shareholders approved the cancellation of the 50'000 shares resulting from the previously approved share buy-back program.

Authorized and conditional capital

There is no authorized or conditional capital, nor are there any profit sharing certificates or participation in certificates or any convertible bonds outstanding.

Information on stock option programs is provided below under Section 5, "Compensations and Shareholdings", under Note 19, "Stock option plans" on page 42 and in the notes to the LEM Statutory Accounts on page 57.

3 The Board of Directors

Election, terms of office and cross-involvement

The Board of Directors is comprised of at least three members who are individually elected for a mandate of one year, which is renewable up to an age limit of 70. The Board constitutes itself and the Chairman is nominated by the Board. At the shareholders' meeting on 29 June 2007, the current members Felix Bagdasarjanz, Fritz Fahrni, Peter Rutishauser, and Anton Lauber, were re-elected. The shareholders elected Ueli Wampfler, who represents the interest of shareholder W. O. Weber, as a new member of the Board of Directors. Felix Bagdasarjanz maintained the Chairmanship. All of the members of the Board are non-executive and have at no time been part of the executive management of LEM. Furthermore, they have no significant business connections with the LEM Group.

Name	Position	Committees
Felix Bagdasarjanz	Chairman	Member NCC
Fritz Fahrni	Member	Chairman NCC
Anton Lauber	Member	Member AC
Peter Rutishauser	Member	Chairman AC
Ueli Wampfler	Member	Member NCC

AC = Audit Committee

NCC = Nomination and Compensation Committee

Internal organizational structure

The Board of Directors meets as often as necessary, but five to six annual meetings are planned in advance. In the completed financial year, two full-day, three half-day and two half-day preparatory meetings were held. These meetings usually take place at the company's headquarters. The Chairman, after consultation with the CEO, determines the agenda for the Board meetings, the members of the Board of Directors can ask for additional items to be included. The Board members receive supporting documents beforehand which allows a good preparation of the meeting. As a rule the CEO and for most of the agenda items also the CFO attend the meetings of the Board of Directors without having a right to vote. Depending on the issues, other members of Senior Management participate in the meetings in order to respond to specific questions. Decisions can be taken by the Board if at least half of the Directors are present, and a simple majority of them is sufficient. In the event of deadlock, the Chairman has the casting vote. Minutes of the meetings including decisions taken are prepared by the Outside Secretary of the Board and distributed to the members of the Board, the CEO and the CFO.

The Board of Directors reflects in its working procedures, the efficiency and effectiveness of the teamwork as well as its interaction with the management of the company on a regular basis. A self-assessment moderated by an outside expert as well as regular feedback-sessions at the end of a meeting provide valuable inputs for the continuous improvement of the Board's coherence and leadership.

Definition of areas of responsibility

The Board of Directors delegates the management of the company to the CEO to the fullest extent permitted by the Swiss Code of Obligations. The Board of Directors reviews and assesses at least on an annual basis and takes decisions in the following areas:

- Review and approval of the strategy, business plan, annual business objectives and budget for the LEM Group
- Approval of creation/closing of any subsidiary and purchase/sale of any interest in any company or entry into any merger or joint venture agreement
- Appointing/dismissing of the Senior Management
- Monitoring the ethical and legal behavior of LEM
- Reviewing of human resources management, especially co-worker satisfaction and management development
- Monitoring LEM Group risk management and internal control strategy and procedures, legal, intellectual property, social & environmental aspects.

CORPORATE GOVERNANCE

Members of the Board of Directors
Education, professional background and other notable activities.
(Absence of information on other notable activities indicates that there are none of relevance.)

Felix Bagdasarjanz
CH Nationality
Born – 1945
Chairman
Entry – 2002
Member NCC

Education
Dr. of Electrical Engineering, ETH Zurich

Professional background
Since 2002, Independent business consultant
1999–2002, CEO of ESEC and Member of the Executive Board of Unaxis
1997–1999, Member of the Executive Board of ABB Switzerland
1992–1997, Managing Director ABB Drives AG/ABB Industrie AG

Other notable activities
Member of the Board of Schneeberger Holding AG, Roggwil, BE
Head of expert team (engineering sciences), Federal Office for Professional Education and Technology, The Innovation Promotion Agency, KTI/CTI

Peter Rutishauser
CH Nationality
Born – 1956
Member
Entry – 2003
Chairman AC

Education
Dr. sc. nat., ETH Zurich
lic. oec., HSG

Professional background
Since 1989, independent businessman, participation in and management of medium-sized companies

Other notable activities
Delegate of the Board of Directors of Equatis AG and of Trisport AG,
Member of the Board of Directors of Glatz AG, Foto Pro Holding AG, Pavatex AG and WUPA Holding AG

Ueli Wampfler
CH Nationality
Born – 1950
Member
Entry – 2007
Member NCC

Education
Lic. oec., University of Zurich
Certified auditor

Professional background
Since 2004, Founder and Senior partner of Wampfler & Partner AG, Zurich
1998–2004, Director STG Schweizerische Treuhandgesellschaft, Zurich
1974–1998, STG Coopers & Lybrand, Zurich (partner since 1991)
As of 1986, entrepreneurial activities with own company-group (Swisa Holding AG and PH Partner Holding AG)

Other notable activities
Member of the Board of Directors of Merbag Holding AG, Zug;
Mercedes-Benz Automobil AG, Schlieren,
Merbag Immobilien AG, Schlieren
Caspar Finanz AG, Zug
(Traco Power Group)
OFRAG Vertriebsgesellschaft, Lupfig
Fuchs-Movesa AG, Lupfig
Rebew AG, Zürich

Fritz Fahrni
CH Nationality
Born – 1942
Member
Entry – 1999
Chairman NCC

Education
Dipl. Ing., ETH Zurich
PhD, Illinois Institute of Technology, Chicago, USA
SMP, Harvard Business School, Boston, USA

Professional background
Since 2000, Professor for Technology Management and Entrepreneurship jointly at the ETH Zurich and the University of St. Gallen
1988–1999, CEO of Sulzer Corporation

Other notable activities
Member of the Board of Directors of Ammann Industries, Langenthal;
Business Tools AG, Zurich
Member of the Board of University Hospital Balgrist, Zurich
Member of the Industrial Board of CTI Start up, Bern
Head of the Investment Committee of SAM Private Equity, Zurich
Member of the Swiss Science and Technology Council, Bern
Individual member of the Swiss Academy of Technical Sciences

Anton Lauber
CH Nationality
Born – 1951
Member
Entry – 2004
Member AC

Education
Federal Proficiency Certificate as a Mechanic
Certified Machinery Engineer, Technical University Brugg-Windisch
Post-graduate studies in Management University of Applied Sciences, Lucerne
University of St. Gallen:
Program for top managers in SMEs
IMD: Program Leading the Family Business

Professional background
Since 1998, Member of the Board of Directors of Schurter Holding AG and other group companies
Since 1993, Chairman of the Management of Schurter AG, Lucerne, CEO and Delegate of the Board of Directors, Member of the Schurter-Group Management
1989, Technical Director Schurter AG, Lucerne
Up to 1988, Managing Director Generatorenfabrik ABB, Switzerland

Other notable activities
Chairman of ITZ (Innovation-Transfer Central Switzerland) and
LIV (Association of Lucerne Industries)
Member of the Board of Directors of Beutler Nova AG, Gettnau
and Bossard Holding AG, Zug

AC = Audit Committee
NCC = Nomination and Compensation Committee

Information and Control systems of the Board of Directors vis-à-vis Management

The Board of Directors ensures that it receives sufficient information from the Senior Management to perform its supervisory duty and to make the necessary decisions.
The Board of Directors obtains the information required to perform its duties through several means:

- The Board of Directors receives monthly and quarterly reports on the current development of the business
- Informal meetings and teleconferences are held as required between the Chairman and the CEO as well as between the Chairman and individual members of the Board
- The Committees meet at regular intervals and exchange detailed information with the Management
- The Board receives detailed information to each agenda item one week before the board meeting
- At least twice a year a session is held in the Board meeting including all Senior Managers.

Internal Control System

In view of the anticipated changes in the Swiss Code of Obligations, article 663b and 728a/b, the Board of Directors has initiated the review and the documentation of the control areas and the relevant processes in order to ensure the correct assessment of major risks affecting the financial performance of the company (extended risk management) and the complete and adequate reporting of the financial data (internal control). The development of the system for internal control has progressed with priority on the processes for the financial reporting. The extended risk management project will be a priority for the coming financial year.

Committees

Two standing committees support the Board of Directors. They are comprised of at least two non-executive and independent members of the Board of Directors. They meet whenever necessary but at least twice a year.

- The primary objective of the **Audit Committee (AC)** is to provide the Board of Directors with effective support in financial matters in particular the selection and supervision of the external auditor, assessment of the effectiveness, compliance and clarity of the Group financial reporting and the assessment and preparation of the financial reports to the shareholders. Furthermore, it reviews critical accounting policies, financial control mechanisms and compliance with corresponding laws and regulations as well as the development and continuous improvement of the internal control system. If required, the external Group auditors are invited to participate at the meeting. The AC prepares proposals to be decided by the Board of Directors. In the completed financial year two half-day meetings and two phone conference were held.

- The **Nomination and Compensation Committee (NCC)** deals with succession, recruitment and compensation of the members of the Board of Directors and the Senior Management. It ensures and monitors the personnel development plan and adequate succession planning for the middle and top management. It reviews and updates the performance based compensation system for the Senior Management. The NCC prepares proposals to be decided by the Board of Directors. In the completed financial year six half-day meetings and five telephone conferences were held.

4 Senior Management

None of the members of the Senior Management have other activities in governing or supervisory bodies, any official functions or political posts nor any permanent management functions for important Swiss and foreign interest groups.

Management Contracts

There are no management contracts with companies or individuals outside the LEM Group.

Members of the Senior Management
The Senior Management was comprised of the following members as of 31 March 2008:

Paul Van Iseghem
Nationality: Belgian
Education: PhD, UCLA
Born – 1946
Function: President & CEO LEM Group
With LEM since 2000
Previous functions: President LEM components
Previous companies and positions: ITT CANNON, Vice President Engineering & Operations

Ageeth Walti
Nationality: Swiss
Education: MBA
Born – 1967
Function: CFO
With LEM since Sept. 2006
Previous companies and positions: Financial positions with Industrieholding Cham, PWC, Unilever

Hans-Dieter Huber
Nationality: German
Education: Cert. Eng. (BA)
Born – 1959
Function: Vice President, Industry
With LEM since 1995
Previous functions: Business Development Manager
Previous companies and positions: ABB, Division Manager

Luc Colombel
Nationality: French
Education: Engineer
Born – 1959
Function: Vice President, Automotive and Traction
With LEM since 1996
Previous functions: Business Development Manager
Prev. companies and positions: Arcelor Group, Strategic Development and Sales Manager

Simon Siggen
Nationality: Swiss
Education: Engineer EPFL Master in Logistics
Born – 1967
Function: Vice President, Operations
With LEM since 2002
Previous functions: Operations Manager
Previous companies and positions: Leclanché, Business segment Director

Eric Favre
Nationality: Swiss
Education: PhD, EPFL
Born – 1962
Function: Vice President, Technology
With LEM since 2000
Previous functions: Technology Manager
Previous companies and positions: ETEL Aerospace, Director Aerospace division

A worldwide management meeting

5 Compensation and Shareholdings

5.1 Board of Directors

General principles

Remunerations for the Board of Directors are approved by the Board of Directors based on recommendations by the Nomination & Compensation Committee.

The remuneration of the Board of Directors is reviewed on an annual basis.

Valid for the term of the mandate ending with the ordinary shareholders' meeting on 29 June 2007 and therefore falling into the reporting period of the fiscal year 2007/08, the Directors of the Board received an annual fixed fee based on their position (CHF 60'000 for the chairman, CHF 30'000 for a member). This amount covers the participation at up to six Board meetings including the personal preparation for meetings as well as occasional correspondence and contacts related to Board matters. The participation in additional Board meetings, telephone conferences, activities in committees and other meetings and events directly related with the Director's responsibility as a member of the Board was compensated by a half-day rate in the amount of CHF 2'000 for the chairman and CHF 1'500 for a member.

The payment of the total remuneration (fixed and variable part) for a one-year term is done once a year, immediately following the ordinary shareholders' meeting.

All members of the Board of Directors have received stock options, using the same system as for the Senior Management (see 5.2 below). Stock options have been granted based on the position of the Board member and the allocated numbers have been formally accepted by the Board of Directors.

For the term ending with the ordinary shareholders' meeting on 27 June 2008 the Board of Directors has decided to adopt a remuneration scheme with a fixed fee paid in cash in the amount of CHF 120'000 for the Chairman and CHF 60'000 for a member. Committee activity will be compensated with CHF 30'000 for the Committee's chairman and with CHF 20'000 for its members. There will be no additional variable compensation nor any participation in an equity based compensation plan. The members of the Board of Directors are requested to build up for their own account a minimum of 1'000 shares by May 2010.

Compensation of former members

In financial year 2007/08, no compensation was paid to a former member of the Board of Directors.

Options

A total of 3'939 options with a strike price of CHF 240.52 each (SOP 6) were issued to members of the Board of Directors in fiscal year 2007/08.

For more details on financial compensation, see note 19 "Stock option plans" on page 42 and the notes of LEM Holding Statutory Accounts on page 57.

5.2 Senior Management

General principles

Remunerations for the Senior Management are approved by the Board of Directors based on recommendations by the CEO and the Nomination & Compensation Committee. The remuneration of the CEO is proposed to the Board of Directors by the Chairman and decided in a private meeting of the Board.

The remuneration of the Senior Management is reviewed on an annual basis.

The total compensation for the Senior Management consists of a base salary, performance related bonus and performance related stock options.

Base compensation

The base compensation is intended to give each Senior Manager a fixed salary depending on the job characteristics, market competitiveness and the manager's skills and background. The salary evolution is dependent on the changes in the job profile and the person's general ability to fulfill the requirements of the job.

Salaries are benchmarked each year with an experienced company close to the industry. The outcome is a market value which is used as a guidance for the merit increase which takes place in the early part of the new fiscal year.

LEM incentive scheme

LEM has a bonus system for Senior Management called the LIS (LEM Incentive Scheme). It consists of three elements:

- Personal performance to specific objectives (cap = 10% of annual base salary)
- Team individual business performance to consolidated actual EBIT versus budget (cap = 15% of annual base salary, CEO 0%)
- Business performance LEM to consolidated actual EBIT versus previous year (cap = 10% of annual base salary, CEO 52.5%)

The bonus payments are made in the early part of the new fiscal year based on the annual accounts and the personal performance review conducted by the direct superior and approved by the next level superior.

LEM stock option plan (SOP)

In addition to the base and variable compensation described above, Senior Management (and selected managers) may receive stock options. These awards are structured according to the specified LEM stock option plan (SOP) with annual grants at the discretion of the Board of Directors. The number of stock options granted are allocated based on the position of the Senior Manager and are formally accepted by the Board of Directors. The maximum total number of options granted has to stay below 3% of the total number of shares resulting in an average number of options granted of around 1.5% of the number of shares assuming annual grants and an average performance of LEM according to the index.

Stock options have a three year vesting period and thereafter a two year exercise period. If an employee leaves LEM for reasons other than retirement, disability or death, the participant will generally forfeit unvested stock options.

The metric for allocating stock options is the SWX Index for Small and Mid Cap companies in Switzerland. The maximum number of stock options granted is reached when the average stock price of LEM in the prior fiscal year is 10% or more above the index. No options are assigned if the stock price of LEM in the prior fiscal year is 10% or more below the Index. A linear interpolation is applied.

The strike price is determined as the average stock price of LEM shares between 1 January and 31 March of the running year.

Valid as from the reporting of the third quarter results of the fiscal year 2007/08, the Board of Directors decided to change all running stock option plans from equity settled to cash settled. The main reason for doing this was to increase the transparency regarding LEM's financial obligations resulting from the granted stock options. Additional reasons were to avoid a misunderstanding about the dilution of the LEM shareholdings and to take adequate financial provisions in view of the missing funding of the SOP by conditional capital or treasury shares.

In the financial year 2007/08, the Board of Directors hired an external consultant to review the equity based part of the compensation system and to propose a new solution. This project has come to a successful completion in May 2008 and the new solution called Performance Share Plan (PSP) will succeed the LEM Stock Option Plan (SOP) beginning with the fiscal year 2008/09.

Compensation of former members

In financial year 2007/08, no compensation was paid to a former member of the Senior Management.

Options

A total of 10'500 options with a strike price of CHF 240.52 each (SOP 6) were issued to members of the Senior Management in fiscal year 2007/08.

For more details on financial compensation, see note 19 "Stock option plans" on page 42 and the notes of LEM Holding Statutory Accounts on page 57.

5.3 Pensions and Healthcare Plans

Pension benefits at LEM are designed to provide and contribute to a reasonable level of retirement income reflecting the number of years of service with LEM and also to help in the case of disability or death.

As a general policy, the level of pension benefits provided to employees is country-specific and is influenced by local market practice and regulations.

The pension and healthcare benefits in the main countries where LEM operates are described in more detail below.

LEM in Switzerland

The LEM pension plan operates a defined benefit plan that provides retirement benefits and risk insurance for death and disability. The insured salary is based on LPP Swiss law and is without limitation on the amount. The pension fund is funded by contributions from the company and the insured employees. The average contribution for the employee is 40% and 60% for the company. For more information refer to note 2.18 in the Accounting policies page 32.

LEM does not provide healthcare benefits to its employees in Switzerland.

LEM in China

The pension plan is a government plan.

Both company and employee pay a certain percentage for the insurance each month. The healthcare is both a government and company plan.

LEM in Japan

Only the government plan prevails.

The labour insurance (injury or disease regarding work) and health insurance is for all employees. All employees are included in the pension programs. There is a special pension fund for Directors.

LEM in Germany

In addition to the legally required pension and health insurances, the company pays into an insurance pension plan for employees.

6 Shareholders' participation rights

The rules on shareholders' participation rights are outlined in the Articles of Incorporation. The rules for the convening of shareholders' meetings, the participation rights and the majority rules for decisions are all following the Swiss law. The complete articles of Incorporation can be downloaded from the Investor Relations pages on the internet page www.lem.com.

Voting rights and representation restrictions and inscription in the share register

There are no limitations on voting rights for shareholders who are entered into the shareholders' register with voting rights. Anyone purchasing registered shares is registered by the Board of Directors in the share register on request as a shareholder with voting rights, provided he expressly declares that the shares have been bought and will be held for his own account.

Each shareholder may be represented by the representative of the Company, by the independent representative, or by a third party who need not be a shareholder of LEM Holding SA.

Statutory quorums

The Articles of Incorporation contain no deviation from the applicable law.

Convocation of the ordinary shareholders' meeting

Shareholders registered are convened to shareholders' meetings by ordinary mail and by publication in the Swiss gazette of commerce at least 20 days prior to the day of the meeting. Any shareholder who, on the day determined by the Board of Directors, is registered as a shareholder has the right to attend and vote at the shareholders' meeting.

Agenda

One or several shareholders who collectively hold 10% of the share capital can call for a shareholder's meeting. Shareholders with shares to a total value of at least CHF 1 million can call for an item to be put on the agenda. They must provide a description of the relevant motion. Appropriate applications must be submitted to the Board of Directors in writing a minimum of 60 days before the ordinary shareholders' meeting.

Dividend policy

The aim is to pay out 25–50% of the net profit in the form of dividends, to be decided by the Board of Directors.

7 Change of control and defensive measures

Duty to make an offer

In accordance with Art. 32 of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), any shareholder who exceeds 33.3% of the control of the company has to make a public offer for all outstanding shares. The Articles of Incorporation of the company do not provide for any exceptions to this rule.

Clauses of changes of control

There is no particular clause in the Articles of Incorporation for changes of control. If dismissed in the case of a change of control of the company, three members of the Senior Management will receive additional severance payments equal to 6 months remuneration.

8 Auditors

The Group auditors Ernst & Young Ltd, Geneva were appointed in 2005 initiating their mandate with the financial year 2005/06. The responsible partner since 2005 is Hans Isler.

Ernst & Young charged the following fees for professional services rendered for the 12 month period ending 31 March 2008.

Type of service	2007/08
	In CHF
Audit services	251'300
Tax services	27'543
Other services	24'161
Total	303'004

Other services include support for interim reviews and consulting services related to the Internal Control project.

Evaluation and control of the auditors is done by the Audit Committee which makes recommendations to the Board of Directors. In particular, the Audit Committee evaluates the performance, fees, and independence of the auditors.

The auditors report on the results of their audits both orally and in writing. Based on the management letter, the annual financial statements and the consolidated figures are discussed in the Audit Committee.

In 2007/08 Ernst & Young participated in two regular Audit Committee meetings. In each case Ernst & Young supplied the participants with written reports for the discussion.

9 Information policy

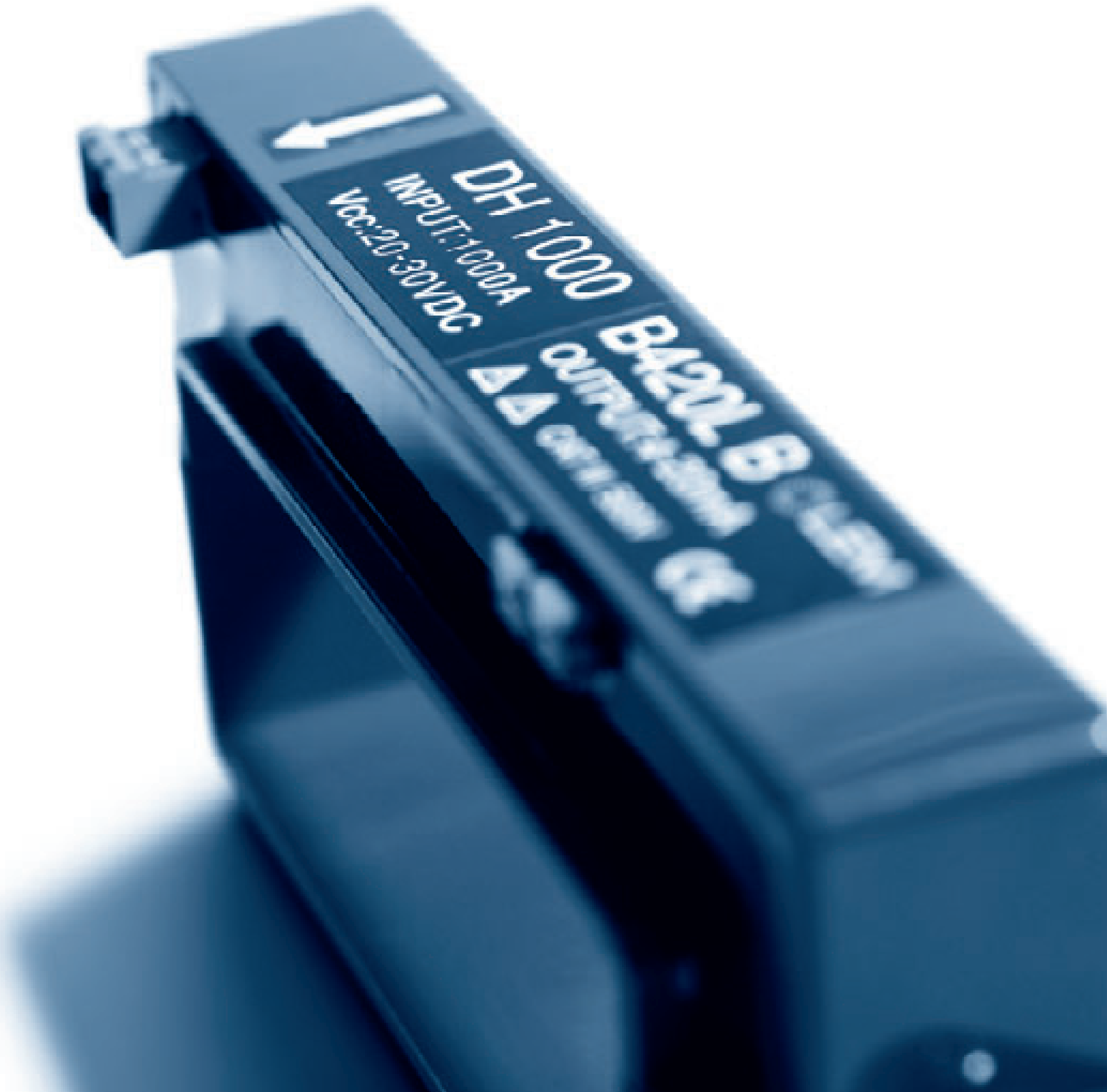
LEM informs its shareholders on the business status and its results on a quarterly basis. After the first six months a half-year report is published. This report, as well as the Annual Report, is distributed to all shareholders inscribed in the share register and made publicly available on its website www.lem.com. Once a year, LEM holds a presentation for the media and financial analysts. Internal processes assure that price-sensitive facts are published without delay in accordance with the ad hoc publicity rules of the SWX Swiss Exchange.

At **www.lem.com,** detailed information (e.g., the Articles of Incorporation, interim and Annual Reports, Investor Presentations, as well as important dates) is available.

Contact for investors and media:
Ageeth Walti, CFO,
8 chemin des Aulx,
CH-1228 Plan-les-Ouates,
or send an e-mail to **investor@lem.com**
(phone: +41 22 706 12 30).

FINANCIAL RESULTS

"Profitable growth; 10% sales growth
results in 38.9% increase in net earnings."



FINANCIAL RESULTS

Sales

LEM sales grew 10.0% to CHF 203.0 million in 2007/08; at constant exchange rates the sales growth would have been 10.6%. The favorable effect of the EUR was overcompensated by a lower USD and JPY which resulted in an unfavorable –0.6% currency impact.

Gross margin

The gross margin increased by 3.1% points to 45.1%. The positive contributors to this effect were our persistent cost reduction program and the transfer of production to China. The positive currency impact in the first two quarters was reversed in the second half, for the full year there was a slightly unfavorable currency impact on gross margin level.

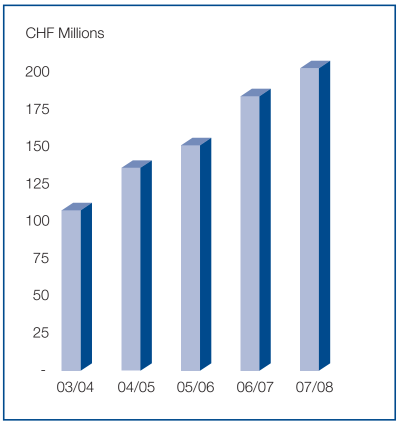
Operating expenses

The change in the conditions of the stock option plan (SOP) from equity settlement to cash settlement makes a comparison of operating expenses difficult. For the full year, the additional SOP expenses amount to CHF 4.3 million.

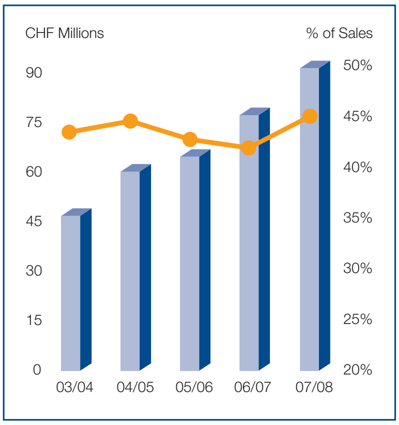
The following pro-forma calculation shows the comparable figures:

	Proforma	Actual	Actual
	2007/08	2007/08	2006/07
	TCHF	TCHF	TCHF
Sales	203’033	203’033	184’555
Cost of goods sold	(111’445)	(111’445)	(107’068)
Gross margin	91’588	91’588	77’487
Sales expense	(23’676)	(24’276)	(21’217)
Administration expense	(22’729)	(26’332)	(20’807)
Research & development expense	(11’103)	(11’232)	(10’032)
Other expense	(31)	(31)	(407)
Other income	581	581	533
Operating profit	34’630	30’298	25’557
Financial expense	(965)	(965)	(1’083)
Financial income	287	287	294
Exchange effect	(735)	(735)	77
Earnings before taxes	33’217	28’885	24’845
Income taxes	(8’271)	(7’193)	(9’225)
Net earnings	24’946	21’692	15’620
SOP charge in P&L	1’000	5’332	981

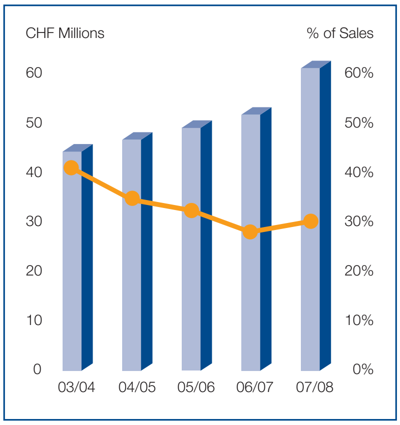
Net sales



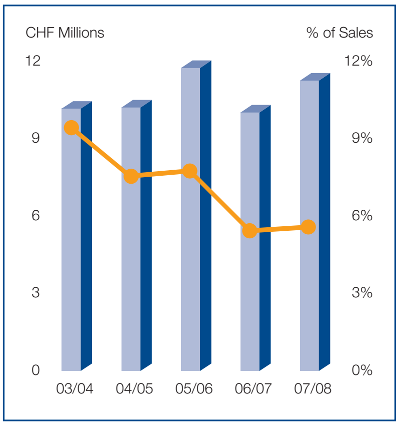
Gross margin



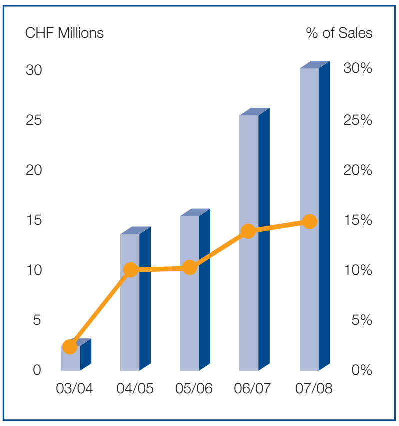
Operating expenses (incl. R&D expenses)



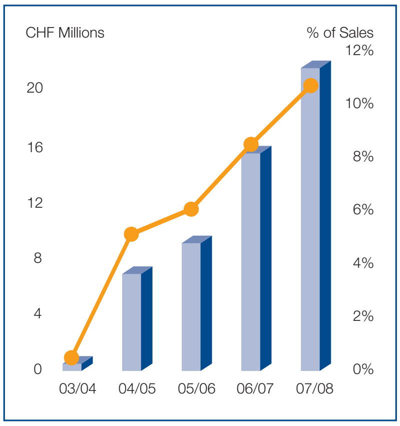
R&D expenses



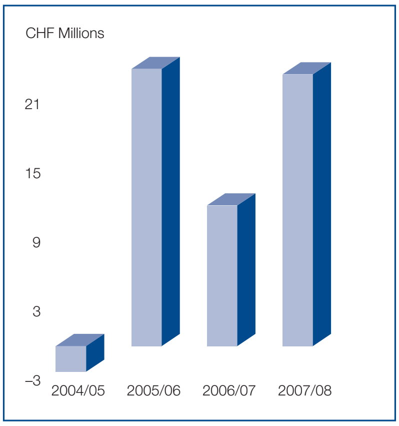
EBIT



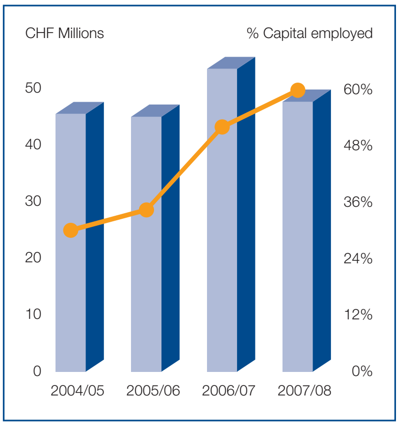
Net earnings



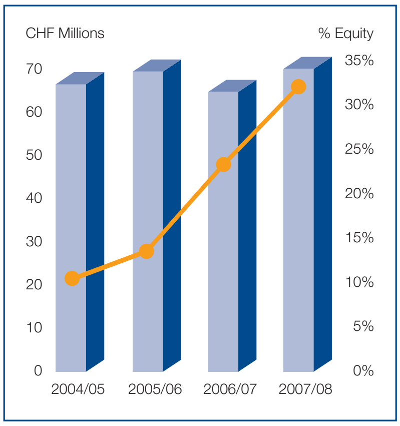
Net financial assets (–) / liabilities (+)



Capital employed & ROCE



Equity & ROE



FINANCIAL RESULTS

The cost control on operating expenses is closely managed. Although the absolute pro-forma expenses increased 9.7% to CHF 57.0 million, as a percentage of sales the ratio remained constant at 28.1%. After adjustment for the additional CHF 4.3 million SOP expenses, the operating expenses increased to 30.2% of sales.

Looking forward, the impact of the SOP will have to be calculated quarterly based on the LEM share price:

- If the LEM share price remains constant at the closing rate as of 31 March 2008, the annual charge would be CHF 2.0 million.
- If the LEM share price increases from CHF 270 as of 31 March 2008 to CHF 320 as of 31 March 2009, the annual charge would be CHF 4.7 million.

The R&D expenses, which are part of the operating expenses, increased by 12.0% to CHF 11.2 million. The sales ratio increased slightly from 5.4% to 5.5%.

Operating result (EBIT)

As a result of the positive development of the gross margin which overcompensates the additional SOP expenses of CHF 4.3 million, the EBIT increases by 18.6% to CHF 30.3 million.

Ageeth Walti
CFO

Financial expenses

The financial expenses increased from CHF 0.7 million to CHF 1.4 million in 2007/08. After exchange gains of CHF 0.1 million in 2006/07, in 2007/08 LEM incurred exchange losses of CHF 0.7 million.

Taxes

The normalized tax rate decreased from 37.3% to 28.2%. The main reasons are the change in the tax mix from the different countries and the reorganization of the Group with the creation of LEM International for the trading flows.

In 2007/08 some favorable one-time effects further reduced the tax ratio: A tax return and the release of a tax provision following the closing of a tax investigation. This results in a Group effective tax rate of 24.9%.

Net earnings

Net earnings increased 38.9% compared to 2006/07, resulting in CHF 21.7 million.

Balance sheet

The Balance sheet remains healthy with an equity ratio of 61%. Efficient cash management has allowed reducing the financial liabilities from CHF 7.6 million to CHF 2.1 million as of 31 March 2008.

The working capital (trade debtors + inventory − trade payables) as % of sales reduced from 22.2% to 21.2%. The main contribution came from inventories, which decreased from CHF 25.1 million to 22.4 million.

Cash flow

The improved working capital ratio is reflected in the change in net working capital which decreased from minus CHF 10.7 million to minus 2.3 million. Together with the increased net earnings this results in a free cash flow of CHF 17.5 million, compared to CHF 8.2 million in 2006/07.

LEM GROUP

CONSOLIDATED BALANCE SHEET

Assets	Notes	31.03.08	31.03.07
		TCHF	TCHF
Current assets			
Cash and cash equivalents		25'787	19'798
Trade debtors and other debtors	1	41'169	38'726
Other current assets	2	2'051	2'140
Inventories	3	22'411	25'082
Total current assets		91'418	85'746
Non-current assets			
Deferred tax assets	16	165	903
Other financial assets		130	73
Property, plant and equipment	4	18'450	17'067
Intangible assets	5	4'429	4'377
Total non-current assets		23'174	22'420
Total assets		114'592	108'166

Liabilities and equity	Notes	31.03.08	31.03.07
		TCHF	TCHF
Short-term liabilities			
Trade and other payables	6	17'034	16'332
Other short-term liabilities	7	650	345
Accrued expenses and deferred income		9'639	9'566
Current income tax payable		4'798	4'909
Short-term provisions	9	3'416	983
Short-term financial liabilities	22	2'087	7'556
Total short-term liabilities		37'624	39'691
Long-term liabilities			
Long-term provisions	9	5'395	1'921
Long-term financial liabilities	22	0	17
Other long-term liabilities		77	50
Deferred tax liabilities	16	1'380	1'607
Total long-term liabilities		6'852	3'595
Total liabilities		44'476	43'286
Equity			
Share capital	10	575	600
Reserves		16'200	22'537
Retained earnings		53'140	41'565
Equity attributable to equity holders of the parent		69'915	64'702
Minority interests	11	201	178
Equity		70'116	64'880
Total liabilities and equity		114'592	108'166

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

	Notes	April to March 2007/08	2006/07
		TCHF	TCHF
Sales		203'033	184'555
Cost of goods sold		(111'445)	(107'068)
Gross margin		91'588	77'487
Sales expense		(24'276)	(21'217)
Administration expense		(26'332)	(20'807)
Research & development expense		(11'232)	(10'032)
Other expense		(31)	(407)
Other income		581	533
Operating profit		30'298	25'557
Financial expense	13	(965)	(1'083)
Financial income	14	287	294
Exchange effect	15	(735)	77
Earnings before taxes		28'885	24'845
Income taxes	16	(7'193)	(9'225)
Net earnings		21'692	15'620
Attributable to:			
LEM shareholders		21'609	15'541
Minority interests		83	79
Net earnings		21'692	15'620

Earnings per share for profit attributable to the equity holders of the company during the year

	Notes	2007/08	2006/07
Earnings per share			
Earnings per share undiluted	17	18.4	13.3
Earnings per share diluted	17	18.4	12.9

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	April to March 2007/08	2006/07
		TCHF	TCHF
CASH FLOW FROM OPERATING ACTIVITIES			
Net earnings		21'692	15'620
Adjustment for non-cash items			
– Current income taxes		6'723	7'983
– Net financial result		678	789
– Expenses for share-based payments		5'332	981
– Depreciation and amortisation		4'490	4'141
– Increase (+) / decrease (–) of provisions and deferred taxes		252	1'899
– Loss on disposal of fixed assets		0	275
Interest received		287	294
Interest paid		(965)	(1'083)
Taxes paid		(6'763)	(5'288)
Expenses for cash settlement / Share-based payments paid		(5'471)	(428)
Cash flow before changes in net working capital		26'255	25'184
Change in inventory		891	(5'722)
Change in debtors and other current assets		(3'845)	(7'201)
Change in payables and current liabilities		675	2'233
Cash flow from changes in net working capital		(2'279)	(10'690)
Cash flow from operating activities		23'976	14'494
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in tangible fixed assets		(6'018)	(6'560)
Disposal of tangible and intangible fixed assets		99	239
Investment in intangible fixed assets		(463)	(259)
Increase in other financial assets		(125)	283
Cash flow from investing activities		(6'507)	(6'296)
CASH FLOW FROM FINANCING ACTIVITIES			
Treasury shares acquired via share buy-back program		0	(7'820)
Dividends paid to the shareholders of LEM Holding SA		(5'175)	(11'725)
Dividends paid to minorities		(38)	(26)
Derivative financial instruments		146	0
Increase (+) in financial liabilities		28	7'023
Decrease (–) in financial liabilities		(5'346)	(570)
Cash flow from financing activities		(10'385)	(13'117)
Change in cash and cash equivalents		7'084	(4'920)
Cash and cash equivalents at the beginning of the period		19'798	25'395
Exchange effect on cash and cash equivalents		(1'094)	(677)
Cash and cash equivalents at the end of the period		25'787	19'798

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to equity holder of the company TCHF	Share capital	Capital reserves	Reserve for treas. shares	Treasury shares	Fair value reserves	Stock option plan	Currency translation diff.	Retained earnings	Minoritiy Interest	Total equity
Balance on 1 April 2006	600	26'829	0	0	0	508	3'562	38'118	123	69'740
Dividends paid								(11'725)		(11'725)
Dividends paid to minority interests									(26)	(26)
Attribution of earnings								15'541	79	15'620
Currency translation difference							(1'464)		2	(1'462)
Stock option plan						921		(368)		553
Treasury shares		(7'820)	7'820	(7'820)						(7'820)
										0
Balance on 31 March 2007	600	19'009	7'820	(7'820)	0	1'429	2'099	41'565	178	64'880
Gains & losses recognised directly in equity	0	0	0	0	0	(60)	(1'464)	(368)	2	(1'891)
Balance on 1 April 2007	600	19'009	7'820	(7'820)	0	1'429	2'099	41'565	178	64'880
Changes in capital	(25)	25								0
Dividends paid								(5'175)		(5'175)
Dividends paid to minority interests									(38)	(38)
Attribution of earnings								21'609	83	21'692
Currency translation difference							(5'079)		(22)	(5'101)
Unrealized gain on derivatives designated as cash flow hedges					146					146
Stock option plan						(1'429)		(4'859)		(6'288)
Treasury shares			(7'820)	7'820						0
Balance on 31 March 2008	575	19'034	0	0	146	0	(2'980)	53'140	201	70'116
Gains & losses recognised directly in equity	0	0	0	0	146	(612)	(5'079)	(4'859)	(22)	(10'426)

The amount available for dividend distribution is based on LEM Holding SA's shareholders' equity determined in accordance with the legal provisions of the Swiss Code of Obligations.

1 General information

The LEM Group (the Group) 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. The Group has operations in 10 countries and employs around 1'000 people. The parent company of the LEM Group is LEM Holding SA (the Company), which is a limited company incorporated in Switzerland.
The financial year ends on 31 March. The registered office is as follows: 8, chemin des Aulx; CH-1228 Plan-les-Ouates/Geneva. The Company has been listed on the SWX Swiss Exchange since 1986.
The Board of Directors approved the consolidated financial statements on 19 May 2008.

2 Summary of significant accounting principles

2.1 Basis of preparation

The consolidated financial statements of LEM Group have been prepared in accordance with the International Financial and Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) and comply with Swiss law.
The consolidated financial statements have been prepared using the historical cost convention except that, as discussed in the accounting policies below, certain items like derivatives are recorded at fair value.

2.2 Adoption of new and revised International Financial Reporting Standards and Interpretations

In 2007/08, LEM Group introduced the following revised standards and interpretations:

Standard	Description	Impact on LEM Group
IFRS 7	Financial Instruments: Disclosures	New disclosures
IAS 1	Presentation of financial statements	New disclosures
IFRIC 7	Applying the restatement approach under IAS-29 Financial reporting in Hyper-inflationary economies	None
IFRIC 8	Scope of IFRS-2	None
IFRIC 9	Reassessment of embedded derivatives	None
IFRIC 10	Interim financial reporting and impairment	None

LEM Group will adopt the following revised standards and interpretations in the future:

Standard or interpretation	Title	Effective date
IAS-1 revised	Presentation of financial instruments	1 January 2009
IAS 23 revised	Borrowing cost – amendment	1 January 2009
IAS 27 revised	Consolidated and separate financial statement	1 July 2009
IAS 32 amended	Financial instruments: Presentation	1 January 2009
IFRS 2 amended	Share-based payments – vesting conditions and cancellations	1 January 2009
IFRS 3 revised	Business combinations – revised	1 July 2009
IFRS 8	Operating segments	1 January 2009
IFRIC 7	Applying the restatement approach under IAS 29 "Financial reporting in hyperinflationary economics"	1 March 2007
IFRIC 11/IFRS 2	Group and treasury share transactions	1 March 2007
IFRIC 12	Service concession arrangements	1 January 2008
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 14/IAS 19	The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The Group will implement the relevant new standards when they become effective. The impact from applying above standards and interpretations has not been evaluated but is expected to have no material effects on the capital, financial, income or cash flow situation of LEM.

2.3 Summary of critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and related disclosures at the date of the financial statements. These estimates are based on management's best knowledge of current events and actions that the Group may undertake in the future. However, actual results could differ from those estimates. The most important sources of uncertainty are described below.

Impairment of goodwill and property, plant and equipment
The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy. The recoverable amounts of cash generating units have been determined based on value-in-use-calculations. Property, plant and equipment is assessed according to the same rules. These calculations require the use of estimates in particular to the expected growth of sales, discount rates and development of raw material prices.

Provisions
Provisions are recognised only if the specific criteria under IFRS are met. Provisions represent presumed obligations arising from past events and are recognised only if their amount can be estimated reliably. Nevertheless, provisions are based on assumptions.

Income and other taxes
LEM Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business.

Employee benefits
The standard requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected inflation rates, employee turnover, expected return on plan assets and discount rates. Substantial changes in the assumed development of any of these variables may significantly change LEM Group's retirement benefit obligation and pension plan assets.

2.4 Basis of consolidation

The consolidated financial statements are comprised of LEM Holding SA and of its subsidiaries.

Subsidiaries
Subsidiaries, which are those entities over which the Group has the power to exercise control over the operations, which is normally the case when it owns more than one half of the voting rights, are consolidated.
For the consolidation of capital, the purchase method is used. Companies that are acquired or sold during the financial year are included in the Group financial statements up to the date of transfer of control. The costs of purchasing a company are determined as the sum of the fair value of the assets that are to be paid to the seller and the obligations that are entered into, or acquired, on the date of purchase plus the cost that can be directly allocated. Identifiable acquired assets, liabilities and contingent liabilities are recognised at their present value as of the date of their acquisition. The Group's share of the purchase price that exceeds the fair value of the identifiable net assets is recognised as goodwill.
Intra-group assets and liabilities as well as income and expenses are set off against each other.
Also Intra-group intermediate profits on inventories and fixed assets are eliminated.

Associates
Investments in associated undertakings are accounted for using the equity method. These are undertakings over which the Group exercises significant influence, but which it does not control.
No associated undertakings exist as per 31 March 2008 and 31 March 2007.

Joint ventures
In jointly controlled entities the method of proportionate consolidation is applied.
No jointly controlled entities exist as per 31 March 2008 and 31 March 2007.

2.5 Foreign currencies

Functional and presentation currency
The consolidated financial statements are presented in Swiss francs as the presentation currency. The individual subsidiaries use the local currency as their functional currency, which is the currency of the primary economic environment in which they operate.

Foreign currency translation
All assets and liabilities in the balance sheets of subsidiaries that are denominated in the respective functional currencies are translated into Swiss francs at the year-end exchange rate. Items in the income statement and cash flow statement are translated at the average exchange rate for the year. The resulting translation differences are recognised in shareholders' equity. When a company is sold, the cumulative translation differences recognized in shareholders' equity are transferred to the income statement.
The following table summarizes the principal exchange rates that have been used in the translation process.

Currency	**Statement of income 07/08 Average rate in CHF**	Statement of income 06/07 Average rate in CHF	**Balance sheet 31.3.2008 Year-end rate in CHF**	Balance sheet 31.3.2007 Year-end rate in CHF
EUR	**1.64**	1.587	**1.57**	1.624
GBP	**2.33**	2.342	**1.99**	2.390
JPY	**0.0102**	0.0106	**0.01**	0.0103
USD	**1.16**	1.238	**1.0**	1.218
RUB	**0.046**	0.046	**0.042**	0.047
CNY	**0.156**	0.157	**0.142**	0.158

Foreign currency transactions
Foreign currency transactions by subsidiaries are translated at the market rate prevailing at the time. The monetary assets and liabilities are translated at the year-end rates while non-monetary assets are translated at historical rates. Gains and losses arising from the transactions as well as from the translation of monetary assets and liabilities in foreign currencies are recorded as income or expenses in the income statement (except from translation differences arising from a monetary item that forms part of the Group's net investment in a foreign operation, which are included in shareholders' equity).

2.6 Segment information
LEM Group's primary reporting segment is business segments and the secondary reporting format is geographical. The definition of business and geographical segments of the Group is based on the managerial and organisational structure of the Group as well as on the financial reporting system.
LEM Group's business segments are Industrial and Automotive. The Industrial segment develops, manufactures and sells electronic components called transducers for the measurement of current and voltage of various industrial applications. The Automotive segment develops, manufactures and sells transducers for applications in automotive markets. Non-allocated assets correspond to cash, long-term financial receivables as well as deferred tax assets. Non-allocated liabilities comprise bank borrowings, income tax payable and provisions for deferred taxes.
LEM Groups geographical segments are Europe, North America, Asia and Rest of world.
Transactions between the business segments are conducted at arms' length.

2.7 Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash on hand, cash at bank and cash at postal accounts and bank deposits with an original maturity of three months or less from the date of acquisition, that are readily convertible to known amounts of cash. This definition is also used for the cash flow statement.

2.8 Trade debtors
Trade debtors are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Provisions for bad debt are established when there is an objective indication that the Group will not be able to collect the amounts due. Bad debts are written off when identified.

2.9 Inventories
Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in process comprise raw materials, direct labour costs and other costs that can be directly allocated, such as production overhead expenditures. Financing costs are not included in inventories.

2.10 Derivative financial instruments
Derivative financial instruments are initially recognised at cost and are subsequently re-measured at their fair value. With the exception of derivative financial instruments that qualify for hedge accounting, changes at fair value of derivative financial instruments are recognised in the income statement. Derivative financial instruments are shown as part of other current assets and other current liabilities. In case the maturity is more than one year, derivative financial instruments are recognised under other non-current financial assets or other non-current financial liabilities.
LEM Group does apply hedge accounting. For a derivative financial instrument to be recognised as a qualified hedging transaction, certain requirements regarding documentation, probability of occurrence, effectiveness and reliability of measurement, both of the hedging instrument and of the hedged underlying transaction, must be fulfilled. In case of qualified hedging transactions of future cash flows (cash flow hedge), the hedging instrument is recognised at fair value. Of the change in fair value of the hedging instrument, the part that is effective for the hedging transaction is recognised in shareholders' equity and the remaining ineffective part is recognised in the income statement in the financial result. When the hedging transaction is maturing, the cumulative gains and losses previously recognised in shareholders' equity are included in the income statement of the period.
The Group uses financial instruments to hedge foreign exchange risks of forecasted transactions (cash flow hedging). Derivative financial instruments can comprise of forward exchange contracts and option based structures. Currently the LEM Group applies hedge accounting for one derivative financial instrument in place. No hedge accounting was applied to any other transaction carried out during the financial years 2007/08 and 2006/07.

2.11 Property, plant and equipment
Property, plant and equipment is stated at cost of acquisition or construction less depreciation and any impairment. Depreciation is calculated on the linear basis on the following estimated useful life:

Land	nil
Buildings	20–40 years
Machinery & Equipment	5–8 years
Tools & Moulds	2–5 years
Vehicles	3–5 years
IT equipment	3–5 years

Repairs and renewals are charged to the profit and loss account when the expense is incurred. Subsequent expenditure on an item of tangible fixed assets is capitalized at cost only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2.12 Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisitions is reported in the balance sheet as an intangible asset and carried at cost less accumulated impairment losses. Goodwill is tested annually for impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research and development
Research costs are written off as incurred. Development costs are capitalized as intangible assets only, if it is probable that future economic benefits will flow to the Group. Such development costs are capitalized and written off over the life of the product or process.
In the financial years under review, no development costs have been capitalized.

Other intangible assets
Other intangible assets with definite useful lives are carried at costs less amortization and any impairment.
Expenditure on computer software, acquired patents, trademarks and licences is capitalized and amortised using the straight-line method over their useful lives, not exceeding five years.

2.13 Impairment of tangible fixed assets and intangible assets
Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.
For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash-flows (cash generating unit).
The value in use is calculated based on the estimated future cash flows expected to result from the use of the asset and eventual disposal, discounted using an appropriate long-term interest rate.

2.14 Assets held for sale
LEM Groups assets are reclassified as held for sale when a sale within one year is highly probable and the assets are available for immediate sale in their present condition.
Tangible and intangible assets held for sale are re-evaluated at the lower of fair value less cost to sell or the carrying amounts at the date they meet the held for sale criteria. Any resulting impairment loss is recognised in the profit & loss account. In the two years under review there were no assets held for sale in LEM Group.

2.15 Financial assets
Financial assets can comprise of marketable debt securities with a fixed duration, marketable securities, derivative financial instruments and loans. Currently LEM Group has no marketable and equity securities, nor any loans and long-term receivables in its books.

2.16 Leases
Assets acquired under long-term finance leases are capitalised as part of the fixed assets and depreciated over the shorter of the estimated useful life of the asset and the lease term.
The associated obligations are included dependent on their maturity in current or non-current financial liabilities respectively. Currently LEM Group does not hold any finance lease.
Rentals payable under operating leases are charged to the profit & loss account as incurred.

2.17 Financial liabilities
Financial liabilities comprise of bank loans and are recognised initially as the proceeds received, net of transaction costs incurred. In subsequent periods, bank loans are stated at amortised cost using the effective interest rate method with any difference between proceeds (net of transaction) and the redemption value being recognised in the income statement over the terms of the borrowing.
Financial liabilities that are due within 12 months after the balance sheet date are classified as short-term liabilities unless the Group has an unconditional right to defer settlement of the liability until more than 12 months after the balance sheet date.

2.18 Employee benefits
The Swiss subsidiaries provide a defined benefit plan for employees; the other subsidiaries provide defined contribution plans. The charges are included in the personnel expenses of the various functions where the employees are located.

Defined benefit plan
A qualified independent actuary values the funds on an annual basis. The obligation and costs of pension benefits are determined using the projected unit credit method. Past service costs are recognised on a straight-line basis over the average period until the amended benefit becomes vested. Gains or losses on the curtailment or settlement of pension benefits are recognised when the curtailment or settlement occurs. Actuarial gains or losses are amortised based on the expected average remaining working time of the participating employees, but only to the extent that the net cumulative unrecognized amounts exceed 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets at the end of the previous year.

Defined contribution plan
The subsidiaries abroad sponsor defined contribution plans based on local practices and regulations.
The Group's contribution to defined contribution plans are charged to the income statement in the period to which the statement relates.

Other long-term employee benefits
Other long-term employee benefits include long-service leave or sabbatical leave, medical aid, jubilee or long-service benefits and, if they are not payable wholly within 12 months after the year end, bonuses and deferred compensation. All actuarial gains and losses are recognised immediately in the income statement, no corridor approach is applied.

Equity compensation plan
LEM Group operates several stock option plans. Stock options are granted to the Board of Directors and managers. The attribution is linked to the share price development.

2.19 Provisions and contingent liabilities
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation.

Claims and litigations
The Group recognises the estimated liability to replace products still under warranty at the balance sheet date. This position is calculated based on past history of the level of repairs and replacements.

Employee and termination benefits
These obligations are covered by a provision in the balance sheet according to the legal requirements of certain countries.

Stock option plans
As of 31 December 2007 the plans have been changed from equity settled to cash settled.
The total amount expensed for the options not yet exercised is determined by reference to the fair value of the instruments granted at each closing period. The quarterly fair value calculations are performed by a third party applying the “Hull & White” model based on the LEM share price at the period end. The amounts are charged to the income statement and adjusted in the provisions which are built up pro-rata during the vesting period.
At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable and recognises the impact, if any, in the income statement, and a corresponding adjustment to the provision over the remaining vesting period.

Onerous contracts
The Group presently sees no need for provisions for onerous contracts.

Restructuring
The Group presently has no need for provisions for restructuring.

Contingent liabilities
Contingent liabilities arise from conditions or situations where the outcome depends on future events. As the probability either cannot be measured reliably or the probability for a subsequent outflow lies below 50%, contingent liabilities are not recognised in the balance sheet but are described in the notes.

2.20 Share capital
LEM Holding SA has only ordinary registered shares. Dividends on ordinary shares are recognised in equity in the period in which they are declared. When LEM Holding SA or its subsidiaries purchase its own shares, the consideration paid including any attributable transaction costs and taxes is deducted from shareholders’ equity as treasury shares (own shares) until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders’ equity.

2.21 Minority interests
Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet.

2.22 Revenue recognition
Revenue from the sale of products comprises all revenues that are derived from sales of products to third parties after deduction of price rebates and value added tax. Revenues from the sale of products are recognised in the income statement as soon as the products have been shipped and the associated benefits and risks have been transferred to the purchaser.

2.23 Income taxes and deferred taxation
Income taxes
Income taxes comprise all current and deferred income taxes, including the withholding tax payable on profit distributions within the Group. Income taxes are recognised in the consolidated income statement except for income taxes on transactions that are recognised directly in shareholders’ equity.

Deferred taxation
Deferred income tax is provided is full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from trade receivables, inventories, depreciation on tangible assets and tax losses carried forward. Deferred taxes are determined using tax rates that apply, or have been announced, on the balance sheet date in the countries where the Group is active. Tax losses carried forward are recognised as deferred tax assets to the extent that it is probable that tax profit will be available in the future against which the tax losses carried forward can be utilised. Deferred tax assets and liabilities are offset against each other if the corresponding income taxes arise by the same tax authority and a legally enforceable right for offsetting exists.

Segment information

Primary reporting format – by business segment

TCHF

	Industrial		Automotive		LEM Group	
	07/08	06/07	07/08	06/07	07/08	06/07
Income Statement						
Sales	182'788	163'296	20'245	21'259	203'033	184'555
EBITDA	35'499	29'175	(713)	523	34'786	29'698
EBIT	31'796	25'684	(1'498)	(127)	30'298	25'557
Net financial expense					(1'413)	(712)
Taxes					(7'193)	(9'225)
Net earnings					21'692	15'620
Depreciation and amortisation:						
Tangible assets	3'391	3'228	756	625	4'147	3'852
Intangible assets	314	264	29	25	343	290
Total	3'705	3'492	785	650	4'490	4'141
Significant non cash items						
Provision for share based payments	5'412	0	738	0	6'150	0
Balance sheet						
Segment assets	79'039	76'972	9'249	10'361	88'288	87'333
Unallocated assets					26'304	20'833
Total assets	79'039	76'972	9'249	10'361	114'592	108'166
Segment liabilities	34'209	26'321	2'022	2'849	36'231	29'170
Unallocated liabilities					8'245	14'116
Total liabilities	34'209	26'321	2'022	2'849	44'476	43'286
Capital expenditure:						
Tangible assets	3'269	5'142	2'749	1'418	6'018	6'560
Intangible assets	440	238	23	21	463	259
Total	3'709	5'380	2'772	1'438	6'481	6'819

Secondary reporting format – by geographical segment

TCHF

	Europe		North America		Asia		Rest of the World		LEM Group	
	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08	06/07
Sales by location of customers	107'736	91'974	37'421	39'491	53'367	49'638	4'509	3'452	203'033	184'555
Segment assets by location of assets	52'639	54'146	5'967	7'371	29'682	25'816			88'288	87'333
Unallocated assets									26'304	20'833
Total assets	52'639	54'146	5'967	7'371	29'682	25'816			114'592	108'166
Capital expenditure										
Tangible assets	4'664	5'405	25	25	1'329	1'130			6'018	6'560
Intangible assets	456	259			7	0			463	259
Total	5'120	5'664	25	25	1'336	1'130			6'481	6'819

1. Trade debtors and other debtors

	31.03.08	31.03.07
	TCHF	TCHF
Trade debtors, third party	37'132	35'234
Allowance for collectively impaired bad debt	(1'928)	(1'602)
Total trade debtors	35'204	33'632
Other non-trade debtors	5'965	5'094
Total trade debtors and other debtors	41'169	38'726

Movements on allowance for bad debt	2007/08	2006/07
	TCHF	TCHF
1 April 2006 / 2007	1'602	838
Additions charged to P&L	405	1'200
Amounts written off	(15)	(424)
Translation effects	(64)	(12)
31 March 2007 / 2008	1'928	1'602

	Not overdue	< 30 days	31–90 days	91–180 days	> 180 days	Total
	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF
Aging analysis of trade and other receivables						
31 March 2008						
Trade debtors, third party	20'010	8'900	5'791	663	1'768	37'132
Allowance for impaired bad debt	0		(178)	(186)	(1'564)	(1'928)
Other non-trade debtors	4'863	935	113	11	43	5'965
Total	24'873	9'835	5'726	488	247	41'169
31 March 2007						
Trade debtors, third party	23'267	7'014	3'306	345	1'302	35'234
Allowance for impaired bad debt			(225)	(173)	(1'204)	(1'602)
Other non-trade debtors	4'187	640	80	7	180	5'094
Total	27'454	7'654	3'161	179	278	38'726

2. Other current assets

	31.03.08	31.03.07
	TCHF	TCHF
Advances to suppliers	817	614
Prepayments and accrued income	1'013	1'467
Derivative financial instruments	221	59
Total	2'051	2'140

For further information on derivative financial instruments, see note 22.

3. Inventories

	31.03.08	31.03.07
	TCHF	TCHF
Raw material	10'813	14'150
Work in progress	2'463	2'710
Finished goods and goods for resale	9'135	8'222
Total	22'411	25'082

Above total inventories include provisions for slow moving items of TCHF 1'760 (2006/07 TCHF 1'932).

4. Property, plant and equipment

In TCHF	Land & Buildings	Machinery and Equipment	Total
Net book value on 1 April 2007	325	16'742	17'067
Conversion differences	(10)	(388)	(398)
Increases	6	6'012	6'018
Decreases	0	(90)	(90)
Depreciation charge	(11)	(4'136)	(4'147)
Net book value on 31 March 2008	310	18'140	18'450
On 31 March 2008			
Cost	405	50'673	51'078
Depreciation	(95)	(32'533)	(32'628)
Net book value on 31 March 2008	310	18'140	18'450
Net book value on 1 April 2006	526	14'499	15'025
Conversion differences	(38)	(129)	(167)
Increases	152	6'408	6'560
Decreases	(309)	(190)	(499)
Depreciation charge	(6)	(3'846)	(3'852)
Net book value on 31 March 2007	325	16'742	17'067
On 31 March 2007			
Cost	411	47'624	48'035
Depreciation	(86)	(30'882)	(30'968)
Net book value on 31 March 2007	325	16'742	17'067

5. Intangible assets

In TCHF	Goodwill	Other intangible Assets	Total
Net book value on 1 April 2007	3'469	908	4'377
Conversion differences	(50)	(9)	(59)
Increases	0	463	463
Decreases	0	(9)	(9)
Amortisation charge	0	(343)	(343)
Net book value on 31 March 2008	3'419	1'010	4'429
On 31 March 2008			
Cost	3'419	3'121	6'540
Amortisation	0	(2'111)	(2'111)
Net book value on 31 March 2008	3'419	1'010	4'429
Net book value on 1 April 2006	3'601	983	4'584
Conversion differences	(132)	(29)	(161)
Increases	0	259	259
Decreases	0	(16)	(16)
Amortisation charge	0	(289)	(289)
Net book value on 31 March 2007	3'469	908	4'377
On 31 March 2007			
Cost	3'469	2'688	6'157
Amortisation	0	(1'780)	(1'780)
Net book value on 31 March 2007	3'469	908	4'377

The entire goodwill of the LEM Group is from the acquisition of NANA in 2000/01 and is allocated to the cash generating legal unit LEM Japan KK.

The goodwill relates to the business segment Industrial. The recoverable amount has been determined based on value in use calculations. These calculations use cash flow projections of 5 years based on financial business plans and budgets approved by management. The basis of the key assumptions is market growth of 2% for both the five years and beyond. Operating costs are based on past performance. The discount rate applied to cash flow projections is pre-tax and reflects specific risks relating to LEM and was determined at 8.0%.

No impairment loss resulted from the impairment test of goodwill.

6. Trade and other payables

	31.03.08	31.03.07
	TCHF	TCHF
Trade accounts payables, third party	15'819	14'446
Other accounts payables	1'215	1'886
Total	17'034	16'332

	< 60 days	61–180 days	> 180 days	Total
	TCHF	TCHF	TCHF	TCHF
Ageing analysis of Trade and other payables				
31 March 2008				
Trade accounts payables, third party	15'006	608	205	15'819
Other accounts payables	1'156	10	49	1'215
Total	16'162	618	254	17'034
31 March 2007				
Trade accounts payables, third party	14'055	119	272	14'446
Other accounts payables	1'749	2	135	1'886
Total	15'804	121	407	16'332

7. Other short-term liabilities

	31.03.08	31.03.07
	TCHF	TCHF
Advances from customers	650	345
Derivative financial instruments	0	0
Total	650	345

8. Operating leases

	31.03.08	31.03.07
	TCHF	TCHF
Total future minimal lease payments	43'032	40'736
Less than 1 year	4'021	4'063
Between 1 and 5 years	15'114	13'083
Beyond 5 years	23'897	23'590

In 2007/08 the lease expense was TCHF 3'907 (2006/07 TCHF 4'022). Lease agreements exist for the business premises used by the Group companies, the agreements are classified as operating leases. The terms of contract range between 1 and 15 years.

9. Provisions

	Employee and termination benefits	Claims and litigations	Stock option plans	Total
	TCHF	TCHF	TCHF	TCHF
Balance on 1 April 2007	1’564	1’339	0	2’904
Additional provisions	1’024	536	5’332	6’892
Unused amounts reversed	(508)	(105)	0	(613)
Utilized during the year	(389)	(753)	0	(1’142)
Reclassification from Equity	0	0	818	818
Conversion differences	(35)	(12)	0	(47)
Balance on 31 March 2008	1’656	1’005	6’150	8’811
Of which short-term				3’416
Of which long-term				5’395
Balance on 1 April 2006	1’402	1’885	0	3’287
Additional provisions	549	1’655	0	2’204
Unused amounts reversed	(163)	(1’043)	0	(1’206)
Utilized during the year	(190)	(1’134)	0	(1’324)
Conversion differences	(33)	(23)	0	(56)
Balance on 31 March 2007	1’564	1’339	0	2’904
Of which short-term				983
Of which long-term				1’921

Employee and termination benefits
Provisions for employee and termination benefits include termination benefits required in specific countries as well as pension obligations.

Claims and litigations
Provisions for claims and litigations cover warranty claims expected to be made in the future that are not covered by insurance. The provisions have been estimated based on historical experience and based on management’s risk assessment. Included are also provisions for non-product related risks in some countries.

Stock option plans
See accounting policies 2.19 “Provisions and contingent liabilities”.

The timing of the cash outflows are not contractually fixed and therefore uncertain, an estimation has been made concerning long-term and short-term provisions.

10. Equity
Share capital
There is no authorised or conditional share capital outstanding. The nominal share capital of TCHF 575 comprises of 1’150’000 registered shares each with a nominal value of CHF 0.50. Treasury shares are not entitled to dividends.

50’000 shares were cancelled as of 27 September 2007, following approval by the shareholders at the ordinary shareholders’ meeting from 27 June 2007.

	Number of shares	Average price	Total
		CHF	TCHF
Movement of treasury shares			
Balance on 1 April 2007	50’000	156	7’820
Movement	(50’000)	(156)	(7’820)
Balance on 31 March 2008	0		0
Ordinary dividend per share (in CHF)	7.00		
Extraordinary dividend per share (in CHF)	4.00		

The dividend is proposed by the non-executive Board of Directors to be paid 2008.

Balance on 1 April 2006	0	0	0
Movement	50’000	156	7’820
Balance on 31 March 2007	50’000	156	7’820
Ordinary dividend per share (in CHF)	4.50		

11. Minority Interests

	31.03.08	31.03.07
	TCHF	TCHF
	201	178

There were no changes in minority interests in the current financial year. The minority interests correspond to 10% in TVELEM held by local management.

12. Staff cost

	2007/08	2006/07
	TCHF	TCHF
Salaries and wages	(35'037)	(33'363)
Other personnel costs	(11'303)	(11'938)
Temporary employees costs	(4'037)	(6'301)
Expenses for stock option plans	(5'332)	(981)
Total	(55'709)	(52'583)

Employee benefit plan costs comprise defined-contribution contributions of TCHF 436 (PY TCHF 444). For more information on expenses for stock option plans see Accounting policies 2.19 "Provisions and contingent liabilities".

	31.03.08	31.03.07
	FTE	FTE
Number of employees at the end of the financial year		
Full time employees	924	801
Temporary employees	61	76
Apprentices	11	11
Total	996	888

13. Financial expense

	2007/08	2006/07
	TCHF	TCHF
Financial expenses	(143)	(127)
Interest expenses	(822)	(956)
Total	(965)	(1'083)

14. Financial income

	2007/08	2006/07
	TCHF	TCHF
Interest income	287	294
Total	287	294

15. Exchange effect

	2007/08	2006/07
	TCHF	TCHF
Exchange gains and losses	(830)	126
Fair value revaluation on derivatives – currency	16	18
Gains and losses on derivatives – currency[1]	79	(67)
Total	(735)	77

[1]position includes cost of derivative hedging

16. Income taxes

	2007/08	2006/07
	TCHF	TCHF
Amounts charged (credited) in the income statement are as follows:		
Current income taxes	(6'723)	(7'983)
Deferred income taxes	(470)	(1'242)
Total income tax expenses	(7'193)	(9'225)

Since the Group operates globally, it is liable for income taxes in many different tax juridisctions. Judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Differences between the final tax outcome and the amounts that were initially recorded impact the income and deferred taxes in the period in which such determinations are made.

The Group calculates its expected average tax rate as a weighted average of the tax rates in the tax jurisdictions in which the Group operates. The Group's effective tax rate differs from the Group's average expected tax rate as follows:

	2007/08	2006/07
Group's average expected tax rate	28.22%	37.30%
Tax effect of		
– expenses not deductible	0.11%	0.50%
– reduced taxes	(1.40%)	(0.40%)
– adjustment in respect of income tax of previous periods	(1.90%)	0.00%
– consideration of tax losses carried forward	(0.13%)	(0.30%)
Group's effective tax rate	24.90%	37.10%

The decrease in the Group's average expected tax rate is caused by changes in volumes, product mix and profitability of the Group's subsidiaries in the various jurisdictions, the change in applicable statutory tax rate in Germany and the creation of LEM International for the trading flows.

The Group's low effective tax rate in 2007/08 was due to a tax return and the release of a tax provision following the closing of a tax investigation. Deferred income tax liabilities have not been established for withholding and other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are currently regarded as permanently reinvested.

	31.03.08	31.03.07
	TCHF	TCHF
Deferred tax assets and liabilities		
Current assets	(677)	(684)
– trade debtors	(337)	(102)
– inventory	(478)	(716)
– others	138	134
Non-current assets	(866)	(666)
– property, plant and equipment	(182)	(95)
– intangible assets	(684)	(571)
Liabilities	328	646
– trade and other payables	(83)	498
– others	411	148
Total	(1'215)	(704)
The balance sheet contains the following:		
Deferred tax assets	165	903
Deferred tax liabilities	(1'380)	(1'607)
Net assets	(1'215)	(704)

Deferred taxes credited to equity amounted in 2007/08 to TCHF 0 (2006/07 TCHF 0).

	31.03.08	31.03.07
	TCHF	TCHF
The amount of unused tax losses not recognized in the balance sheet		
Expiration in the next 10 years	0	124
Expiration 2020	0	2
Without date of expiration	961	255
Total	961	381

Tax losses not recognised in the balance sheet have been used in LEM Holding Inc. in 2007/08.

17. Earnings per share

	2007/08	2006/07
Basic earnings per share		
Net earnings for the year (TCHF)	21'609	15'541
Ordinary number of shares at the beginning of the year	1'200'000	1'200'000
Weighted average number of treasury shares	25'000	33'133
Weighted average number of shares outstanding	1'175'000	1'166'867
Earnings per share – basic (CHF)	18.39	13.32

Diluted earnings per share

Since the accounting treatment of the outstanding employee stock option plans has been changed from equity settled to cash settled as of 31 December 2007, there is currently no dilutive effect. There is no authorized or conditional capital outstanding.

	2007/08	2006/07
Net earnings for the year (TCHF)	21'609	15'541
Weighted average number of shares outstanding	1'175'000	1'166'867
Executive stock option plans	0	38'249
Adjusted weighted average number of shares outstanding	1'175'000	1'205'116
Earnings per share – diluted (CHF)	18.39	12.90

18. Related parties

Related parties are the non-executive Board of Directors and the Senior managers as defined in the Corporate Governance guidelines. The compensation to the non-executive Board of Directors comprises the following components: Base salary and stock options. The compensation to the Senior manager comprises the following components: Base salary, bonus, post employment benefits and stock options. The base salary is the employees compensation before deduction of employees social security contributions. The bonus is paid in cash.

	2007/08	2006/07
	TCHF	TCHF
Compensation of the non-executive Board of Directors		
Base salary	(427)	(302)
Expenses for stock option plans	(378)	(118)
Total	(805)	(420)
Number of granted Stock options in financial year	3'939	4'250

	2007/08	2006/07
	TCHF	TCHF
Compensation of the Senior management		
Base salary	(1'305)	(1'164)
Bonus	(455)	(302)
Post employment benefits	(152)	(137)
Expenses for stock option plans	(2'675)	(438)
Total	(4'587)	(2'041)
Number of granted Stock options in financial year	10'500	11'500

For more information on expenses for stock option plans see Accounting policies 2.19 "Provisions and contingent liabilities".

Additional fees and compensations

No member of the Board of Directors received fees, whose value was greater than half of his normal compensation (2006/07 TCHF 0).

19. Stock option plans

2007/08	Grant Date	Quantity options outstanding 1.4.2007	Quantity options issued	Quantity options cancelled	Quantity options exercised	Quantity options outstanding 31.3.2008	Exercise price in CHF	Fair value in CHF	Exercise period from	Exercise period until
SOP 3	31.03.05	2'628	0	0	(2'628)	0	77.18	24.86	01.04.07	31.03.15
SOP 4	01.04.05	36'809	0	0	(21'984)	14'825	77.18	24.86	01.04.07	31.03.15
SOP 5	01.04.06	29'750	0	0	0	29'750	139.80	47.69	01.04.09	31.03.11
SOP 6	01.04.07	0	26'820	(938)	0	25'882	240.52	64.92	01.04.10	31.03.12
	Total	69'187	26'820	(938)	(24'612)	70'457				

2006/07	Grant Date	Quantity options outstanding 1.4.2006	Quantity options issued	Quantity options cancelled	Quantity options exercised	Quantity options outstanding 31.3.2007	Exercise price in CHF	Fair value in CHF	Exercise period from	Exercise period until
SOP 3	31.03.05	2'628	0	0	0	2'628	77.18	24.86	01.04.07	31.03.15
SOP 4	01.04.05	38'252	963	0	(2'406)	36'809	77.18	24.86	01.04.07	31.03.15
SOP 5	01.04.06	0	31'000	(1'250)	0	29'750	139.80	47.69	01.04.09	31.03.11
	Total	40'880	31'963	(1'250)	(2'406)	69'187				

SOP 3+4

The Board of Directors issued the stock option plan SOP 3+4 for the management team and the non-executive Board of Directors in March/April 2005. The plan was equity settled but has been changed to cash settled as of 31 December 2007 (see below). Each plan gives the right to cash the countervalue of one share at the predetermined exercise price, which corresponds to the average share price of the fourth quarter 2004/05. The number of stock options granted depends on the performance of the LEM share price compared to the SWX Index for Small and Mid Cap Companies in Switzerland for the financial year 2004/05. The vesting period is two years. The details of the contractual terms of the otion plan can be seen in the table above.

During the financial year 2007/08 24'612 options were exercised. 14'825 shares related to SOP 4 are currently still exercisable. The average share price for the exercised options was CHF 299.5.

SOP 5

The Board of Directors issued the stock option plan SOP 5 for the management team and the non-executive Board of Directors in April 2006. The plan was equity settled but has been changed to cash settled 31 December 2007 (see below). Each plan gives the right to cash the countervalue of one share at the predetermined exercise price, which corresponds to the average share price of the fourth quarter 2005/06. The number of stock options granted depends on the performance of the LEM share price compared to the SWX Index for Small and Mid Cap Companies in Switzerland for the financial year 2005/06. The vesting period is three years. The details of the contractual terms of the option plan can be seen in the table above.

SOP 6

The Board of Directors issued the stock option plan SOP 6 for the management team and the non-executive Board of Directors in April 2007. The plan was equity settled but has been changed to cash settled 31 December 2007 (see below). Each plan gives the right to cash the countervalue of one share at the predetermined exercise price, which corresponds to the average share price of the fourth quarter 2006/07. The number of stock options granted depends on the performance of the LEM share price compared to the SWX Index for Small and Mid Cap Companies in Switzerland for the financial year 2006/07. The vesting period is three years. The details of the contractual terms of the option plan can be seen in the table above.

The Board of Directors decided to modify, as of 31 December 2007, the conditions of the stock options issued and not exercised from equity settled to cash settled. Based on the share price at the end of each quarter the fair value based on the "Hull-White" model is recalculated by a third party actuary. This fair value is the basis for the adjustment of the provision. The calculation with the "Hull-White" model uses the following parameters:

	SOP 6	SOP 5	SOP 3/4
– expected volatility (based on historical volatility)	28.98%	39.11%	36.24%
– risk free interest rate	2.5090%	2.5050%	2.5375%
– dividend yield	2.90%	2.35%	2.35%

Due to the share split in September 2005, the number of options under all previous stock option programs was adjusted by the factor of 4.8135.

Looking forward, the Board of Directors attempts to introduce a performance share plan (PSP) which will follow up the stock option plans. The participants will be granted shares with a three year vesting period. At exercise they will receive shares between zero or a multiple of two, depending on the value added created in the three years.

More details on the stock option programs can be found in the Corporate Governance section of the Annual Report.

20. Retirement benefit obligations

The Group considers its Swiss pension fund a defined benefit plan. The Group sponsors this defined benefit plan in Switzerland, which provides benefits primarily based on years of service and level of compensation in accordance with local regulations and practices. The following tables provide a reconciliation of the changes in the net benefit obligation as of 31 December 2007.

Net benefit expense

The components of net pension expense for the defined benefit plan are included in the profit & loss account according to their service lines and as follows:

	31.03.08	31.03.07
	TCHF	TCHF
Current service cost	2'625	2'576
Interest cost	812	852
Expected return on plan assets	(1'224)	(1'143)
Employee contributions	(1'199)	(985)
Net benefit expense	1'014	1'300
Changes in defined benefit obligation		
Defined benefit obligation 1.04.2007	27'066	
Interest cost	812	
Current service cost	2'625	
Benefits paid	(2'674)	
Actuarial (gains)/losses on obligation	(989)	
Defined benefit obligation 31.3.2008	26'840	
Defined benefit obligation 1.4.2006		24'332
Interest cost		852
Current service cost		2'576
Benefits paid		(1'480)
Actuarial (gains)/losses on obligation		786
Defined benefit obligation 31.3.2007		27'066
Changes in the fair value of plan assets		
Fair value of plan assets at 1.4.2007	27'202	
Expected return	1'224	
Contribution by employer and employee	2'802	
Benefit paid	(2'674)	
Actuarial gains/(losses) on plan asset	(1'304)	
Fair value of plan assets at 31.3.2008	27'250	
Fair value of plan assets at 1.4.2006		25'404
Expected return		1'143
Contribution by employer and employee		2'304
Benefit paid		(1'480)
Actuarial gains/(losses) on plan asset		(169)
Fair value of plan assets at 31.3.2007		27'202

LEM expects to contribute TCHF 1'625 to its defined benefit plan in 2007/08 (2006/07 TCHF 1'600).

	31.03.08	31.03.07
	TCHF	TCHF
Present value of funded obligations	26'840	27'066
Fair value of plan assets	(27'250)	(27'202)
Funded status	(410)	(136)
Unrecognized net actuarial losses	(1'271)	(956)
Unrecognized asset due to limit in IAS19§58A lit b)	1'681	1'092
Net liabilities / assets (–)	0	0

Actual return on plan assets for 2007/08 was TCHF –81 (2006/07 TCHF 732)

	31.03.08	31.03.07	31.03.06	31.03.05
	TCHF	TCHF	TCHF	TCHF
Amounts in the current and previous two periods				
Plan assets	27'250	27'202	25'404	22'391
Defined benefit obligations	26'840	27'066	24'332	23'335
Funded status	410	136	1'072	(944)
Actuarial gains/(losses) on plan asset	(1'304)	(170)	(407)	
Experience adjustment (gains)/losses on obligation	(1'300)	786	2'413	

Strategic pension plan allocations are determined by the objective to achieve an investment return which, together with the contribution paid, is sufficient to maintain reasonable control over the various funding risks of the plans. Estimated returns on assets are determined based on the asset allocation and is reviewed periodically. A temporary deviation from policy targets is allowed.

Major categories of plan assets as a percentage of the fair value of total plan assets

	Long-term target	2007/08	2006/07
	%	%	%
Equity securities	40.0%	31.0%	32.1%
Debt securities	50.0%	57.0%	60.4%
Real estate	5.0%	4.0%	0.0%
Cash and other investments	5.0%	8.0%	7.5%
	100.0%	100.0%	100.0%

The principal assumptions used in determining the pension benefit obligation are as follows:

	2007/08	2006/07
Discount rate	3.50%	3.00%
Salary increases	1.50%	1.50%
Pension increases	0%	0%
Expected return on plan assets		
– Equities	6.50%	6.50%
– Bonds	3.50%	3.50%
– Other assets	2.50%	2.50%

Costs related to the pension plan were charged to the different functional departments.

21. Contingent liabilities

	2007/08	2006/07
	TCHF	TCHF
Total guarantees for credits of subsidiaries	1'742	4'178
Total guarantees to third parties	1'846	1'525
Total off balance sheet liabilities	3'588	5'703

On 31 March 2008 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. A new guarantee was given to the building consortium in China for the construction of a new plant in China. The operations of earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory environments, inlcuding those relating to environmental protection, in the countries in which it operates. The industry in which the Group operates is also subject to risks of various kinds. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on future operations and earnings are not predictable.

22. Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise bank loans, accrued expenses, current income tax payable, provisions and trade payables. The main purpose of these financial liabilities is to raise cash for the Group's operations. The Group has various financial assets such as cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions such as currency risk reversal contracts to hedge the USD and EUR risk. The purpose is to manage the currency risks arising from the Group's operations. It is the Group's policy that no derivatives for trading purposes shall be undertaken.

The main risks arising from Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are described below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates with the current financial leverage is low. Currently all financial liabilities are short-term and are kept at variable and fixed interest rates.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonable possible change in interest rates of 100 basis points, with all other variables held constant, of the Group's profit before tax. The calculations are based on the Group's financial liabilities held at each balance sheet date. The impact on the Group's equity is not significant.

	Increase / decrease in basis points	Effect on profit before tax 2007/08	2006/07
		TCHF	TCHF
Interest bearing liabilities			
CHF	100	0	(7)
USD	100	(1)	0
JPY	100	(1)	(1)
Total		(2)	(8)
CHF	(100)	0	7
USD	(100)	1	0
JPY	(100)	1	1
Total		2	8

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency transactions primarily with respect to the USD, EUR, GBP and JPY. The Group seeks to reduce this risk by optimizing its natural hedging. This means that cash inflows and outflows in a specific currency should be in balance as far as possible. Derivative financial instruments are entered into for specific underlying risks in accordance with the Group's policy. Currently the Group has at the gross margin level a net exposure in USD and EUR which is up to 50% hedged. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items, and thereby to maximise the hedge effectiveness.

Currency risks also arise from the translation differences that are not hedged by the Group when preparing the consolidated annual financial statements in CHF. The foreign exchange translation is excluded from the calculation below.

Foreign exchange risk table

The following table demonstrates the sensitivity to a 5% change in the USD, EUR, GBP and JPY with all other variables held constant of the Group's profit before tax (due to the changes in the fair value of the monetary assets and liabilities) and the Group's equity. The sensitivity analysis is based on the Group's financial instruments held in each currency at each balance sheet date. Since the hedging instruments in place covered the period starting in April 2008, it has not been taken into consideration to reduce the currency exposure in the table shown below.

	Increase/ decrease in currency rate	Effect on profit before tax 2007/08	2006/07
		TCHF	TCHF
USD	+5%	494	326
EUR	+5%	828	731
JPY	+5%	(40)	24
GBP	+5%	27	66
Total		1'309	1'147
USD	(5%)	(494)	(326)
EUR	(5%)	(828)	(731)
JPY	(5%)	40	(24)
GBP	(5%)	(27)	(66)
Total		(1'309)	(1'147)

Credit risk

The Group trades with recognised, creditworthy parties, the trade debtors balances are monitored on an ongoing basis. It's the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In case of a deterioration of the credit history, advance payments are required. The Group's exposure to bad debts is not significant, the maximum exposure is the carrying amount as disclosed in note 1. There are no significant concentrations of risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprises cash and cash equivalents, other current assets and certain derivative instruments, the Group's exposure to credit risks arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these positions.

Liquidity risk

The Group monitors its risk to a shortage of funds using a monthly treasury forecast. The forecast considers the maturity of both its financial investments and financial assets (e.g., trade debtors and other financial assets) and projected cash flows from operations. Capital requirements by subsidiaries are managed centrally by corporate finance. In case bank financial liabilities are required this is either done centrally and passed on as an intercompany loan, or given directly by the bank to the subsidiary with a reduction of the Group's total credit line. The total leverage of the Group is low, the financial liabilities mature in less than one year based on the carrying value of borrowings reflected in the financial statements.

Financial instruments: Interest bearing financial liabilities and derivative financial instruments

Set out below is a comparison by category of carrying amounts and maturity profile and fair values of the Group's financial liabilities.

Entity	Currency	Nominal amount	Fixed / variable	Interest rate	Maturity	Net carrying amount 31.03.08	Net carrying amount 31.03.07
						TCHF	TCHF
Financial liabilities							
LEM Holding SA	TCHF	0				0	7'000
Beijing LEM Electronics Co. Ltd	TUSD	1'000	var	6.35%	30.05.08	1'087	0
LEM Japan KK	TJPY	0	fixed	1.25%	30.03.08	0	573
LEM Japan KK	TJPY	100'000	fixed	1.61%	31.03.08	1'000	0
Total						2'087	7'573
Of which short-term						2'087	7'556
Of which long-term						0	17

On 2006/07, LEM has renegotiated credit lines with four Swiss Banks. The uncommitted credit lines have a maximum amount of CHF 70 million. The interest rate is composed of the relevant LIBOR for the respective interest period and an interest margin that is linked to the debt factor. The credit lines are subject to fulfilment of periodically calculated financial performance indicators (covenants). At 31 March 2008, all covenants were attained.

For the variable-interest and fixed-interest loans the fair value equals approximately the carrying amount. The effective interest rate of the Loan in LEM Japan and Bejing LEM approximates the stated interest rate.

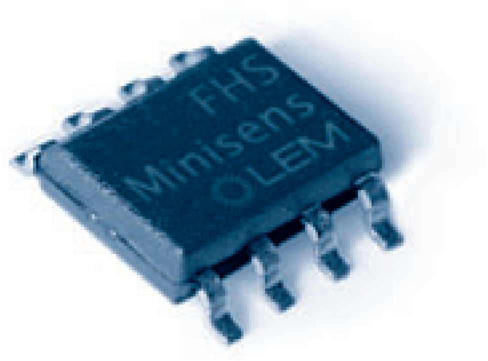
Maturity profile of derivative financial instruments and interest bearing financial liabilities

Contract value becomes due as follows:

31 March 2008	Contract values	Carrying amount	Fair values	Less than 3 months	3 to 12 months	Total
	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF
Financial liabilities						
Short-term financial liabilities	2'087	2'087	2'087	2'087	0	2'087
Derivative financial liabilities	0	0	0	0	0	0
Long-term financial liabilities	0	0	0	0	0	0
Total		2'087	2'087	2'087	0	2'087

Contract value becomes due as follows:

31 March 2007	Contract values	Carrying amount	Fair values	Less than 3 months	3 to 12 months	Total
	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF
Financial liabilities						
Short-term financial liabilities	7'556	7'556	7'556	7'556	0	7'556
Derivative financial liabilities	0	0	0	0	0	0
Long-term financial liabilities	17	17	17	0	17	17
Total		7'573	7'573	7'556	17	7'573



Derivative financial assets 31 March 2008: In order to hedge the EUR risk, LEM entered into a EUR/CHF risk reversal. A risk reversal is defined as a combination of buying a EUR put at the lower end and selling a EUR call at the upper end. This gives LEM a hedge at the lower end and gives the opportunity to profit until the EUR/CHF reaches the upper end. At year end, there was one hedging transaction open. The collar option has 6 monthly expiry dates with a TEUR 500 countervalue, starting 18 April 2008. The hedged items are projected cash inflows of TEUR 500 per month. LEM has put the documentation in place in order to apply cash flow hedge accounting. In accordance with IAS 39.74a, the intrinsic value of the option structure can be designated as being the efficient part of the hedge. The variation of the intrinsic value of the hedging structure will impact the equity. The time value of the hedging structure will impact the P&L account. At the year end, the effective part of the hedge, the intrinsic value of TCHF 146 was recognised in equity, the ineffective part, the time value of TCHF 72, was recognised in the Income statement. The fair value calculation is done using the Black&Scholes model.

Capital management

The primary objective of the Group's Capital management is to ensure that it maintains a healthy and stable equity ratio in order to secure the confidence of investors, creditors and other market players and strengthen the future development of its business activities. The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions. The Board of Directors strives to achieve a pay-out ratio between 25–50%. However, it may diverge from this policy on the grounds of economic prospects at any time or on the grounds of planned future investment activities. No changes were made in the objectives, policies or processes during the last two years.

23. Scope of consolidation

Full consolidation	Country	Currency	Share Capital	Participation	Comments
Europe					
LEM Belgium sprl-bvba	Belgium	EUR	60'000	100%	
LEM Deutschland GmbH	Germany	EUR	75'000	100%	
LEM France Sàrl	France	EUR	240'000	100%	
LEM Holding SA	Switzerland	CHF	575'000	100%	
LEM International SA	Switzerland	CHF	100'000	100%	
LEM Italia Srl	Italy	EUR	25'000	100%	
LEM SA	Switzerland	CHF	8'500'000	100%	
LEM UK Ltd	Great Britain	GBP	2	100%	
TVELEM Ltd	Russia	RUB	200'000	90%	
North America					
LEM Holding Inc.	USA	USD	50	100%	
LEM USA Inc.	USA	USD	150'000	100%	
Asia					
Beijing LEM Electronics Co. Ltd	China	CNY	32'092'000	100%	
LEM Malaysia Sdn Bhd	Malaysia	MYR	50'000	100%	In liquidation
LEM Japan KK	Japan	JPY	16'000'000	100%	

LEM International SA was created as of 3 April 2007 with a share capital of TCHF 100. As of September 2007, a capital reduction has been performed in LEM Holding reducing the share capital from TCHF 600'000 to TCHF 575'000. During the year an investment in kind in Bejing LEM Electronics Co. Ltd was contributed and retained earnings transfered into equity (share capital 31.3.2007 CNY 20'211'273).

24. Events after the balance sheet date

There were no events subsequent to the balance sheet day that require adjustment to or disclosure in the financial statements.

GROUP AUDITOR'S REPORT

Report of the group auditors to the ordinary shareholders meeting of LEM Holding SA

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes) on pages 25 to 49 of LEM Holding SA for the year ended 31 March 2008.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the financial statements submitted to you be approved.

Geneva, 19 May 2008

Ernst & Young Ltd

Hans Isler
(in charge of the audit)

Fredi Widmann

LEM HOLDING SA
Statutory Accounts

BALANCE SHEET OF LEM HOLDING SA ON 31 MARCH (before distribution of earnings)

Assets	Notes	31.03.08	31.03.07
		TCHF	TCHF
Current assets			
Cash		6'653	617
Own shares	1	0	7'820
Other current assets		392	347
Group current assets	4	25'056	3'799
Total current assets		32'101	12'583
Non-current assets			
Investments in subsidiaries	3	49'331	48'679
Intangible assets		17	36
Total non-current assets		49'348	48'715
Total assets		81'449	61'298

Liabilities & Equity	Notes	31.03.08	31.03.07
		TCHF	TCHF
Short-term liabilities			
Short-term financial liabilities		0	7'000
Other short-term liabilities		1'097	802
Group short-term liabilities	4	27'709	1'398
Total short-term liabilities		28'806	9'200
Long-term liabilities			
Other long-term liabilities		6'770	620
Total short-term liabilities		6'770	620
Equity			
Share capital	1	575	600
General reserve		29'671	29'665
Reserve for own shares	1	0	7'820
Retained earnings		8'218	2'619
Net earnings of the period		7'409	10'774
Total equity		45'873	51'478
Total liabilities & equity		81'449	61'298

INCOME STATEMENT OF LEM HOLDING SA

Income

		2007/08	2006/07
		TCHF	TCHF
Dividends		6'471	10'237
Interest income on inter-company loans		34	83
Other financial income		430	83
Central services to the Group		2'861	2'999
Foreign exchange gains		1'972	454
Total income		11'768	13'855

Expenses

		2007/08	2006/07
		TCHF	TCHF
Office, administration and personnel expenses	5	(3'089)	(2'362)
Financial expenses		(753)	(428)
Foreign exchange losses		(137)	(110)
Total expenses		(3'979)	(2'899)
Profit before taxes		7'789	10'956
Taxes		(380)	(182)
Net earnings		7'409	10'774

STATEMENT OF EQUITY OF LEM HOLDING SA

TCHF	Share capital	General statutory reserves	Reserves for Treasury shares	Retained earnings	Total
Balance on 1 April 2005	30'000	31'532	2'689	3'705	67'926
Dividends					0
Capital reduction	(29'400)				(29'400)
Reserves for treasury shares		2'689	(2'689)		0
Others		3'264			3'264
Profit for the year				10'638	10'638
Balance on 31 March 2006	600	37'485	0	14'344	52'429
Balance on 1 April 2006	600	37'485	0	14'344	52'429
Dividends				(11'725)	(11'725)
Reserves for treasury shares		(7'820)	7'820		0
Others					0
Profit for the year				10'774	10'774
Balance on 31 March 2007	600	29'665	7'820	13'393	51'478
Balance on 1 April 2007	600	29'665	7'820	13'393	51'478
Dividends				(5'175)	(5'175)
Capital reduction	(25)				(25)
Reserves for treasury shares			(7'820)		(7'820)
Others		6		0	6
Profit for the year				7'409	7'409
					0
Balance on 31 March 2008	575	29'671	0	15'627	45'873

NOTES TO THE FINANCIAL STATEMENTS OF LEM HOLDING SA

Principles for the establishment of the financial statements

The financial statements of LEM Holding SA comply with the requirements of the Swiss law for companies, the Code of Obligations (SCO).

Basis and methods of valuation

The current assets and liabilities and the inter-company loans are valuated at the exchange rate of 31 March each year. The foreign exchange gains and losses are recorded in the profit and loss account. The investments in subsidiaries are valued at acquisition cost, less adjustments for impairment of value.

1. Share capital and treasury shares

	Shares	Par value per share	TCHF
Opening capital on 1.4.2007	1'200'000	0.50	600
Closing capital on 31.3.2008	1'150'000	0.50	575

	Shares	Price per share	TCHF
Treasury shares LEM Holding AG			
Value on 1.4.2007	50'000	156.40	7'820
Change	(50'000)	(156.40)	(7'820)
Value on 31.3.2008	0	0.00	0
Value on 1.4.2006	0	0.00	0
Change	50'000	156.40	7'820
Value on 31.3.2007	50'000	0.00	7'820

50'000 shares were cancelled as of 27 September 2007 following approval by the shareholders at the ordinary shareholders' meeting from 27 June 2007. Subsidiaries of LEM Holding SA did not own any shares of LEM Holding SA.

2. Proposal for appropriation of profits

	31.03.08	31.03.07
	TCHF	TCHF
Balance brought forward from previous year	8'218	2'619
Net income for the year	7'409	10'774
Total available earnings	15'627	13'393
Dividends[1]	(12'650)	(5'175)
Carried forward to new account	2'977	8'218

[1] No dividend was paid on own shares held by LEM Holding SA

The Board of Directors proposes the distribution of an ordinary dividend of CHF 7.00 per share, followed by an extraordinary dividend of CHF 4.00 per share. This results in the following dividends per share:

Cash dividend per share	Gross	Net[2]
Registered share	11.00	7.15

[2] after reduction of 35% withholding tax

NOTES TO THE FINANCIAL STATEMENTS OF LEM HOLDING SA

3. Investments in subsidiaries

	31.03.08	31.03.07
	TCHF	TCHF
Historical cost	49'331	48'679
Total	49'331	48'679

See also note 23 of the consolidated financial statements.

4. Group current assets and liabilities

	31.03.08	31.03.07
	TCHF	TCHF
Current inter-company loans	14'676	1'740
Inter-company current assets	10'380	2'059
Total	25'056	3'799
Short-term inter-company liabilities	26'851	0
Inter-company trade payables	858	1'398
Total	27'709	1'398

5. Office, administration and personnel expenses

	2007/08	2006/07
	TCHF	TCHF
Office and administration expenses	(1'203)	(2'060)
Board member fees	(427)	(302)
Expenses for stock option plans exercised	(983)	0
Expenses for stock option plans provided	(476)	0
Total	(3'089)	(2'362)

6. Important shareholders according to art. 663c of the Swiss company law

	31.03.08		31.03.07	
	Shares	in %	Shares	in %
Shareholder with ownership above 3% (31.3.2008) and 5% (31.3.2007):				
Werner O. Weber	240'000	20.9%	231'000	19.3%
Sarasin Investmentfonds SA	119'399	10.4%	115'000	9.6%
Threadneedle Ltd.	115'000	10.0%	120'600	10.1%
POWE Capital management Ltd.	38'406	3.3%	60'771	5.1%
Erwin Studer	42'000	3.7%		
Joraem de Chavonay SA	38'000	3.3%		

7. Obligations according to art. 663b of the Swiss company law

	31.03.08	31.03.07
	TCHF	TCHF
Guarantees in favour of third parties on behalf of subsidiaries	12'018	7'003

8. Remuneration of Board of Directors and Senior Management

Obligations according to art. 663b bis of the Swiss company law.

8.1 Compensation of active members of the Board of Directors

	Annual salary compensation TCHF	Annual bonus compensation TCHF	Company's contribution to pension fund	Number of options	Cash value of options TCHF[6]	Total compensation
Felix Bagdasarjanz[1, 2]	133	–	–	1'125	50	183
Friedrich Fahrni[3]	79	–	–	938	42	121
Anton Lauber[4]	73	–	–	938	42	115
Peter Rutishauser[5]	82	–	–	938	42	124
Ueli Wampfler[2]	60	–	–	–	–	60
Total	427	–	–	3'939	176	603

8.2 Compensation of active members of the Senior Management

	Annual cash compensation TCHF	Annual bonus compensation TCHF	Company's contribution to pension fund	Number of options	Cash value of options TCHF[6]	Total compensation
Total compensation to Senior Management	1'305	455	152	10'500	469	2'381

Highest compensation

The compensation package for the highest-paid member of the Senior Management in fiscal 2007/08 was made up as follows:

	Annual cash compensation TCHF	Annual bonus compensation TCHF	Company's contribution to pension fund	Number of options	Cash value of options TCHF[6]	Total compensation
Paul Van Iseghem CEO	414	191	80	3'750	167	852

[6] The cash value of the options has been calculated using the fiscal value of the options.

8.3 Shareholdings

Registered shares on 31 March 2008		Number of shares	Number of options
Board of Directors			
Felix Bagdasarjanz[1, 2]		1'400	2'375
Friedrich Fahrni[3]		7'300	1'938
Anton Lauber[4]		300	1'938
Peter Rutishauser[5]		2'000	1'938
Ueli Wampfler[2]		3'000	–
Total		14'000	8'189
Senior Management			
Paul Van Iseghem	President & CEO LEM Group	1'164	14'525
Ageeth Walti	CFO	65	1'500
Hans-Dieter Huber	Vice-President Industry	160	5'128
Luc Colombel	Vice-President Automotive & Traction	–	4'700
Simon Siggen	Vice-President Operations	450	2'625
Eric Favre	Vice-President Technology	–	2'625
Total		1'839	31'103

[1] Chairman of the Board
[2] Member of the Nomination & Compensation committee
[3] Chairman of the Nomination & Compensation committee
[4] Member of the Audit committee
[5] Chairman of the Audit Committee

LEM Holding SA
Report of the statutory auditors to the ordinary shareholders meeting of LEM Holding SA

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) on pages 51 to 57 of LEM Holding SA for the year ended 31 March 2008.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Geneva, 19 May 2008

Ernst & Young Ltd

Hans Isler
(in charge of the audit)

Fredi Widmann

INFORMATION FOR INVESTORS

Number of registered shareholders

	31.3.2008	31.3.2007
0–499	348	318
500–4 999	55	55
5 000–49 999	13	11
50 000 and more	3	4
Total	419	388

Shareholders by category

in%	31.3.2008	31.3.2007
Institutional shareholders	38.6	43.9
Private individuals	31.5	31.2
LEM employees, managers and board	1.5	1.0
Treasury shares	0.0	4.2
Non-registered shares	28.4	19.7
Total	100.0	100.0

Major shareholders (top 5 investors)

in%		
Werner O. Weber	20.90	19.25
Threadneedle Asset Management Holdings Ltd[1]	10.00	10.05
Sarasin Investmentfonds SA	10.40	9.58
Erwin Studer	3.70	n.a.[2]
Powe Capital management Ltd	3.30	5.06
Joraem de Chavonay SA	3.30	n.a.[2]

Share price data

	Share information
Symbol	LEHN
Listing	SWX
Nominal value	CHF 0.50
ISIN	CH0022427626
Swiss Security Number (Valor)	2'242'762

In CHF	FY 2007/08	FY 2006/07
Number of shares	1'150'000	1'200'000
Year high[3]	368.00	270.75
Year low[3]	225.00	136.20
Year end[3]	270.00	270.75
Average daily trading volume (shares)[3]	1'316	1'224
Earnings per share	18.40	13.32
Ordinary dividend per share[4]	7.00	4.50
Extraordinary dividend per share[4]	4.00	0
Capital repayment per share	0	0
Market capitalization as per 31 March (in CHF Millions)	310.5	311.4

Financial calendar: The financial year runs from 1 April to 31 March.

27 June 2008	Ordinary Shareholders' Meeting Geneva Business Center, Petit-Lancy
7 August 2008	First quarter results 2008/09
6 November 2008	Half-year results 2008/09
10 February 2009	Nine months results 2008/09
4 June 2009	Year-end results 2008/09
26 June 2009	Ordinary Shareholders' Meeting

Contact:

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e-mail: awa@lem.com

[1] According to notification of not registered shareholder
[2] Shareholdings between 3% and 5% only have to be notified since 1 December 2007.
[3] Source Bloomberg
[4] Proposal of the BoD to the Ordinary Shareholders' Meeting

GROUP SUBSIDIARIES

LEM is a global player with production plants and development centers in Geneva (Switzerland), Beijing (China) and Machida (Japan) as well as adaptation centers in Russia and USA. The company has sales offices at all its clients' locations and offers seamless service around the globe.

For a complete list of subsidiaries, offices and representatives, refer to **www.lem.com**
> Contact
> Subsidiaries & representatives

Beijing LEM Electronics. Co. Ltd.
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CN-101300 Beijing
> Jean Hinden

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> Paul Leens

LEM Deutschland GmbH
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> Martin Hoffmann

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15, avenue Galois
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> Paul Leens

LEM Italia Srl
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Impressum
Publication No. CH 28000 E
(06.08 - 2.6 HRG)

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Concept, Text, Graphic Design and Product Photos
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McCann Erickson
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Photos
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Frank Mentha
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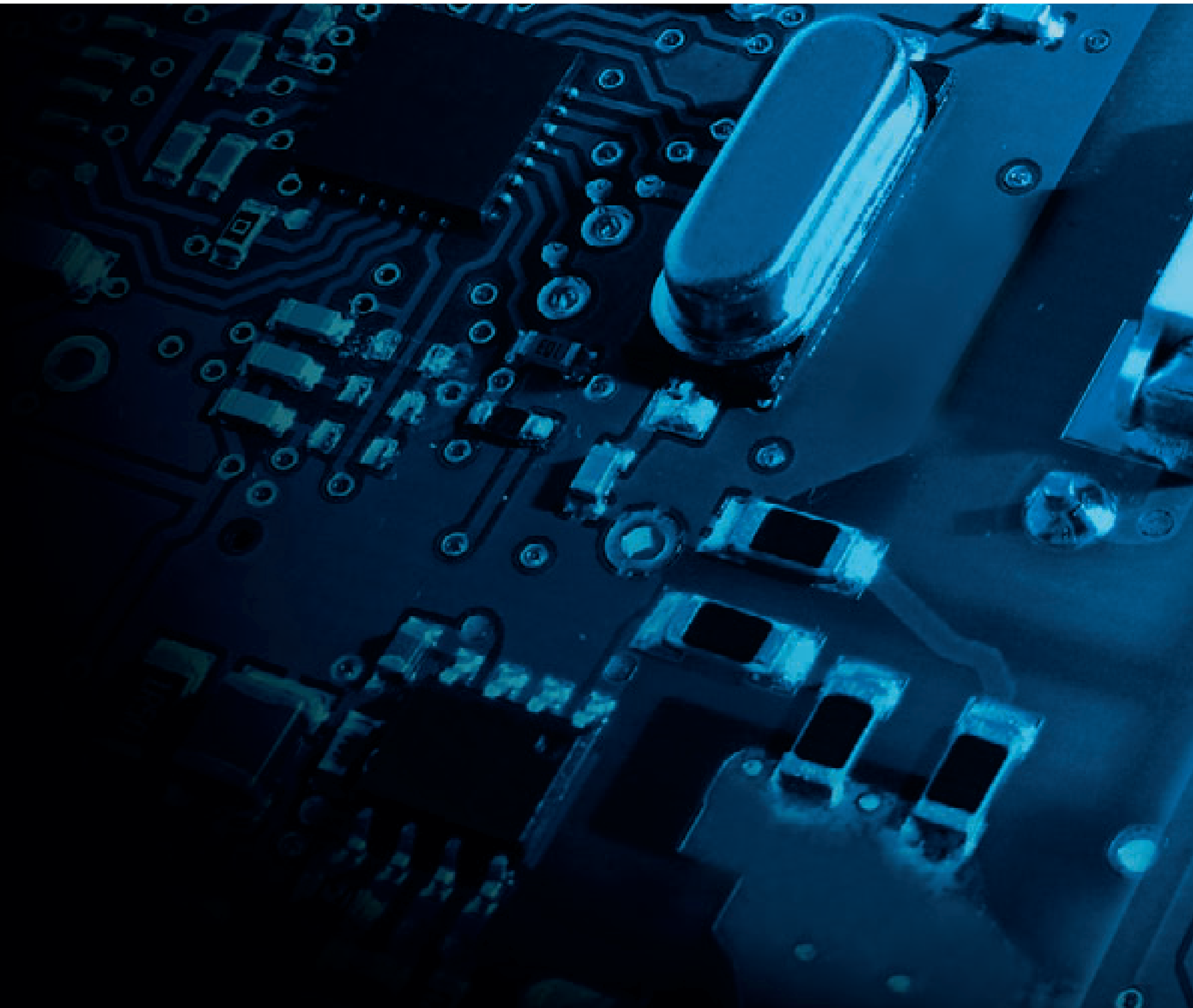
Production and Prepress
K Geneva
a Division of McCann Erickson
Geneva

Photolitho
Denz Lith-Art
Bern

Printing
Hertig+Co. AG
Lyss

LEM



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