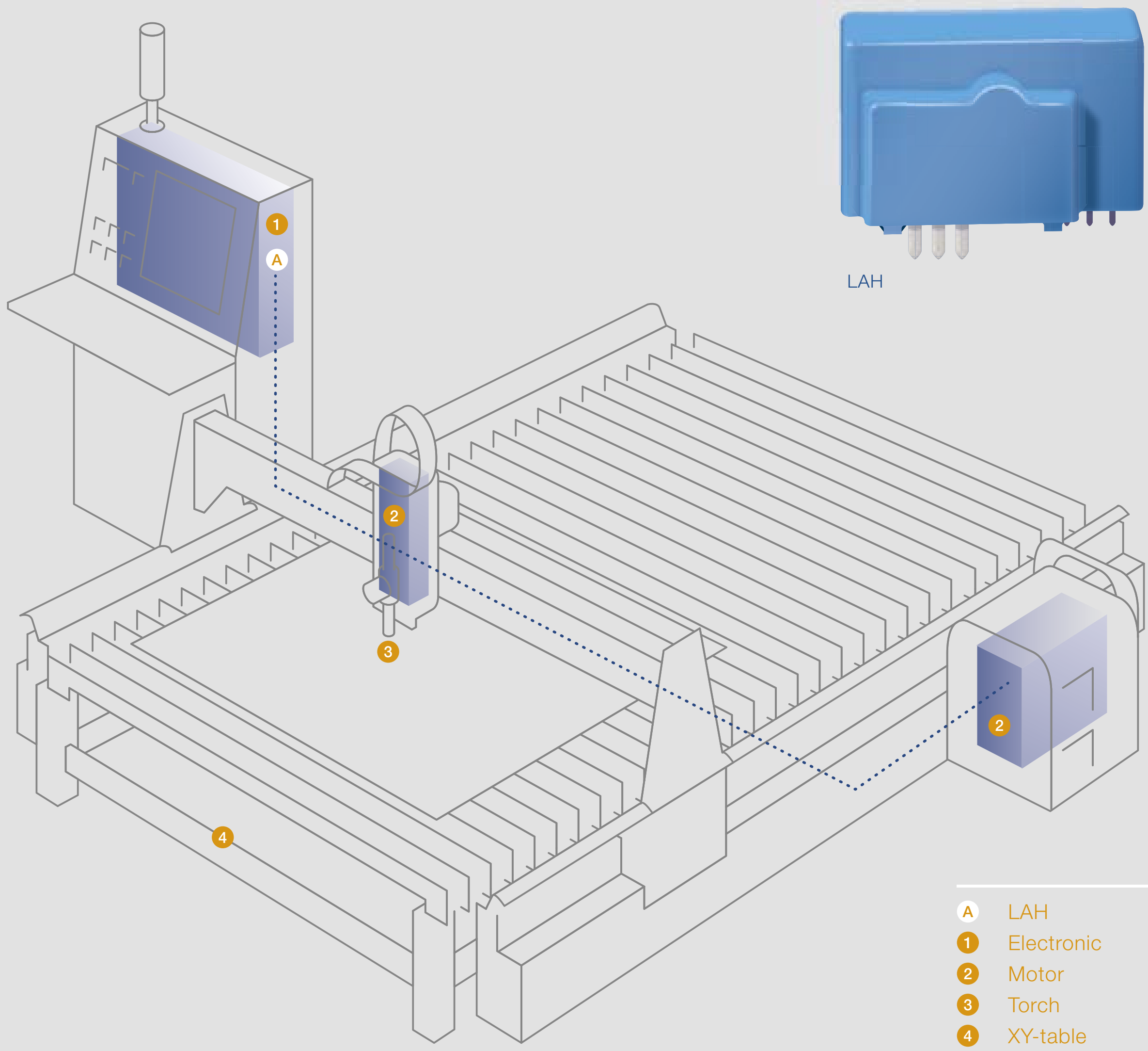
Annual Report
2011/12

At the heart of power electronics

LEM

Plasma cutting How do you cut steel or other metals? There are different methods to do it: besides mechanical methods, for example sawing, the industry also uses gas or laser techniques.

Plasma cutting uses a “plasma torch”. In this process, an inert gas (in some units, compressed air) is blown at high speed out of a nozzle; at the same time an electrical arc is formed through that gas from the nozzle to the surface being cut, turning some of that gas to plasma. The plasma is hot enough to melt the metal being cut and moves sufficiently fast to blow molten metal away from the incision.
How do you form an electrical arc? You make a contact by touch to the metal and then move a few millimetres away from the metal. In that way the arc is formed and can melt the metal.
To maintain the arc continuously, the current through the arc is measured by a current transducer that feeds the value of the current back to a control unit, which regulates it using modern IGBTs (Isolated Gate Bipolar Transistors) to ensure the current intensity of the arc. The accuracy of the measurement is important to guarantee the accuracy and shape of the cut.



- A LAH
- 1 Electronic
- 2 Motor
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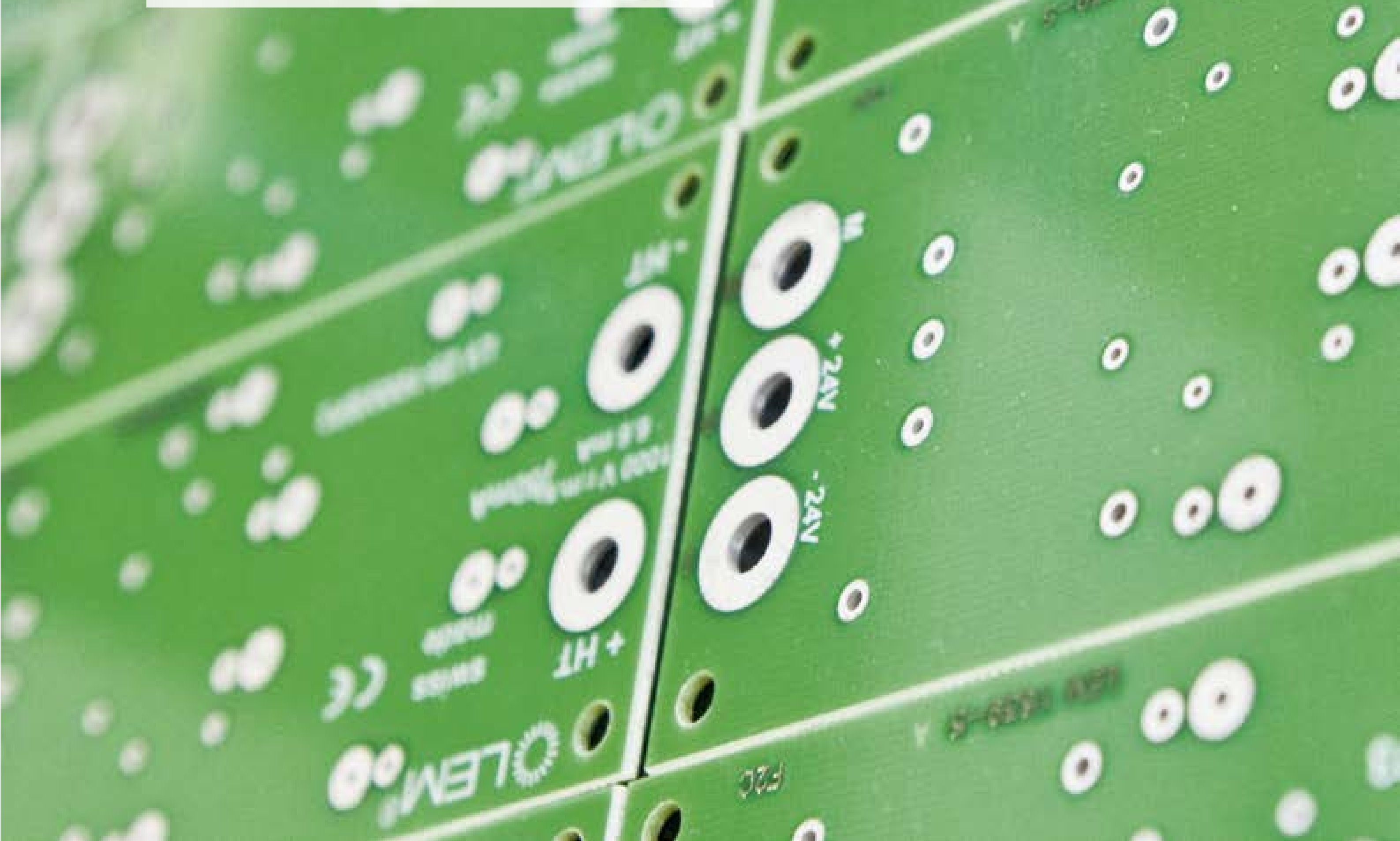
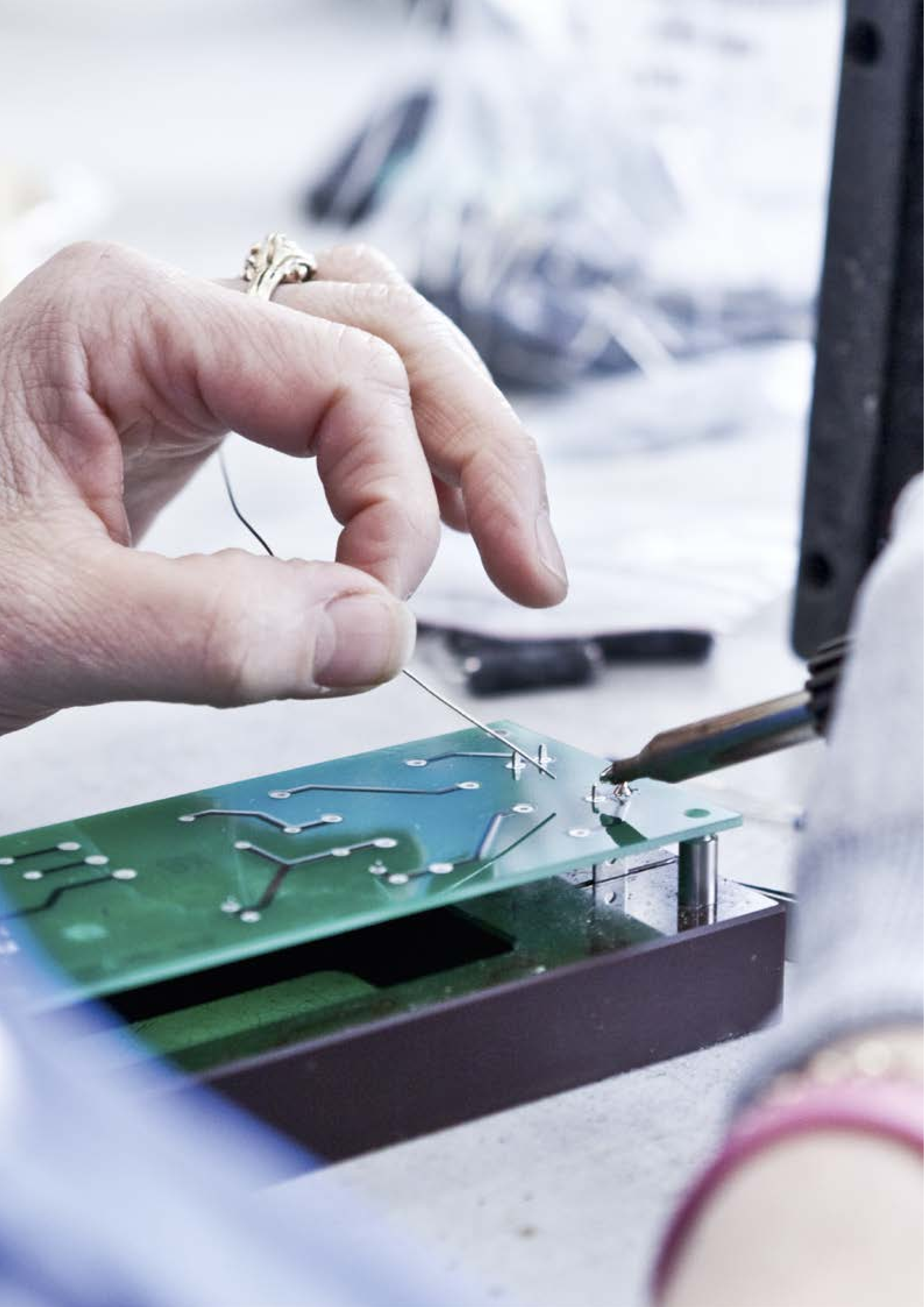
Reporting period 1 April 2011 to 31 March 2012





Electric plug-in cars

Battery management

The sensor is the key element to measure the autonomy of the car. It measures the current in and out of the battery pack and hence the units of energy available to be consumed. This information helps to calculate the remaining distance that can be driven based on the current battery charge.

Electric motor management

These sensors are used to manage the converter and/or inverter. The information provided by these sensors is used to adjust the drive performance to the speed required by the driver.

Charger management

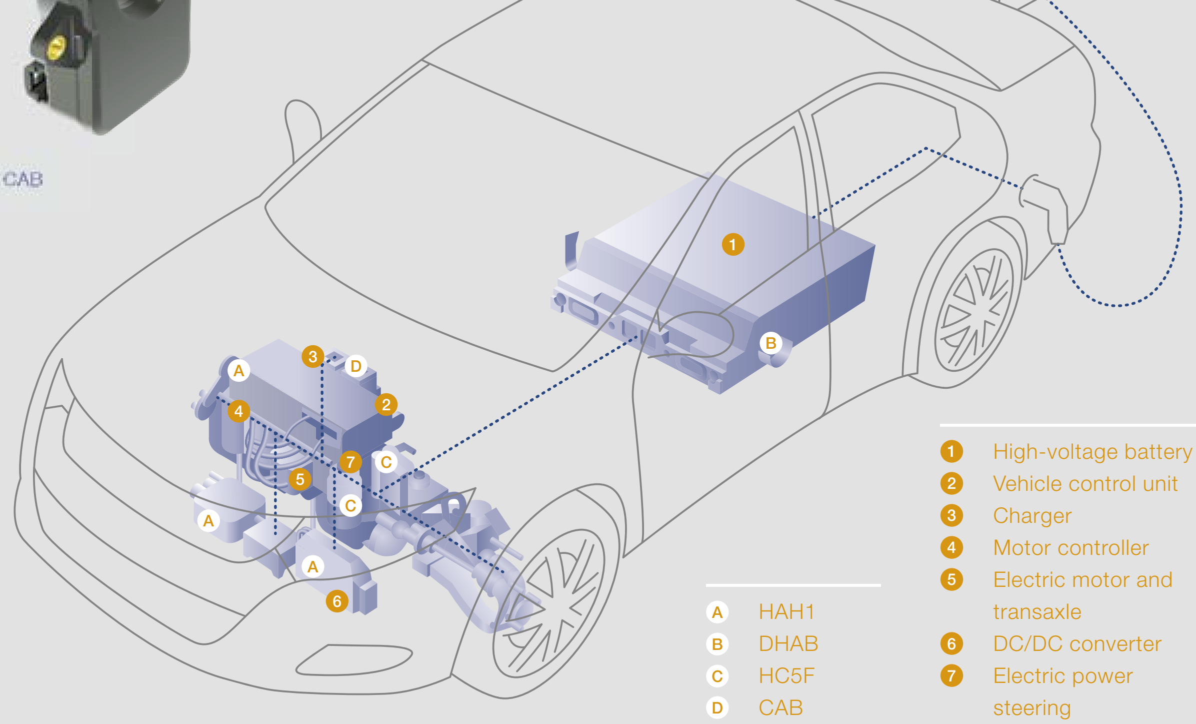
The sensor is used as a safety part of the car; it is the key element of the DC circuit breakers. It measures the leakage current that can occur during the charging phase. The same sensor may also be used for battery pack measurement. Due to its high accuracy it can provide much better information and thereby help to increase the autonomy of the car or reduce the cost of the battery pack.

HAH1

DHAB

HC5F

CAB



LEM at a Glance

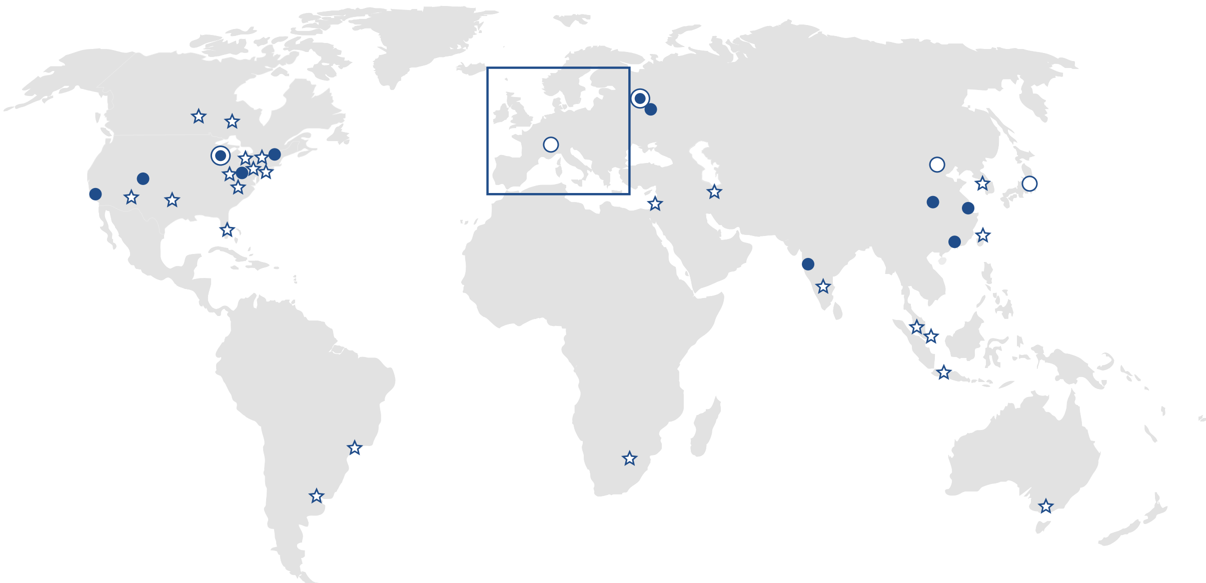
LEM – At the heart of power electronics

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 Beijing (China), Geneva (Switzerland) and Machida (Japan). The company has sales offices close to its main clients' locations and offers seamless service around the globe.



○ **Production Centers (PDCs)**
Beijing, China
Geneva, Switzerland
Tokyo, Japan

◉ **Adaptation Centers**
Milwaukee, USA
Tver, Russia

● **Sales Offices**
Geneva, Switzerland
Milwaukee, Columbus OH, Amherst NH, Arvada CO, Los Angeles CA, USA
Tver, Moscow, Russia
Beijing, Shanghai, Shenzhen, Xian, China
Tokyo, Japan
Braine-le-Comte, Belgium
Frankfurt, Germany
Paris, France
Skelmersdale, UK
Padova, Italy
Vienna, Austria
Barcelona, Spain
Pune, India

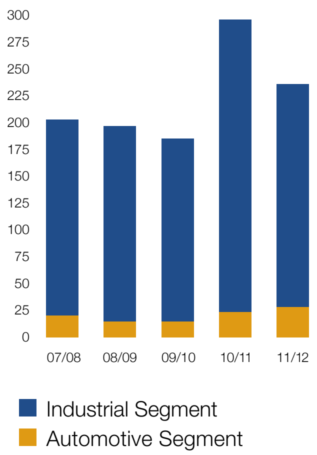
☆ **Agents/Distributors**

Key figures

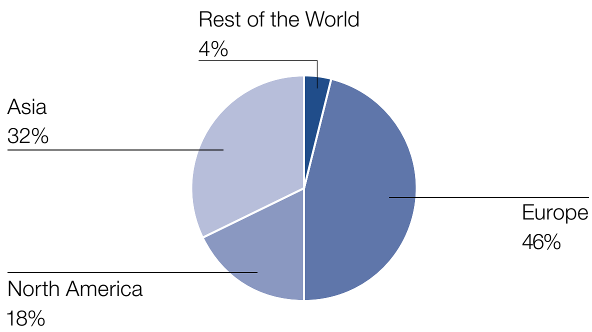
In CHF millions	2007/08	2008/09	2009/10	2010/11	2011/12
Sales	203.0	196.8	185.5	296.2	236.3
Operational EBIT	34.9	29.2	25.8	60.4	34.2
In % of sales	*17.2%*	*14.8%*	*13.9%*	*20.4%*	*14.5%*
Net profit for the year	21.9	23.9	10.5	39.6	28.5
Shareholders' equity	71.2	83.5	83.4	96.9	79.6
Equity ratio (in % total assets)	61.4%	71.8%	62.9%	59.8%	60.0%
Net financial assets (+) / liabilities (-)	23.7	27.9	29.8	26.6	18.1
Operating cash flow	24.1	30.9	26.3	30.0	46.7
Investing cash flow	-6.5	-9.1	-13.3	-9.4	-9.1
Market capitalization (per 31 March)	310.5	172.4	391.0	655.5	563.7
Employees (FTEs)	996	909	1'018	1'316	1'136

Sales over 5 years per segment

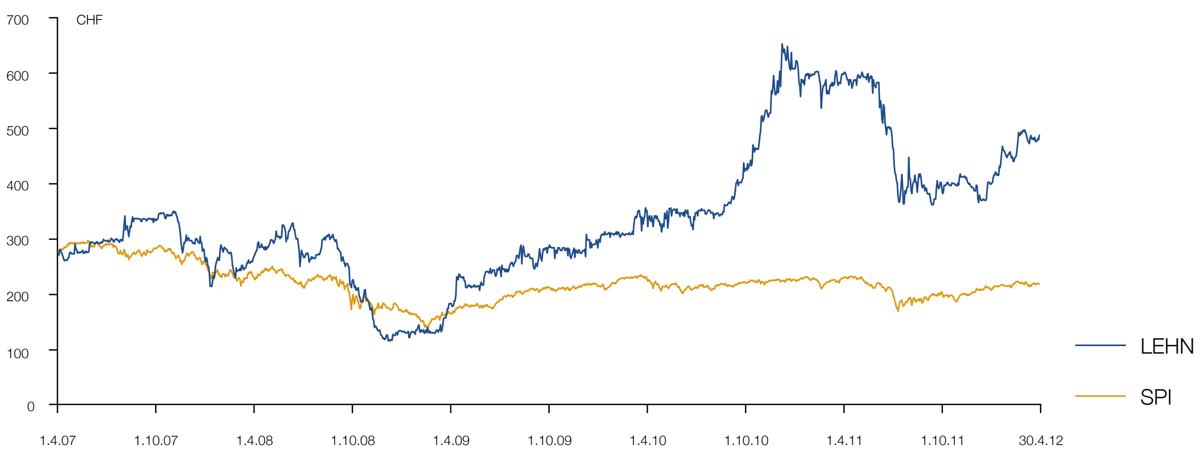
In CHF millions



Regional sales breakdown 2011/12



Share price development LEM Holding SA (LEHN) compared to SPI



Source: Bloomberg

Foreword

Dear Shareholders,

Fiscal year 2011/12 was the second best in LEM's history, even though it was characterized by a correction after an exceptionally strong 2010/11. The global economic slowdown and the increased uncertainty about the short-term business prospects, particularly in the volatile renewable energies business, made most customers reduce their activity levels. As a consequence, we recorded a strong reduction of bookings and sales. The appreciation of the Swiss franc also negatively affected our performance. Adjusting and managing cost and capacity in a situation with limited market visibility was our biggest challenge last year. We reacted by introducing cost cutting measures early summer 2011 which we stepped up in autumn 2011. We continued to invest in innovation and operational excellence to further strengthen our competitive advantage.

LEM demonstrated its resilience against the adverse market factors. Bookings started to recover in Q4 of 2011/12, while sales stabilized at a lower level. For the full year 2011/12, sales reached CHF 236.3 million, a decrease of 20% compared to the previous year. At constant exchange rates sales decreased by 12%. Orders received were CHF 182.9 million. In the Industry segment our business in renewable energies was most heavily hit, while the Automotive segment continued on its growth path for the conventional and green cars businesses.

Despite the adverse market conditions, LEM reached an operational EBIT of CHF 34.2 million. The operational EBIT margin of 14.5% was slightly below our target range of 15 to 20%.

Our continued efforts to improve the Group's structure resulted in a lower effective tax rate in 2011/12. We posted a net profit of CHF 28.5 million.

Fourty years LEM: built on a strong foundation

Fourty years ago, in February 1972, Jean-Pierre Etter founded "Liaisons Electroniques-Mécaniques LEM SA" in Carouge, Geneva. Jean-Pierre Etter, his brother and a few friends designed the first transducer in their kitchen. Only one year later, the first 300A current transducer was integrated into Swiss trolley buses. From that time, transducers made inroads into traction markets worldwide before being used in most motor drives applications, LEM's growth driver since its early years.

Today, we are a leading global company and the number one in our market. We operate production plants in China, Switzerland and Japan as well as a distribution network across the globe in all industrial regions. LEM China is the Group's largest manufacturing site. 74% of the total workforce is employed outside of Switzerland. Europe remained our most important market with 46% of total sales. Asia increased its share of sales to 32% and is expected to stay our most important growth market.

Extension of the Board of Directors

We expanded our Board of Directors during the past year with the election of Andreas Hürlimann (M. Sc. EE ETH) as a new member. Andreas Hürlimann is an independent board professional and entrepreneur. He brings a wide range of industry management experience combined with strategic leadership and talent advisory know-how to the Board of Directors.

Proposals to the annual shareholders' meeting

As a consequence of our strong balance sheet and the confident outlook for profitable growth, the Board of Directors will propose to the annual shareholders' meeting on 28 June 2012 the payment of an ordinary dividend of CHF 25 per share. The payment corresponds to a payout ratio of 99.7%. It follows LEM's dividend policy to distribute significantly more than 50% of the consolidated net profit to the shareholders.

As LEM is becoming an increasingly global company with the majority of its employees outside Switzerland, we intend to further clarify the roles between the sites which are providing R&D, manufacturing and support services to the Group on one side and the Group management itself which is represented by LEM Holding. Also, in order to reinforce our global intellectual property strategy, we have established LEM Intellectual Property in Fribourg. As a consequence of the above, the Board of Directors will propose to the shareholders to transfer the seat of LEM Holding SA to Fribourg.

Thank you

The volatile business environment called for major efforts from all our employees. We fully acknowledge their contribution and thank them all for their extraordinary support during this tough year. Our thanks also go to our customers for their trust in our products and services as well as to our shareholders for their long-term investment and trust in the promising future of our company.

F. Bagdasarjanz

Felix Bagdasarjanz
Chairman of the Board of Directors

François Gabella
Chief Executive Officer

Business Report

Second-best result in LEM's history

Beginning Q4 of 2010/11 our markets weakened as a result of the European debt crisis and the global economic crisis. In 2011/12, most of our Industry segment slowed down with the renewable energies business affected the most. But the Automotive segment achieved a record result. The appreciation of the Swiss franc had negative effects on sales and profitability. Nevertheless, after an extraordinary 2010/11, LEM recorded the second-best result in its history.

In 2011/12, the company again demonstrated its ability to adapt its cost and capacity level and to remain clearly profitable even in difficult market conditions. We reacted quickly to the weakening markets and implemented cost-cutting measures in summer 2011, which we stepped up in autumn 2011 to adjust our cost base to the actual sales levels. We adjusted capacity by reducing the global headcount from more than 1'300 to about 1'100 employees. Even during this challenging period we kept strengthening the company with strategic investments in innovation and in operational excellence. In order to keep up flexibility to face faster changing customer requirements we carefully planned our production capacities. Restructuring cost amounted to CHF 0.7 million. Strict cost control, transfer of production lines to China and additional measures to raise productivity helped us achieve quarterly savings of more than CHF 1.1 million from Q4 of 2011/12.

2011/12

In CHF millions	Q1	Q2	Q3	Q4	Total
Orders received	49.6*	30.9*	47.4	55.0	182.9
Sales	67.7	57.9	55.0	55.7	236.3
Book-to-bill	0.73	0.53	0.86	0.99	0.77
Operational EBIT	11.6	7.6	6.9	8.1	34.2
EBIT	11.5	8.3	7.0	7.7	34.5
Net profit	**7.2**	**7.8**	**5.7**	**7.8**	**28.5**

* Includes cancellations CHF 10.5 million and CHF 14.0 million in Q1 and Q2 respectively

At CHF 236.3 million, sales decreased by 20.2%. At constant exchange rates, sales decreased by 12.2%. Reported bookings declined by 45.7% to CHF 182.9 million. For the full fiscal year, the reported book-to-bill ratio was 0.77. In Q4 the book-to-bill ratio came back to 0.99. The decline in bookings was the result of weak renewable energies markets, particularly solar, and the fact that many customers reduced their inventories after having placed major bookings in previous quarters. Reported bookings also contained cancellations of CHF 24.5 million in the solar business. Excluding these cancellations, bookings were CHF 207.4 million.

The gross margin reached 40.8%, a decrease of 1.8 percentage points compared to 2010/11. The foreign exchange effects, the increased price pressure, the lower absorption of fixed cost due to lower volumes and an impairment of investments in the renewable energies production equipment offset the efficiency improvements in production.

Our cost reduction plan helped reduce sales, general & administrative spending (SG&A) by 5.0% to CHF 62.3 million. However, due to the lower sales volumes, SG&A increased as a proportion of sales from 22.2% in 2010/11 to 26.4% in 2011/12. Operational EBIT reached CHF 34.2 million (-43.4%). The operational EBIT margin was 14.5%, slightly below our target range of 15 to 20%.

Additional stock option plan cost/income amounted to CHF 0.3 million, directly linked to the share price decrease from CHF 570 at 31 March 2011 to CHF 494.50 at 31 March 2012. With the closing of fiscal year 2011/12, all legacy stock option plans ended and LEM will not record any additional stock option plan cost/income going forward.

Following its qualification as High/New-Technology Enterprise in China, LEM China enjoys reduced income tax rates from 2011 to 2013. The ratification of the Swiss-Japanese double taxation agreement resulted in a significant reduction of withholding tax obligations. This together with other one-time effects reduced the Group tax rate from 21.3% in 2010/11 to 12.4% 2011/12.

Net profit for the year was CHF 28.5 million (-28.1%).

Our balance sheet remains solid. Total assets were reduced to CHF 132.5 million mainly due to the reduction of net working capital. Our equity ratio remained high at 60.0% (59.8%).

Industry segment: increased market volatility

Sales in the Industry segment reached CHF 208.3 million. The decrease of 23.6% compared to 2010/11 is mainly attributable to a slump in the solar business, customers' inventory corrections and negative foreign exchange effects. Operational EBIT decreased by 47.9% to CHF 30.0 million. Europe remained our most important market followed by Asia with 52% and 33% of sales respectively.

Competition has intensified due to new capacities and broadened product portfolios. Nevertheless we managed to keep and even extend our leading market positions in several applications. In 2011/12, we launched some important new products, such as the ITC product family for energy metering in trains and the CTSR product family for leakage control in solar panel inverters. The new products were well received by our customers.

The drives & welding business slowed in the first half of the fiscal year due to weak demand and inventory corrections, particularly in Asia and Europe. Sales decreased by 9.6% compared to 2010/11.

The renewables & power supplies business proved to be the most volatile. After an extraordinarily strong 2010/11, we recorded a weakness across all markets. Sales declined by 45.1%. Customers' inventories started to normalize in Q4 of 2011/12 and subsequently bookings started to recover.

The traction business proved to be a mature business in 2011/12. We partially compensated the delays of major projects in China with new trackside projects in the UK. Sales decreased by 11.1%.

Sales in the high precision business decreased. We increased the market share in the medical market and secured new projects in the research market in Asia, a market we had not tapped so far. The test and measurement market recorded a slight decrease.

Our priorities for 2012/13 are to increase our market share, to streamline our product portfolio and to accelerate our innovation with the launch of a series of new products.

Automotive segment: successful growth across the businesses

The Automotive segment continued to grow throughout the year and achieved a record result. Sales grew by 19.1% to CHF 28.0 million with both the conventional as well as the green cars business contributing to this performance. At constant exchange rates sales grew by 34.3%. North America remains our biggest market with more than 50% of sales, but due to the strongest growth rates (+37.1%) the Asian markets now represent more than a third of sales. The operational EBIT reached CHF 4.2 million, an increase of 48.0% compared to 2010/11.

The global car industry performed well during 2011/12, particularly in North America and China. However, we noticed increased competition with potential new players offering me-too products. Also, car manufacturers put more emphasis on double sourcing electronic components. As anticipated, price pressure has increased. Energy efficiency continued to be the main topic in the automotive industry with an increasing number of hybrid cars being launched. In these markets we were particularly successful with our green cars and conventional cars battery management applications (HAH1 family and HABT family), which are used in many platforms. We signed new contracts in all regions, which will secure growth in the coming years. In 2011/12 we increased investment in product development and production capacity.

The conventional cars business increased sales with its key customers and secured new contracts in Asia and North America. The new high precision start/stop application has proven to be an attractive addition to our product range.

We registered a lot of activity in the green cars business and started mass production for many customers. Although some customers have not reached their target, the growth in this business was above 50%. The majority of all green cars platforms planned or in production today are equipped with LEM products.

Our priority for 2012/13 is to participate in more new conventional and green cars platforms thanks to reduced manufacturing cost and smarter products.

Strategies to extend our leadership position

The major drivers that have supported our business for the past 40 years remain valid. The constant need for more energy, reliable energy, energy efficiency and mobility is as strong as ever. We are convinced that these market drivers will continue to support our business going forward.

In order to leverage these drivers we have intensified our strategic initiatives to increase LEM's competitive edge:

- **Increase technology leadership**

  We have established a dedicated multidisciplinary innovations team in Geneva with increased personnel as well as financial resources. Close to 100 people are active in R&D, of which more than half hold a PhD or a master's degree in engineering. We invest around 5.5% of sales in R&D. Our R&D roadmap foresees to significantly increase the number of product launches going forward.

  We clearly defined our product development priorities: on one side, we improve the performance of our products in terms of precision and additional functionalities. On the other side, we reduce the costs of our products in order to help our customers increase their competitiveness. Also we want to strengthen our position in smart grid and low power applications. We also intensify our investment in new proprietary ASICs for various applications.

  In order to better develop and protect our intellectual property, we have set up a special unit managing LEM's IP with a dedicated team of experts.

  In 2011/12 we have invested CHF 13.0 million (5.5% of sales) in R&D. In total, we launched 7 new products.

- **Increase efficiency**

  In order to maintain our margins in a more competitive market environment, we constantly look to improve our product costs through low-cost sourcing and manufacturing as well as enhanced productivity.

  Aiming at reducing the complexity of our organization, we have decided to move our high precision competence center from Copenhagen, Denmark, to Geneva. The move will be finalized by summer 2012.

- **Increase production flexibility**

  Over the last years we registered an increased volatility in our business. Going forward, we anticipate our business to remain subject to strong cycles which demand a high level of flexibility. To this end we are constantly improving our supply chain management by better anticipating our customer demands and closely working with our suppliers.

LEM quality remains the industry benchmark

Maintaining uncompromised product quality is our brand promise, irrespective of market turbulences or place of production. All our production sites are certified according to the strictest standards requested by our customers in their particular industries. To ensure that our products meet the highest customer requirements regarding functionality, safety, and timely availability, all our processes are regularly reviewed and improved. As a sign of confidence in the quality of our products, LEM is the only transducer manufacturer offering a five-year warranty on all products.

Careful environmental management

Environmental management is applied at our three major production sites, which all are ISO 14001-certified. We fully comply with the European RoHS (Restriction of Hazardous Substances Directive) and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) directives. We follow ethical rules as well as local working laws and audit all our suppliers to ensure they also comply with our social and ethical standards. LEM has been member of the UN Global Compact since 2008.

Invest in a motivated workforce

LEM counts on its experienced and loyal workforce. Great emphasis is put on making sure that managers and employees are highly motivated and satisfied by the content of their job and the recognition of their contribution, the job scope being varied due to LEM's size, global reach and organization.

LEM's culture is based on achievement, innovation and the ability to drive change in a truly global organization. Rapid expansion of operations in China exemplifies how these commitments are being translated into concrete career advancement and development for local managers and specialists. We offer similar career opportunities in our worldwide sites.

The broad diversity of nationalities and cultures across our Group is a great asset, which not only drives our competitiveness but also brings us closer to our customers around the world.

Headcount evolution

Number of employees at the end of the financial year	31.3.2012	31.3.2011
Permanent employees	1'100	1'215
Temporary employees	25	89
Apprentices	11	12
Total	**1'136**	**1'316**

In full-time equivalents (FTEs)

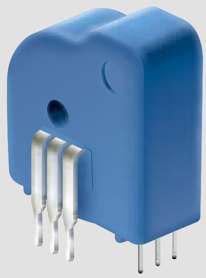
Outlook: remaining vigilant

As the economic climate remains challenging in 2012/13 with continued uncertainty in our markets, we expect a progressive restart in the Industry segment and further growth in the Automotive segment. Our ambition is to deliver a result within our operational EBIT margin target range of 15 to 20%.

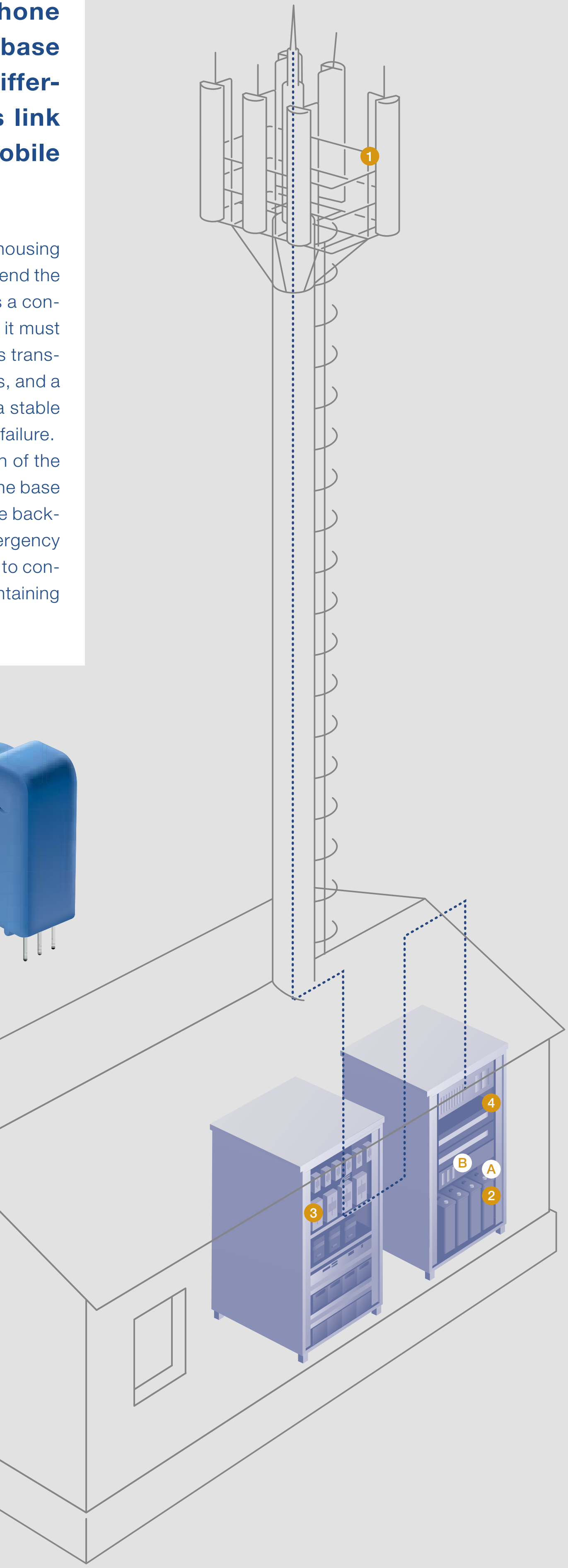
Mobile phone base station Radio frequency signals are transmitted from the phone to the nearest base station and incoming signals (carrying the speech from the person to whom the phone user is listening) are sent from the base station to the phone at a slightly different frequency. The base stations link mobile phones to the rest of the mobile and fixed phone network.

Below the antenna of a base station is a container housing the electronic equipment needed to receive and to send the signals, called the controller. Every base station has a connection to the power grid like every house, however it must be transformed down electronically to 48 V DC. This transformation is performed by modern power electronics, and a transducer measures the output current to ensure a stable power supply and to control the output in case of a failure. The power supply is critical for the effective function of the base station. In case of a failure or fault in the grid, the base station must continue to function. In order to provide backup, power batteries are installed, which supply emergency power for a temporary period. Transducers are used to control the charge and discharge of these batteries, maintaining them in good operational condition.

HASS



LTS



- A HASS
- B LTS
- 1 Antenna
- 2 Battery
- 3 Controller
- 4 Power supply

LEM's Core Values

LEM's core values

It is vital for all of LEM to share common values and working principles. All employees understand what LEM wants to achieve so that everyone works together for the same purpose.

These values link all LEM employees together and make us a team. They are the common beliefs we share. They are the spirit and intent of everything we do at LEM.

There are six core values, each one guiding us throughout all our activities.

- We are customer driven
- We operate with integrity
- We value teamwork
- We commit
- We strive for excellence
- We lead innovation

We are customer driven

We succeed by exceeding our customer expectations with a "yes customer" attitude. All our activities are driven by the desire to provide best quality service to our customers. We aim to listen to, anticipate and respond to our customers' needs. For this reason, we collaborate closely with our customers and form true relationships. We target "customer delight".

We operate with integrity

Basic ethical behavior and integrity in business relationships determine the essence of all our actions. As a company and as individuals, we do the right things right and never compromise our values and principles. We honor our agreements and are honest in our communications.
Our relationships with co-workers, customers, suppliers, partners and the investor community are based on openness and fairness.

We value teamwork

LEM forms a worldwide community. Close collaboration and networking across functions, departments and cultures is critical for the success of the company. To cooperate, we need to be open and honest and willing to share and trust each other. Accountability is a key factor to our success. We are committed to a workplace where individuals are treated fairly and with respect, where all employees have the opportunity to expand their skills and accomplishments are recognized. Teamwork is more than just working together, it is bringing out the best of everyone's strengths.

We commit

We set our goals high because we know we can reach them. We honor these goals as promises to our customers, our shareholders and ourselves. Our continued success depends on keeping our promises and taking responsibility for all our actions. Success is measured by the results we produce in customer satisfaction, sales, profitability, value creation to our shareholders and the scope of opportunities we provide for our employees.

We strive for excellence

No matter how good our products, services, processes and results, we are dedicated to making them better. We aim for the highest standards of quality for our customers. By approaching our daily work with a passion for perfection, avoiding incidents by managing the risks of our activities, taking initiatives and a desire to learn and share that learning with colleagues, we all can make a difference.

We lead innovation

Innovation is the cornerstone of our success and our future depends on it. Innovation will ensure that we have attractive products for our markets, and a steady supply of new technologies, products, applications and customers. We aim to be the leaders in our industry and not the followers.

Corporate Governance Report

The following information complies with the Corporate Governance Directive of the SIX Swiss Exchange (SIX) and the disclosure rules of the Swiss Code of Obligations. In order to enhance the clarity of this chapter, reference is made to other parts of the Annual Report and our website (www.lem.com). Key elements are contained in the Articles of Incorporation revised 1 July 2011.

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 SIX Swiss Exchange (LEHN, security no. 2'242'762; ISIN CH0022427626). On 31 March 2012, the market capitalization was CHF 563.7 million.

LEM Group is structured into the Industry segment and the Automotive segment. Appropriate segment reporting pursuant to IFRS is contained in note 3 of the notes to the consolidated financial statements. All companies in LEM Group are listed under "scope of consolidation" in note 27 of the consolidated financial statements, with their respective company names, registered offices, share capitals and the relevant percentages of shares held. There are no other listed companies in the scope of consolidation.

Significant shareholders

On 31 March 2012, the following shareholders held 3% or more of the share capital and voting rights:

Werner O. Weber and Ueli Wampfler, in Zollikon/ Wollerau, Switzerland, through WEMACO Invest AG and PH Partner Holding AG, in Zug/Cham, Switzerland	33.6%
Ruth Wertheimer, in Kfar, Israel, through 7-Industries Holding B.V., in Amsterdam, Netherlands	12.7%
Sarasin Investmentfonds AG, in Basel, Switzerland	8.9%
Erwin Studer and Joraem de Chavonay SA, in Zollikon/Zug, Switzerland	7.9%
Amerprise Financial Inc., in Minneapolis, USA, through Threadneedle Asset Management Holding Ltd, in London, United Kingdom	5.0%
Montanaro Asset Management Ltd, in London, United Kingdom	4.8%
Impax Asset Management Ltd, in London, United Kingdom	3.1%

Mr. Werner O. Weber and Mr. Ueli Wampfler have notified the company of the creation of a group of shareholders on 1 June 2011.

Cross-shareholdings

LEM has no cross-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 570'000, which is divided into 1'140'000 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 61.
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 2012, LEM Holding SA held 4'588 treasury shares.

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 the Performance Share Plan and the stock option plans is provided in the Compensation Report, under the section 2.1.4 "Discontinued plans" on page 25 and in the notes to the LEM Holding SA Statutory Accounts on page 68.

3 The Board of Directors

Election, terms of office and cross-involvement

The Board of Directors was comprised of the following members as of 31 March 2012 who are individually elected at the ordinary shareholders' meeting 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 ordinary shareholders' meeting on 1 July 2011, Felix Bagdasarjanz, Peter Rutishauser, Ilan Cohen, Anton Lauber and Ueli Wampfler were re-elected as members of the Board of Directors and Andreas Hürlimann was newly elected as member of the Board of Directors. Felix Bagdasarjanz maintained the Chairmanship and Peter Rutishauser the Vice Chairmanship. All 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.

The Board of Directors was comprised of the following members as of 31 March 2012:

Felix Bagdasarjanz
Nationality Swiss
Born in 1945

Position Chairman of the Board of Directors
Entry 2002
Professional background
Since 2002, Independent business consultant
1999 – 2002, CEO, ESEC and Member of the Executive Board, Unaxis
1997 – 1999, Member of the Executive Board, ABB Switzerland
1992 – 1997, Managing Director, ABB Drives AG/ABB Industrie AG
Other notable activities
- Member of the Board of Schneeberger Holding AG, Roggwil

Education Dr. of Electrical Engineering, ETH Zürich

Ilan Cohen
Nationality Israeli
Born in 1956

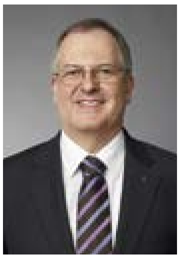
Position Member of the Board of Directors, Member of the Audit Committee
Entry 2010
Professional background
Since 2010, President of Servotronix Motion System Ltd. and Servotronix Motion Control Ltd., Israel
2008 – 2009, General Manager of Kollmorgen Industrial & Commercial Engineered Solutions Ltd. (part of Danaher Group)
1997 – 2008, President and CEO of Kollmorgen Servotronix Ltd.
1987, Founder of Servotronix Ltd.
1983 – 1990, Associate professor at University of Tel Aviv, Israel
Other notable activities
- Board member of Servotronix Motion Control Ltd., Israel
- Founder, Cleantech Incubator and Engineering School, IDC University, Israel

Education
Ph. D. Control System, Ecole Polytechnique de Bruxelles, Belgium
MSEE, CALTECH Pasadena, USA
M. Sc. and BSEE Electro-mechanical engineer, Ecole Polytechnique de Bruxelles, Belgium

Andreas Hürlimann
Nationality Swiss
Born in 1964

Position Member of the Board of Directors
Entry 2011
Professional background
Since 2011, Independent board professional and entrepreneur
2005 – 2010, Managing Director Spencer Stuart, Zürich
1999 – 2005, Global Director of Industry Practices and Member of the Executive Board, Arthur D. Little Inc., London and Paris
1990 – 1999, International Marketing & Sales Management roles with Siemens Schweiz AG, ABB Kraftwerke AG and Oerlikon Aerospace Inc., Zürich, Baden, Montreal
Other notable activities
- None

Education M. Sc. Electrical Engineering, ETH Zürich



Anton Lauber

Nationality Swiss

Born in 1951

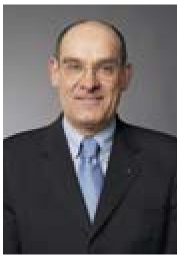
Position Member of the Board of Directors, Member of the Nomination & Compensation Committee

Entry 2004

Professional background
Since 2012, Independent board professional
2010 – 2011, Delegate of the Board and President Division Components, Schurter Group, Lucerne
1993 – 2009, CEO and Delegate of the Board of Directors, Schurter AG, Lucerne
1988 – 1992, Technical Director, Schurter AG, Lucerne
1985 – 1988, Managing Director, Generatorenfabrik ABB AG, Baden
1980 – 1984, Head of Production, Power Plants ABB AG, Baden

Other notable activities
- Vice Chairman of the Board of Directors, Bossard Holding AG, Zug; Voegtlin Meyer AG, Brugg
- Member of the Board of Directors, CTC Analytics AG, Zwingen; Landert Motoren AG, Bülach; Fr. Sauter AG, Basel
- President of the Council, Hochschule Lucerne / University of Applied Sciences and Arts

Education
Graduated Machinery Engineer, Technical University Brugg-Windisch
Postgraduate diplomas at University of Applied Sciences, Lucerne, and University of St. Gallen in Business Administration



Peter Rutishauser

Nationality Swiss

Born in 1956

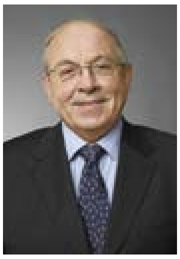
Position Vice President of the Board of Directors, Chairman of the Nomination & Compensation Committee

Entry 2003

Professional background
Since 1989, Independent entrepreneur, member of the board and shareholder of several mid-sized companies

Other notable activities
- Delegate of the Board of Directors, Equatis AG, Zürich
- Member of the Board of Directors, Pavatex AG, Fribourg

Education Dr. sc. nat., ETH / Lic. oec., HSG



Ueli Wampfler

Nationality Swiss

Born in 1950

Position Member of the Board of Directors, Chairman of the Audit Committee

Entry 2007

Professional background
Since 2004, Founder and Senior Partner, Wampfler & Partner AG, Zürich
1998 – 2004, Director, STG Schweizerische Treuhandgesellschaft, Zürich
1974 – 1998, STG Coopers & Lybrand, Zürich (Partner since 1991)

Other notable activities
- Chairman of the Board of Directors, Swisa Holding AG, Cham; F. Aeschbach AG, Zürich; Mercedes-Benz Automobil AG, Schlieren; Merbag Immobilien AG, Schlieren
- Member of the Board of Directors, Caspar Finanz AG, Zug (Traco Power Group) Lupfig; Rebew AG, Zürich

Education Lic. oec., University of Zürich / Certified auditor

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, three full-day meetings and six half-day meetings were held. Additionally, one ad hoc conference call took place during the year. The 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 for a good preparation of the meeting. As a rule the CEO attends the meetings of the Board of Directors without having a right to vote, and for most of the agenda items the CFO also attends. 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. 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, including co-worker satisfaction and management development and legal, intellectual property, social and environmental aspects.

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 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 once a year a session is held in the Board meeting including all Senior Managers.

Business risk management

In compliance with Art 663b of the Swiss Code of Obligations, LEM is using a standardized procedure to analyze its business risks. LEM's risk management covers all types of risk: financial, operational and strategic – up to the external business environment, compliance and reputational aspects.

The Senior Management conducts an annual risk analysis. The results and consecutive action plans are thereafter presented to and formally approved by the Board of Directors.

The risk management approach follows five steps. In a first step, potential hazards are evaluated and a consensual list of 10 to 15 main hazards is set up. In a second step, each hazard is assessed by a multiplication of probability with frequency. Step two results in a risk map which visualizes LEM's potential risk environment. In step three an action plan is put in place to reduce the risks. The hazards thereafter are revalued a second time, taking into consideration the action plans. In step four the action plan is validated and thereafter monitored on a monthly basis (step five).

Internal control system

In compliance with Art 728 a/b of the Swiss Code of Obligations, LEM has put in place an internal control system.

Starting from the material positions in the financial result of the Annual Report, the important underlying processes and process owners have been identified. For each process, key risks that could lead to errors in the financial reporting have been identified. For each key risk, key controls have been defined and responsibilities assigned to assure effective compliance and documentation of the key controls. The process has been presented to and approved by the Audit Committee.

Looking forward, the process owners will perform an annual process review whereby identified weaknesses shall be continuously improved and key risks and controls shall be updated. Based on the input of the process owners the CFO prepares an annual report on the internal control system which is presented to and discussed with the Audit Committee.

Committees

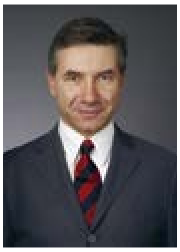
Two standing committees support the Board of Directors. They are comprised of two non-executive members of the Board of Directors. They meet whenever necessary but at least twice a year.

- 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 three half-day meetings were held.

- The Nomination & 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 four half-day meetings were held.

4 Senior Management

The Senior Management was comprised of the following members as of 31 March 2012:



François Gabella

Nationality Swiss

Born in 1958

Function CEO LEM Group

With LEM since 2010

Previous companies and positions
- 2006 – 2010, CEO, Tesa SA
- 2002 – 2006, SVP, Areva
- 1996 – 2002, Business Area Manager, ABB Power Transformers

Education M. Sc. Microtechnics EPFL, MBA IMD

Julius Renk

Nationality German

Born in 1970

Function CFO

With LEM since 2009

Previous companies and positions
- 2006 – 2009, CFO, AB Enzymes GmbH
- 2000 – 2006, CFO, IP France SA (RTL Group)

Education Lic. oec. HSG, CEMS Master in International Management

Luc Colombel

Nationality French

Born in 1959

Function Vice President, Automotive

With LEM since 1996

Previous functions
- 2005 – 2009, Vice President, Automotive and Traction
- 2004 – 2005, Vice President, Traction
- 1996 – 2004, Business Development Manager Auto

Previous companies and positions
- 1988 – 1996, Strategic Development and Sales Manager, Arcelor Group

Education Engineer ESILEC

Hans-Dieter Huber

Nationality German

Born in 1959

Function Vice President, Industry

With LEM since 1995

Previous functions
- 2000 – 2004, Business Development manager
- 1995 – 2000, Sales & Marketing Manager Industry LEM Germany

Previous companies and positions
- 1986 – 1995, R&D Team Manager, ABB Drives Germany

Education Graduate Electrical Engineer, Berufsakademie Mannheim

Jean-Marc Peccoux

Nationality French

Born in 1966

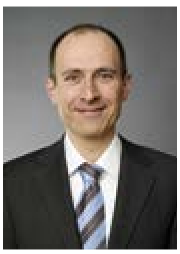
Function Vice President, R&D

With LEM since 2001

Previous functions
- 2004 – 2010, Corporate Quality Manager LEM Group
- 2003 – 2004, Quality Manager & Purchasing Manager Geneva site
- 2001 – 2003, Quality Manager Geneva site

Previous companies and positions
- 1995 – 2001, Quality Director & R&D Program Manager Valeo
- 1991 – 1995, R&D Project manager, Schlumberger
- 1990 – 1991, Software Engineer, BEL Group

Education M. Sc. ENSAM, Master of Economics, Besançon University



Simon Siggen

Nationality Swiss

Born in 1967

Function Vice President, Operations

With LEM since 2002

Previous functions
2002 – 2005, Operations Manager Geneva site

Previous companies and positions
- Business Segment Director, Leclanché

Education Engineer EPFL, Master in Logistics, EPFL

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.

5 Compensation and shareholdings

Please refer to the section "Compensation Report" following on page 22.

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 general meeting of shareholders

Shareholders registered are convened to shareholders' meetings by ordinary mail and by publication in the Swiss Official 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

According to Article 10 of the Articles of Incorporation, one or several shareholders who collectively hold 10% of the share capital can call for a shareholders' meeting and submit matters to be placed on the agenda.

Dividend policy

LEM targets a payout ratio significantly above 50% of the consolidated net profit for the year, to be proposed by the Board of Directors to the shareholders' meeting.

7 Change of control and defensive measures

Opting-out clause

In June 2010, the shareholders introduced an opting-out clause according to article 32 of the Federal Act on Stock Exchanges and Securities Trading (SESTA) in the Articles of Incorporation of the company. This clause releases any shareholder from the obligation to submit a public takeover offer to all shareholders as soon as his participation in LEM exceeds 33⅓% of the voting rights. The Swiss Takeover Board has decided on 22 September 2011 that a passing of the 33⅓% threshold by the shareholder group Weber & Wampfler would not trigger the obligation for a public takeover offer.

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, one member of the Senior Management will receive additional severance payments equal to 6 months remuneration.

8 Auditors

The duration of the auditors' mandate is one year. The current auditors' mandate was first decided at the 2005 Annual General Meeting of shareholders for the audit of the financial year 2005/06. Hans Isler was the responsible partner since 2005 and has handed over this responsibility to Philippe Stöckli in 2011.
Ernst & Young charged the following fees for professional services rendered for the twelve-months period ending 31 March 2012:

Type of service In CHF thousands	2011/12
Audit services	285
Tax services	636
Other services	98
Total	**1'019**

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. Financial statements as well as management letters are discussed in the Audit Committee in the presence of the external auditors.

During 2011/12 Ernst & Young attended two regular Audit Committee meetings.

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 SIX 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:
Julius Renk, CFO
8, chemin des Aulx
CH-1228 Plan-les-Ouates
or send an e-mail to investor@lem.com
(phone: +41 22 706 12 50).

Compensation Report

The future of LEM depends on our ability to attract, retain and develop talented people. Among the many measures we use to achieve this ambition are competitive remuneration policies for our Senior Management. Our compensation policies are based on performance and LEM's emphasis on creating value for its shareholders. To this end, our compensation policies are designed to be aligned with shareholders' interest.

At last year's Annual General Meeting (AGM), for the first time, we asked you, our shareholders, to express your view on LEM's compensation policies through an advisory vote. At our forthcoming AGM on 28 June 2012, we will enable you again to cast an advisory vote on the compensation of the Board of Directors and the Senior Management. We value your opinion. Even though it remains an advisory vote, your opinion will seriously be taken into consideration for the future development of our compensation system.

In brief:

- Core principles
  LEM's compensation policies are based on performance and the creation of long-term value for shareholders. The compensation policies are approved by the Board of Directors on recommendations by the Nomination & Compensation Committee and reviewed on an annual basis. All fixed and variable salaries are paid in cash.

- Compensation of the Board of Directors
  The compensation of the Board of Directors consists purely of a fixed fee paid in cash. There is no additional variable compensation. The total compensation for the Chairman and the members of the Board of Directors depends on the amount of responsibility and all work related to the Board of Director membership such as Committee activity.

- Compensation of the Senior Management
  In order to encourage and reward results that contribute to the sustainable long-term success of LEM the total compensation of the Senior Management consists of three elements: base salary, bonus according to LEM incentive system (LIS) and nonwage compensation. The target setting process for the LIS is carried out on an annual basis and includes performance criteria related to the individual's function and responsibility and performance criteria related to financial results of LEM.

- Changes to the compensation policies
  In 2011/12 there were no material changes to the compensation policies.

F. Bagdasarjanz

Felix Bagdasarjanz
Chairman of the Board of Directors

Rutishauser

Peter Rutishauser
Chairman Nomination &
Compensation Committee

1 Board of Directors

1.1 General principles for compensation of non-executive directors

Compensation for the Board of Directors is approved by the Board of Directors based on recommendations by the Nomination & Compensation Committee (NCC). The remuneration of the Board of Directors is a fixed cash payment and is reviewed on an annual basis. The remuneration compensates for the personal responsibility and exposure as a non-executive member of the Board of Directors and all work related to the Board of Directors membership. There is neither an additional variable compensation nor any participation in an equity-based compensation plan. Each member of the Board of Directors shall be a shareholder of LEM. The number of shares to be acquired on the market within a period of three years after joining the board shall reach a value of approximately three annual fixed compensations. Trading with LEM shares has to respect the insider regulation of LEM.

Discontinued plans

In April 2006 and in April 2007 the Board of Directors issued the stock option plans SOP 5 and SOP 6 for the Senior Management and including the non-executive directors. In May 2008 the Board of Directors decided to discontinue the participation of non-executive directors in any equity-based compensation plan. SOP 5 has expired on 31 March 2011 and SOP 6 has expired on 31 March 2012.

1.2 Remuneration of non-executive directors

The Board of Directors has decided to adopt a remuneration scheme with a fixed fee paid in cash in the amount of CHF 180'000 for the Chairman, CHF 120'000 for the Vice Chairman and CHF 80'000 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.

The Board of Directors decided to contribute the equivalent of 5% of its annual remuneration to LEM's cost savings efforts in 2011/12. The annual salary has been lowered accordingly.

In 2011/12, an additional fee of CHF 10 thousand each was awarded to Ilan Cohen and to Andreas Hürlimann for additional efforts in the role and duties as members of the Board of Directors.

Compensation of former members

In financial year 2011/12, no compensation was paid to former members of the Board of Directors.

2011/12

In CHF thousands	Annual salary	Additional fees	Cash-out for options granted in prior years
Felix Bagdasarjanz[1]	171	–	–
Ilan Cohen[2]	95	10	–
Andreas Hürlimann	76	10	–
Anton Lauber[3]	95	–	–
Peter Rutishauser[4, 5]	143	–	–
Ueli Wampfler[6]	104	–	–
Total	**685**	**20**	**–**

2010/11

In CHF thousands	Annual salary	Additional fees	Cash-out for options granted in prior years
Felix Bagdasarjanz[1, 3]	200	–	108
Ilan Cohen	80		–
Anton Lauber[5]	110	–	103
Peter Rutishauser[4, 6]	150	–	276
Ueli Wampfler[2]	100	–	–
Total	**640**	**–**	**487**

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

1.3 Shareholdings of non-executive directors

In number of shares / options	31.3.2012 Number of shares held	31.3.2012 Number of options held	31.3.2011 Number of shares held	31.3.2011 Number of options held
Board of Directors				
Felix Bagdasarjanz	1'736	0	1'736	0
Ilan Cohen	120	0	0	0
Andreas Hürlimann	211	0	N/A	0
Anton Lauber	1'000	0	1'000	0
Peter Rutishauser	2'606	0	2'606	0
Ueli Wampfler	25'000	0	23'000	0
Total	**30'673**	**0**	**28'342**	**0**

2 Senior Management

2.1 General principles for compensation of Senior Management

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 by the Chairman for approval by the Board of Directors. The remuneration of the Senior Management is reviewed on an annual basis. The total annual compensation is part of the manager's contract and does not contain any discretionary elements.

The total compensation for the Senior Management consists of three elements:

1. Base salary
2. Bonus according to the LEM Incentive System (LIS)
   LIS part 1: performance related to the individual's function and responsibility
   LIS part 2: performance related to the financial performance of LEM
3. Nonwage compensation

2.1.1 Base salary of Senior Management

LEM's base salary orients itself around a midpoint of available and comparable benchmark data of industrial companies with a plus and minus band of 20%. In case that available benchmark data allow for a comparison of total remuneration (base salary plus bonus) the comparison around a midpoint is made assuming a value of half of the maximum bonus according to our target-setting philosophy. Base salaries are fixed amounts of cash paid monthly. We review base salaries annually to ensure they remain competitive, comparing them with the benchmark data. The benchmark data is taken from Mercer Compensation data base.

2.1.2 Bonus of Senior Management: LEM Incentive System

The target setting process for the LEM Incentive System (LIS) is part of the LEM performance management and is carried out on an annual basis. All bonus payments are made in cash and in the first quarter of the new business year based on the annual accounts and the personal performance review. Objectives and performance evaluation are prepared by the Chairman of the Board of Directors for the CEO, by the Audit Committee (AC) for the CFO and by the NCC for other Senior Management. The final approval is given by the Board of Directors.

LIS part 1: performance related to the individual's function and responsibility

Annual LIS 1 objectives are agreed between the Senior Manager and the CEO at the beginning of each business year and a final review is performed at the end of the year.

The maximum value of the annual bonus related to LIS part 1 is 35% of the base salary for the Senior Management, 30% for the CFO and 60% for the CEO.

The number of objectives has to be large enough to allow the manager to reach a fair level of bonus rewarding his results even under changed business conditions. Since the degree of achievement of set objectives has to be evaluated at the end of the period, a clear understanding of the metric to be applied has to be established at the time of target setting and kept constant for the whole period. For every criterion, the curve between minimum and maximum bonus level has to be defined. The point of 50% bonus shall be set at the level of an ambitious but achievable objective.

In order to guarantee consistency of the target setting process within LEM group, the key objectives for the year will be defined by the CEO together with Senior Management at the beginning of each business year.

LIS part 2: performance related to financial performance of LEM group

The LIS part 2 is an annual bonus which is based on the performance of LEM evaluated over a period of three consecutive years. The performance criterion is the cumulated economic value added (EVA) achieved over these three years. The definition of the EVA objective takes place at the beginning of year one and the evaluation of the performance at the end of year three. Once the forward-looking EVA objective is defined, the EVA objective remains unchanged over the period of three years. Every year, the new three years objective for the cumulated EVA is defined and kept unchanged over the respective three years period. The bonus payment takes place every year based on the comparison between the EVA objective defined three years before and the performance achieved at the end of the three years period.

The new forward-looking EVA objective is approved annually by the Board of Directors based on a proposal by the NCC and following the annual closing. The proposal of the new objective has to be presented in the context of the historical performance, the actual three-year financial plan of LEM and the shareholders' expectations expressed in the share price development.

The maximum value of the annual bonus related to LIS part 2 is 25% of the base salary for the Senior Management, 20% for the CFO and 40% for the CEO.

2.1.3 Nonwage compensation of Senior Management

Nonwage compensation includes in particular pension plans (retirement benefits). LEM has a policy to limit nonwage compensation to what may be required for the job holder as a work instrument to fulfill his/her function according to generally accepted local usages.

Senior Management benefits from the Swiss pension plan, a defined contribution plan that provides retirement benefits and risk insurance for death and disability. Under IFRS, this plan is considered as a defined benefit plan. 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 43% and 57% for the company.

2.1.4 Discontinued plans

2011/12	Grant Date	Number of options outstanding 1.4.2011	Number of options issued	Number of options cancelled	Number of options exercised	Number of options outstanding 31.3.2012	Exercise price in CHF	Fair value at grant in CHF	Fair value 31.3.2012 in CHF	Exercise period from	Exercise period until
SOP 6	1.4.2007	4'952	0	0	(4'952)	0	240.52	64.92	N/A	1.4.2010	31.3.2012
	Total	**4'952**	**0**	**0**	**(4'952)**	**0**					

2010/11	Grant Date	Number of options outstanding 1.4.2010	Number of options issued	Number of options cancelled	Number of options exercised	Number of options outstanding 31.3.2011	Exercise price in CHF	Fair value at grant in CHF	Fair value 31.3.2011 in CHF	Exercise period from	Exercise period until
SOP 5	1.4.2006	17'350	0	0	(17'350)	0	139.80	47.69	N/A	1.4.2009	31.3.2011
SOP 6	1.4.2007	23'444	0	0	(18'492)	4'952	240.52	64.92	325.63	1.4.2010	31.3.2012
	Total	**40'794**	**0**	**0**	**(35'842)**	**4'952**					

SOP 6

In April 2007 the Board of Directors issued the stock option plan SOP 6 for the management team and the non-executive Board of Directors.

The plan was equity-settled but has been changed to cash-settled as of 31 December 2007.

The plan gave the right to cash the counter value of one share at the predetermined exercise price, which corresponded to the average share price of the fourth quarter 2006/07.

The number of stock options granted depended on the performance of the LEM share price compared to the SIX Index for Small- and Mid-Cap Companies in Switzerland for the financial year 2006/07.

The vesting period was three years. The details of the contractual terms of the option plan can be seen in the table above.

During the financial year 2011/12, all remaining 4'952 options were exercised. The average share price for the exercised options was CHF 499.66.

Termination of option-based compensation plans

During May 2009, the Board of Directors decided not to issue further equity-based compensation plans. The company administrated the legacy programs until the expiry of the last share option plan (SOP 6) in March 2012 and the settlement of the Performance Share Plan (PSP) in the first quarter of 2011/12. CEO François Gabella and CFO Julius Renk did not participate in the stock option program and in the PSP.

In July 2010, the Board has made an offer to the remaining SOP 6 option holders in order to diminish the SOP 6 before the contractual term (March 2012). In the course of this offer, 1'385 shares were sold to employees at market value less CHF 15 discount per share with an average price of CHF 326.73.

2.2 Remuneration of Senior Management

2011/12

In CHF thousands	Annual salary compen-sation	Annual bonus compen-sation[1]	Company's contribution to pension fund	Pension departure payment	Severance payment	Total com-pensation	Cash-out for options granted in prior years	Pay-out of PSP shares granted in prior years
François Gabella, CEO	459	428	46	0	0	933	0	0
Senior Management (excl. CEO)	1'154	607	103	0	0	1'864	730	1'904
Total compensation to Senior Management	**1'613**	**1'035**	**149**	**0**	**0**	**2'797**	**730**	**1'904**

2010/11

In CHF thousands	Annual salary compen-sation	Annual bonus compen-sation[1]	Company's contribution to pension fund	Pension departure payment	Severance payment	Total com-pensation	Cash-out for options granted in prior years	Pay-out of PSP shares granted in prior years
François Gabella, CEO as of 1 July 2010	338	318	34	0	0	690	N/A	N/A
Senior Management (excl. CEO)	1'135	647	126	295	148	2'351	5'168	600
Total compensation to Senior Management	**1'473**	**965**	**160**	**295**	**148**	**3'041**	**5'168**	**600**

Senior Management decided to contribute the equivalent of 10% of its monthly remuneration for the duration of short work in LEM's main sites, i.e. January to February 2012, to LEM's cost-savings efforts in 2011/12. The annual salary has been lowered accordingly.

[1] The annual bonus compensation is shown with the accrual for the performance of the corresponding year, to be paid out in the following year. All other elements are shown as paid out.

Compensation of former members

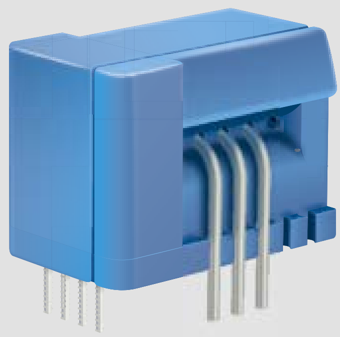
In financial year 2011/12, no compensation was paid to former members of the Senior Management.

2.3 Shareholdings of Senior Management

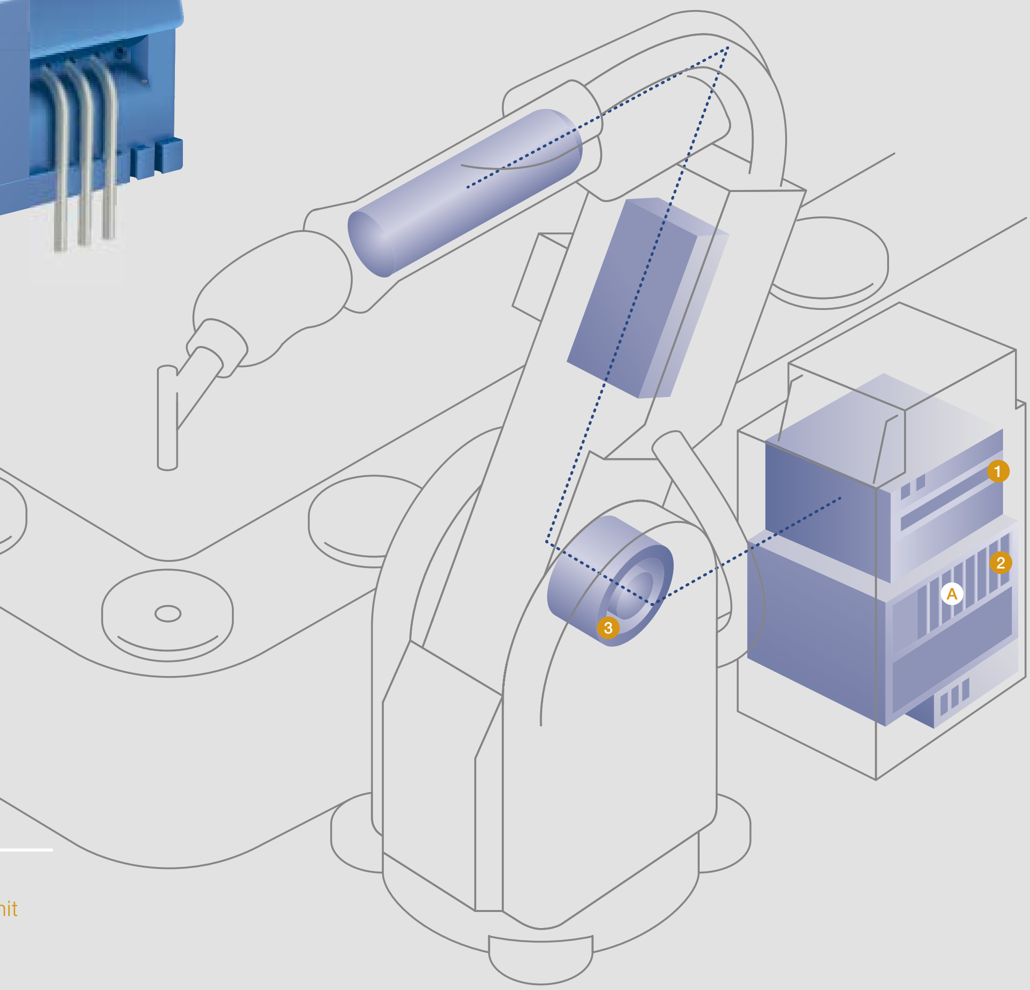
Senior Management	31.3.2012			31.3.2011		
In number of shares/options	Number of shares held	Number of options held	Number of shares held by PSP (m = 1)	Number of shares held	Number of options held	Number of shares held by PSP (m = 1)
François Gabella, CEO	300	0	0	300	0	0
Julius Renk, CFO	45	0	0	50	0	0
Luc Colombel, Vice President, Automotive	2'100	0	0	1'350	1'500	600
Hans-Dieter Huber, Vice-President Industry	1'425	0	0	796	500	600
Jean-Marc Peccoux, Vice President, R&D	1'500	0	0	764	938	380
Simon Siggen, Vice President, Operations	1'450	0	0	850	0	500
Total	**6'820**	**0**	**0**	**4'110**	**2'938**	**2'080**

Robots A robot is an electromechanical machine that is guided by computer and electronic programming. Robots can be autonomous, semi-autonomous or remotely controlled. Robots range from humanoids such as ASIMO and TOPIO to nanorobots and industrial robots.

Industrial robots usually require movements in 3-6 axes in order to move the end of the arm in every position. Typical applications of robots include welding, painting, assembly, pick-and-place (such as packaging, palletizing and SMT), product inspection, and testing; all accomplished with high endurance, speed, and precision.
The robot arm is moved by electrical motors: usually one motor for each axis. The motors are controlled by a power inverter that receives its signal from a motion control unit. In order to control the arm, the power inverter drives the motor from one position to the next and stops precisely in position. To do so, an accurate measurement of the current is needed. Transducers are used to measure the current and, together with the position sensor, they are responsible for controlling the fast movement and the precision to stop the arm in the new position. The motion control unit also contains the memory used to store all the positions required for this work.



CASR



A CASR
1 Control Unit
2 Inverter
3 Motor

Financial Review

Sales

LEM's sales decreased by 20.2% to CHF 236.3 million in 2011/12. There was an unfavorable foreign currency impact of 9.1% in 2011/12. At constant exchange rates the sales decrease would have been 12.2%. The currency impact stems from the appreciation of the CHF against the leading trading currencies, i.e. EUR, USD and CNY.

Gross margin

The gross margin decreased by 1.8 percentage points to 40.8%. The main reasons for this development are the unfavorable foreign currency impact and an impairment charge of CHF 2.1 million on production lines.

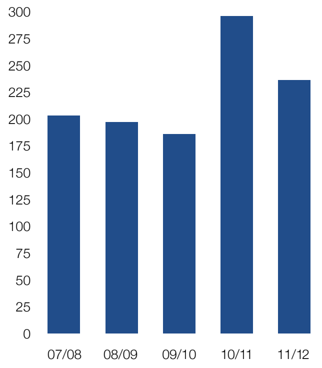
Operating expenses

The operating expenses (including R&D) of CHF 62.3 million decreased by 5.4% compared to the previous year, mainly driven by cost savings measures. However, as a percentage of sales, the ratio increased from 22.2% to 26.4%.
The R&D expenses decreased by 7.5% in 2011/12 to CHF 13.0 million (prior year CHF 14.0 million). R&D cost as a percentage of sales increased from 4.7% last year to 5.5% for the current fiscal year, which is in line with LEM's historic average.

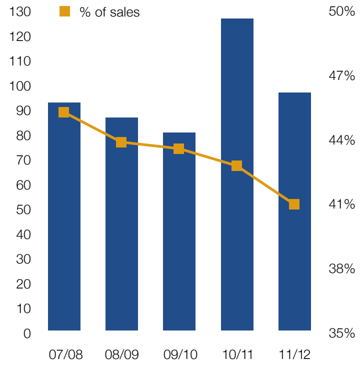
LEM's share price decreased from CHF 570 on 31.3.2011 to CHF 494.5 on 31.3.2012, which generated additional SOP income below operational EBIT of CHF 0.3 million (additional SOP costs of CHF 5.4 million in 2010/11). Per 31.3.2012, all stock option plans and share plans are closed.

	April to March	
In CHF thousands	2011/12	2010/11
Sales	236'334	296'203
Cost of goods sold	(139'848)	(169'904)
Gross margin	**96'486**	**126'299**
Sales expense	(21'864)	(23'406)
Administration expense	(27'689)	(28'842)
Research & development expense	(12'974)	(14'031)
Other expense	(84)	(319)
Other income	296	712
Operational EBIT	**34'171**	**60'413**
Additional SOP costs/income	315	(5'426)
EBIT	**34'486**	**54'987**
Financial expense	(359)	(475)
Financial income	101	116
Foreign exchange effect	(1'704)	(4'263)
Profit before taxes	**32'524**	**50'365**
Income taxes	(4'037)	(10'722)
Net profit of the period	**28'487**	**39'643**
Attributable to:		
LEM shareholders	28'487	39'592
Non-controlling interests		51
Net profit	**28'487**	**39'643**

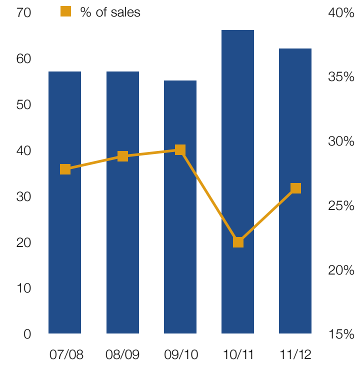
Net sales
In CHF millions



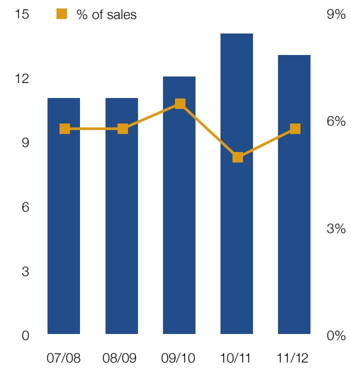
Gross margin
In CHF millions



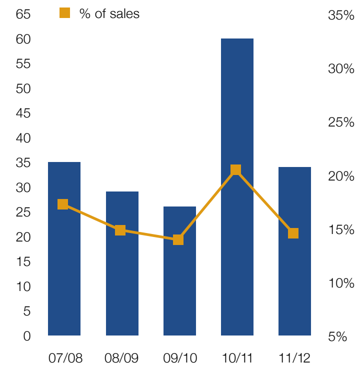
Operating expenses (incl. R&D exp.)
In CHF millions



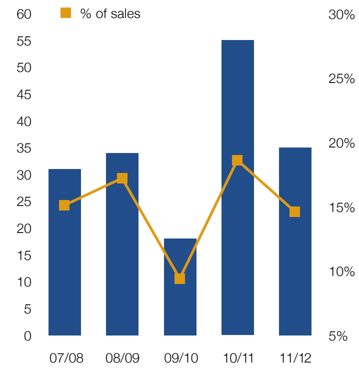
R&D expenses
In CHF millions



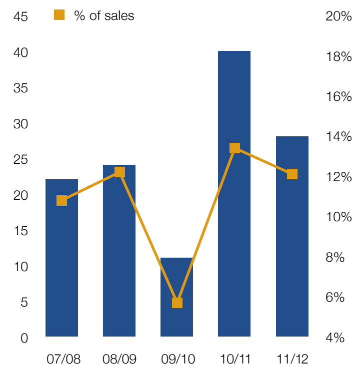
Operational EBIT
In CHF millions



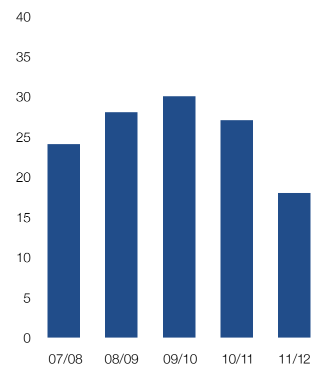
EBIT
In CHF millions



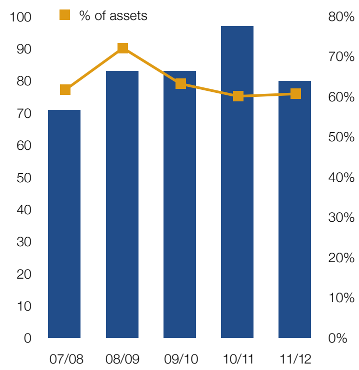
Net earnings
In CHF millions



Net financial assets
In CHF millions



Equity and equity ratio
In CHF millions



Operational EBIT and EBIT

The operational EBIT (before additional SOP costs/income) decreased by 43.4% to CHF 34.2 million (prior year CHF 60.4 million). The 14.5% operating margin (prior year 20.4%) is slightly below our target range of 15 to 20%.
Taking into account the additional SOP costs/income in 2010/11 and 2011/12, the EBIT is 37.3% lower than last year at CHF 34.5 million against CHF 55.0 million in 2010/11.

Financial expenses

The net financial expenses decreased from CHF 4.6 million to CHF 2.0 million in 2011/12 mainly driven by a lower foreign exchange effect.

Taxes

The tax rate decreased by 8.9 percentage points, from 21.3% to 12.4% in 2011/12. The expected tax rate decreased by 3.0 percentage points, mainly driven by the qualification of our Chinese subsidiary as High and New Technologies Enterprise. One-off items provided an additional 5.4% percentage points saving to the tax rate, of which the major impact is linked to the new free trade agreement between Switzerland and Japan, which has removed the withholding tax on dividend payments from our Japanese subsidiary.

Net profit for the year

Net profit for the year is 28.1% lower than last year, at CHF 28.5 million.

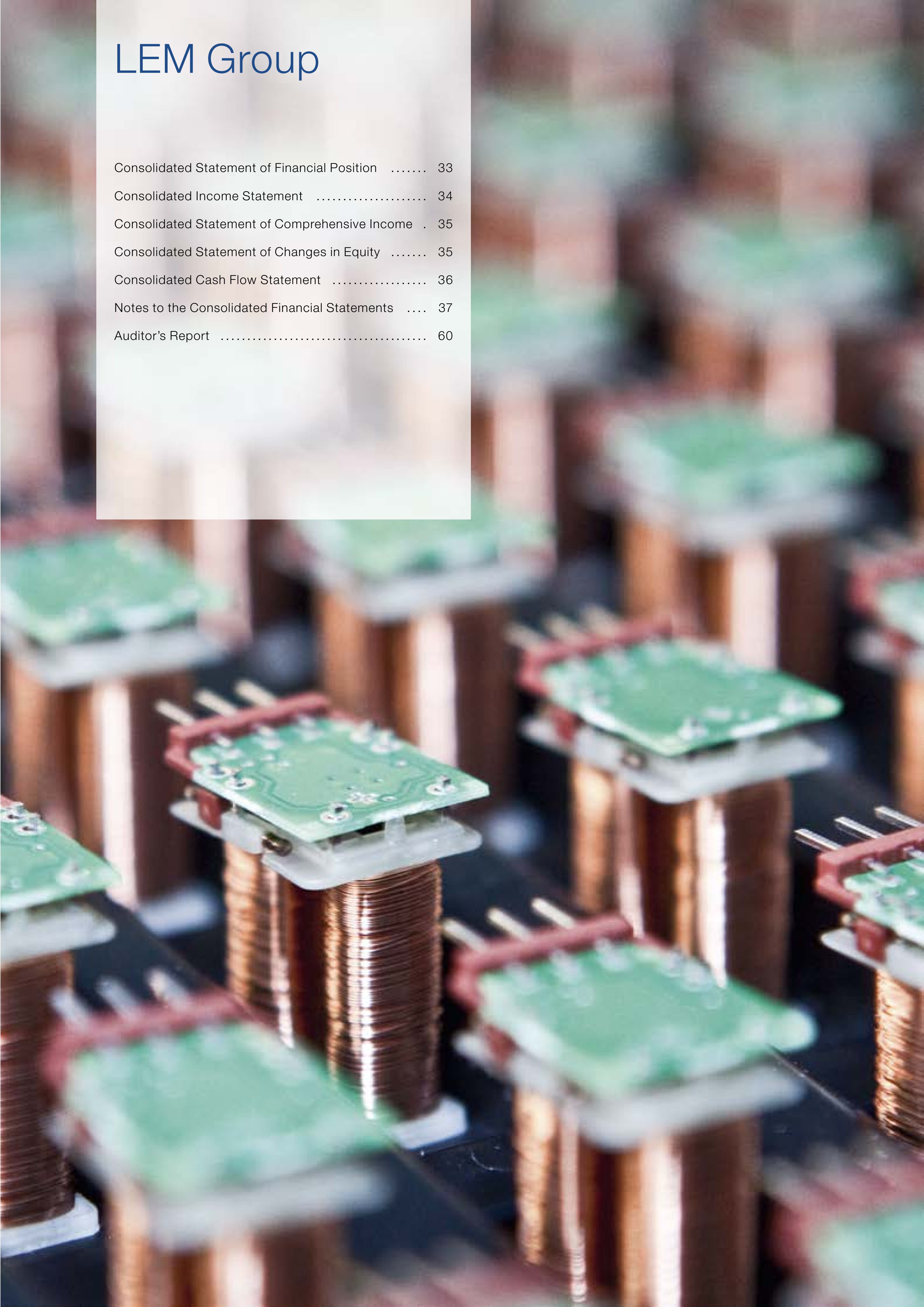
Balance sheet

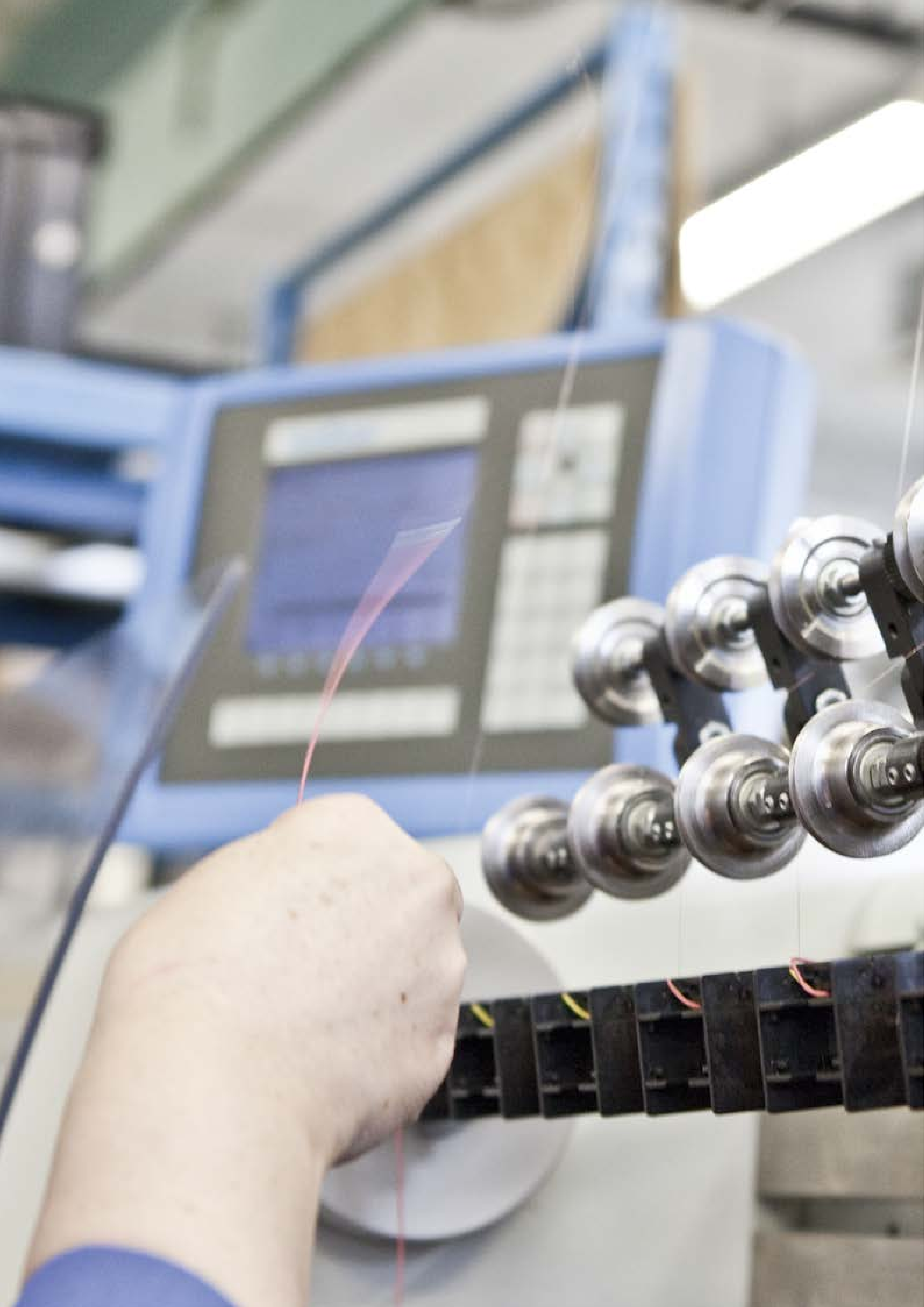
LEM reduced its net working capital (current assets – current liabilities – net cash) to 12.3% of sales, versus 13.3% last year.
The net financial assets (cash – financial liabilities) decreased from CHF 26.6 million to 18.1 million. On 31 March 2012, LEM had CHF 3 million interest bearing financial liabilities.
The balance sheet remains healthy with an equity ratio of 60.0% (prior year 59.8%).

Cash flow

The cash flow before changes in net working capital reached CHF 35.4 million in 2011/12. CHF 11.2 million have been generated by the net working capital decrease due to the lower activity. Free cash flow is at CHF 37.5 million, an increase of CHF 16.8 million compared to last year.

LEM Group





Consolidated Statement of Financial Position

Assets In CHF thousands	Notes	31.3.2012	31.3.2011
Current assets			
Cash and cash equivalents	7	21'121	27'231
Accounts receivable	4	42'140	60'026
Inventories	5	26'605	34'187
Income Tax receivable		2'009	1'310
Other current assets	6	2'956	1'717
Total current assets		**94'831**	**124'471**
Non-current assets			
Deferred tax assets	19	3'485	1'919
Property, plant and equipment	8	24'173	25'612
Intangible assets	9	6'657	7'796
Other non-current assets	10, 23	3'368	2'181
Total non-current assets		**37'683**	**37'508**
Total assets		**132'514**	**161'979**

Liabilities and equity In CHF thousands	Notes	31.3.2012	31.3.2011
Current liabilities			
Accounts payable	11	17'863	29'617
Accrued expenses		14'855	16'295
Current income tax payable		8'244	7'560
Current provisions	12	3'043	1'556
Current financial liabilities	7	3'000	618
Other current liabilities	13	632	2'821
Total current liabilities		**47'637**	**58'467**
Non-current liabilities			
Non-current provisions	12	457	969
Deferred tax liabilities	19	4'217	5'541
Other non-current liabilities	13	642	89
Total non-current liabilities		**5'316**	**6'599**
Total liabilities		**52'953**	**65'066**
Equity			
Share capital	14	570	575
Treasury shares	14	(1'984)	(7'091)
Reserves	14	11'425	17'914
Retained earnings		69'550	85'515
Equity attributable to equity holders of the parent		**79'561**	**96'913**
Non-controlling interests			
Total equity		**79'561**	**96'913**
Total liabilities and equity		**132'514**	**161'979**

Consolidated Income Statement

In CHF thousands	Notes	April to March 2011/12	2010/11
Sales		236'334	296'203
Cost of goods sold	15	(139'848)	(169'904)
Gross margin		**96'486**	**126'299**
Sales expense	15	(21'831)	(23'966)
Administration expense	15	(27'428)	(33'334)
Research & development expense	15	(12'953)	(14'405)
Other expense		(84)	(319)
Other income		296	712
Operating profit		**34'486**	**54'987**
Financial expense	16	(359)	(475)
Financial income	17	101	116
Exchange effect	18	(1'704)	(4'263)
Profit before taxes		**32'524**	**50'365**
Income taxes	19	(4'037)	(10'722)
Net profit for the year		**28'487**	**39'643**
Attributable to:			
LEM shareholders		28'487	39'592
Non-controlling interests			51
Net profit for the year		**28'487**	**39'643**

The results of both years are derived from continuing operations.

Earnings per share, in CHF			
Basic earnings per share	20	25.11	34.69
Diluted earnings per share	20	25.11	34.51

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

Consolidated Statement of Comprehensive Income

In CHF thousands	April to March 2011/12	2010/11
Net profit for the period recognized in the income statement	**28'487**	**39'643**
Currency translation difference	174	(4'158)
Unrealized (loss)/gain on derivatives designated as cash flow hedges		(7)
Total comprehensive income for the period	**28'661**	**35'478**
Attributable to shareholders	28'661	35'427
Attributable to non-controlling interests		51

Consolidated Statement of Changes in Equity

Attributable to equity holder of the company

In CHF thousands	Share capital	Capital reserve	Reserve for treasury shares	Treasury shares	Share plan	Translation reserve	Retained earnings	Non-controlling interests	Total equity
1 April 2010	575	15'647	3'387	(3'387)	925	1'482	64'536	214	**83'379**
Net profit of the year							39'592	51	39'643
Other comprehensive income/loss						(4'158)	(7)		(4'165)
Total comprehensive income						*(4'158)*	*39'585*	*51*	*35'478*
Dividends paid							(22'895)		(22'895)
Dividends paid to non-controlling interests								(50)	(50)
Changes in non-controlling interests							18	(215)	(197)
Performance Share Plan					631				631
Movement in treasury shares		(5'456)	5'456	(5'456)					(5'456)
Movement in derivative instruments on treasury shares		1'752	(1'752)	1'752			4'271		6'023
31 March 2011	575	11'943	7'091	(7'091)	1'556	(2'676)	85'515	0	**96'913**
1 April 2011	575	11'943	7'091	(7'091)	1'556	(2'676)	85'515	0	**96'913**
Net profit of the year							28'487		28'487
Other comprehensive income/loss						174			174
Total comprehensive income						*174*	*28'487*		*28'661*
Changes in capital	(5)		(3'968)	3'968			5		0
Dividends paid							(45'461)		(45'461)
Performance Share Plan			(1'681)	1'681	(1'556)		1'465		(91)
Movement in treasury shares			542	(542)			(461)		(461)
31 March 2012	570	11'943	1'984	(1'984)	0	(2'502)	69'550	0	**79'561**

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.

Consolidated Cash Flow Statement

In CHF thousands	2011/12	2010/11
	April to March	
Cash flow from operating activities		
Profit before taxes	32'524	50'365
Adjustment for non-cash items		
_ Net financial result	147	107
_ Derivative financial instruments revaluation	(198)	0
_ Fair value charges for share-based payments	231	6'052
_ Depreciation and amortization	8'026	7'403
_ Impairment loss	2'110	660
_ Gain / loss on disposal of fixed assets	866	0
_ Increase (+) / decrease (-) of provisions	1'422	3'398
_ Movement in pension	(762)	(515)
Interest received	101	116
Interest paid	(248)	(223)
Taxes paid	(6'870)	(6'442)
Payment for cash-settlement of SOP and PSP	(1'933)	(9'423)
Cash flow before changes in net working capital	**35'416**	**51'498**
Change in inventory	8'649	(16'600)
Change in accounts receivable and other current assets	16'358	(18'371)
Change in payables and other current liabilities	(13'769)	13'519
Cash flow from changes in net working capital	**11'238**	**(21'452)**
Cash flow from operating activities	**46'654**	**30'046**
Cash flow from investing activities		
Investment in fixed assets	(8'419)	(9'147)
Disposal of fixed assets and intangible assets	0	109
Investment in intangible assets	(550)	(345)
Increase (-) / decrease (+) in other assets	(151)	0
Cash flow from investing activities	**(9'120)**	**(9'383)**
Cash flow from financing activities		
Acquisition of non-controlling interests	0	(197)
Treasury shares acquired (-) /divested (+)	(461)	(5'768)
Sale of derivative instrument on own shares	0	5'715
Dividends paid to the shareholders of LEM Holding SA	(45'461)	(22'895)
Dividends paid to non-controlling interests	0	(50)
Decrease (-) in financial liabilities	0	(14)
Cash flow from financing activities	**(45'922)**	**(23'209)**
Change in cash and cash equivalents	**(8'388)**	**(2'546)**
Cash and cash equivalents at the beginning of the period	**26'613**	**29'756**
Exchange effect on cash and cash equivalents	(104)	(597)
Cash and cash equivalents at the end of the period	**18'121**	**26'613**

Notes to the Consolidated Financial Statements

1 General information

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 drives and welding, renewable energies and power supplies, traction, high precision, conventional and green cars businesses. The Group has operations in eleven countries and employs around 1'100 people. The parent company of LEM Group is LEM Holding SA (the Company), which is a limited company incorporated in Switzerland.

The financial year ends on 31 March (the year). The registered office is as follows: 8, chemin des Aulx, CH-1228 Plan-les-Ouates/Geneva. The Company has been listed on the SIX Swiss Exchange since 1986.

The Board of Directors approved the consolidated financial statements on 15 May 2012.

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 2011/12, LEM Group introduced the following revised standards and interpretations:

Standard or interpretation	Title	Effective date	Impact
IAS 24	Related party disclosures	1 January 2011	None
IFRIC 14	Prepayments of a minimum funding requirement – Amendments	1 January 2011	None
IFRIC 19	Extinguishing liabilities with equity instruments	1 July 2010	None
Amendments	Annual improvement project	1 July 2011 unless otherwise stipulated	None

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

Standard or interpretation	Title	Effective date
IAS 12	Deferred tax, recovery of underlying assets – Amendments	1 January 2012
IAS 19	Employee benefits – Revised	1 January 2013
IAS 27	Separate financial statements – Revised	1 January 2013
IAS 28	Investments in associates and joint ventures – Revised	1 January 2013
IFRS 1	Severe hyperinflation and removal of fixed dates to first-time adopters	1 July 2011
IFRS 7	Transfers of financial assets – Amendments	1 July 2011
IFRS 9	Financial instruments – Classification and Measurement	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurements	1 January 2013
IFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013
IAS 1	Presentation of items of other comprehensive income – Amendments	1 July 2012
IAS 32	Offsetting financial assets and financial liabilities – Amendments	1 January 2014
IFRS 7	Disclosures – Offsetting financial assets and financial liabilities – Amendments	1 January 2013

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 position, income or cash flow situation of LEM except IAS 19 – Revised as explained below.

The amendments that are expected to have the most significant impact include:

- Abandonment of the corridor method; the unrecognized actuarial losses would be registered in the financial statements. As a consequence, an equity adjustment would be booked against the non-current pension asset and a pension liability would be shown. As per the existing IAS 19 evaluation, this would create a negative impact of CHF 5'771 thousand on the Group equity.
- Replacement of the expected return on plan assets and interests costs on the defined benefit obligation with a single net interest component which is calculated by applying the discount rate to the net defined benefits asset or liability. Also, past-service costs that will be recognized in the period of a plan amendment and unvested benefits that will no longer be spread over a future period until the benefits become vested. These changes will affect the profit for the period and the earnings per share by increasing employee benefit costs of the Group. It will also impact the amounts presented in other comprehensive income, and the net employee benefits liabilities/(assets) in the balance sheet. The impact of these latter changes on the profit or loss and on the other comprehensive income has not yet been conclusively determined.

2.3 Summary of critical accounting estimates and judgments

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 key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below.

Impairment of goodwill, other intangible assets 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. Other intangible assets and property, plant and equipment are 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 recognized only if the specific criteria under IFRS are met. Provisions represent presumed obligations arising from past events and are recognized 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. Judgment 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.

Valuation of deferred tax assets

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 whose operations the Group has the power to exercise control, which is normally the case when it owns more than one half of the voting rights, are consolidated.

Acquisitions are accounted for using the purchase method. 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. Identifiable acquired assets, liabilities and contingent liabilities are recognized at their fair 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 recognized as goodwill. The Group's share of the fair value of the identifiable net assets that exceeds the purchase price is shown as gain on bargain purchase on the income statement.

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 2012 and 31 March 2011.

2.5 Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in Swiss francs as the presentation currency. The subsidiaries use local currencies 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 recognized 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	Income statement of 2011/12 Average rate in CHF	Income statement of 2010/11 Average rate in CHF	Balance sheet 31.3.2012 Year-end rate in CHF	Balance sheet 31.3.2011 Year-end rate in CHF
EUR	1.214	1.340	1.204	1.299
GBP	1.407	1.575	1.444	1.474
JPY	0.0112	0.0118	0.0109	0.0111
USD	0.882	1.014	0.902	0.917
RUB	0.030	0.034	0.031	0.032
CNY	0.138	0.151	0.142	0.140
DKK	0.163	0.180	0.162	0.174

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 Cash and cash equivalents

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. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts and bank loans with a maturity of less than 3 months.

2.7 Inventories

Inventories are stated at the lower of cost or net realizable value. The first-in, first-out (FIFO) method is applied. The cost of finished goods and work in process comprise raw materials, direct labor costs and other costs that can be directly allocated, such as production overhead expenditures. Financing costs are not included in inventories. Provision for write-downs are established when there is an objective indication that the Group will not be able to sell the goods in due time.

2.8 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 a linear basis on the following estimated useful life:

Land	nil
Buildings	20–40 years
Machinery and equipment	5–8 years
Tools and moulds	2–5 years
Vehicles	3–5 years
IT equipment	3–5 years

Repairs and renewals are charged to the income statement 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.

2.9 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. 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.

Other intangible assets

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

2.10 Impairment of tangible fixed assets and intangible assets

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 cost 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 non-current interest rate.
Goodwill is tested for impairment annually (at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Impairment losses relating to goodwill cannot be reversed in future years.

2.11 Assets held for sale

LEM Group's 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.
Non-current 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 recognized in the income statement. In the two years under review there were no assets held for sale in LEM Group.

2.12 Financial assets

Financial assets can comprise cash, receivables, accrued income, marketable securities and derivative financial instruments.

Accounts receivable are carried at original invoice amount less an allowance made for doubtful accounts based on a review of all outstanding amounts at the year-end. Allowances for doubtful accounts are established when there is an objective indication that the Group will not be able to collect the amounts due. Allowances for doubtful accounts are written off when identified.

2.13 Derivative financial instruments

Derivative financial instruments are measured at fair value. Any gains and losses arising from changes in fair value on derivatives are taken directly to 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 recognized under other non-current assets or other non-current financial liabilities.

For a derivative financial instrument to be recognized 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. When the cash-flow hedging transaction is maturing, the cumulative gains and losses previously recognized in shareholders' equity are included in the income statement of the period.

The Group uses derivative financial instruments to hedge foreign exchange risks of forecasted transactions. Derivative financial instruments can comprise of forward exchange contracts and option based structures.

2.14 Financial liabilities

Financial liabilities comprise bank overdrafts, bank loans, payables, accrued expenses and derivative financial instruments at the end of the period.
Financial liabilities that are due within 12 months after the balance sheet date are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability until more than 12 months after the balance sheet date.

2.15 Leases

Assets acquired under non-current finance leases are capitalized as part of the fixed assets. Lease assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is 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. In the years under review LEM Group does not hold any finance lease.
Rentals payable under operating leases are charged to the income statement as incurred.

2.16 Employee benefits

The Swiss subsidiaries provide a defined benefit plan for employees; the other subsidiaries provide defined contribution plans. In both cases the charges are included in the related periods 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 recognized 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 recognized when the curtailment or settlement occurs. Actuarial gains or losses are amortized 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. In accordance with IFRIC 14, any assets resulting from surpluses in defined benefit plans are limited to the value of the maximum future savings from reduced contributions. Liabilities are fully provisioned.

Defined contribution plan

The subsidiaries abroad sponsor defined contribution plans based on local practices and regulations.

Equity compensation plan

In May 2009, the Board of Directors decided not to issue any further equity programs (stock option plans or PSP). The company administrated the legacy programs until the expiry of the last stock option plan (SOP 6) in March 2012 and the settlement of the PSP in the first quarter 2011/12. As per 31 March 2012, all plans are closed.
Stock options were granted to the Board of Directors and managers. The option plans are cash-settled and the fair value of the options was linked to the share price development. Based on the share price at each quarter end the fair value of the options – based on the 'Hull-White' option model – was calculated by an independent specialist. Based on these fair values the year-end value of options was adjusted.

The Performance Share Plan (PSP) was granted to managers and was considered to be equity-settled. The fair value of the PSP granted to the employees was estimated at the grant date. The amounts were charged to the income statement over the relevant vesting period and adjusted to reflect actual and expected levels of vesting until 31 March 2011.

During 2011/12, the Performance Share Plan was settled. The agreements for Chinese and Japanese employees were amended and settled in cash. The cash settlement concerned 1'136 shares for which a total amount of CHF 0.65 million was paid. The remaining 4'828 shares were transferred to employees generating a net impact in the equity of CHF 0.22 million.

Stock option plans

The stock option plans were cash-settled. The total amount expensed for the options not yet exercised was determined by reference of the fair value of the instruments granted at each closing period. The quarterly fair value calculations were performed by a third party applying the 'Hull & White' model based on LEM's share price at the period end. The pro rata payable was calculated based on the fair value and the estimate of the number of options that were expected to become exercisable and LEM recognized the impact in the income statement.

LEM Incentive System

The LEM Incentive System (LIS) consists of a part 1, which is related to the individual's performance, and a part 2, which is related to the performance of LEM Group. The LIS part 2 is an annual bonus which is based on the Economic Value Added (EVA) performance of LEM evaluated over the 3 previous fiscal years. Both elements are cash-settled and the bonus payments are made in the first quarter of the following fiscal year. The estimated payments are accrued for per year-end.

2.17 Provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Claims and litigations

The Group recognizes 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. Additional specific provisions are booked when required.

Onerous contracts

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

Restructuring

A constructive obligation to restructure arises only when an entity has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected; the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented;

and raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent liabilities

Contingent liabilities arise from past events 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 recognized in the balance sheet but are described in the notes.

2.18 Share capital

LEM Holding SA has only ordinary registered shares. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain nor loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in retained earnings.

2.19 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 recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the products.

2.20 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 recognized in the consolidated income statement except for income taxes on transactions that are recognized directly in shareholders' equity.

Deferred taxation

Deferred income tax is provided in 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. 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 recognized 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 utilized. 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.

3 Segment information

Business segment information

In CHF thousands	Industry 2011/12	Industry 2010/11	Automotive 2011/12	Automotive 2010/11	LEM Group 2011/12	LEM Group 2010/11
Income Statement						
Sales	208'292	272'659	28'042	23'544	236'334	296'203
EBITDA	39'490	59'607	5'132	3'443	44'622	63'050
Operating profit	30'257	52'694	4'229	2'293	34'486	54'987
Net financial expense					(1'962)	(4'622)
Taxes					(4'037)	(10'722)
Net profit for the year					28'487	39'643
Depreciation and amortization:						
Tangible assets	5'902	4'770	898	1'144	6'800	5'914
Intangible assets	1'221	1'483	5	6	1'226	1'489
Impairment loss	2'110	660			2'110	660
Goodwill impairment						
Total	**9'233**	**6'913**	**903**	**1'150**	**10'136**	**8'063**
Significant non-cash items						
(Increase) /decrease of liabilities for share-based payments	283	(4'883)	32	(543)	315	(5'426)
Balance sheet						
Segment assets	90'042	120'791	12'203	9'795	102'245	130'586
Unallocated assets					30'269	31'393
Of which cash and cash equivalents					*21'121*	*27'231*
Of which other unallocated assets					*9'148*	*4'162*
Total assets	**90'042**	**120'791**	**12'203**	**9'795**	**132'514**	**161'979**
Segment liabilities	34'331	48'106	3'153	1'657	37'484	49'763
Unallocated liabilities					15'469	15'303
Of which income tax payable					*8'244*	*7'560*
Of which deferred withholding tax liability					*2'407*	*3'186*
Of which other unallocated liabilities					*4'818*	*4'557*
Total liabilities	**34'331**	**48'106**	**3'153**	**1'657**	**52'953**	**65'066**
Capital expenditure:						
Tangible assets	7'855	8'899	564	249	8'419	9'148
Intangible assets	537	345	13		550	345
Total	**8'392**	**9'244**	**577**	**249**	**8'969**	**9'493**

Geographical information

In CHF thousands	Germany 2011/12	Germany 2010/11	USA 2011/12	USA 2010/11	China 2011/12	China 2010/11	Japan 2011/12	Japan 2010/11	Italy 2011/12	Italy 2010/11	Switzerland 2011/12	Switzerland 2010/11	Rest of the world 2011/12	Rest of the world 2010/11	LEM Group 2011/12	LEM Group 2010/11
Sales	46'311	56'584	40'489	41'483	37'041	50'486	24'649	26'912	12'356	29'902	5'133	9'827	70'355	81'009	236'334	296'203
Non-current assets					13'696	9'045	6'825	7'220			15'203	19'594	1'959	1'854	37'683	37'713

For management purposes, LEM Group is organized into two operating segments, Industry and Automotive. The Industry 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, non-current financial receivables as well as deferred tax assets. Non-allocated liabilities comprise bank borrowings, income tax payable and deferred tax liabilities.

Transactions between the subsidiaries and/or business segments are conducted at arm's length.

The depreciation and amortization charge for the Industry segment at 31 March 2012 includes the impairment of production lines specific to several families of products for CHF 2'110 thousand. Please refer to note 8 Property, plant and equipment for more detail.

4 Accounts receivable

In CHF thousands	31.3.2012	31.3.2011
Accounts receivable – trade	39'419	54'828
Allowance for doubtful accounts	(1'711)	(1'229)
Total accounts receivable – trade	37'708	53'599
Other receivables	4'432	6'427
Total	**42'140**	**60'026**

Movements of allowance for doubtful accounts

In CHF thousands	2011/12	2010/11
Opening position	**1'229**	**1'424**
Additions charged to income statement	723	333
Amounts written off	(235)	(472)
Foreign exchange effect	(6)	(56)
Closing position	**1'711**	**1'229**

Aging analysis of accounts receivable

In CHF thousands	Not due	< 30 days	31–90 days	91–180 days	>180 days	Total
31 March 2012						
Accounts receivable – trade	26'376	8'204	2'004	1'130	1'705	39'419
Allowance for doubtful accounts	(306)		(77)	(266)	(1'062)	(1'711)
Other receivables	4'381	51				4'432
Total	**30'451**	**8'255**	**1'927**	**864**	**643**	**42'140**
31 March 2011						
Accounts receivable – trade	41'246	8'698	3'053	1'021	810	54'828
Allowance for doubtful accounts	(3)	0	(155)	(264)	(810)	(1'229)
Other receivables	6'223	204				6'427
Total	**47'466**	**8'902**	**2'898**	**757**	**0**	**60'026**

The allowance for doubtful accounts is computed as a percentage of aged balances. No receivables have been individually impaired.

5 Inventories

In CHF thousands	31.3.2012	31.3.2011
Raw material	11'534	15'481
Work in progress	2'682	3'167
Finished goods and goods for resale	12'389	15'540
Total	**26'605**	**34'187**

Above total inventories include provisions for write-down of CHF 4'970 thousand (2010/11 CHF 5'630 thousand).

6 Other current assets

In CHF thousands	31.3.2012	31.3.2011
Advances to suppliers	960	681
Prepayments and accrued income	1'809	1'036
Derivative financial instruments	187	0
Total	**2'956**	**1'717**

For further information on derivative financial instruments, see note 26.

7 Cash and cash equivalents

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following:

In CHF thousands	31.3.2012	31.3.2011
Cash and cash equivalents	21'121	27'231
Bank loans	(3'000)	0
Bank overdrafts	0	(618)
Total	**18'121**	**26'613**

The short-term bank loan disclosed above has been contracted with a one-month term and an interest rate of 0.82%.

8 Property, plant and equipment

In CHF thousands	Land and buildings	Machinery and equipment	Total
Net book value 1 April 2011	**306**	**25'306**	**25'612**
Foreign exchange effect	(5)	(205)	(210)
Investment		8'419	8'419
Disposal		(738)	(738)
Impairment gain (loss)		(2'110)	(2'110)
Depreciation charge for the year	(104)	(6'696)	(6'800)
Net book value 31 March 2012	**197**	**23'976**	**24'173**
At cost of acquisition	441	68'434	68'875
Accumulated depreciation	(244)	(44'458)	(44'702)
Net book value 31 March 2012	**197**	**23'976**	**24'173**
Net book value 1 April 2010	**330**	**23'335**	**23'665**
Foreign exchange effect	(11)	(1'185)	(1'196)
Investment		9'147	9'147
Disposal		(90)	(90)
Depreciation charge for the year	(13)	(5'901)	(5'914)
Net book value 31 March 2011	**306**	**25'306**	**25'612**
At cost of acquisition	449	63'820	64'269
Accumulated depreciation	(143)	(38'514)	(38'657)
Net book value 31 March 2011	**306**	**25'306**	**25'612**

LEM Group owns production lines which are primarily used to manufacture goods for the solar market. The slump in the solar market demand has given the Group an indication to perform an impairment test per 31.3.2012.

The recoverable amount of the machines has been determined based on a value in use calculation using cash flow projections from management estimates. The pre-tax discount rate applied to the cash flow projections is 8.5%.

As a result of the analysis, management has recognized an impairment charge of CHF 2'110 thousand against the value of the machines previously carried at CHF 6'646 thousand, which is recorded in cost of goods sold in the Industry segment.

9 Intangible assets

In CHF thousands	Goodwill	Patents	Other intangible assets	Total
Net book value 1 April 2011	**3'601**	**3'302**	**893**	**7'796**
Foreign exchange effect	(33)		(18)	(51)
Investment			550	550
Disposal			(128)	(128)
Other movements			(284)	(284)
Amortization charge for the year		(990)	(236)	(1'226)
Net book value 31 March 2012	**3'568**	**2'312**	**777**	**6'657**
At cost of acquisition	5'291	4'952	4'204	14'447
Accumulated amortization	(1'723)	(2'640)	(3'427)	(7'790)
Net book value 31 March 2012	**3'568**	**2'312**	**777**	**6'657**
Net book value 1 April 2010	**3'667**	**5'154**	**876**	**9'697**
Foreign exchange effect	(66)		(12)	(78)
Investment			345	345
Disposal			(19)	(19)
Impairment gain (loss)		(660)		(660)
Amortization charge for the year		(1'192)	(297)	(1'489)
Net book value 31 March 2011	**3'601**	**3'302**	**893**	**7'796**
At cost of acquisition	5'329	4'952	4'101	14'382
Accumulated amortization	(1'728)	(1'650)	(3'208)	(6'586)
Net book value 31 March 2011	**3'601**	**3'302**	**893**	**7'796**

In the financial year under review, no development costs have been capitalized (CHF 158 thousand at 31.3.2011).

The entire goodwill of LEM Group is from the acquisition of NANA in 2000/01 and is allocated to the cash generating unit LEM Japan KK. The goodwill relates to the Industry segment. 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 projections include assumptions concerning revenue growth and expected operating costs. Revenue growth is projected at 2% and operating costs were estimated based on the experience of management. The pre-tax discount rate used within these cash flow calculations is 8.5% (2010/11 8%) and is based on the weighted average cost of capital of a peer group. The carrying value of the cash generating unit including goodwill was compared to the value in use and no impairment was found for the year ended 31 March 2012.

Two patents have been activated in the course of LEM Danfysik acquisition in 2009/10 for a total amount of CHF 5'940 thousand. For one of them (gross value of CHF 990 thousand less CHF 330 thousand depreciation at the end of March 2011), we had plans to develop a product.
The majority of the 2010/11 amortization charge is related to the depreciation of patents acquired in the course of the LDK acquisition. These have been accounted for in R&D costs (including the impairment charge referred to above). The depreciation charge for other intangible assets has been included in the sales and administration expenses.

10 Other non-current assets

In CHF thousands	31.3.2012	31.3.2011
Pension asset	2'873	2'115
Other non-current assets	495	66
Total	**3'368**	**2'181**

11 Accounts payable

In CHF thousands	31.3.2012	31.3.2011
Accounts payable – trade	16'319	27'275
Other payables	1'544	2'342
Total	**17'863**	**29'617**

12 Provisions

In CHF thousands	Employee and termination benefits	Claims and litigations	Transfer of activity	Total
Balance 1 April 2011	**580**	**1'945**	**(0)**	**2'525**
Additional provisions		1'911	453	2'364
Unused amounts reversed		(486)		(486)
Utilized during the year		(330)		(330)
Foreign exchange effect		7		7
Other movements	(580)			(580)
Balance 31 March 2012	**0**	**3'047**	**453**	**3'500**
Of which current				*3'043*
Of which non-current				*457*
Balance 1 April 2010	**1'353**	**704**	**(0)**	**2'057**
Additional provisions	16	2'236		2'252
Unused amounts reversed	(250)	(723)		(973)
Utilized during the year	(462)	(264)		(726)
Foreign exchange effect	(77)	(8)		(85)
Balance 31 March 2011	**580**	**1'945**	**(0)**	**2'525**
Of which current				*1'556*
Of which non-current				*969*

Employee and termination benefits

Employee and termination benefits contain obligations which are required in certain countries. The total amount has been reclassified into long-term liabilities since the obligations are post-employment benefit plans.

Claims and litigations

Provisions for claims and litigations cover expected warranty claims which are not covered by insurances. The provisions have been estimated based on past experience and the risk assessment of management. The warranty provision is expected to be used over the next five years.

Transfer of activity

On 20 March 2012, LEM launched the relocation of the high precision manufacturing and R&D activity from Denmark to Geneva. A CHF 370 thousand provision has been booked at 31.3.2012 in relation with this transfer of activity.

13 Other liabilities

In CHF thousands	31.3.2012	31.3.2011
Stock option plans	0	1'612
Post-employment benefit plans	634	66
Other liabilities	640	1'232
Total	**1'274**	**2'910**
Of which current	*632*	*2'821*
Of which non-current	*642*	*89*

Stock option plans

All stock option plans are closed per 31.3.2012. Refer to accounting policies 2.16 Employee benefits, 2.17 Provisions and contingent liabilities and note 22 Stock option plans, Performance Share Plan.

14 Equity

Share capital

There is no authorized or conditional share capital outstanding. The nominal share capital of CHF 570'000 comprises 1'140'000 registered shares, each with a nominal value of CHF 0.50.
Investments in shares of LEM Holding SA held by the Group are classified as treasury shares and are accounted for at historical cost. Treasury shares are not entitled to dividends.

On 4 July 2011, LEM Holding reduced its capital by 10'000 shares of CHF 0.5 each by the cancellation of the 10'000 own shares previously acquired for a total amount of CHF 3.97 million.

On 31 March 2010, LEM owned 5'232 treasury shares.

In July 2010, 600 PSP shares were paid out to a retiring former Senior Management member. In July and August 2010, 1'385 shares were sold to employees at market value less CHF 15 discount per share with an average price of CHF 326.73. The treasury shares were booked out at historical cost and the difference to the selling price was booked to retained earnings.

In view of disposing of the necessary shares potentially required under the PSP program, LEM had bought call options on own shares as shown in the table below. The 30'000 call options which were acquired were intended to be gross settled and they were therefore treated as equity instruments.

Terms of options

Transaction date	Number of options	Strike price	Premium paid	Exercise period
20.9.2008	15'000	360	61.7	1.3.2011–30.4.2013
20.9.2008	15'000	390	55.1	1.3.2012–30.4.2013

In March 2011, LEM exercised 5'000 call options at a CHF 360 price. The treasury shares acquired have been booked in reduction of the equity for a total amount of CHF 2'109 thousand including the initial cost paid to acquire the options.

The remaining 25'000 call options on own shares have been sold in March 2011 for a total amount of CHF 5'715 thousand, which has generated a net impact of CHF 4'271 thousand in equity during the fiscal year 2010/11.

On 1 September 2010, LEM had launched a share buy-back program which ran for one and a half years covering a volume of up to CHF 15 million on a second trading line. At 31 March 2011, 10'000 shares have been bought for a total amount of CHF 3'968 thousand. These shares were earmarked for cancellation. LEM has terminated its share buy-back program per 23 May 2011.

During the year 2011/12, LEM acquired 1'169 treasury shares for a total amount of CHF 542 thousand, in the frame of its market making contract started on 1 July 2011.

Movement of treasury shares

In CHF	Number of shares	Average purchase price	Total
Balance 1 April 2011	**18'247**	**388.62**	**7'091'113**
Movement	(13'659)	373.91	(5'107'286)
Balance 31 March 2012	**4'588**	**432.39**	**1'983'827**
Ordinary dividend per share	25.00		
Extraordinary dividend per share	0.00		
Balance 1 April 2010	**5'232**	**312.50**	**1'635'000**
Movement	13'015	419.22	5'456'113
Balance 31 March 2011	**18'247**	**388.62**	**7'091'113**
Ordinary dividend per share	40.00		
Extraordinary dividend per share	0.00		

The dividend to be paid will be proposed by the Board of Directors to the shareholders of the Group at the ordinary shareholders' meeting 28 June 2012.

15 Staff cost

In CHF thousands	2011/12	2010/11
Production	(19'686)	(24'616)
Sales	(12'009)	(12'569)
Administration	(13'560)	(13'830)
Research and development	(8'984)	(7'989)
Change in liability for stock option plans and Performance Share Plan	(190)	(6'052)
Total	**(54'429)**	**(65'056)**
Salaries and wages	(36'898)	(39'123)
Other personnel costs	(13'354)	(13'998)
Temporary employee costs	(3'987)	(5'883)
Change in liability for stock option plans and Performance Share Plan	(190)	(6'052)
Total	**(54'429)**	**(65'056)**

Other personnel costs comprise the expenses for defined contribution plans of CHF 418 thousand (2010/11 CHF 476 thousand). See accounting policies 2.16 Employee benefits, 2.17 Provisions and contingent liabilities and note 22 Stock option plans, Performance Share Plan.

Number of employees at the end of the financial year	31.3.2012	31.3.2011
Permanent employees	1'100	1'215
Temporary employees	25	89
Apprentices	11	12
Total	**1'136**	**1'316**

16 Financial expense

In CHF thousands	2011/12	2010/11
Interest expense	(248)	(223)
Other financial expense	(111)	(252)
Total	**(359)**	**(475)**

17 Financial income

In CHF thousands	2011/12	2010/11
Interest income on cash	101	116
Total	**101**	**116**

18 Exchange effect

In CHF thousands	2011/12	2010/11
Exchange losses	(2'170)	(4'664)
Fair value revaluation on derivatives	198	(15)
Gains and losses on derivatives[1]	268	416
Total	**(1'704)**	**(4'263)**

[1] Position includes cost of derivative hedging

19 Income taxes

In CHF thousands	2011/12	2010/11
Current income taxes	(9'156)	(10'978)
Deferred taxes relating to the origination and reversal of temporary differences	2'441	(302)
Previously unrecognized deferred tax asset used to reduce current tax expense	29	220
Previously unrecognized deferred tax asset used to reduce deferred tax expense	420	257
Deferred tax income resulting from reduction in tax rates	888	0
Adjustment recognized in the period for current tax of prior year	1'341	81
Total	**(4'037)**	**(10'722)**

Since the Group operates globally, it is liable for income taxes in various tax jurisdictions. Judgment 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:

In %	2011/12	2010/11
Group's average expected income tax rate	16.5	19.8
Group's average expected withholding tax rate	1.3	1.0
Group's average expected tax rate	**17.8**	**20.8**
Tax effect of		
_ expense not deductible for tax purposes	1.8	1.1
_ permanent differences	1.1	0.3
_ effect of changes in tax rates on deferred taxes	(2.7)	0.0
_ adjustment in respect of previous' periods income tax	(4.1)	(0.2)
_ recognition of previously unrecorded tax losses	(1.4)	(0.9)
_ other differences	(0.1)	0.2
Group's effective tax rate	**12.4**	**21.3**

LEM has taken the decision to repatriate all available dividends from its subsidiaries in the foreseeable future. Unrecoverable withholding taxes are considered part of the expected tax rate. Deferred income tax liabilities have been established for unrecoverable withholding taxes that would be payable on the unremitted earnings of foreign subsidiaries.

Following its qualification as High and New Technologies Enterprise in China, LEM China enjoys reduced income tax rates from 2011 to 2013. The status will need to be confirmed in 2012 and 2013. Depending on the legal situation in the People's Republic of China, this status can possibly be renewed for 2014-2016.

Following the new double taxation agreement between Japan and Switzerland, no withholding tax on dividends is due anymore. The liability booked at 31.3.2011 for CHF 1.2 million has been reversed and has generated an income in the deferred tax movement of the year.

The two before mentioned events have contributed to significantly decrease this year's effective tax rate compared to last year. For the coming years, this impact should be maintained, yet at a lower level.

Deferred tax assets and liabilities

In CHF thousands	31.3.2012	31.3.2011
Deferred taxes have been calculated on the following balance sheet positions:		
Assets	**759**	**(1'325)**
_ Accounts receivable	(150)	(252)
_ Inventories	368	(10)
_ Property, plant and equipment	1'590	(7)
_ Intangible assets	(633)	(621)
_ Other financial assets	(603)	(434)
_ Other assets	187	(1)
Liabilities	**(1'491)**	**(2'297)**
_ Provisions	431	36
_ Stock options plans and Performance Share Plan	0	167
_ Others	485	686
_ Withholding tax on dividends	(2'407)	(3'186)
Total	**(732)**	**(3'622)**
The balance sheet contains the following:		
_ Deferred tax assets	3'485	1'919
_ Deferred tax liabilities	(4'217)	(5'541)
Net liabilities	**(732)**	**(3'622)**

Unused tax loss carry-forwards not recognized in the balance sheet expire

In CHF thousands	31.3.2012	31.3.2011
_ In the next 10 years	0	0
_ Until 2020	0	0
_ Without date of expiration	101	1'038
Total	**101**	**1'038**

20 Earnings per share

	2011/12	2010/11
Basic earnings per share		
Net profit for the year attributable to LEM shareholders – in CHF thousands	28'487	39'592
Ordinary number of shares at the beginning of the year	1'150'000	1'150'000
Ordinary number of shares after capital reduction	1'140'000	1'150'000
Weighted average number of ordinary shares	1'142'575	1'150'000
Weighted average number of treasury shares	8'080	8'655
Weighted average number of shares outstanding	1'134'495	1'141'345
Earnings per share – basic in CHF	25.11	34.69

Diluted earnings per share

The employee stock option plans are cash-settled and the new Performance Share Plan is funded with treasury shares. There is no authorized or conditional capital outstanding.

Net profit for the year attributable to LEM shareholders – in CHF thousands	28'487	39'592
Weighted average number of shares outstanding	1'134'495	1'141'345
Performance Share Plan	0	5'964
Adjusted weighted average number of shares outstanding	1'134'495	1'147'309
Earnings per share – diluted in CHF	25.11	34.51

21 Related parties

Related parties are the Board of Directors and the Senior Managers as defined in the Corporate Governance guidelines. The compensation to the Board of Directors is paid as a fixed fee in cash. The compensation for the Senior Management includes base salary, a performance related bonus (LIS), bonus and post-employment benefits. In 2011/12, no termination benefits have been paid. The base salary is the employee's compensation before deduction of the employee's social security contributions. Bonus payments are effected in cash.

Compensation of the Board of Directors

In CHF thousands	2011/12	2010/11
Base salary	(684)	(640)
Additional fees	(20)	0
Change in liability for stock option plans	0	(39)
Total	**(704)**	**(679)**

Compensation of the Senior Management

In CHF thousands	2011/12	2010/11
Base salary	(1'613)	(1'473)
Bonus	(1'035)	(965)
Post employment benefits	(149)	(160)
Termination benefits	0	(443)
Change in liability for stock option plans and PSP	165	(2'538)
Total	**(2'632)**	**(5'579)**

For details on the compensation of the Board of Directors and of the Senior Management, please refer to note 10 in the notes to the financial statements of LEM Holding SA. Also, see accounting policies 2.16 Employee benefits, 2.17 Provisions and contingent liabilities and note 22 Stock option plans, Performance Share Plan.

22 Stock option plans, Performance Share Plan

2011/12	Grant date	Number of options outstanding 1.4.2011	Number of options issued	Number of options cancelled	Number of options exercised	Number of options outstanding 31.3.2012	Exercise price in CHF	Fair value at grant in CHF	Fair value 31.3.2012 in CHF	Exercise period from	Exercise period until
SOP 6	1.4.2007	4'952	0	0	(4'952)	0	240.52	64.92	N/A	1.4.2010	31.3.2012
	Total	**4'952**	**0**	**0**	**(4'952)**	**0**					

2010/11	Grant date	Number of options outstanding 1.4.2010	Number of options issued	Number of options cancelled	Number of options exercised	Number of options outstanding 31.3.2011	Exercise price in CHF	Fair value at grant in CHF	Fair value 31.3.2011 in CHF	Exercise period from	Exercise period until
SOP 5	1.4.2006	17'350	0	0	(17'350)	0	139.80	47.69	N/A	1.4.2009	31.3.2011
SOP 6	1.4.2007	23'444	0	0	(18'492)	4'952	240.52	64.92	325.63	1.4.2010	31.3.2012
	Total	**40'794**	**0**	**0**	**(35'842)**	**4'952**					

SOP 6

In April 2007 the Board of Directors issued the stock option plan SOP 6 for the management team and the non-executive Board of Directors.
The plan was equity settled but has been changed to cash settled as of 31 December 2007.
The plan gave the right to cash the counter value of one share at the predetermined exercise price, which corresponded to the average share price of the fourth quarter 2006/07.
The number of stock options granted depended on the performance of LEM's share price compared to the SIX Index for Small and Mid Cap Companies in Switzerland for the financial year 2006/07.
The vesting period was three years. The details of the contractual terms of the option plan can be seen in the table above.
During the financial year 2010/11, 18'492 options were exercised. The average share price for the exercised options was CHF 429.05.
During the financial year 2011/12, 4'952 options were exercised. The average share price for the exercised options was CHF 499.66.

At 31 March 2012, the SOP 6 has expired and all options have been exercised.

Performance Share Plan (PSP)

On 27 June 2008, the Board of Directors decided to initiate a Performance Share Plan for members of the management, whereby the number of shares granted would depend on the achievement of certain targets during a vesting period. The targets were determined by an Economic Value Added (EVA) model, which was expected to reflect the market growth of LEM.
At the same time, the Board of Directors approved an initial plan in favor of 30 members of management with a three years vesting period and for which the multiple for the eventual payout could vary between m=0.5 and m=2.0. The PSP expenses have been recorded in the income statement straight-line over the three years vesting period.
The expense was adjusted at every reporting date based on the expected number of shares that the participants would receive at the end.

Terms of PSP

	At grant
m (multiple)	1.0
Number of shares expected to be issued	8'360
Vesting period	3 years
Allocated to recipients	27.6.2008
Fair value per unit (CHF)	303.50

As of 31 March 2011, based on a pay-out multiple m=0.92 and on the number of recipients, the company booked a provision of CHF 1'556 thousand, of which CHF 631 thousand was charged to the income statement in 2010/11 (prior year: CHF 502 thousand).

In June 2011, the Performance Share Plan was settled. The agreements for Chinese and Japanese employees were amended and settled in cash. The cash settlement concerned 1'136 shares for which a total amount of CHF 650 thousand was paid. The remaining 4'828 shares were transferred to employees generating a net impact in the equity of CHF 91 thousand.

During May 2009, the Board of Directors decided not to issue further equity-based compensation plans. The company administrated the legacy programs until the expiry of the last plan (SOP 6) in March 2012 and the settlement of the Performance Share Plan in the first quarter of 2011/12.

In July 2010, the Board has made an offer to the remaining SOP 6 option holders in order to diminish the SOP 6 before the contractual term (March 2012). In the course of this offer, 1'385 shares were sold to employees at market value less CHF 15 discount per share with an average price of CHF 326.73.

23 Retirement benefit obligations

The Group operates a defined contribution plan for all its employees in Switzerland. Under IFRS, this plan is considered as a defined benefit plan.
The benefits are primarily based on years of service and level of compensation in accordance with local regulations and practices.

During the fiscal year 2011/12, the Group moved all its Swiss employees from its former autonomous pension foundation into a separate collective foundation. The new foundation continues to qualify as a defined benefit plan under IFRS. It is to be noted that this change has had no impact on the benefits.

The following table provides a reconciliation of the changes in the net benefit obligation.

Net benefit expense In CHF thousands	31.3.2012	31.3.2011
Current service cost	2'970	2'611
Interest cost	1'145	866
Expected return on plan assets	(1'450)	(1'197)
Employee contributions	(1'557)	(1'283)
Amortization of gains and losses	460	97
Net benefit expense losses	**1'568**	**1'094**

Costs related to the pension plan were charged to the different functional departments based on salary costs.

Changes in defined benefit obligation		
Defined benefit obligation per beginning of year	**38'162**	**28'876**
Interest cost	1'145	866
Current service cost	2'970	2'611
Cash transfer ins. / (benefits paid)	(4'248)	1'630
Actuarial (gains)/losses on obligation	(2'802)	4'179
Defined benefit obligation per end of year	**35'227**	**38'162**

Changes in the fair value of plan assets		
Fair value of plan assets per beginning of year	**32'214**	**26'607**
Expected return	1'450	1'197
Contribution by employer and employee	3'882	3'000
Cash transfer ins. / (benefits paid)	(4'248)	1'630
Actuarial gains/(losses) on plan asset	(969)	(220)
Fair value of plan assets per end of year	**32'329**	**32'214**

LEM expects to contribute CHF 1'818 thousand to its defined benefit plan in 2012/13.

Net pension liabilities / assets In CHF thousands	31.3.2012	31.3.2011
Present value of funded obligations	35'227	38'162
Fair value of plan assets	(32'329)	(32'214)
Funded status	**2'898**	**5'948**
Unrecognized net actuarial losses	(5'771)	(8'063)
Net liabilities / assets (–)	**(2'873)**	**(2'115)**

Actual return on plan assets for 2011/12 was CHF 481 thousand (2010/11 CHF 977 thousand)

Comparison of amounts

In CHF thousands	31.3.2012	31.3.2011	31.3.2010	31.3.2009	31.3.2008
Plan assets	32'329	32'214	26'607	23'181	27'250
Defined benefit obligations	35'227	38'162	28'876	28'544	26'840
Funded status	**(2'898)**	**(5'948)**	**(2'269)**	**(5'363)**	**410**
Experience gains/(losses) on plan asset	(969)	(220)	2'947	(6'705)	(1'304)
Experience adjustment (gains)/losses on obligation	(2'779)	1'103	464	(649)	(1'300)

Strategic pension plan allocations are determined by the objective to achieve a return on investment, 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 are 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

In %	Long-term target	2011/12	2010/11
Equity securities	40.0	29.5	32.0
Debt securities	50.0	54.0	56.0
Real estate	5.0	5.0	5.0
Cash and other investments	5.0	11.5	7.0
	100.0	**100.0**	**100.0**

The principal actuarial assumptions used in the actuarial calculations include:

In %	2011/12	2010/11
Discount rate	2.50	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

24 Operating lease commitments

Minimal lease payments are payable as follows:

In CHF thousands	31.3.2012	31.3.2011
Within one year	4'460	4'003
Between one and five years	18'844	19'971
Beyond five years	6'469	14'134
Total	**29'773**	**38'108**

In 2011/12 lease expenses amounted to CHF 4’920 thousand (2010/11 CHF 4’496 thousand).
Lease agreements exist for the business facilities used by the Group companies. The agreements are classified as operating leases.
The leases have varying terms and renewal rights between one and fifteen years.

25 Contingent liabilities

In CHF thousands	31.3.2012	31.3.2011
Total guarantees for credits of subsidiaries	0	2'000
Total guarantees to third parties	1'818	1'601
Total	**1'818**	**3'601**

On 31 March 2012 the Group has no contingent assets. Contingent liabilities include bank guarantees on various matters, no material liability is expected to occur in the ordinary course of business.

The Group is from time to time impacted by changing political, legislative, fiscal and regulatory environments, including those relating to environmental protection. The frequency and effects on future operations and earnings are unpredictable and are only partly covered by insurances.

26 Financial risk management objectives and policies

The group classifies its financial assets and liabilities into the following categories as per IFRS 7:

Financial assets

In CHF thousands	31.3.2012 Fair value	31.3.2011 Fair value	Loans and receivables
Cash and cash equivalents	21'121	27'231	X
Accounts receivable	42'140	60'026	X
Other current assets	1'996	1'037	X
Other non-current assets	495	66	X
Total	**65'652**	**88'360**	

Financial liabilities

In CHF thousands	31.3.2012 Fair value	31.3.2011 Fair value	Financial liabilities
Accounts payable	17'863	29'617	X
Accrued expenses	14'855	16'294	X
Other current liabilities	632	2'821	X
Bank loans	3'000	0	X
Bank overdrafts	0	618	X
Other non-current liabilities	642	89	X
Total	**36'992**	**49'439**	

The Group enters into derivative transactions such as currency risk reversal contracts to hedge the USD and EUR risks. The purpose of these currency hedges is to manage the currency risks arising from the Group's operations.

It is the Group's policy that no derivatives for speculative purposes shall be entered into.
The main risks arising from Group's financial instruments are foreign currency risks and credit risks, whereas the others are of minor or no impact.
The Board of Directors reviews and agrees policies for managing each of those risks.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.
The Group's financial assets at fair value amount to CHF 187 thousand per 31.3.2012 (financial liabilities of CHF 12 thousand per 31.3.2011), are all classified under level 2.

During the two last reporting periods, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Foreign currency risk

The Group operates globally and is exposed to various foreign exchange risks primarily to the USD, EUR, GBP, JPY and CNY. The Group seeks to reduce those risks by optimizing its natural hedging (cash inflows and outflows in a specific currency should be in balance as far as possible).
The Group's policy stipulates that about 50% of LEM's net exposure is to be hedged on a rolling 3–9 months basis.
For the EUR, the Group has adopted a 100% cover on a rolling 12 months basis. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items, and therefore to maximize the hedge effectiveness.
Currency risks also arise from translation differences that are not hedged by the Group when preparing the consolidated financial statements in CHF. The foreign exchange translation is excluded from the calculation of the sensitivity analysis for currency risk below.

Sensitivity analysis for currency risk

The sensitivity analysis is performed per 31.3.2012 with a 5% change in the USD, EUR, GBP, CNY 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 performed for the financial year shows an impact of CHF ±560 thousand for a ±5% EUR rate change (CHF ±895 thousand per 31.3.2011), of CHF ±433 thousand for a ±5% USD rate change (CHF ±813 thousand per 31.3.2011) and of CHF ±285 thousand for a ±5% CNY rate change (CHF ±498 thousand per 31.3.2011). For other currencies, there is no significant impact. There is no significant impact on the Group's equity.

Credit risk

The Group trades with recognized and creditworthy parties. The accounts receivable are monitored on a monthly basis. It is 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 4.

There are no significant concentrations of risk within the Group.

With respect to credit risk arising from the other financial assets in 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 operates a cash pooling agreement in which cash targets are set for all the subsidiaries. Cash surplus / shortages are balanced in intercompany loans on a monthly basis.

Group capital requirements are managed centrally by corporate finance. In case liquidity is required a bank loan 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, based on the carrying value of borrowings reflected in the financial statements. The financial liabilities maturity is less than one year.

Financial liabilities

In CHF thousands	31.3.2012	Less than one year	Over one year	31.3.2011	Less than one year	Over one year
Accounts payable	17'863	17'863		29'617	29'617	
Accrued expenses	14'855	14'855		16'294	16'294	
Other current liabilities	632	632		2'821	2'821	
Bank loans	3'000	3'000				
Bank overdrafts				618	618	
Other non-current liabilities	642		642	89		89
Total	**36'992**	**36'350**	**642**	**49'439**	**49'350**	**89**

Interest rate risk

The Group's exposure to the risk of changes in market interest rates with the current financial leverage is very low. Per 31.3.2012, there are bank loans of CHF 3.0 million bearing interests.

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 shareholders and investors, creditors and other market players and to strengthen the future development of the Group's business activities.

The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions.

LEM targets a pay-out ratio significantly above 50% of the consolidated net profit for the year.

However, it may diverge from this policy due to economic prospects or on the grounds of planned future investment activities.

27 Scope of consolidation

Full consolidation	Country	Currency	Share capital	Ownership
Europe				
LEM Belgium sprl-bvba	Belgium	EUR	60'000	100%
LEM Deutschland GmbH	Germany	EUR	75'000	100%
LEM France Sàrl	France	EUR	120'000	100%
LEM Holding SA	Switzerland	CHF	570'000	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	6'600'000	100%
LEM Management Services Sàrl	Switzerland	CHF	20'000	100%
LEM Danfysik A/S	Denmark	DKK	2'000'000	100%
North America				
LEM USA Inc.	USA	USD	150'000	100%
Asia				
LEM Electronics (China) Co. Ltd	China	CNY	53'153'194	100%
LEM Japan KK	Japan	JPY	16'000'000	100%

On 28 September 2010, the Group has acquired the remaining 10% non-controlling interests in TVELEM, the percentage of interest in TVELEM is now 100%. This increase in interest led to the recognition of CHF 18 thousand in equity (difference between amount paid and non-controlling interests value) per 30 September 2010.

28 Changes in scope of consolidation

During the fiscal year 2011/12, there has not been any change in the scope of consolidation.

29 Events after the balance sheet date

LEM has decided to separate the activity of LEM SA into two distinct companies. LEM Intellectual Property SA will be in charge of the intellectual property of the Group, with its offices in Fribourg; LEM Switzerland SA will be responsible for the Swiss production and contract R&D activities, with its office in Geneva. This change will occur during 2012/13. At 31 March 2012, LEM consolidated financial statements include a CHF 100 thousand deposit for the company under constitution at that date.

LEM has launched a project aiming to simplify the structure of its European agency companies and to save administrative cost. LEM will convert some or all of its European entities into branches of a European head office. No employments will be cancelled as a consequence of the above-mentioned undertakings.

Auditor's Report

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of LEM Holding SA, which comprise the statement of financial position, income statement, cash flow statement, statement of comprehensive income, statement of changes in equity and notes (pages 33 to 59), for the year ended 31 March 2012.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 March 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Lancy, 25 May 2012

Ernst & Young Ltd

Philippe Stöckli
Licensed audit expert
(Auditor in charge)

Laurent Bludzien
Licensed audit expert

LEM Holding SA

Balance Sheet
(before distribution of earnings)

Assets

In CHF thousands	Notes	31.3.2012	31.3.2011
Current assets			
Cash and cash equivalents		4'141	9'947
Treasury shares	3	1'984	7'091
Other current assets		538	62
Group current assets	5	22'769	8'687
Total current assets		**29'432**	**25'787**
Non-current assets			
Investments in subsidiaries	4	53'687	53'630
Total non-current assets		**53'687**	**53'630**
Total assets		**83'119**	**79'417**

Liabilities and Equity

In CHF thousands	Notes	31.3.2012	31.3.2011
Current liabilities			
Current financial liabilities		3'000	614
Other current liabilities		2'518	2'238
Group current liabilities	5	25'138	12'433
Total current liabilities		**30'657**	**15'285**
Equity			
Share capital	2	570	575
General reserve		288	22'580
Reserve for treasury shares	3	1'984	7'091
Retained earnings		11'861	19'683
Net profit for the year		37'759	14'203
Total equity		**52'462**	**64'132**
Total liabilities and equity		**83'119**	**79'417**

Income Statement

Income

In CHF thousands	Notes	2011/12	2010/11
Financial income from Group dividend payments		35'648	6'582
Interest income from Group loans		391	229
Other financial income		2'055	4'802
Other Group income		4'159	4'391
Foreign exchange gain		0	0
Total income		**42'253**	**16'004**

Expense

	Notes	2011/12	2010/11
Office, administration and personnel expense	6	(3'335)	(1'350)
Financial expense		(305)	(299)
Foreign exchange effect		(912)	(1'236)
Total expense		**(4'552)**	**(2'885)**
Profit before taxes		37'701	13'119
Income taxes	7	58	1'084
Net profit for the year		**37'759**	**14'203**

Notes to the Financial Statements

1 Principles for the establishment of the financial statements

The accompanying financial statements have been prepared in accordance with the requirements of the Swiss Code of Obligations. Regarding the inclusion of LEM Holding SA in the consolidated financial statements, the accounting and reporting principles described in the notes to the consolidated financial statements apply.

2 Share capital

	Number of shares	Par value per share in CHF	Capital in CHF thousands
Opening capital 1.4.2011	1'150'000	0.50	575
Change of capital	(10'000)	0.50	(5)
Closing capital 31.3.2012	1'140'000	0.50	570

On 4 July 2011, LEM Holding reduced its capital by 10’000 shares of CHF 0.50 each by the cancellation of the 10’000 own shares previously acquired for a total amount of CHF 3.97 million.

3 Treasury shares

Treasury shares LEM Holding SA	Number of shares	Price per share in CHF	Value in CHF thousands
Value 1.4.2011	18'247	388.62	7'091
Change	(13'659)	373.91	(5'107)
Value 31.3.2012	**4'588**	**432.39**	**1'984**
Value 1.4.2010	5'232	312.50	1'635
Change	13'015	419.22	5'456
Value 31.3.2011	**18'247**	**388.62**	**7'091**

In August and September 2010, 1’385 shares were sold to employees at market value less CHF 15 discount per share with an average price of CHF 326.73. The purpose was to diminish the SOP 6 before the contractual term (31 March 2012). The treasury shares were booked out at historical cost and the difference to the selling price was booked to the profit and loss account (net impact CHF 55 thousand).

In September 2010, 600 PSP shares were paid out to a former Senior Management member.

On 1 September 2010, LEM has launched the share buy-back program which ran for one and half years covering a volume of up to CHF 15 million on a second trading line. 10’000 shares have been bought for a total amount of CHF 3.97 million. These shares were earmarked for cancellation. LEM has terminated its share buy-back program per 23 May 2011.

On 4 July 2011, LEM Holding reduced its capital by 10’000 shares of CHF 0.50 each by the cancellation of the 10’000 own shares previously acquired for a total amount of CHF 3.97 million.

In the first quarter 2011/12, the Performance Share Plan was settled. 4’828 shares were transferred to subsidiaries, generating a net impact in the equity of CHF 1.08 million. The agreements for Chinese and Japanese employees were amended and settled in cash by the subsidiaries.

During the year 2011/12, LEM acquired 1’169 shares for a total amount of CHF 0.54 million, in the frame of its market making contract started on 1 July 2011.

The movements in treasury shares during 2011/12 caused an impact of CHF 1’144 thousand in retained earnings, of which CHF 1’681 thousand through PSP shares, (542) through market making activities and 5 through the reduction of share capital.

Subsidiaries of LEM Holding SA did not own any shares of LEM Holding SA.

Treasury shares are valued at lower of cost or market value.

4 Investments in subsidiaries

In CHF thousands	31.3.2012	31.3.2011
Historical cost	53'687	53'630
Total	**53'687**	**53'630**

Confer also note 27 Scope of consolidation of the consolidated financial statements.

5 Group current assets and liabilities

In CHF thousands	31.3.2012	31.3.2011
Current inter-company loans receivable	22'082	7'720
Inter-company accounts receivable	687	967
Total	**22'769**	**8'687**
Current inter-company loans payable	25'027	12'378
Inter-company accounts payable	111	55
Total	**25'138**	**12'433**

6 Office, administration and personnel expense

In CHF thousands	31.3.2012	31.3.2011
Office and administration expense	(1'421)	(586)
Consulting fees	(1'210)	(64)
Board member fees	(704)	(640)
Expenses for stock option plans exercised	0	(60)
Total	**(3'335)**	**(1'350)**

7 Income taxes

In CHF thousands	31.3.2012	31.3.2011
Current taxes	(364)	(684)
Adjustments of tax provisions of previous periods	469	1'936
Withholding taxes on paid and planned dividend repatriation	(47)	(168)
Total	**58**	**1'084**

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

		31.3.2012		31.3.2011
Shareholders with ownership above 3%:	Shares	in %	Shares	in %
Werner O. Weber and Ueli Wampfler, in Zollikon/Wollerau, Switzerland, through WEMACO Invest AG and PH Partner Holding AG, in Zug/Cham, Switzerland	382'500	33.6	342'500	29.8
Ruth Wertheimer, in Kfar, Israel, through 7-Industries Holding B.V., in Amsterdam, Netherlands	144'581	12.7	144'581	12.6
Sarasin Investmentfonds AG, in Basel, Switzerland	101'044	8.9%	96'155	8.4%
Erwin Studer and Joarem de Chavonay, in Zollikon/Zug, Switzerland	89'500	7.9%	83'000	7.2%
Amerprise Financial Inc., in Minneapolis, USA, through Threadneedle Asset Management Ltd, in London, United Kingdom	56'777	5.0%	60'003	5.2%
Montanaro Asset Management Ltd, in London, United Kingdom	55'251	4.8%	42'772	3.7%
Impax Asset Management Ltd, in London, United Kingdom	35'400	3.1%	37'194	3.2%

9 Guarantees in favor of third parties on behalf of subsidiaries

In CHF thousands	31.3.2012	31.3.2011
Amount of guarantees issued	1'598	3'601

10 Remuneration of Board of Directors and Senior Management

10.1 Compensation of active members of the Board of Directors

2011/12

In CHF thousands	Annual salary compensation	Additional fees	Cash-out for options granted in prior years
Felix Bagdasarjanz[1]	171	–	N/A
Ilan Cohen[2]	95	10	
Andreas Hürlimann	76	10	
Anton Lauber[3]	95	–	
Peter Rutishauser[4, 5]	143	–	
Ueli Wampfler[6]	105	–	
Total	**685**	**20**	**–**

2010/11

In CHF thousands	Annual salary compensation	Additional fees	Cash-out for options granted in prior years
Felix Bagdasarjanz[1, 3]	200	–	108
Ilan Cohen	80	–	–
Anton Lauber[5]	110	–	103
Peter Rutishauser[4, 6]	150	–	276
Ueli Wampfler[2]	100	–	–
Total	**640**	**–**	**487**

The members of the Board of Directors do not participate in bonus schemes, pension funds, nor in the Performance Share Plan (PSP). The annual salary compensation is therefore equal to the total compensation.
The Board of Directors decided to contribute the equivalent of 5% of his annual remuneration to LEM's cost saving efforts in 2011/12. The annual salary has been lowered accordingly.
In 2011/12, an additional fee of CHF 10 thousand each was awarded to Ilan Cohen and to Andreas Hürlimann for additional efforts in the role and duties as members of the Board of Directors. No member of the Board of Directors received additional fees amounting to more than half of his normal compensation.

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

10.2 Compensation to active members of the Senior Management of the LEM Group

2011/12

In CHF thousands	Annual salary compensation	Annual bonus compensation[1]	Company's contribution to pension fund	Pension departure payment	Severance payment	Total compensation	Cash-out for options granted in prior years	Pay-out of PSP shares granted in prior years
François Gabella President and Chief Executive Officer	459	428	46	0	0	933	0	0
Senior Management (excl. CEO)	1'154	607	103	0	0	1'864	730	1'904
Total compensation to Senior Management	**1'613**	**1'035**	**149**	**0**	**0**	**2'797**	**730**	**1'904**

2010/11

In CHF thousands	Annual salary compensation	Annual bonus compensation[1]	Company's contribution to pension fund	Pension departure payment	Severance payment	Total compensation	Cash-out for options granted in prior years	Pay-out of PSP shares granted in prior years
François Gabella President and CEO as of 1.7.2010	338	318	34	0	0	690	N/A	N/A
Senior Management (excl. CEO)	1'135	647	126	295	148	2'351	5'168	600
Total compensation to Senior Management	**1'473**	**965**	**160**	**295**	**148**	**3'041**	**5'168**	**600**

[1] The annual bonus compensation is shown with the accrual for the performance of the corresponding year, to be paid out in the following year. All other elements are shown as paid out.

Senior Management decided to contribute the equivalent of 10% of its monthly remuneration for the duration of short work in LEM's main sites, i.e. January to February 2012, to LEM's cost saving efforts in 2011/12. The annual salary has been lowered accordingly.
During May 2009, the Board of Directors decided not to issue further equity- or option-based compensation plans. The company administrated the legacy programs until the expiry of the last plan (SOP 6) in March 2012. CEO François Gabella and CFO Julius Renk do not participate in the stock option program and in the PSP.
For more information on Performance Share Plan and stock options plans, see note 22 Stock option plans, Performance Share Plan in the consolidated accounts.

Highest total compensation

CEO François Gabella was the Senior Management member with the highest total compensation in 2011/12 and in 2010/11.

10.3 Shareholdings

Board of Directors	31.3.2012		31.3.2011	
In number of shares / options	Number of shares held	Number of options held	Number of shares held	Number of options held
Felix Bagdasarjanz	1'736	0	1'736	0
Ilan Cohen	120	0	0	0
Andreas Hürlimann	211	0	N/A	0
Anton Lauber	1'000	0	1'000	0
Peter Rutishauser	2'606	0	2'606	0
Ueli Wampfler	25'000	0	23'000	0
Total	**30'673**	**0**	**28'342**	**0**

Senior Management	31.3.2012			31.3.2011		
In number of shares/options	Number of shares held	Number of options held	Number of shares held by PSP (m = 1)	Number of shares held	Number of options held	Number of shares held by PSP (m = 1)
François Gabella, CEO	300	0	0	300	0	0
Julius Renk, CFO	45	0	0	50	0	0
Luc Colombel, Vice President, Automotive	2'100	0	0	1'350	1'500	600
Hans-Dieter Huber, Vice President, Industry	1'425	0	0	796	500	600
Jean-Marc Peccoux, Vice President, R&D	1'500	0	0	764	938	380
Simon Siggen, Vice President, Operations	1'450	0	0	850	0	500
Total	**6'820**	**0**	**0**	**4'110**	**2'938**	**2'080**

11 Business risk management

In accordance with Article 663b of the Swiss Code of Obligations, a risk management report was prepared for the financial year 2011/12.

The Senior Management of the Group assesses the business risks within its standardized analysis procedure.

The Group has a risk management system in place which allows for the prompt identification and analysis of risks as well as the initiation of an action plan.

The Board of Directors of LEM Holding SA took note of the risk management report and approved both the procedure and the content thereof.

The organization, principles and reporting of risk management are described in detail in the Corporate Governance section 3 in this Annual Report.

Proposed Appropriation of Retained Earnings

Appropriation of available earnings

In CHF thousands	31.3.2012	31.3.2011
Balance brought forward from previous year	10'717	19'683
Variation of treasury shares and reduction of share capital during the year	1'144	
Retained earnings	**11'861**	**19'683**
Reclassification from general reserve into available earnings	3	22'292
Net income for the year	37'759	14'203
Total available earnings	**49'623**	**56'178**
Proposal of the Board of Directors:		
Ordinary dividend[1]	(28'385)	(45'461)
Balance to be carried forward	**21'238**	**10'717**

[1] Excluding dividends on own shares held by LEM Holding SA

The Board of Directors proposes the distribution of an ordinary dividend of CHF 25 per share. Swiss withholding tax of 35% will be deducted from the above when applicable.

The proposed reclassification and appropriation of available earnings is made in compliance with article 671 of the Code of Obligations.

Auditor's Report

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of LEM Holding SA, which comprise the balance sheet, income statement and notes (pages 63 to 69), for the year ended 31 March 2012.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 March 2012 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Lancy, 25 May 2012

Ernst & Young Ltd

Philippe Stöckli
Licensed audit expert
(Auditor in charge)

Laurent Bludzien
Licensed audit expert

Information for Investors

Number of registered shareholders	31.3.2012	31.3.2011
1-499	628	524
500-4'999	81	63
5'000-49'999	7	10
50'000 and more	6	6
Total	**722**	**603**

Shareholders by category

In %	31.3.2012	31.3.2011
Institutional shareholders	50.5	51.1
Private individuals	33.3	30.9
LEM employees, managers and board	3.4	2.9
Treasury shares	0.4	1.6
Non-registered shares	12.4	13.5
Total	**100.0**	**100.0**

Share information

Symbol	LEHN
Listing	SIX Swiss Exchange
Nominal value	CHF 0.50
ISIN	CH0022427626
Swiss Security Number (Valor)	2'242'762

In CHF	FY 2011/12	FY 2010/11
Number of shares	1'140'000	1'150'000
Year high[1]	601	655
Year low[1]	331	306.44
Year end[1]	494.5	570
Average daily trading volume (shares)[1]	960	1'029
Earnings per share	21.11	34.69
Ordinary dividend per share[2]	25	40
Market capitalization as per 31 March (In CHF millions)	564	656

[1] Source: SIX
[2] Proposal of the Board of Directors to the shareholders' meeting

Financial calendar of the financial year 1 April 2012 to 31 March 2013

28 June 2012	Ordinary shareholders' meeting Geneva Business Center, Petit Lancy
7 August 12	First quarter results 2012/13
13 November 12	Half-year results 2012/13
14 February 2013	Nine months results 2012/13
5 June 2013	Year-end results 2012/13
27 June 2013	Ordinary shareholders' meeting
2 July 2013	Dividend ex-date
5 July 2013	Dividend payment date

Contact

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Group Subsidiaries

LEM is a global player with production plants and development centers in Beijing (China), Geneva (Switzerland) and Machida (Japan) as well as adaptation centers in Russia and the 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 > Sales Locator

LEM Belgium sprl-bvba
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B-7090 Braine-le-Comte
> Paul Leens

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