Half Year Report
2014/15

At the heart of power electronics

LEM

Business Report

Dear Shareholders,

We have kept delivering sales growth and high operating margins above our target range. We have continued to renew our product portfolio, increased production capacity and maintained our high service level. We keep ramping up our new site in Bulgaria, increasing our workforce from 27 to 97 employees within one year. Given the achievements of the Company in the first six months of 2014/15, we are confident that LEM is prepared to face the future challenges.

The known market trends continued during the reporting period: due to their lack of visibility customers keep low levels of stock, issue orders with ever shorter lead times and thereby require high flexibility from us. LEM's market in China continued to grow and the Japanese market improved with export-oriented Japanese companies benefitting from the weakening yen. Due to the strong growth across most businesses, China is now our biggest market and Asia has surpassed Europe as the biggest region in terms of sales. However, uncertainty remained widespread in most other major economies.

Our sales in the first half of 2014/15 increased by 3.6% to CHF 131.5 million. At constant exchange rates, sales increased by 7.2%. Bookings for the first six months of 2014/15 amounted to CHF 126.6 million, up 1.9% on the same period in 2013/14. The book-to-bill ratio in Q2 2014/15 stood at 0.93.

The gross margin decreased slightly from 46.5% in the first half of 2013/14 to 46.3% in the first six months of 2014/15. The EBIT for the first half of 2014/15 reached CHF 29.6 million, a decrease of 2.1% compared with the same period of 2013/14. The EBIT margin for the six months of 2014/15 was 22.5%, a decrease compared with the strong 23.8% in the first half of 2013/14.

Our tax rate increased to 22.6% from 16.7% one year ago. The increase is the result of the intended termination of the HNTE status in China. Net profit for the first six months of 2014/15 came in at CHF 21.5 million, a decrease of 12.4% compared with the same period in the financial year 2013/14.

Our balance sheet was just as strong as of 31 March 2014. As of 30 September 2014, total assets reached CHF 140.2 million. Shareholders' equity reached CHF 73.8 million (CHF 94.2 million as of 31 March 2014), representing an equity ratio of 52.7% (65.1% as of 31 March 2014). The lower shareholders' equity is attributable to our dividend payment in July 2014.

Industry segment: Asia surpassed Europe to become the most important region

Sales in the Industry segment reached CHF 113.6 million in the first half of 2014/15, representing an increase of 3.4% compared with the same period in 2013/14. At constant exchange rates, sales increased by 6.8%. Our sales growth was driven by continued strong growth in China across most businesses, export-led growth in Japan, new projects in the traction market and market share gains across most businesses. We recorded strong demand from the solar industry for some of the recently launched product families, for which we significantly increased production capacity. The EBIT decreased from CHF 27.7 million for the first half of 2013/14 by 2.5% to CHF 27.0 million for the first half of 2014/15. We recorded our strongest sales growth in China (+17%). Sales in Europe increased by 2% on the back of a robust performance mainly in Eastern Europe while North America declined by 17%, triggered by the continued relocation of some of our target industries to Asia. For the first time, Asia is the biggest region for LEM, accounting for 45% of Industry sales. Europe ranks second with 43% of sales followed by North America with 10% of sales.

- Sales in the drives & welding business increased by 1% compared with the first half of 2013/14. We observed a sustained transfer of production to Asia. Consequently, sales were driven by growing Asian markets, particularly China, and weakening markets in Europe and North America. In Japan, due to the weakening Japanese yen, we experienced tailwinds from the export-led growth of the local industry.
- Sales in renewables & power supplies weakened by 3%. Investments in renewable energies in China, India and Japan remained on a high level. Business activity in Europe was stable with support from offshore wind projects, but activity in North America was weak.
- The traction business recorded strong performance with sales growth of 35%. We were particularly successful with our energy-metering application, winning major new contracts in Europe. In addition, we recorded increased sales for high-speed train applications in China, where about 5'000 km of high-speed lines are to be completed in 2014. Activity in light rail applications remained high.
- Our high-precision business recorded weak business activity due to lower investments in medical and test & measurement applications. Sales declined by 26%, yet we increased our market share.

Automotive segment: growth in the green cars business

Sales in the Automotive segment reached CHF 17.9 million in the first half of 2014/15, up 5.0% compared with the same period in 2013/14. At constant exchange rates, sales increased by 9.7%. Sales growth in the Automotive segment accelerated in the second quarter of 2014/15, with sales growing by 9.7% compared with the first quarter. This performance can be attributed to increased sales in the green cars business in China and Japan. The EBIT remained stable with CHF 2.6 million in the first six months of 2014/15 compared with CHF 2.5 million in the first half of 2013/14.

- In the conventional cars business, our sales grew by 2% compared with the first half of 2013/14. We achieved this result thanks to the consistent demand for our battery management solution, mainly in the US, China and Japan.
- The recovery in the green cars business continued during the reporting period, driven by new hybrid car platforms in China and Japan that went into production. In the first half of 2014/15, sales were 20% up on the first half of 2013/14, but still below expectations. We continue to win new projects with Chinese car manufacturers.

Executing our strategy

– Increase technology leadership

Again in the first half of 2014/15 we made significant progress in our product development strategy. The new products offer increased performance, new functionalities, easier integration in our customers' systems and reduced cost.
We have launched new open-loop products targeted for drives, UPS and solar applications. HO 150 NP, HO 250-P and HO 250-S are equipped with our latest proprietary ASICS and deliver best-in-class performance. The new LEM open-loop products now offer over-current detection as a standard, a feature that meets emerging customer requirement. The new HO generation offers a modular concept that allows programming parameters according to customers' specifications. For Automotive applications, we have launched HAH3 DR S02, a new 3-phase transducer offering better performance at lower cost for drive applications in hybrid cars.
In Sofia, we have started to build a development & engineering team to support local operations and also to design new products in the future.
In the first half of 2014/15 we maintained a high level of investment in R&D of CHF 7.4 million, representing 5.6% of sales.

– Increase our efficiency

We have continued to expand our activities at our new site in Sofia, Bulgaria. Comparing the fourth quarter of operations in Sofia (Q2 2014/15) with the first quarter of operations (Q3 2013/14), we have increased the number of production lines from 1 to 3 and more than doubled headcount from 46 to 97. We currently assemble 30 products with the same service level, quality and safety standards we guarantee for products from all our other sites. In Q2 2014/15, the production of the Sofia site accounted for nearly 4% of LEM's global output. In the next months we will be making additional transfers of production lines to the new site. The site in Sofia will thereby continue to grow and help us to diversify our cost-effective production while being close to our European markets. We are in the process of upgrading our ERP (enterprise resource planning) system, aiming to increase the speed and efficiency of our internal processes.

– Increase our production flexibility

In the first half of 2014/15 we have recorded increased demand for solar products. Consequently, we have increased production capacity for several product families, with some production lines dedicated to solar. We managed this process smoothly and without compromising on delivery performance. Our customers' preference for short-term orders remained a key challenge. Still, we maintained our high service level. Our goal is to maintain high service levels by synchronizing the supply chain with our suppliers.

Outlook

In the second half of 2014/15 we expect business activity in the Industry segment to slow due to the seasonality in the solar business during the winter months, a weaker Q3 due to fewer working days and slowing activity in Europe. We expect sales growth in the Automotive segment to continue thanks to the start of production of new platforms. The financial year 2014/15 will witness a high number of product launches. Product prices across all businesses will remain under pressure.
For the full financial year 2014/15 we expect sales of CHF 250 to 260 million compared with CHF 245.6 million in the financial year 2013/14. We expect the full-year EBIT margin to remain above 20%.

We thank you for your continued trust in LEM.

Yours sincerely,

A. Hürlimann

Andreas Hürlimann
Chairman of the Board of Directors

François Gabella
Chief Executive Officer

Key Figures, Financial Calendar, Contacts

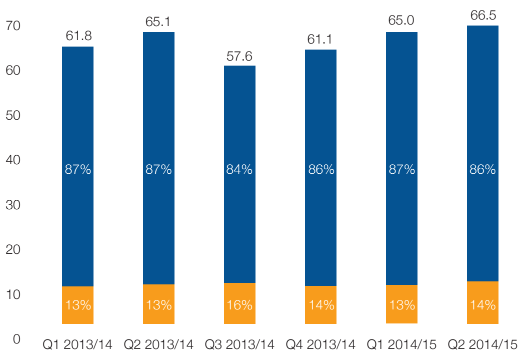
Key figures

	First half vs. first half			Second quarter vs. first quarter		
	2014/15 In CHF millions	2013/14 In CHF millions	Change In %	Q2 2014/15 In CHF millions	Q1 2014/15 In CHF millions	Change In %
Orders received	126.6	124.3	+ 1.9	61.9	64.7	– 4.4
Book-to-bill ratio	0.93	0.91	+ 2.2	0.93	1.00	– 7.0
Sales	131.5	126.9	+ 3.6	66.5	65.0	+ 2.2
Gross profit	60.9	59.0	+ 3.3	31.5	29.4	+ 6.9
In % of sales	*46.3%*	*46.5%*	*– 0.1pt*	*47.4%*	*45.3%*	*+ 2.1pt*
EBIT	29.6	30.2	– 2.1	16.0	13.5	+ 18.4
In % of sales	*22.5%*	*23.8%*	*– 1.3pt*	*24.1%*	*20.8%*	*+ 3.3pt*
Net profit for the period	21.5	24.5	– 12.4	10.8	10.7	+ 0.4
EPS basic	18.87	21.56	– 12.4			
Operating cash flow	25.2	15.5	+ 62.1	12.8	12.4	+ 3.5
Investing cash flow	– 3.6	– 4.6	+ 21.5	– 1.9	– 1.8	– 5.8

	30.9.14	31.3.14	Change In %
Net financial assets/ (liabilities)	1.3	24.6	– 94.7
Shareholders' equity	73.8	94.2	– 21.6
Equity ratio (in % of total assets)	52.7	65.1	– 12.4pt
Market capitalization	813	801	+ 1.4
Employees (FTEs)	1'278	1'241	+ 2.9

Sales per segment

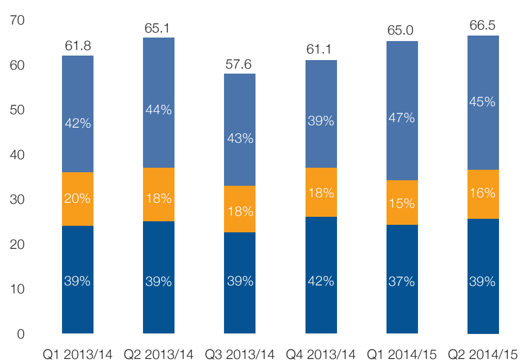
In CHF millions



Industry segment
Automotive segment

Regional sales breakdown

In CHF millions



Asia and Rest of the World
North America
Europe

Financial calendar

The financial year runs from 1 April to 31 March

17 February 2015	Third quarter results 2014/15
4 June 2015	Year-end results 2014/15
25 June 2015	Ordinary Shareholders' Meeting for the year 2014/15
30 June 2015	Dividend ex-date
2 July 2015	Dividend payment date

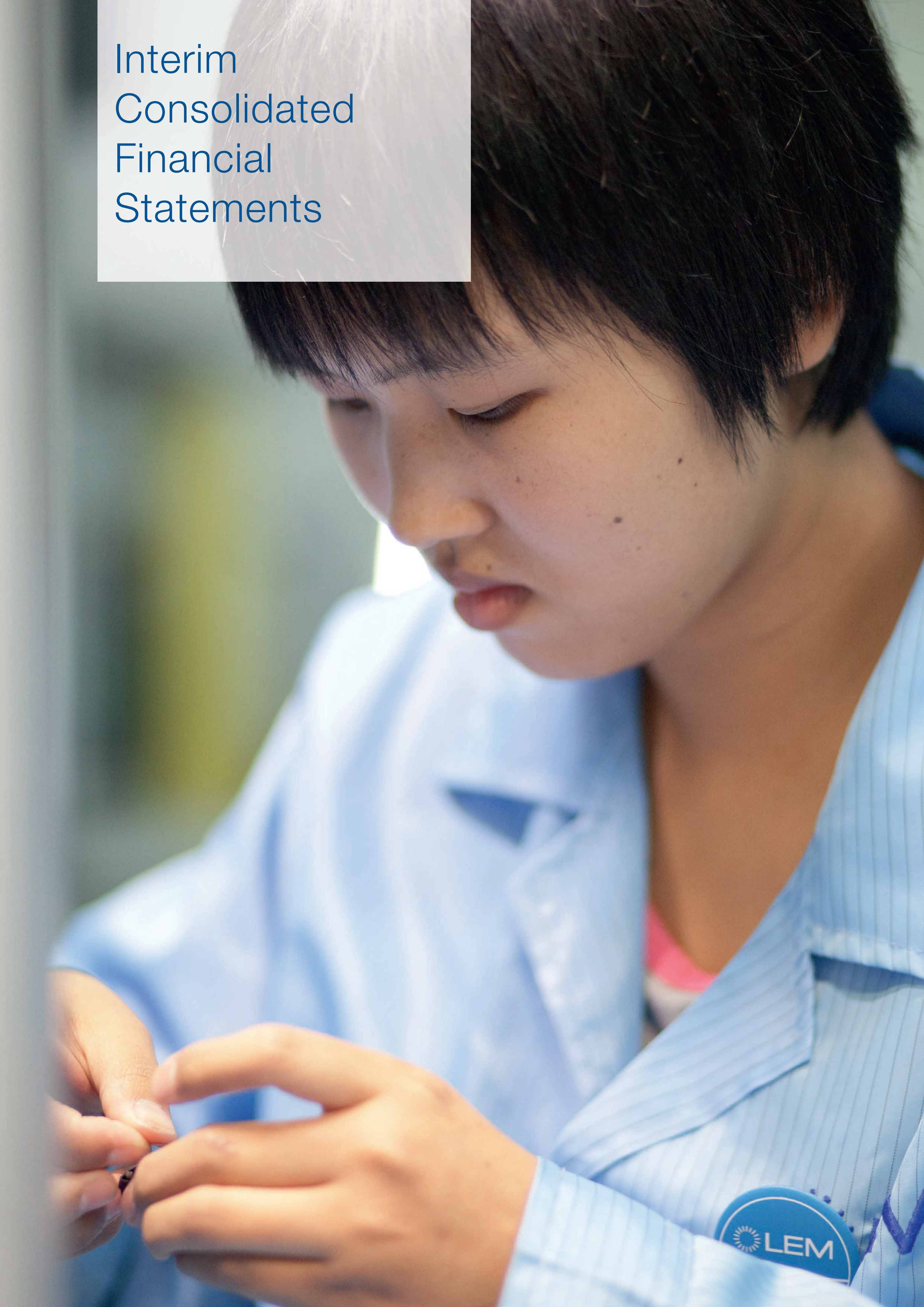
Media and investor contact

Julius Renk (CFO)
Phone: +41 22 706 1250
E-mail: investor@lem.com

Address

LEM Holding SA
Avenue Beauregard 1
CH-1700 Fribourg
Phone +41 26 460 10 30
Fax +41 26 460 10 39
www.lem.com

Interim Consolidated Financial Statements



Consolidated Statement of Financial Position

Assets

In CHF thousands	Notes	30.9.2014	31.3.2014
Current assets			
Cash and cash equivalents		13'300	24'581
Accounts receivable		52'308	48'290
Inventories		32'207	28'495
Income tax receivable		729	802
Other current assets	4	3'251	4'704
Total current assets		**101'795**	**106'872**
Noncurrent assets			
Deferred tax assets	11	3'516	4'103
Property, plant and equipment		25'705	25'180
Intangible assets		6'516	5'755
Other noncurrent assets	4	2'656	2'765
Total noncurrent assets		**38'394**	**37'803**
Total assets		**140'189**	**144'675**

Liabilities and equity

In CHF thousands		30.9.2014	31.3.2014
Current liabilities			
Accounts payable		19'514	19'483
Accrued expenses		16'131	16'133
Income tax payable	11	8'121	6'579
Current provisions	5	1'436	1'070
Current financial liabilities	6	12'000	
Other current liabilities	7	2'263	319
Total current liabilities		**59'466**	**43'584**
Noncurrent liabilities			
Noncurrent provisions	5	2'174	2'886
Deferred tax liabilities	11	4'225	3'607
Other noncurrent liabilities		511	394
Total noncurrent liabilities		**6'910**	**6'887**
Total liabilities		**66'376**	**50'471**
Equity			
Share capital	8	570	570
Treasury shares	8	(856)	(745)
Reserves	8	13'100	9'298
Retained earnings		61'000	85'081
Total equity		**73'814**	**94'203**
Total liabilities and equity		**140'189**	**144'675**

Consolidated Income Statement

In CHF thousands		April to September 2014/15	2013/14
Sales		131'497	126'897
Cost of goods sold		(70'579)	(67'927)
Gross margin		**60'918**	**58'969**
Sales expense		(11'783)	(11'565)
Administration expense		(12'454)	(9'909)
Research & development expense		(7'414)	(7'338)
Other expense		(1)	(57)
Other income		332	125
Operating profit	9	**29'598**	**30'224**
Financial expense		(73)	(81)
Financial income		131	46
Exchange effect	10	(1'879)	(710)
Profit before taxes		**27'777**	**29'480**
Income taxes	11	(6'287)	(4'937)
Net profit for the period		**21'491**	**24'542**

Earnings per share, in CHF		
Basic and diluted earnings per share	18.87	21.56

Consolidated Statement of Comprehensive Income

In CHF thousands	April to September 2014/15	2013/14
Net profit for the period recognized in the income statement	**21'491**	**24'542**
Other comprehensive income to be reclassified to profit and loss in subsequent periods		
Currency translation difference	3'691	(1'680)
Total other comprehensive income to be reclassified to profit and loss in subsequent periods	**3'691**	**(1'680)**
Other comprehensive income not to be reclassified to profit and loss in subsequent periods		
Remeasurement gains/(losses) on defined benefit plans	63	(686)
Income tax	(14)	159
Total other comprehensive income not to be reclassified to profit and loss in subsequent periods	**49**	**(527)**
Other comprehensive income/(loss) for the period, net of tax	**3'740**	**(2'207)**
Total comprehensive income for the period	**25'231**	**22'336**
Attributable to shareholders	25'231	22'336

Consolidated Statement of Changes in Equity

Attributable to shareholders

In CHF thousands	Notes	Share capital	Treasury shares	Capital reserve	Translation reserve	Retained earnings	Total equity
1 April 2013*		**570**	**(765)**	**12'708**	**(457)**	**71'993**	**84'049**
Net profit for the period						24'542	24'542
Other comprehensive income/(loss)					(1'680)	(527)	(2'206)
Total comprehensive income					*(1'680)*	*24'015*	*22'336*
Dividends paid	8					(34'157)	(34'157)
Movement in treasury shares	8		(139)	139		(120)	(120)
30 September 2013		**570**	**(904)**	**12'847**	**(2'137)**	**61'732**	**72'108**
1 April 2014		**570**	**(745)**	**12'688**	**(3'390)**	**85'081**	**94'203**
Net profit for the period						21'491	21'491
Other comprehensive income/(loss)					3'691	49	3'740
Total comprehensive income					*3'691*	*21'540*	*25'231*
Dividends paid	8					(45'568)	(45'568)
Movement in treasury shares	8		(111)	111		(52)	(52)
30 September 2014		**570**	**(856)**	**12'799**	**301**	**61'000**	**73'814**

* Restatement following IAS 19R application (pensions)

Consolidated Cash Flow Statement

In CHF thousands	Notes	April to September 2014/15	2013/14
Cash flow from operating activities			
Profit before taxes		27'777	29'480
Adjustment for noncash items and taxes paid		4'025	(5'387)
Cash flow before changes in net working capital		31'802	24'093
Cash flow from changes in net working capital		(6'614)	(8'553)
Cash flow from operating activities		**25'188**	**15'540**
Cash flow from investing activities			
Investment in fixed assets		(2'364)	(4'101)
Investment in intangible assets		(1'219)	(520)
Increase (–) / decrease (+) in other assets		(25)	24
Cash flow from investing activities		**(3'607)**	**(4'597)**
Cash flow from financing activities			
Treasury shares acquired (–) / divested (+)	8	(52)	(120)
Dividends paid to the shareholders of LEM Holding SA	8	(45'568)	(34'157)
Increase (+) / decrease (–) in financial liabilities	6	12'000	9'000
Cash flow from financing activities		**(33'620)**	**(25'277)**
Change in cash and cash equivalents		**(12'039)**	**(14'334)**
Cash and cash equivalents at the beginning of the period		**24'581**	**27'629**
Exchange effect on cash and cash equivalents		758	(491)
Cash and cash equivalents at the end of the period		**13'300**	**12'804**

Notes to the Interim Consolidated Financial Statements

1 General information

LEM 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 & welding, renewable energies & power supplies, traction, high precision, conventional and green cars businesses.

2 Significant accounting principles

These unaudited consolidated financial statements for the six months ended on 30 September 2014 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". They do not include all the information and disclosures presented in the annual consolidated financial statements and should therefore be read in conjunction with those for the year ended 31 March 2014.

The accounting and valuation policies are consistent with those applied in preparing the annual consolidated financial statements for the year 2013/14, except where noted below.

Since the beginning of the financial year, LEM has transformed the LEM Incentive System part 2 into a long-term incentive plan with the following characteristics:

- three-year vesting period;
- cash payment after the third year, conditioned by presence in the last year;
- based on long-term financial performance of the Group.

The new plan requires an accrual over the vesting period of three years, as opposed to the previous plan, which was fully charged only in the final year. The new plan will lead to a first payout as per June 2017 (for managers present in 2016/17). In principle, this generates a surcharge over the next two years. As of 30 September 2014, the amount is not significant.

The preparation of the interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and related disclosures at the date of the interim 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.

In accordance with IAS 1 'Presentation of Financial Statements', the financial information is presented in thousands of CHF. The totals are calculated with the original unit amounts, which could lead to rounding differences. These differences in thousands of units are not changed in order to keep the accuracy of the original data.

In 2014/15, LEM Group introduced the following revised standards and interpretations:

Standard or interpretation	Title	Impact	Effective date
IAS 32	Offsetting Financial Assets and Financial Liabilities – Amendments	None	1 January 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39	None	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities	None	1 January 2014
IFRIC 21	Levies	None	1 January 2014

The new and revised standards do not have a material effect on the consolidated financial statements of LEM Group.

The following table summarizes the principal exchange rates that have been used in the translation process.

	Period-end rate for balance sheet			Period average rate for income statement		
	30.9.14	31.3.14	Var. in %	2014/15	2013/14	Var. in %
BGN	0.617	0.623	– 1.0%	0.622	0.630	– 1.3%
CNY	0.155	0.143	+ 8.4%	0.146	0.152	– 3.9%
DKK	0.162	0.163	– 0.6%	0.163	0.165	– 1.2%
EUR	1.206	1.219	– 1.1%	1.216	1.233	– 1.4%
GBP	1.548	1.474	+ 5.0%	1.511	1.446	+ 4.5%
JPY	0.0087	0.0086	+ 1.2%	0.0088	0.0095	– 7.4%
RUB	0.024	0.025	– 4.0%	0.025	0.029	– 13.8%
USD	0.954	0.885	+ 7.8%	0.901	0.938	– 3.9%

3 Segment information

April to September 2013 In CHF thousands	Industry	Automotive	LEM Group
Sales	109'804	17'092	**126'897**
Operating profit	27'723	2'501	**30'224**

April to September 2014 In CHF thousands	Industry	Automotive	LEM Group
Sales	113'552	17'945	**131'497**
Operating profit	27'016	2'581	**29'598**

4 Other current and noncurrent assets

The decrease of the other current assets is mainly linked to the decrease in the fair value of the derivatives in relation with foreign exchange hedging.

5 Current and noncurrent provisions

Warranty and customer claims

Provisions for warranty and customer claims 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.

Litigations and consumption taxes

Despite the care that LEM applies in the separation process with personnel, such separation may result in legal conflicts. The Group will defend its case and management estimates the reasonable risk to be provided for.
The Company operates in multiple jurisdictions with complex legal and tax regulatory environments. In the frame of the continuous improvement of its processes and systems, LEM has started a review of the consumption taxes in several countries. It has appeared that some of LEM's subsidiaries may not have been fully compliant with their local consumption tax regulations. As a consequence, LEM has estimated consumption tax provisions according to management best judgment. Some of these positions are inherently uncertain and include the interpretation of local regulations applied to complex transactions.

Per 30 September 2014, the decrease of provisions compared to 31 March 2014 is mainly linked to the evolution of warranty and customer claims provisions.

6 Current financial liabilities

LEM Group increases financial short-term liabilities to CHF 12.0 million (CHF 0.0 million at 31 March 2014) via short-term credit lines in order to finance the CHF 45.6 million dividend.

7 Other current liabilities

Other current liabilities increase is primarily due to the change in the fair value of the derivatives in relation with foreign exchange hedging.

8 Equity

At the shareholders' meeting held in Fribourg on 26 June 2014, the shareholders approved the distribution of an ordinary dividend of CHF 40.00 per share resulting in an estimated payout of CHF 45'557 thousand. The gross dividend effectively paid on 4 July 2014 amounted to CHF 45'568 thousand (prior year: ordinary dividend of CHF 30.00; total CHF 34'157 thousand).

In the frame of its market-making contract, LEM has acquired a net of 91 shares for a total net amount of CHF 111 thousand, generating a net charge of CHF 52 thousand in equity. At 30 September 2014, LEM owns 1'175 treasury shares.
In the prior year period, LEM had acquired a net of 191 shares for a total amount of CHF 139 thousand, generating a net charge of CHF 120 thousand in equity. At 30 September 2013, LEM owned 1'507 treasury shares.

9 Operating profit

The gross margin increase of CHF +1.9 million can be explained by the positive impacts of increased volumes, lower costs and price and mix.
The increase in operating expenses contributed to the decrease in the operating profit of CHF –0.6 million. The increase in administration expense of CHF +2.5 million is the main driver of the operating expenses and can mainly be explained by the further development in LEM Bulgaria and additional strategy consulting costs.

10 Exchange effect

The foreign exchange effect is driven by the currencies' parity versus Swiss franc.
In the first half of last year, the JPY devaluated compared to CHF whereas CNY and USD remained fairly stable. In the first half 2014/15, CNY and USD were revaluating versus CHF whereas JPY remained fairly stable.

11 Income taxes

Income tax expense is calculated based on the best estimate of the applicable annual income tax rate expected for the full year.

The Group operates in multiple jurisdictions with complex legal and tax regulatory environments. In certain of these jurisdictions, the Group has taken income tax positions that management believes are supportable and are intended to withstand challenge by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions. The Company periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions are based on management's best judgment given any changes in the facts, circumstances, information available and applicable tax laws. Considering all available information and the history of resolving income tax uncertainties, the Group believes that the ultimate resolution of such matters will not have a material effect on its financial statements.
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.

Following its qualification as High/New Technology Enterprise (HNTE) in China, LEM China enjoyed reduced income tax rates from 2011 to 2013. As per 30 September 2014, the confirmation for 2012 and 2013 is still under consideration by the Chinese tax authorities. On the basis of the existing documentation, management considers that the chance of obtaining the confirmation for 2012 and 2013 is significantly higher than the risk of losing the HNTE status.
At 31 March 2014, following the strategic decision to not further increase the R&D expenses in LEM China, the Group considered that LEM China will not fulfill the conditions for the HNTE status in 2014. LEM China has therefore been reported with the standard 25% tax rate for the period starting 1 January 2014.

The increasing expected tax rate at 30 September 2014 versus 30 September 2013 is mainly linked to the increase in tax rate in China from 15% at half-year 2013/14 to 25% at half-year 2014/15.

12 Consolidated cash flow statement

The adjustment for noncash items increases by CHF+9.4 million compared to 30 September 2013 mostly due to a change in the fair value of derivatives (foreign exchange hedges) and a reduction in taxes paid.
The cash flow from changes in net working capital evolution is linked to the increase of the business volumes during the first half year 2014/15 which leads to an increase in receivables while payables remain stable.
Financial liabilities increase to finance the CHF 45.6 million dividend.
The exchange effect on cash and cash equivalent is driven by the currencies' parity versus Swiss franc, as explained in note 10 Exchange effect.

13 Financial assets and liabilities

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

Financial assets

In CHF thousands	30.9.2014 Fair value	31.3.2014 Fair value	Loans and receivables	At fair value through profit and loss
Cash and cash equivalents	13'300	24'581	X	
Accounts receivable	52'308	48'290	X	
Derivative financial instruments – current	0	455		X
Other current financial assets	19	55	X	
Derivative financial instruments – noncurrent	0	21		X
Other noncurrent financial assets	656	605	X	
Total	**66'283**	**74'007**		

Financial liabilities

In CHF thousands	30.9.2014 Fair value	31.3.2014 Fair value	Loans and receivables	At fair value through profit and loss
Accounts payable	19'514	19'483	X	
Accrued expenses	16'131	16'133	X	
Derivative financial instruments – current	1'726	0		X
Other current financial liabilities	29	27	X	
Bank loans	12'000	0	X	
Derivative financial instruments – noncurrent	106	0		X
Other noncurrent financial liabilities	404	394	X	
Total	**49'910**	**36'037**		

The management assessed that fair value level of cash and cash equivalents, accounts receivables, other current and noncurrent assets, accounts payables, accrued expenses and other current and noncurrent liabilities that are not measured at fair value approximate their carrying amounts in view of their short-term nature and are consequently not separately disclosed.
The Group enters into derivative transactions such as currency risk reversal and forward 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 the 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 liabilities at fair value amount to CHF 1'832 thousand per 30 September 2014 (financial assets of CHF 476 thousand per 31 March 2014), all classified under level 2.

During the first half of the financial year 2014/15, 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.

14 Changes in scope of consolidation

LEM is currently finalizing the simplification of its European agencies. The merger of LEM France and LEM Belgium into LEM Germany will be effective before the end of the financial year, changing the scope of consolidation but without generating any impact on consolidated financial statements.

On 8 April 2013, the company incorporated as LEM Danfysik A/S was liquidated without any impact on the consolidated equity.

15 Events after the balance sheet date

The Board of Directors and Senior Management are not aware of any significant events up to the date of approval of the interim consolidated financial statements on 6 November 2014 that would require an adjustment in carrying amounts of the Group's assets and liabilities.

LEM Holding SA
Avenue Beauregard 1
CH-1700 Fribourg
Phone +41 26 460 10 30
Fax +41 26 460 10 39
www.lem.com