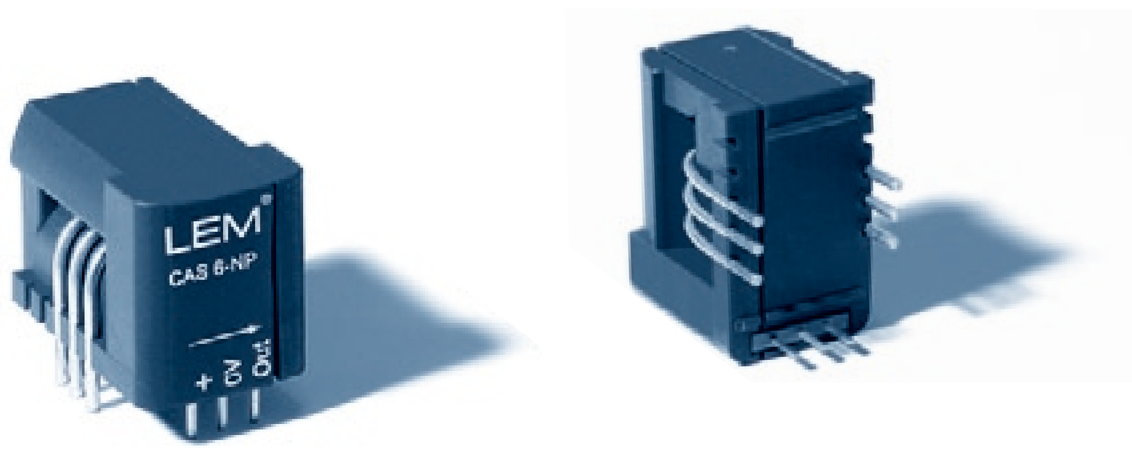
Annual Report 2008/09

At the heart of power electronics

LEM

ANNUAL REPORT 2008/09

Period 1 April 2008 to 31 March 2009



LEM AT A GLANCE

LEM – At the heart of power electronics

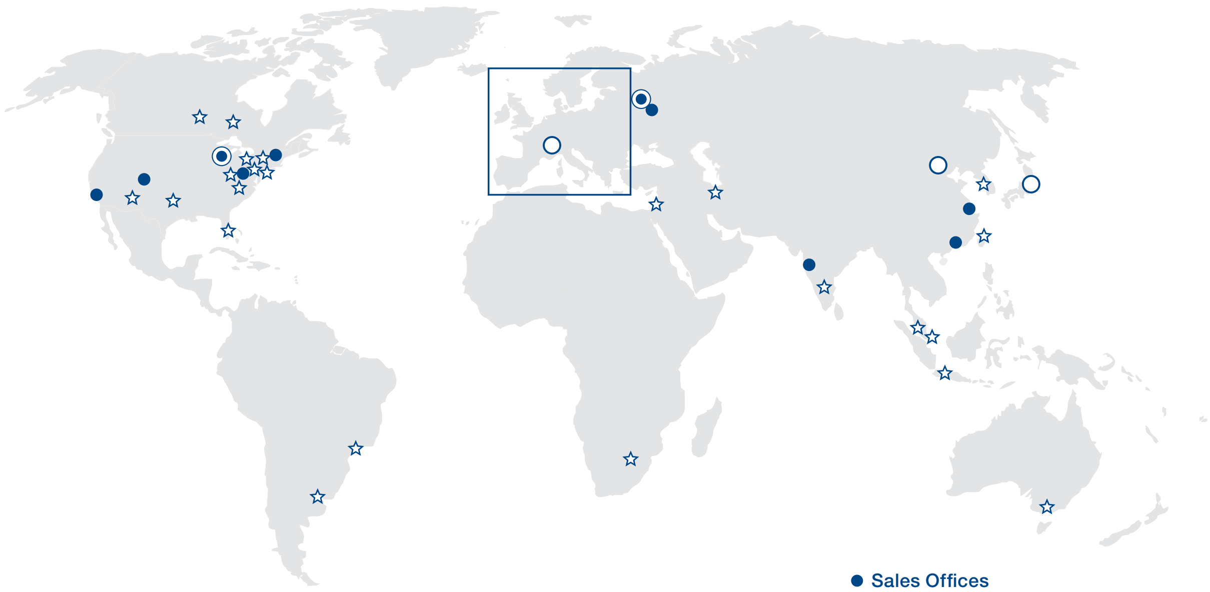
LEM is a focused manufacturer and a global market leader. Its core products, transducers for measuring electrical parameters like current and voltage, are used in a broad range of applications. Although these devices are not visible to the outside world, they are vital for application functionality and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

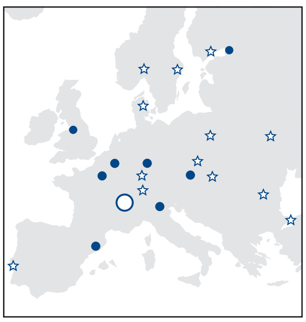
LEM has the strongest brand recognition in its markets. Its products – commonly called "LEMs" – are at the heart of many power electronics applications.

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

Worldwide presence

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





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

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

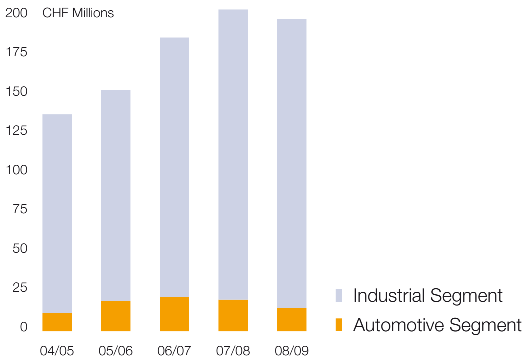
● **Sales Offices**
Geneva, Switzerland
Milwaukee, Columbus OH, Amherst NH, Arvada CO, Los Angeles CA, USA
Tver, Moscow, St Petersburg, Russia
Beijing, Shanghai, Shenzhen, China
Tokyo, Japan
Braine-le-Comte, Belgium
Frankfurt, Germany
Paris, France
Skelmersdale, UK
Padova, Italy
Vienna, Austria
Barcelona,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

☆ **Agents/Distributors**

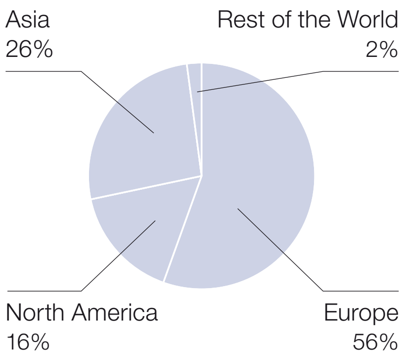
Key figures 2008/09

In CHF Millions	2006/07	2007/08	2008/09
Sales	184.5	203.0	**196.8**
Operational EBIT	25.5	34.9	**29.2**
EBIT	25.5	30.6	**33.8**
In % of sales	13.8%	15.1%	**17.2%**
Net profit for the year	15.6	21.9	**23.9**
Shareholder's equity	64.9	71.2	**83.5**
Net financial assets	12.2	23.7	**27.9**
Market capitalization (per 31.3.)	311.4	310.5	**172.4**

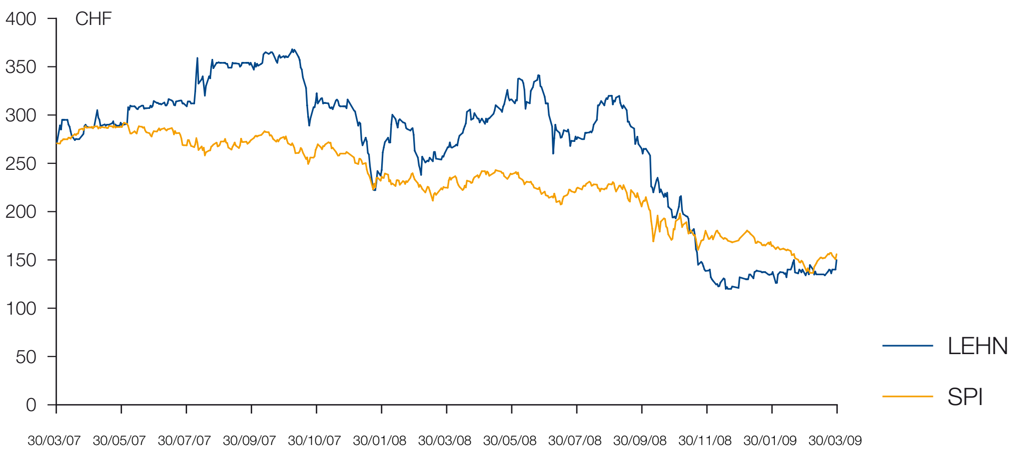
Sales over 5 years per segment



Regional sales breakdown 2008/09



Share price development LEHN Holding SA compared to SPI



Dear Shareholders,

Going back one year, we expected the positive growth trend to continue, but also spoke of the need to be cautious as we did see some clouds on the horizon. As you all know by now, during the year 2008/09 the global industry was hit by the sudden and dramatic economic crisis. After half a year of substantial growth we were faced with a deep recession in our main market Industry.

A zoom-in on the four quarters

The year 2008/09 started with two quarters of record results, with sales of CHF 55.5 million each and operational EBIT of about CHF 10 million. This gave us reason to be pleased.

Then around summer time, we started to see the impact of what was to become a global recession. In November 2008, we announced restructuring measures and managed to rapidly decrease our capacity by reducing our global manufacturing headcount where needed and by introducing short-time working plans. In addition, we reduced our overhead cost and implemented severe cost reductions. We could see that this early and proactive recession management has paid off. In our third quarter, we still achieved a sales level of CHF 45.1 million (operational EBIT was CHF 4.1 million).

The fourth quarter was the first one in full recession; our operational EBIT was CHF 3.7 million, on sales of CHF 40.7 million, or a return on sales of 9.1%.

We managed to surpass our outlook given the third quarter results of sales of over CHF 190 million and a positive operational EBIT in Q4. We closed the year with sales of CHF 196.8 million, a drop of 3.1% compared to the previous year. Operational EBIT for the year was CHF 29.2 million, a drop of 16%.

The net profit for the year was CHF 23.9 million, 9.2% higher than last year, primarily due to the lower share price and thus the reversal of provisions for the stock option plans (SOP).

Continued focus on new business opportunities

LEM's strategy has proven particularly beneficial in a difficult economic environment. With its core technologies and products LEM is active in multiple markets, which are not equally susceptible

Felix Bagdasarjanz
Chairman of the
Board of Directors

Paul Van Iseghem
President & CEO

to the economic cycles, making it even more robust in times of deep recession. We feel reassured in our strategy of organic growth aiming at expanding the worldwide leadership in our industry.

LEM is active in two traditional markets: Industry and Traction. Industry was significantly impacted by the recession; however the Traction market benefitted from the global infrastructure investment programs and also from some new product and new application initiatives. The new markets, Energy & Automation (E&A) and Automotive, also grew at different paces. The Energy & Automation market has shown a good level of growth, but we have seen a severe reduction in our Automotive business.

LEM is keeping the momentum in its business development. In the past year we have created LEM India for a stronger regional development. We have established several VAR's (value added resellers) who will build a new sales channel to fuel the growth of our E&A components. We have also developed a very strong design-in portfolio for the new hybrid and electrical vehicles worldwide.

Recession Management

We started to lower our cost and to adapt the structure of LEM to the smaller business volume early on.

The recession put the priority on the size and the risk of working capital, especially the areas of accounts receivable and inventories. After an initial increase of CHF 12 million in both after Q2, due to the market slowdown and the recession, we have reduced it by CHF 20 million for the year end and are back to a low risk situation.

Proposals to the Annual Shareholder's Meeting

Last year we were able to pay out an ordinary dividend of CHF 7.00 and an extraordinary dividend of CHF 4.00 per share to our shareholders.

It is our policy to return 25% to 50% of the net profit for the year to the shareholders. In view of the good financial result and the solid balance sheet of LEM, the Board of Directors will propose the payment of a dividend of CHF 10.00 per share.

Thanks

LEM has entered the new business year with a stronger balance sheet than ever. Despite the uncertain outlook on the duration of the economic crisis we remain confident that the company is well prepared to face the challenges and prove its strength.

We would like to thank our shareholders for their continued faith in us. Thanks of course to our customers for their trust in our products, competence and service. We would also like to thank our management and employees worldwide who reacted early and without hesitation to the drastic changes in the business environment. They have kept LEM's momentum in quality, service and productivity.

F. Bagdasarjanz

Felix Bagdasarjanz
Chairman of the
Board of Directors

Paul Van Iseghem
President & CEO

Precision Measurements

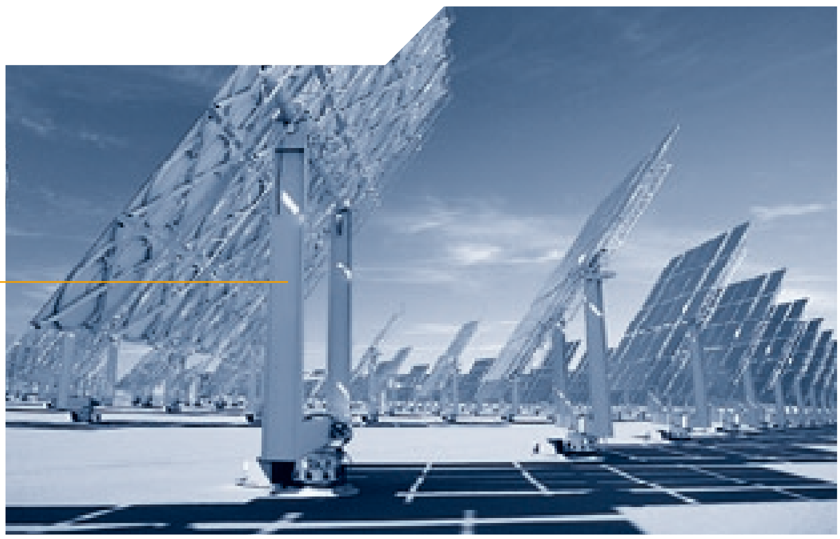
High performance electric motor drives for machine tools, servo drives for semiconductor wafer production or highly accurate robots – these are good examples of power electronic applications that are constantly looking for better performance at a low cost.

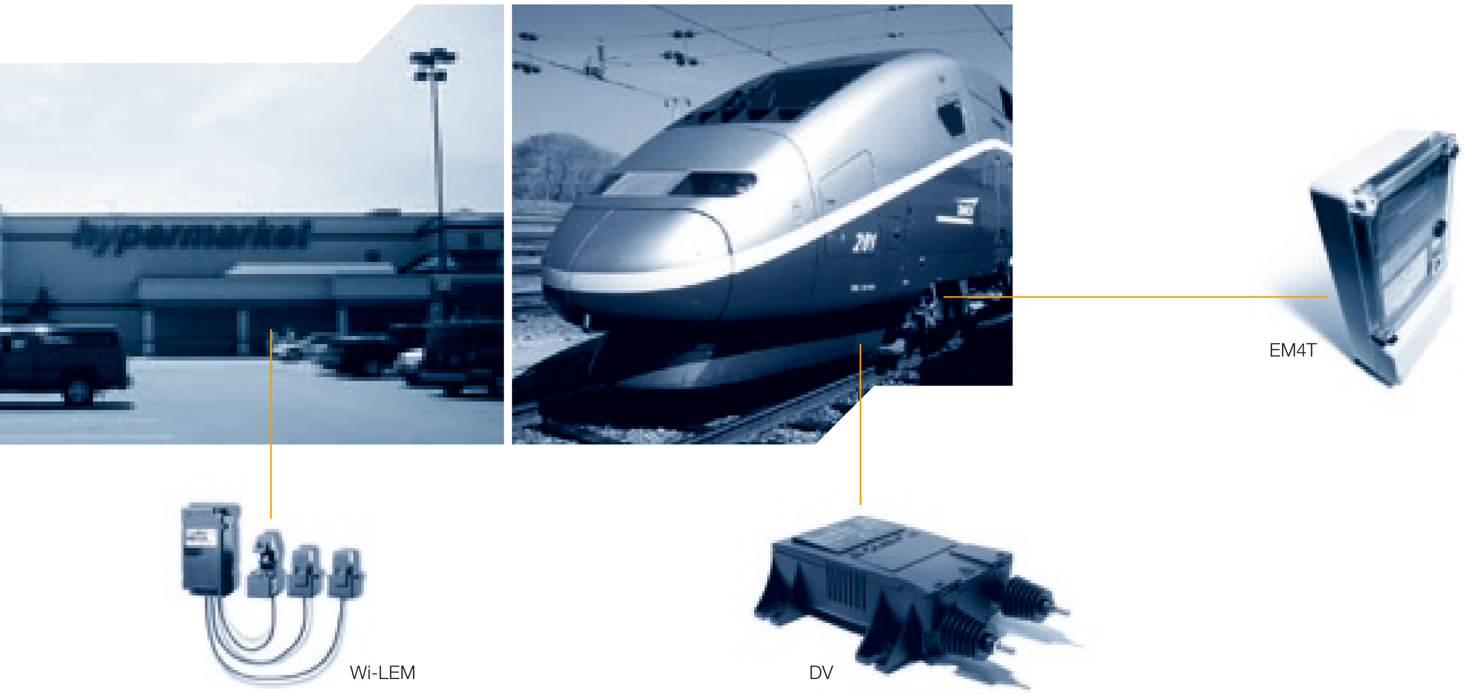
To enable these applications with a better performance, the current measurement must be made with the highest accuracy – a small, very precise and reliable transducer. LEM responded to this by introducing the CAS, CASR and CKSR family of current transducers. The CAS is based on a new technology, a special form of the Fluxgate technology.

Although very new, the CAS has already found other interesting applications outside our main market of the electric motor drives, one of them in the area of photovoltaics, which has become the fastest growing market in the world of power electronics.

This decentralized energy generation has to be transformed when it is uploaded to the grid. The mains grid provides a sinusoidal AC current and voltage, however the solar panel generates DC currents and voltages. Inverters are used to convert the DC output from the photovoltaic to be compatible with the grid and to fulfill the necessary standards to feed in to the grid. In particular, the injection of the DC elements needs to be reduced to a minimum and hence precise and highly reliable transducers, such as LEM's new CAS, CASR, and CKSR series, are required. One transducer can fulfill the function of current control to the grid while limiting the DC injection below the regulatory limits.

CAS





Energy Metering

In today's challenging times energy conservation and cost reductions are high on the agenda. The old principle, "measure in order to manage", is still valid. LEM has been playing a role in the field of energy metering for quite some time. Our early products were developed for the traction market. The liberalization and privatization of the railway has progressed a lot and with it the need to measure and bill the energy consumption. Our Energy Meter for Traction EM4T has been very successful over the past years.

In this last year we launched a new voltage transducer, very compact and highly insulating. The DV is a class 1 compatible DC voltage transducer. Used with the EM4T, which is able to measure the AC but also the DC energy to be compliant with all railway networks in Europe, LEM will be able to provide a complete range of components compatible with the new standards for the traction market. The DV is Class 1 certified, that means it is approved for billing purposes – just like the EM4T – in the traction market. The DV can take the energy that is supplied by the overhead network, which can be as high as 3000 V, measure it and transform this signal into a very low voltage that is proportional to the original supply. This is needed for control of the motor and also to monitor and check the input voltage. The DV has been specially designed for the railway environment and responds to the technology evolution in today's trains. The DV is also compatible with the traction substation standard, which is a new area of expansion for LEM.

LEM also addressed the secondary energy metering market, and in its pursuit to add more functionality in its transducer components, decided to combine the metering function with a wireless communication. Wi-LEM, the Wireless Local Energy Meter is a set of components that measure the energy consumption and transmit this to a central computer via a wireless network. In addition, it is also very easy to install since it uses a split core clamp-on transducer and causes no disruption of service during the installation. Its main field of application is the monitoring of energy consumption in existing buildings, without the billing function.

A good example of current Wi-LEM installations can be found in French supermarket chains. Here Wi-LEM metering is installed in each supermarket. There are different measuring points – for the heating and air-conditioning, the refrigeration system for the food, the lighting, etc. – so that each area of consumption can be monitored. All the data from the various supermarkets is collected in a central computer at the company's headquarters. The data is analyzed for different purposes, like equipment efficiency, HVAC or lighting system optimization and peak demand reduction. Benchmarks are set using the values of the supermarket with the lowest energy consumption. Our customer tells us that millions of Euros can be saved this way. It also looks great for the environmental reputation of the supermarkets.

A challenging year – 2 record quarters, 2 poor quarters

In the Foreword, we presented the "Zoom-in on the four quarters", an exceptional sequence of 2 record quarters, followed by a brief transition and then record low quarters.

The recession has hit us most in the traditional Industry market as well as in the Automotive market. In contrast, the Traction market as well as the new Energy and Automation (E&A) markets have grown substantially.

The results – exceeding our Outlook, despite the severe economic crisis

Sales reached CHF 196.8 million, which is a decrease of 3.1% from last year.

Operational EBIT was CHF 29.2 million, down 16.3% from last year.

EBIT, after accounting for the Stock Option Plans, was CHF 33.8 million – an increase of 10.7%.

Net Earnings amounted to CHF 23.9 million – an improvement of 9.2% compared to the previous year.

Return on Sales (ROS) was 12.2% compared to last year's 10.8%.

Operational EBIT in Q4, which is a measure of the company performance in the middle of this crisis, was CHF 3.7 million on sales of CHF 40.7 million.

The balance sheet remains healthy with an equity ratio of 72% (PY 61%).

The efficient cash management has allowed increasing the net financial assets (cash – financial liabilities) from CHF 23.7 million to CHF 27.9 million.

The Industrial Segment – each market is impacted differently

Sales in the Industrial Segment reached CHF 181.9 million, a decrease of 0.5% to the previous year. At constant exchange rates, sales growth would have been 2.9%. The Operational EBIT decreased to CHF 31.1 million, down by 13.2%.

In the traditional Industry market, sales declined by 6.5%. We have seen a severe downturn of business in all our major applications as from the third quarter. The areas of wind energy, welding and power supplies have seen the most significant drop.

Earlier we had commenced several programs aimed at increasing our market share in focused areas. We launched several new products and introduced a new technology. We also changed some of our sales structures in USA and Japan focusing on more direct sales.

For the Industry market, we currently believe that the market has bottomed out, though at a very low basis.

Sales in the Traction market grew by 20.2% and were not impacted by the recession. The significant increase in sales was fuelled by the various infrastructure investment programs in developed and developing countries. There is a strong requirement to make more trains, refurbish existing ones, improve the infrastructure and allow for more cross-border traffic and metering the energy consumption on board.

The launch of a new very compact and highly insulated voltage transducer allows us to offer a complete range of components compatible with the new standards for the global traction market.

We expect the Traction market to perform well going forward. LEM has outperformed in this market.

The Energy & Automation market was less impacted by the economic crisis. The continued focus in this area of business is showing results. Sales have increased by 35.9% – still coming from a small base.

Growth is driven by two value added transducer families:

- Wi-LEM, the Wireless Local Energy Meter to measure the secondary electricity consumption, is now installed and performing well in major reference accounts: supermarkets, television studios and in factories.
- Sentinel, which monitors industrial standby battery systems, is also installed and has proven performances in satellite television networks and different telecom providers.

We are further concentrating our efforts to develop the VAR (value added reseller) sales channel. Several partners are now working successfully with us around the world.

Overall, growth in the Industrial Segment was 1.5% for Europe, followed by North America at –0.8% and Asia with –3.3%. Of course this reflects the important currency effects of the year.

Sales in the BRIC countries (Brazil, Russia, India and China) declined by 0.8%.

Automotive Segment – highest impact of the recession

This past year has been very difficult for the Automotive Segment. With most of our sales coming from North America and Japan, we have seen a decrease of 26.5%. Sales amounted to CHF 14.9 million. Operational EBIT was – CHF 1.9 million. At constant exchange rates, sales growth would have been –25.4%.

The bulk of the production is now made in our plant in Beijing; still the decreased volumes induced these losses.

In this past year we have been concentrating our efforts in two main areas of business development. The first area is the battery management in sedans and hybrid electric vehicles now with standard transducers. This is a successful extension of the prior focus on SUVs for this application.

The second area of our attention is the motor controls for hybrid and electric vehicles. LEM has reached a very high design-in rate worldwide. However, the question is if and when the mass production of these vehicles will start. We remain convinced that power electronics in cars will soon accelerate. Despite the crisis, we are expecting the beginning of the increase, based on the design-ins of new car platforms, in the new fiscal year.

Recession Management – capacity and cost management

Due to the nature of our business, LEM tends to be in the early part of the business cycle. We experienced the first impact of what was to become the global recession just after summer 2008. This allowed us to take the necessary measures to adapt our capacities to the lower production very early. In November we announced a global reduction of our headcount by 10%, and in February we introduced short time working programs for our production sites in Geneva and Japan. We also worked on reducing our cost base especially in the area of external and indirect costs to lower the break-even point.

At the same time the business development had to continue.

We have opened a LEM sales office in India and strengthened the Energy & Automation sales and engineering teams.

Operational highlights

LEM has continued to reach top quality levels across all its plants, having a unified "made by LEM" quality performance. This year both the Geneva and Beijing production sites have been awarded with the IRIS certification, the International Railway Industry Standard, which is a globally recognized standard for the railway industry. We were proud to be amongst the first companies to achieve this certification.

We have continued to invest in our production capability and the transfer of key products to our factory in Beijing, China. We have also nearly completed a new leased building, which will go into operation during the month of July 2009.

Investment in the future: innovation and capital investments

Despite the decreasing markets, and thanks to its strong profitability and balance sheet, LEM continued its investments in the future.

R&D efforts remain at a high 5.5% of sales with a special focus on rapidly bringing new products to the market. We continue to work closely with our customers, to be able to anticipate their needs for the future and be able to offer the transducers they need to build applications of tomorrow. Two major products were launched last year: the DV, allowing a complete offer of components compatible with the new standards for the global Traction market, and the CAS, CASR, CKSR family, strengthening our position in high performance applications for the Industry market. We are certain that both products complement our portfolio, and have been seeing the first sales come through early on.

The Capex increased to CHF 9.1 million from CHF 6.5 million last year. This is mainly due to investments in new production machines to support our growth in China.

Outlook: difficult to anticipate the year

The present recession challenges our growth strategy as we are experiencing a slowdown in our most important Industry market. At the same time we have a very weak situation in the Automotive Segment. We also see a temporary deceleration in the areas of energy savings and renewable energy.

Nevertheless, after a deeper study of the market evolution, we firmly believe in our strategic direction. The strategic drivers for our business remain intact:

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

Our fast and firm reaction to the recession will enable us to be stronger coming out of this downturn. We also trust that our multi-market and global reach will be clearly beneficial to us, to make a fast recovery as soon as the market allows.

We maintain our clear focus on cost reduction and the operational priorities. At the same time, the financial strength of LEM will allow us to continue to build up new markets and applications and to continue to invest in the development of promising new business.

At this time, mid May 2009, we believe that the market downturn has bottomed out. However, we can not judge the timing and the extent of the upturn.

LEM's core values and principles

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, process 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.

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 October 1 2007.

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 0022427626). On March 31 2009, the market capitalization was CHF 172.4 million.

The LEM Group is structured into the Industrial Segment and the Automotive Segment. Appropriate segment reporting pursuant to IFRS is contained on page 31 of the notes to the consolidated financial statements. All companies in the LEM Group are listed under "scope of consolidation" on page 47, where the company names, registered offices, share capitals and the relevant percentages of shares held are indicated. There are no other listed companies in the scope of consolidation.

Significant shareholders

On 31 March 2009, the following shareholders held 3% or more of the share capital and voting rights:

Shareholder

WEMACO Invest AG, in Zug and Werner O.Weber, in Zollikon, Switzerland	27.4%
Threadneedle Asset Management Holding Ltd, in London, United Kingdom	10.5%
Sarasin Investmentfonds AG, in Basel, Switzerland	9.9%
Joraem de Chavonay SA, in Zug, Switzerland	5.2%
Impax Asset Management Ltd, United Kingdom	4.5%
Erwin Studer, in Zollikerberg, Switzerland	3.7%

There are no known shareholder agreements between individual shareholders.

Cross-shareholdings

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

2 Capital structure

Capital and shares

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

Detailed information about the capital movements in the last three years is shown in LEM Holding statutory accounts on page 52.

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 2009, LEM Holding SA held 12'400 treasury shares and 30'000 options on own 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 below under Section 5, "Compensations and shareholdings", under the Note "Stock options plans and Performance share plan" on page 40 and in the notes to the LEM Statutory Accounts on page 56.

3 The Board of Directors

Election, terms of office and cross-involvement

The Board of Directors is comprised of at least three members who are individually elected 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 27 June 2008, Friedrich Fahrni decided not to stand for re-election. The other members, Felix Bagdasarjanz, Peter Rutishauser, Anton Lauber and Ueli Wampfler, were re-elected. Felix Bagdasarjanz maintained the Chairmanship. All of the members of the Board are non-executive and have at no time been part of the executive management of LEM. Furthermore, they have no significant business connections with the LEM Group.

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, six full-day, one half-day and five half-day preparatory meetings were held. Additionally, several ad hoc conference calls 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

Members of the Board of Directors

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

CH Nationality
Born – 1945
Chairman
Entry – 2002
Member NCC

Felix Bagdasarjanz

Education
Dr. of Electrical Engineering, ETH Zurich

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

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

CH Nationality
Born – 1956
Member
Entry – 2003
Chairman AC

Peter Rutishauser

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

Professional background
Since 1989, independent businessman

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

CH Nationality
Born – 1951
Member
Entry – 1999
Chairman NCC

Anton Lauber

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

Professional background
Since 2009, President Division Components Schurter Group
1998–2009, Member of the Board of Directors of Schurter Holding AG and other group companies
1993–1998 Chairman of the Management of Schurter AG, Lucerne, CEO and Delegate of the Board of Directors, Member of the Schurter-Group Management
1989–1993 Technical Director Schurter AG, Lucerne
Up to 1988, Managing Director Generatoren-fabrik ABB, Switzerland

Other notable activities
Chairman of ITZ (Innovation-Transfer Central Switzerland)
Member of IAQ – International Academy for Audit
Member of the Board of Directors of Beutler Nova AG, Gettnau
Member of the Board of Directors of Bossard Holding AG, Zug

CH Nationality
Born – 1950
Member
Entry – 2007
Member AC

Ueli Wampfler

Education
Lic. oec., University of Zurich
Certified auditor

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

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

AC = Audit Committee
NCC = Nomination and Compensation Committee

allows a good preparation of the meeting. As a rule the CEO (and for most of the agenda items also the CFO) attend the meetings of the Board of Directors without having a right to vote. Depending on the issues, other members of Senior Management participate in the meetings in order to respond to specific questions. Decisions can be taken by the Board if at least half of the Directors are present, and a simple majority of them is sufficient. In the event of deadlock, the Chairman has the casting vote. Minutes of the meetings, including decisions taken, are prepared by the outside Secretary of the Board and distributed to the members of the Board, the CEO and the CFO.

The Board of Directors reflects, in its working procedures, the efficiency and effectiveness of the teamwork as well as its interaction with the management of the company on a regular basis. Regular feedback-sessions at the end of a meeting provide valuable input for the continuous improvement of the Board's coherence and leadership.

Definition of areas of responsibility

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

- Review and approval of the strategy, business plan, annual business objectives and budget for the LEM Group.
- Approval of creation/closing of any subsidiary and purchase/sale of any interest in any company or entry into any merger or joint venture agreement.
- Appointing/dismissing of the Senior Management.
- Monitoring the ethical and legal behavior of LEM.
- Reviewing of human resources management, especially co-worker satisfaction and management development and legal, intellectual property, social & 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 Senior Management to perform its supervisory duty and to make the necessary decisions.
The Board of Directors obtains the information required to perform its duties through several means:

- The Board of Directors receives monthly and quarterly reports on the current development of the business.
- Informal meetings and teleconferences are held as required between the Chairman and the CEO as well as between the Chairman and individual members of the Board.
- The Committees meet at regular intervals and exchange detailed information with the Management.
- The Board receives detailed information to each agenda item one week before the board meeting.
- At least 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, 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 with 10–15 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 exposure which visualizes LEMs 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 continuous 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 responsible persons 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 and independent members of the Board of Directors. They meet whenever necessary but at least twice a year.

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

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

4 Senior Management

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

Management contracts

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

5 Compensation and shareholdings

Board of Directors

General principles
Remunerations for the Board of Directors are approved by the Board of Directors based on recommendations by the Nomination & Compensation Committee (NCC).

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

The Board of Directors has adopted a remuneration scheme with a fixed fee paid in cash in the amount of CHF 120'000 for the Chairman and CHF 60'000 for a member. Committee activity will be compensated with CHF 30'000 for the Committee's chairman and with CHF 20'000 for its members. There will be no additional variable compensation nor any participation in an equity based compensation plan. The members of the Board of Directors are requested to hold for their own account a minimum of 1'000 shares.

Compensation of former members
In financial year 2008/09, a compensation of TCHF 15 was paid to one former member of the Board of Directors for the last period of his term between April and June 2009.

For more details on financial compensation, see note 18 "Stock option plans and Performance share plan" on page 40 and the notes of LEM Holding Statutory Accounts on page 55.

Senior Management

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

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

The total compensation for the Senior Management consists of a base salary, performance related bonus (LEM Incentive system) and performance related shares (LEM Performance share plan).

LEM Incentive system

- Performance according to personal objectives (cap = 10% of annual base salary).

- Team individual business performance to consolidated actual EBIT versus budget (cap = 15% of annual base salary, CEO 0%).

- Business performance LEM to consolidated actual EBIT versus previous year (cap = 10% of annual base salary, CEO 65%).

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

Members of the Senior Management

The Senior Management was comprised of the following members on 31 March 2009:

Paul Van Iseghem

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

Ageeth Walti

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

Hans-Dieter Huber

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

Luc Colombel

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

Simon Siggen

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

Eric Favre

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

LEM Performance share plan
On 27 June 2008, the Board of Directors decided to initiate a Performance Share Plan (PSP) for members of the management, whereby the number of shares vested will depend on the achievement of certain targets during the vesting period. The targets were determined by an Economic Value Added (EVA) model which is expected to reflect the market growth of LEM.

The plan has been established in favor of 30 members of management. 8'360 shares (payout multiple m=1) were granted in total and allocated based on the position of the manager. The vesting period has a duration of three years. In order to compensate for the transitional reduction in the equity based compensation going from a backward looking stock option plan to a forward looking share plan, the Board of Directors decided to vest a minimum number of 4'180 shares (payout multiple m=0.5) if the performance of LEM for the three years period from 2008/09 to 2010/11 is less or equal to a cumulated operational EVA of CHF 55 million. The maximum number of shares vested will be double the value of the number of shares granted, i.e. 16'720 shares (payout multiple m=2). The corresponding performance has to be a cumulated operational EVA of CHF 85 million. Linear interpolation will be applied in between.

If an employee leaves LEM for reasons other than retirement, disability or death, the participant will generally forfeit unvested shares.

The PSP expenses will be recorded in the income statement straight-line over the 3 years vesting period. The expense is adjusted at every reporting date based on the expected number of shares that the participants will receive at the end.

As of 31 March 2009, based on a payout multiple m=0.5, the company accrued a provision of CHF 423 which was charged to the income statement.

During May 2009, the Board of Directors decided not to issue any further equity based compensation plans. Instead, the LEM incentive system will be extended and a part of the bonus payment for the Senior Management will in future depend on the Group performance achieved over a period of three years and based on an EVA objective set by the Board of Directors at the beginning of the period.

For more information on the performance share plan and previous stock option plans (SOP) see note 18. "Stock option plans and Performance share plan (PSP)" on page 40 and the notes of LEM Holding Statutory Accounts on page 57.

Compensation of former members
In financial year 2008/09, no compensation was paid to a former member of the Senior Management.

Pensions and Healthcare Plans

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

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

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

LEM in Switzerland
The LEM pension plan operates a defined benefit plan that provides retirement benefits and risk insurance for death and disability. The insured salary is based on LPP Swiss law and is without limitation on the amount. The pension fund is funded by contributions from the company and the insured employees. The average contribution for the employee is 40% and 60% for the company. You can find more information in the notes under retirement benefit obligations.

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

LEM in China
The pension plan is a government plan.

Both company and employee pay a certain percentage of a fixed amount for the insurance each month.

The healthcare plan it is both government and company funded.

LEM in Japan
Only the government plan prevails.

The labor insurance (injury or disease regarding work) and health insurance is for all employees.

The regular employees are included in the pension programs. There is a special pension fund for Directors.

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

6 Shareholders' participation rights

The rules on Shareholders' participation rights are outlined in the Articles of Incorporation. The rules for the convening of shareholders' meetings, the participation rights and the majority rules for decisions all follow the Swiss law.

The complete articles of Incorporation can be downloaded from the Investor Relations pages on the internet page www.lem.com.

Voting rights and representation restrictions and inscription in the share register

There are no limitations on voting rights for shareholders who are entered into the shareholders' register with voting rights. Anyone purchasing registered shares is registered by the Board of

Directors in the share register on request as a shareholder with voting rights, provided he expressly declares that the shares have been bought and will be held for his own account.

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

Statutory quorums

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

Convocation of the ordinary shareholders' meeting

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

Agenda

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 shareholder's meeting and submit matters to be placed on the agenda.

Dividend policy

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

7 Change of control and defensive measures

Duty to make an offer

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

Clauses of changes of control

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

8 Auditors

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

Ernst & Young charged the following fees for professional services rendered for the 12 month period ending March 31, 2009:

Type of service	2008/09
	In TCHF
Audit services	253
Tax services	468
Other services	206
Total	927

Other services include due diligence services and consulting services related to the internal control project and other projects.

Evaluation and control of audit services are 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 presence of the external auditors.

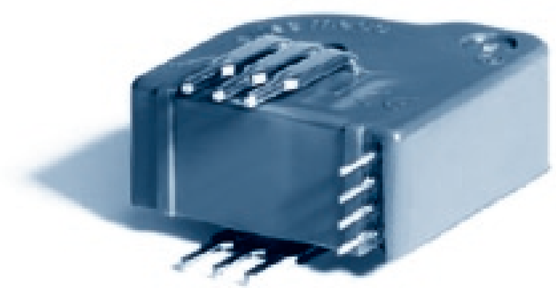
During 2008/09 Ernst & Young attended three regular Audit Committee meetings.

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 ensure 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:
Heinz Stübi, Interim-CFO,
8 chemin des Aulx,
CH-1228 Plan-les-Ouates,
or send an e-mail to investor@lem.com
(phone: +41 22 706 12 30).



FINANCIAL RESULTS

Sales

LEM sales decreased by 3.1% to CHF 196.8 million in 2008/09. There was an unfavorable foreign currency impact of 2.6% in 2008/09. At constant exchange rates the sales decrease would have been 0.5%. The favorable effect of the JPY was compensated by the unfavorable EUR and to a lower extent the USD development during the year.

Gross margin

The gross margin decreased by 1.4 percentage points to 43.7%. The main reason for this lower sales volume is the underutilization of the fixed costs.

Operating expenses

The operating expenses (including R&D) of CHF 56.8 million stayed in line with the previous year (CHF 56.7 million). As a percentage of sales the ratio increased from 27.9% to 28.9%.

The cost reduction programs initiated in November 2008 started to show effect in Q4 2008/09.

The R&D expenses, which are part of the operating expenses, decreased by 2.5% in 2008/09 to CHF 10.8 million (2007/08 CHF 11.1 million). The sales ratio remains at 5.5%.

The valuation of the provisions for stock option plans (SOP) at the share price of CHF 150 on 31.3.2009 (31.3.2008 CHF 270) led to a release of provision below operational EBIT of CHF 4.6 million. In 2007/08, following the change of the stock option plans from equity settled to cash settled, this part increased by CHF 4.3 million.

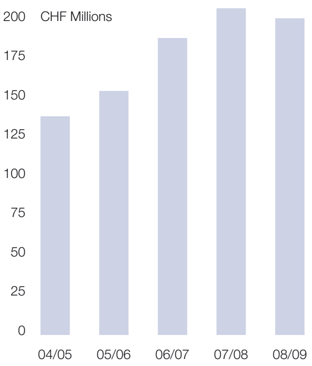
Based on today's option valuation parameters, the following simulations can be drawn related to the share price development:

- A share price of CHF 200 would have increased the provision by CHF 2.0 million.
- A share price of CHF 250 would have increased the provision by CHF 4.4 million.

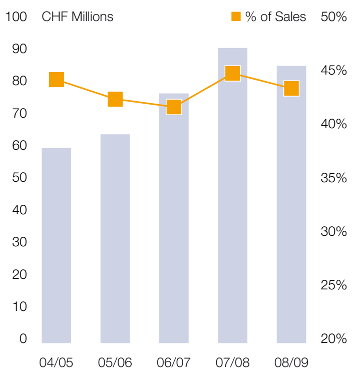
	April to March	
	2008/09	**2007/08**
	TCHF	TCHF
Sales	196'813	203'033
Cost of goods sold	(110'788)	(111'444)
Gross margin	**86'025**	**91'588**
Sales expense	(22'925)	(23'676)
Administration expense	(23'183)	(22'367)
Research & development expense	(10'820)	(11'103)
Other expense	(111)	(31)
Other income	232	493
Operational EBIT	**29'219**	**34'904**
Additional SOP costs/income	4'622	(4'332)
EBIT	**33'841**	**30'572**
Financial expense	(516)	(965)
Financial income	318	287
Foreign exchange effect	(792)	(735)
Profit before taxes	**32'851**	**29'159**
Income taxes	(8'926)	(7'248)
Net profit for the year	**23'925**	**21'911**

FINANCIAL RESULTS

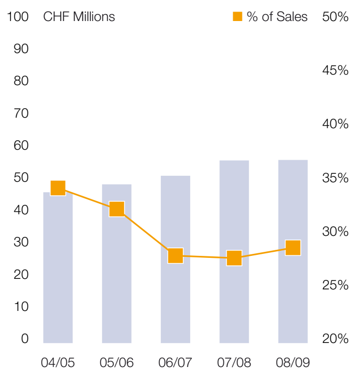
Net sales



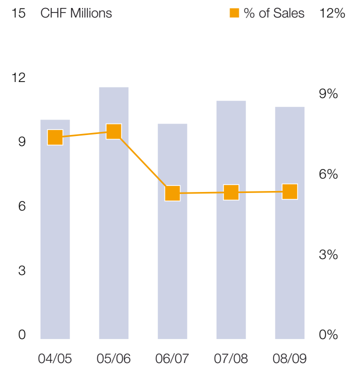
Gross margin



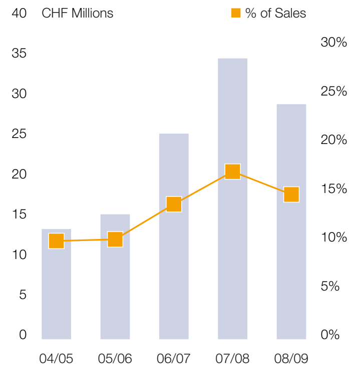
Operating expense (incl. R&D exp.)



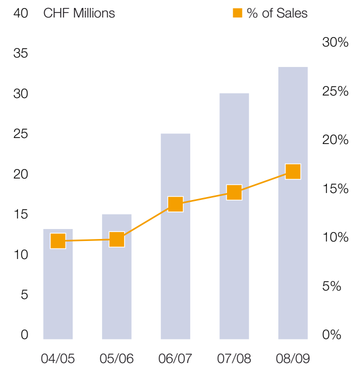
R&D expense



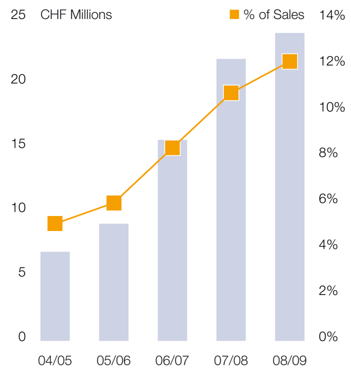
Operational EBIT



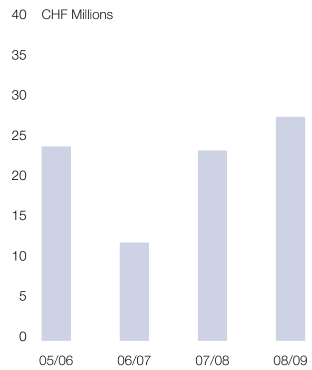
EBIT



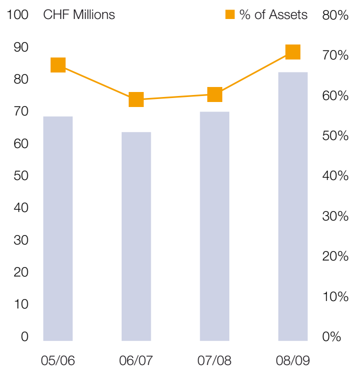
Net profit for the year



Net financial assets



Equity & Equity ratio



All the figures reflect continuing operations only.
Figures 2007/08 after restatement IFRIC 14.

Operational EBIT (previously pro forma EBIT) and EBIT

The operational EBIT (before SOP revaluation) decreased by 16.3% to CHF 29.2 million (PY CHF 34.9 million).

Taking into account the SOP revaluations in 2007/08 and 2008/09, the EBIT increased by 10.7% from CHF 30.6 million to CHF 33.8 million.

Financial expenses

The financial expenses decreased from CHF 1.4 million to CHF 1.0 million in 2008/09.

Taxes

The tax rate increased from 24.9% to 27.2% in 2008/09. The average expected tax rate of 25.0% in 2008/09 increased due to a tax provision related to withholding taxes for planned dividend repatriation.

Net profit for the year

The net profit for the year increased by 9.2% compared to 2007/08 resulting in CHF 23.9 million, driven by the reversal of provision for the SOP.

Balance sheet

As part of the recession management, priority was set on optimizing the working capital, e.g. reducing the accounts receivable and inventory levels. The actions led to an improved working capital (trade accounts receivable + inventory – trade accounts payable) as % sales from 21.2% to 20.6%.

The efficient cash management has increased the net financial assets (cash – financial liabilities) from CHF 23.7 million to CHF 27.9 million. On 31 March 2009, the interest bearing financial liabilities amounted to CHF 0.1 million.

The balance sheet remains healthy with an equity ratio of 72% (2007/08 61%).

Cash flow

The improved working capital ratio was reflected in a favorable change in net working capital of CHF 3.7 million. Together with lower cash payments for the exercise of stock option plans, this led to a free cash flow of CHF 21.9 million (2007/08 CHF 17.6 million).

LEM GROUP

CONSOLIDATED BALANCE SHEET

Assets	Notes	31.03.2009	31.03.2008[1]
		TCHF	TCHF
Current assets			
Cash and cash equivalents		27'951	25'787
Accounts receivable	1	31'920	41'169
Other current assets	2	2'834	2'051
Inventories	3	23'728	22'411
Total current assets		**86'433**	**91'418**
Non-current assets			
Deferred tax assets	15	0	165
Other non-current assets	4, 19	1'522	1'496
Property, plant and equipment	5	23'571	18'450
Intangible assets	6	4'685	4'429
Total non-current assets		**29'778**	**24'540**
Total assets		**116'211**	**115'958**

Liabilities and equity	Notes	31.03.2009	31.03.2008[1]
		TCHF	TCHF
Current liabilities			
Accounts payable	7	12'614	17'034
Other current liabilities		290	650
Accrued expense and deferred income		6'406	9'639
Current income tax payable		6'247	4'798
Current provisions	8	3'151	3'416
Current financial liabilities	22	93	2'087
Total current liabilities		**28'801**	**37'624**
Non-current liabilities			
Non-current provisions	8	2'012	5'395
Other non-current liabilities		113	77
Deferred tax liabilities	15	1'793	1'653
Total non-current liabilities		**3'918**	**7'125**
Total liabilities		**32'719**	**44'749**
Equity			
Share capital	9	575	575
Treasury shares and derivative instruments on treasury shares		(5'627)	0
Reserves	9	22'919	16'200
Retained earnings		65'430	54'233
Equity attributable to equity holders of the parent company		**83'297**	**71'008**
Minority interests	10	195	201
Total equity		**83'492**	**71'209**
Total liabilities and equity		**116'211**	**115'958**

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

[1] Retrospective adjustment due to application of IFRIC 14, see Accounting policies 2.2

CONSOLIDATED INCOME STATEMENT

	Notes	2008/09 TCHF	2007/08[1] TCHF
		April to March	
Sales		196'813	203'033
Cost of goods sold	11	(110'788)	(111'445)
Gross margin		**86'025**	**91'588**
Sales expense	11	(22'822)	(24'276)
Administration expense	11	(18'748)	(26'058)
Research & development expense	11	(10'735)	(11'232)
Other expense		(111)	(31)
Other income		232	581
Operating profit		**33'841**	**30'572**
Financial expense	12	(516)	(965)
Financial income	13	318	287
Foreign exchange effect	14	(792)	(735)
Profit before taxes		**32'851**	**29'159**
Income taxes	15	(8'926)	(7'248)
Net profit for the year		**23'925**	**21'911**
Attributable to:			
Equity holders of the parent company		23'846	21'828
Minority interests		79	83
Net profit for the year		**23'925**	**21'911**

The results of both years are derived from continuing operations.

	Notes	2008/09	2007/08
Earnings per share			
Basic earnings per share	16	20.9	18.6
Diluted earnings per share	16	20.8	18.6

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

[1] Retrospective adjustment due to application of IFRIC 14, see Accounting policies 2.2

CONSOLIDATED CASH FLOW STATEMENT

	April to March	
	2008/09	2007/08[1]
	TCHF	TCHF
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year	**23'925**	**21'911**
Adjustment for non-cash items		
– Current income taxes	8'632	6'723
– Net financial result	198	678
– Derivative financial instruments revaluation	(148)	146
– Divestment of companies	22	0
– Fair value charges for share-based payments	(3'234)	5'332
– Depreciation and amortisation	4'991	4'490
– Increase (+) in provisions and deferred taxes	469	252
– Other non-cash adjustments[1]	0	(219)
Interest received	318	287
Interest paid	(516)	(965)
Taxes paid	(7'165)	(6'763)
Expense for cash settlement / Share-based payments paid	(206)	(5'471)
Cash flow before changes in net working capital	**27'286**	**26'401**
Change in inventories	708	891
Change accounts receivable and other current assets	10'881	(3'845)
Change in accounts payable and other current liabilities	(7'938)	675
Cash flow from changes in net working capital	**3'651**	**(2'279)**
Cash flow from operating activities	**30'937**	**24'122**
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in fixed assets	(8'864)	(6'018)
Disposal of fixed assets and intangible assets	66	99
Investment in intangible assets	(242)	(463)
Increase in other assets	(12)	(125)
Cash flow from investing activities	**(9'052)**	**(6'507)**
CASH FLOW FROM FINANCING ACTIVITIES		
Treasury shares acquired	(3'875)	0
Derivative instruments on own shares acquired	(1'752)	0
Dividends paid to the shareholders of LEM Holding SA	(12'650)	(5'175)
Dividends paid to minorities	(42)	(38)
Increase (+) in financial liabilities	0	28
Decrease (–) in financial liabilities	(2'126)	(5'346)
Cash flow from financing activities	**(20'445)**	**(10'531)**
Change in cash and cash equivalents	**1'440**	**7'084**
Cash and cash equivalents at the beginning of the period	**25'787**	**19'798**
Foreign exchange effect	724	(1'094)
Cash and cash equivalents at the end of the period	**27'951**	**25'787**

[1] Retrospective adjustment due to application of IFRIC 14, see Accounting policies 2.2

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to equity holder of the company TCHF	Share capital	Capital reserve	Reserve for treas. shares	Treasury shares	Fair value reserve	Stock option plan	Trans-lation reserve	Retained earnings	Minority interest	Total equity
1 April 2007[1]	**600**	**19’009**	**7’820**	**(7’820)**	**0**	**1’429**	**2’099**	**42’440**	**178**	**65’755**
Changes in capital	(25)	25								0
Dividends paid								(5’175)		(5’175)
Dividends paid to minority interests									(38)	(38)
Net profit for the year								21’609	83	21’692
Foreign currency translation							(5’079)		(22)	(5’101)
Unrealized gain on derivatives designated as cash flow hedges					146					146
IAS 19 / IFRIC 14								219		219
Stock option plan						(1’429)		(4’859)		(6’288)
Treasury shares			(7’820)	7’820						0
31 March 2008[1]	**575**	**19’034**	**0**	**0**	**146**	**0**	**(2’980)**	**54’234**	**201**	**71’210**
Thereof gains & losses recognized directly in equity	0	0	0	0	146	0	(5’079)	(4’859)	(22)	(9’814)
1 April 2008[1]	**575**	**19’034**	**0**	**0**	**146**	**0**	**(2’980)**	**54’234**	**201**	**71’210**
Dividends paid								(12’650)		(12’650)
Dividends paid to minority interests									(42)	(42)
Net profit for the year								23’846	79	23’925
Foreign currency translation							6’444		(43)	6’401
Unrealized gain on derivatives designated as cash flow hedges					(148)					(148)
Performance share plan						423				423
Treasury shares		(5’627)	5’627	(3’875)						(3’875)
Derivative instruments on treasury shares				(1’752)						(1’752)
31 March 2009	**575**	**13’407**	**5’627**	**(5’627)**	**(2)**	**423**	**3’464**	**65’430**	**195**	**83’492**
Thereof gains & losses recognized directly in equity	0	0	0	0	(148)	0	6’444	0	(43)	6’253

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

[1]Retrospective adjustment due to application of IFRIC 14, see Accounting policies 2.2

ACCOUNTING POLICIES

1 General information

The LEM Group (the Group) is a market leader in providing innovative and high quality solutions for measuring electrical parameters. Its core products – current and voltage transducers – are used in a broad range of applications in industrial, traction, energy and automotive markets. The Group has operations in 10 countries and employs around 900 people. The parent company of the LEM Group is LEM Holding SA (the Company), which is a limited liability company incorporated in Switzerland.

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

The Board of Directors approved the consolidated financial statements on 15 May 2009.

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 2008/09, LEM Group introduced the following revised standards and interpretations:

Standard	Description	Impact on LEM Group
IFRIC 11	Group and treasury share transactions	None
IFRIC 12	Service concession arrangements	None
IFRIC 14	The limit on a defined benefit asset minimum funding requirements and their interaction	See below

Restatement IFRIC 14

Impact of the introduction of IFRIC on the Group's consolidated balance sheet and income statement.

Balance Sheet

TCHF	01.04.07	31.03.08
Other assets (before restatement)	73	130
Restatement IFRIC 14	1'092	1'366
Other assets (restated)	1'165	1'496
Deferred tax liabilities (before restatement)	1'607	1'380
Restatement IFRIC 14	218	273
Deferred tax liabilities (restated)	1'825	1'653
Total effect on the retained earnings		
Retained earnings (before restatement)	41'565	53'140
Restatement IFRIC 14	874	1'093
Retained earnings (restated)	42'439	54'233

Income Statement

TCHF	2007/08
Administration expense (before restatement)	26'332
Restatement IFRIC 14	(274)
Administration expense (restated)	26'058
Deferred tax (before restatement)	470
Restatement IFRIC 14	55
Deferred tax (restated)	525
Net profit for the year (before restatement)	21'692
Restatement IFRIC 14	219
Net profit for the year (restated)	21'911
Basic/diluted earnings per share (before restatement)	18.4
Basic/diluted earnings per share (restated)	18.6

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

Standard or interpretation	Title	Effective date
IAS 1 revised	Presentation of financial instruments	1 January 2009
IAS 23 revised	Borrowing cost – amendment	1 January 2009
IAS 27 revised	Consolidated and separate financial statement	1 July 2009
IAS 32 / IAS 1 amended	Financial instruments: Presentation / Presentation of financial statements: Puttable financial instruments and obligations arising on liquidation	1 January 2009
IAS 39 / IFRS 7 amended	Financial instruments: Recognition and measurement / Financial instruments: Disclosures	1 January 2009
IAS 39	Financial instruments: Recognition and measurement: Eligible hedged items	1 July 2009
IFRS 1 / IAS 27	First time adaption of international financial reporting standards / Consolidated and separate financial statements	1 January 2009
IFRS 2 amended	Share-based payments – vesting conditions and cancellations	1 January 2009
IFRS 3 revised	Business combinations – revised	1 July 2009
IFRS 8	Operating segments	1 January 2009
IFRIC 13	Customer loyalty programs	1 July 2008
IFRIC 15	Agreements for the construction of real estate	1 January 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
Amendments IFRS	Annual improvement project	1 January 2009 (unless otherwise stipulated)

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

2.3 Summary of critical accounting estimates and 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 most important sources of uncertainty are described below.

Impairment of goodwill and property, plant and equipment

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

Provisions

Provisions are 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 for which the ultimate tax determination is uncertain in the ordinary course of business.

Employee benefits

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

2.4 Basis of consolidation

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

Subsidiaries

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

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, plus the cost that can be directly allocated. Identifiable acquired assets, liabilities and contingent liabilities are recognized at their present value as of the date of their acquisition. The Group's share of the purchase price that exceeds the fair value of the identifiable net assets is recognized as goodwill.

Intra-group assets and liabilities as well as income and expenses are set off against each other.

Also Intra-group intermediate profits on inventories and fixed assets are eliminated.

Associates

Investments in associated undertakings are accounted for using the equity method. These are undertakings over which the Group exercises significant influence, but which it does not control.

No associated undertakings exist as per 31 March 2009, and 31 March 2008.

Joint ventures

In jointly controlled entities the method of proportionate consolidation is applied.

No jointly controlled entities exist as per 31 March 2009, and 31 March 2008.

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

Foreign currency transactions

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

2.6 Segment information

LEM Group's primary reporting segment is business segments and the secondary reporting format is geographical. The definition of business and geographical segments of the Group is based on the managerial and organizational structure of the Group as well as on the financial reporting system.

LEM Group's business segments are Industrial and Automotive. The Industrial segment develops, manufactures and sells electronic components called transducers for the measurement of current and voltage of various industrial applications. The Automotive segment develops, manufactures and sells transducers for applications in automotive markets. Non-allocated assets correspond to cash, long-term financial receivables as well as deferred tax assets. Non-allocated liabilities comprise bank borrowings, income tax payable and provisions for deferred taxes.

LEM Group's geographical segments are Europe, North America, Asia and Rest of world.

Transactions between the business segments are conducted at arm's length.

2.7 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

Foreign currency translation

Currency	Income statement 2008/09 Average rate In CHF	Income statement 2007/08 Average rate In CHF	Balance sheet 31.03.2009 Year-end rate In CHF	Balance sheet 31.03.2008 Year-end rate In CHF
EUR	1.562	1.64	1.517	1.57
GBP	1.885	2.33	1.633	1.99
JPY	0.011	0.0102	0.0118	0.01
USD	1.102	1.16	1.149	1.00
RUB	0.041	0.046	0.034	0.042
CNY	0.161	0.156	0.168	0.142

three months or less from the date of acquisition, that are readily convertible to known amounts of cash. This definition is also used for the cash flow statement.

2.8 Accounts receivable
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.

2.9 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.

2.10 Derivative financial instruments
Derivative financial instruments are initially recognized at cost and are subsequently re-measured at their fair value. With the exception of derivative financial instruments that qualify for hedge accounting, changes in the fair value of derivative financial instruments are recognized in the income statement. Derivative financial instruments are shown as part of other current assets and other current liabilities. In case the maturity is more than one year, derivative financial instruments are recognized under other non-current assets or other non-current 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. In case of qualified hedging transactions of future cash flows (cash flow hedge), the hedging instrument is recognized at fair value. Of the change in fair value of the hedging instrument, the part that is effective for the hedging transaction is recognized in shareholders' equity and the remaining ineffective part is recognized in the income statement in the financial result. When the 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 (cash flow hedging) and applies hedge accounting. Derivative financial instruments can comprise of forward exchange contracts and option based structures.

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

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

Repairs and renewals are charged to the 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.

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

Research and development
Research costs are written off as incurred. Development costs are capitalized as intangible assets only, if the specific criteria in IAS-38 are met. Such development costs are capitalized and written off over the life of the product or process.

In the financial years under review, no development costs have been capitalized.

Other intangible assets
Other intangible assets with definite useful lives are carried at costs less amortization and any impairment.

Expenditure on computer software, acquired patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives.

2.13 Impairment of 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 costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash-flows (cash generating unit).

The value in use is calculated based on the estimated future cash flows expected to result from the use of the asset and eventual disposal, discounted using an appropriate non-current interest rate. In the financial year under review no impairment has been recognized.

2.14 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.

Tangible and intangible assets held for sale are re-evaluated at the lower of fair value less cost to sell or the carrying amounts at the date they meet the held for sale criteria. Any resulting impairment loss is recognized in the income statement. In the two years under review there were no assets held for sale in LEM Group.

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

2.16 Leases
Assets acquired under long-term finance leases are capitalized as part of the fixed assets and depreciated over the shorter of the estimated useful life of the asset and the lease term.

Rentals payable under operating leases are charged to the income statement as incurred.

2.17 Financial liabilities
Financial liabilities comprise of bank loans and are recognized initially as the proceeds received, net of transaction costs incurred. In subsequent periods, bank loans are stated at amortized cost using the effective interest rate method with any difference between proceeds (net of transaction) and the redemption value being recognized in the income statement over the terms of the borrowing.

Financial liabilities that are due within 12 months after the balance sheet date are classified as 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.

2.18 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.

Other non-current employee benefits
Other non-current employee benefits include long-service leave or sabbatical leave, medical aid, jubilee or long-service benefits and, if they are not payable wholly within 12 months after the year end, bonuses and deferred compensation. All actuarial gains and losses are recognized immediately in the income statement, no corridor approach is applied. LEM Group has not booked any other non-current employment benefits in the years under review.

Equity compensation plan
LEM Group operates several stock option plans and a share based plan.

Stock options are granted to the Board of Directors and managers. The option plans are cash settled and the fair value of the options is 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 – is calculated by an independent specialist. Based on these fair values the provision is adjusted.

The Performance Share Plan (PSP) is granted to managers and is equity settled. The fair value of the PSP granted to the employees is estimated at the grant date. The amounts are charged to the income statement over the relevant vesting period and adjusted to reflect actual and expected levels of vesting.

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

Claims and litigations
The Group 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.

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

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

Restructuring
A restructuring obligation is only recorded, when there is 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
- has 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 conditions or situations where the outcome depends on future events. As the probability either cannot be measured reliably or the probability for a subsequent outflow lies below 50%, contingent liabilities are not recognized in the balance sheet but are described in the notes.

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

When LEM Holding SA or its subsidiaries purchase its own shares, the consideration paid including any attributable transaction costs and taxes is deducted from shareholders’ equity as treasury shares (own shares) until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders’ equity.

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

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

2.23 Income taxes and deferred taxation
Income taxes
Income taxes comprise all current and deferred income taxes, including the withholding tax payable on profit distributions within the Group. Income taxes are 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. The principal temporary differences arise from trade receivables, inventories, depreciation on tangible assets and tax losses carried forward. Deferred taxes are determined using tax rates that apply, or have been announced, on the balance sheet date in the countries where the Group is active. Tax losses carried forward are 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.

Segment information

Primary reporting format – by business segment

	Industrial		Automotive		LEM Group	
TCHF	2008/09	2007/08[1]	2008/09	2007/08[1]	2008/09	2007/08[1]
Income Statement						
Sales	181'931	182'788	14'882	20'245	196'813	203'033
EBITDA	39'227	35'740	(396)	(678)	38'831	35'062
Operating profit	35'296	32'037	(1'455)	(1'465)	33'841	30'572
Net financial expense					(990)	(1'413)
Taxes					(8'926)	(7'248)
Net profit for the year					23'925	21'911
Depreciation and amortisation:						
Tangible assets	3'623	3'391	1'031	756	4'654	4'147
Intangible assets	308	314	28	29	336	343
Total	**3'931**	**3'705**	**1'059**	**785**	**4'990**	**4'490**
Significant non cash items						
Provision for share based payments	2'439	5'412	272	738	2'711	6'150
Balance Sheet						
Segment assets	78'323	79'039	8'416	9'249	86'739	88'288
Unallocated assets					29'472	27'670
Total assets	**78'323**	**79'039**	**8'416**	**9'249**	**116'211**	**115'958**
Segment liabilities	23'374	34'209	1'166	2'022	24'540	36'231
Unallocated liabilities					8'179	8'518
Total liabilities	**23'374**	**34'209**	**1'166**	**2'022**	**32'719**	**44'749**
Capital expenditure:						
Tangible assets	7'006	3'269	1'858	2'749	8'864	6'018
Intangible assets	242	440	0	23	242	463
Total	**7'248**	**3'709**	**1'858**	**2'772**	**9'106**	**6'481**

Secondary reporting format – by geographical segment

	Europe		North America		Asia		Rest of the World		LEM Group	
TCHF	08/09	07/08[1]	08/09	07/08[1]	08/09	07/08[1]	08/09	07/08[1]	08/09	07/08[1]
Sales by location of customers	109'198	107'736	31'888	37'421	51'890	53'367	3'837	4'509	196'813	203'033
Segment assets										
by location of assets	49'130	52'639	5'399	5'967	32'210	29'682	0	0	86'739	88'288
Unallocated assets									29'472	27'670
Total assets	**49'130**	**52'639**	**5'399**	**5'967**	**32'210**	**29'682**			**116'211**	**115'958**
Capital expenditure										
Tangible assets	6'624	4'664	17	25	2'223	1'329	0	0	8'864	6'018
Intangible assets	239	456	0	0	3	7	0	0	242	463
Total	**6'863**	**5'120**	**17**	**25**	**2'226**	**1'336**	**0**	**0**	**9'106**	**6'481**

[1] Retrospective adjustment due to application of IFRIC 14, see Accounting policies 2.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounts receivable

	31.03.2009	31.03.2008
	TCHF	TCHF
Accounts receivable – trade	28'516	37'132
Allowance for doubtful accounts	(1'716)	(1'928)
Total accounts receivable – trade	**26'800**	**35'204**
Other receivables	5'120	5'965
Total	**31'920**	**41'169**

	2008/09	2007/08
	TCHF	TCHF
Movements of allowance for doubtful accounts	**1'928**	**1'602**
Additions charged to income statement	92	405
Amounts written off	(375)	(15)
Foreign exchange effect	71	(64)
Total	**1'716**	**1'928**

Aging analysis of accounts receivable

	not due	< 30 days	31–90 days	91–180 days	> 180 days	Total
	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF
31 March 2009						
Accounts receivable – trade	16'742	5'946	4'051	349	1'428	28'516
Allowance for doubtful accounts	0	0	(124)	(164)	(1'428)	(1'716)
Other receivables	4'001	968	108	6	37	5'120
Total	**20'743**	**6'914**	**4'035**	**191**	**37**	**31'920**
31 March 2008						
Accounts receivable – trade	20'010	8'900	5'791	663	1'768	37'132
Allowance for doubtful accounts	0	0	(178)	(186)	(1'564)	(1'928)
Other receivables	4'863	935	113	11	43	5'965
Total	**24'873**	**9'835**	**5'726**	**488**	**247**	**41'169**

2. Other current assets

	31.03.2009	31.03.2008
	TCHF	TCHF
Advances to suppliers	1'473	817
Prepayments and accrued income	1'363	1'013
Derivative financial instruments	(2)	221
Total	**2'834**	**2'051**

For further information on derivative financial instruments, see note 22

3. Inventories

	31.03.2009	31.03.2008
	TCHF	TCHF
Raw material	13'460	10'813
Work in progress	1'395	2'463
Finished goods and goods for resale	8'873	9'135
Total	**23'728**	**22'411**

Above total inventories include provisions for write-downs of TCHF 2'283 (2007/08 TCHF 1'760).

4. Other non-current assets

	31.03.2009	31.03.2008[1]
	TCHF	TCHF
Pension asset	1'366	1'366
Other non-current assets	156	130
Total	**1'522**	**1'496**

[1] Retrospective adjustment due to application of IFRIC 14, see Accounting policies 2.2

5. Property, plant and equipment

TCHF	Land and Buildings	Machinery and Equipment	Total
Net book value 1 April 2008	**310**	**18'140**	**18'450**
Foreign exchange effect	54	929	983
Change in scope of consolidation	0	(6)	(6)
Investment	0	8'864	8'864
Disposal	0	(66)	(66)
Depreciation charge for the year	(13)	(4'641)	(4'654)
Net book value 31 March 2009	**351**	**23'220**	**23'571**
At cost of acquisition	476	60'928	61'404
Accumulated depreciation	(125)	(37'708)	(37'833)
Net book value 31 March 2009	**351**	**23'220**	**23'571**
Net book value 1 April 2007	**325**	**16'742**	**17'067**
Foreign exchange effect	(10)	(388)	(398)
Investment	6	6'012	6'018
Disposal	0	(90)	(90)
Depreciation charge for the year	(11)	(4'136)	(4'147)
Net book value 31 March 2008	**310**	**18'140**	**18'450**
At cost of acquisition	405	50'673	51'078
Accumulated depreciation	(95)	(32'533)	(32'628)
Net book value 31 March 2008	**310**	**18'140**	**18'450**

6. Intangible assets

TCHF	Goodwill	Other intangible Assets	Total
Net book value 1 April 2008	**3'419**	**1'010**	**4'429**
Foreign exchange effect	298	53	351
Investment	0	242	242
Amortization charge for the year	0	(337)	(337)
Net book value 31 March 2009	**3'717**	**968**	**4'685**
At cost of acquisition	3'717	3'401	7'118
Accumulated amortization	0	(2'433)	(2'433)
Net book value 31 March 2009	**3'717**	**968**	**4'685**
Net book value 1 April 2007	**3'469**	**908**	**4'377**
Foreign exchange effect	(50)	(9)	(59)
Investment	0	463	463
Disposal	0	(9)	(9)
Amortization charge for the year	0	(343)	(343)
Net book value 31 March 2008	**3'419**	**1'010**	**4'429**
At cost of acquisition	3'419	3'121	6'540
Accumulated amortization	0	(2'111)	(2'111)
Net book value 31 March 2008	**3'419**	**1'010**	**4'429**

The entire goodwill of the 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 industrial business 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 with 2% and operating costs were estimated based on the experience of management. The discount rate used within these cash flow calculations is 8% (2007/08 8%) and is based on the estimated weighted internal rate of return of the cash generating unit, which reflects best the specific risks related to LEM. The carrying value of the goodwill was compared to the value in use and no impairment was found for the year ended 31 March 2009.

7. Accounts payable

	31.03.2009 TCHF	31.03.2008 TCHF
Accounts payable – trade	11'289	15'819
Other payables	1'325	1'215
Total	**12'614**	**17'034**

Aging analysis of accounts payable

	< 60 days TCHF	61–180 days TCHF	> 180 days TCHF	Total TCHF
31 March 2009				
Accounts payable – trade	10'890	399	0	11'289
Other payables	1'301	7	17	1'325
Total	**12'191**	**406**	**17**	**12'614**
31 March 2008				
Accounts payable – trade	15'006	608	205	15'819
Other payables	1'156	10	49	1'215
Total	**16'162**	**618**	**254**	**17'034**

8. Provisions

	Employee and termination benefits TCHF	Claims and litigations TCHF	Stock option plans TCHF	Restructuring TCHF	Total TCHF
Balance 1 April 2008	**1'656**	**1'005**	**6'150**	**0**	**8'810**
Additional provisions	47	1'467	0	380	1'894
Unused amounts reversed	(200)	(1'011)	(3'706)	(50)	(5'123)
Utilized during the year	(12)	(303)	(156)	(149)	(464)
Foreign exchange effect	43	1	0	1	47
Balance 31 March 2009	**1'534**	**1'159**	**2'288**	**182**	**5'163**
Of which current					3'151
Of which non-current					2'012
Balance 1 April 2007	**1'564**	**1'339**	**0**	**0**	**2'903**
Additional provisions	1'024	536	5'332	0	6'892
Unused amounts reversed	(508)	(105)	0	0	(613)
Utilized during the year	(389)	(753)	0	0	(1'142)
Reclassified from Equity	0	0	818	0	818
Foreign exchange effect	(35)	(12)	0	0	(47)
Balance 31 March 2008	**1'656**	**1'005**	**6'150**	**0**	**8'811**
Of which current					3'416
Of which non-current					5'395

Employee and termination benefits

Employee and termination benefits contain obligations which are required in certain countries.

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.

Stock option plans

See accounting policies 2.18 Employee benefits, 2.19 Provisions and contingent liabilities and note 18.

The timing of the cash outflows are not contractually fixed and therefore uncertain. The split between current and non-current is based on best estimate of management.

9. Equity

Share capital

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

On 4 July 2008, 12'400 shares of LEM Holding SA were purchased at a share price of CHF 312.50. Investments in shares of LEM Holding SA held by the Group are classified as treasury shares and are accounted for at historical cost. The ordinary share-holders' meeting held on 27 June 2007, approved to cancel 50'000 shares, effective 27 September 2007.

Movement of treasury shares

	Number of shares	Average price CHF	Total TCHF
Balance 1 April 2008	**0**	**0**	**0**
Movement	12'400	312.50	3'875
Balance 31 March 2009	**12'400**	**312.50**	**3'875**
Ordinary dividend per share (in CHF)	10.00		

The dividend to be paid will be proposed by the Board of Directors to the shareholders of the Group at the ordinary shareholders' meeting 26 June 2009.

Balance 1 April 2007	**50'000**	**156.40**	**7'820**
Cancellation	(50'000)	156.40	(7'820)
Balance 31 March 2008	**0**	**0**	**0**
Ordinary dividend per share (in CHF)	7.00		
Extraordinary dividend per share (in CHF)	4.00		

10. Minority Interests

	31.03.2009 TCHF	31.03.2008 TCHF
Total	**195**	**201**

The amount represents the minority interest of 10% in TVLEM, held by local management. There were no changes in minority interest in the current financial year.

11. Staff cost

	2008/09 TCHF	2007/08[1] TCHF
Production	(17'701)	(18'807)
Sales	(12'550)	(13'334)
Administration	(9'883)	(10'500)
Research and development	(7'024)	(7'462)
Change in provision for stock option plans and performance share plan	3'234	(5'332)
Total	**(43'924)**	**(55'435)**

	2008/09 TCHF	2007/08[1] TCHF
Salaries and wages	(35'853)	(35'037)
Other personnel costs	(8'612)	(11'029)
Temporary employee costs	(2'693)	(4'037)
Change in provision for stock option plans and performance share plan	3'234	(5'332)
Total	**(43'924)**	**(55'435)**

Employee benefit plan costs comprise the expenses for defined contribution plans of TCHF 648 (2007/08 TCHF 649). See accounting policies 2.18 Employee benefits, 2.19 Provisions and contingent liabilities and note 18.

[1] Retrospective adjustment due to application of IFRIC 14, see Accounting policies 2.2

	31.03.2009	31.03.2008
	FTE	FTE
Number of employees at the end of the financial year		
Full time employees	871	924
Temporary employees	26	61
Apprentices	12	11
Total	**909**	**996**

12. Financial expense

	2008/09	2007/08
	TCHF	TCHF
Interest expense	(404)	(822)
Divestment LEM Malaysia	(22)	0
Other financial expense	(90)	(143)
Total	**(516)**	**(965)**

13. Financial income

	2008/09	2007/08
	TCHF	TCHF
Interest income on cash	318	287
Total	**318**	**287**

14. Foreign exchange effect

	2008/09	2007/08
	TCHF	TCHF
Exchange losses	(849)	(830)
Fair value revaluation on derivatives	(75)	16
Gains and losses on derivatives[1]	132	79
Total	**(792)**	**(735)**

[1]position includes cost of derivative hedging

15. Income taxes, deferred tax assets and liabilities

	2008/09	2007/08[1]
	TCHF	TCHF
Current income taxes	(8’632)	(6’723)
Deferred income taxes	(294)	(525)
Total	**(8’926)**	**(7’248)**

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:

[1]Retrospective adjustment due to application of IFRIC 14, see Accounting policies 2.2

	2008/09	2007/08[1]
	%	%
Group's average expected tax rate	**24.98**	**28.22**
Tax effect of		
– expense not deductible for tax purposes	0.06	0.11
– restatement IFRIC 14	0.00	(0.04)
– reduced taxes	(1.82)	(1.40)
– non-recoverable withholding tax	4.69	0.00
– adjustment in respect of previous periods income tax	(0.74)	(1.90)
– consideration of tax losses carried forward	0.00	(0.13)
Group's effective tax rate	**27.17**	**24.86**

The increased tax rate of 4.69% is related to withholding taxes for planned dividend repatriations. Deferred income tax liabilities have not been established for withholding and other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are currently regarded as permanently reinvested.

	31.03.2009	31.03.2008[1]
	TCHF	TCHF
Deferred tax assets and liabilities		
Current assets	**(351)**	**(677)**
– Accounts receivable	(222)	(337)
– Inventories	(497)	(478)
– Others	368	138
Non-current assets	**(935)**	**(1'139)**
– Property, plant and equipment and other financial assets	(327)	(455)
– Intangible assets	(608)	(684)
Liabilities	**(507)**	**328**
– Provisions	(273)	(83)
– Others	(234)	411
Total	**(1'793)**	**(1'488)**
The balance sheet contains the following		
Deferred tax assets	0	165
Deferred tax liabilities	(1'793)	(1'653)
Net liabilities	**(1'793)**	**(1'488)**

	31.03.2009	31.03.2008
	TCHF	TCHF
Unused tax loss carry forwards not recognized in the balance sheet expire		
– in the next 10 years	0	0
– until 2020	0	0
– without date of expiration	905	961
Total	**905**	**961**

In 2007/08 tax losses not recognized in the balance sheet have been used in LEM Holding Inc.

[1]Retrospective adjustment due to application of IFRIC 14, see Accounting policies 2.2

16. Earnings per share

	2008/09	2007/08[1]
Basic earnings per share		
Net profit for the year (TCHF)	23'846	21'828
Ordinary number of shares at the beginning of the year	1'150'000	1'200'000
Weighted average number of treasury shares	9'173	25'000
Weighted average number of shares outstanding	1'140'827	1'175'000
Earnings per share – basic (CHF)	20.90	18.58

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.

	2008/09	2007/08[1]
Net profit for the year (TCHF)	23'846	21'828
Weighted average number of shares outstanding	1'140'827	1'175'000
Performance share plan	4'180	0
Adjusted weighted average number of shares outstanding	1'145'007	1'175'000
Earnings per share – diluted (CHF)	20.83	18.58

[1] Retrospective adjustment due to application of IFRIC 14, see Accounting policies 2.2

17. 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 of Senior Managers includes base salary, bonus, post employment benefits, performance shares (2008/09) and stock options (2007/08). The base salary is the employees compensation before deduction of employees social security contributions. The bonus is paid in cash.

	2008/09 TCHF	2007/08 TCHF
Compensation of the Board of Directors		
Base salary	(415)	(427)
Change in provision for stock option plans	332	(378)
Total	**(83)**	**(805)**
Number of granted stock options	0	3'939
Compensation of the Senior Management		
Base salary	(1'330)	(1'305)
Bonus	(103)	(455)
Post employment benefits	(155)	(152)
Change in provision for stock option plans and performance share plan	1'525	(2'675)
Total	**(63)**	**(4'587)**
Number of granted stock options and performance shares in financial year (m=1)	3'400	10'500

See accounting policies 2.18 Employee benefits, 2.19 Provisions and contingent liabilities and note 18.

Additional fees and compensations

One member of the Board of Directors received additional fees, amounting to more than half of his normal compensation (2008/09 TCHF 50; 2007/08 TCHF 0).

18. Stock option plans, performance share plan

2008/09	Grant Date	Number of options outstanding 01.04.2008	Number of options issued	Number of options cancelled	Number of options exercised	Number of options outstanding 31.03.2009	Exercise price in CHF	Fair value at grant in CHF	Fair value 31.03.2009 in CHF	Exercise period from	Exercise period until
SOP 4	01.04.2005	14'825	0	0	(812)	14'013	77.18	24.86	74.42	01.04.2007	31.03.2015
SOP 5	01.04.2006	29'750	0	(1'000)	0	28'750	139.80	47.69	34.62	01.04.2009	31.03.2011
SOP 6	01.04.2007	25'882	0	(2'438)	0	23'444	240.52	64.92	15.95	01.04.2010	31.03.2012
	Total	70'457	0	(3'438)	(812)	66'207					

2007/08	Grant Date	Number of options outstanding 01.04.2007	Number of options issued	Number of options cancelled	Number of options exercised	Number of options outstanding 31.03.2008	Exercise price in CHF	Fair value at grant in CHF	Fair value 31.03.2008 in CHF	Exercise period from	Exercise period until
SOP 3	31.03.2005	2'628	0	0	(2'628)	0	77.18	24.86	192.82	01.04.2007	31.03.2015
SOP 4	01.04.2005	36'809	0	0	(21'984)	14'825	77.18	24.86	192.82	01.04.2007	31.03.2015
SOP 5	01.04.2006	29'750	0	0	0	29'750	139.80	47.69	132.61	01.04.2009	31.03.2011
SOP 6	01.04.2007	0	26'820	(938)	0	25'882	240.52	64.92	76.65	01.04.2010	31.03.2012
	Total	69'187	26'820	(938)	(24'612)	70'457					

SOP 4

In April 2005, the Board of Directors issued the stock option plan SOP 4 for the management team and the Board of Directors. The plan was equity settled but has been changed to cash settled as of 31 December 2007. This plan gives the right to cash the counter value of one share at the predetermined strike price (option price). The strike price corresponds to the LEM share price on 31 March 2005. The number of stock options granted depended on the excess of net earnings above a minimum return on equity (ROE). The vesting period is two years. The details of the contractual terms of the option plan can be seen in the table above. Due to the share split in September 2005, the number of options granted under SOP 4 was adjusted by the factor of 4.8135. During the financial year 2008/09 812 options were exercised. 14'013 shares related to SOP 4 are currently still exercisable. The average share price for the exercised options was CHF 330.32.

SOP 5

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

SOP 6

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

The calculation with the "Hull-White" model uses the following parameters:

	Parameters at grant			Parameters 31.03.2009		
In %	SOP 6	SOP 5	SOP 3/4	SOP 6	SOP 5	SOP 3/4
Expected volatility (based on historical volatility over last 5 years):	28.98	39.11	36.24	39.28	39.28	39.80
Risk free interest rate:	2.51	2.51	2.54	1.11	0.77	1.96
Dividend yield:	2.90	2.35	2.35	1.60	1.60	1.60

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 will depend on the achievement of certain targets during a vesting period. The targets are determined by an Economic Value Added (EVA) model, which is 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 3 years vesting period and for which the multiple for the eventual payout may vary between m=0.5 and m=2.0. The PSP expenses will be recorded in the income statement straight-line over the 3 years vesting period. The expense is adjusted at every reporting date based on the expected number of shares that the participants will receive at the end.

Terms of PSP

	At grant	31.03.2009
m (multiple)	1.0	0.5
Number of shares expected to be issued	8’360	4’180
Vesting period	3 years	
Allocated to recipients	27 June 2008	
Fair value per unit (CHF)	303.50	149.90

As of March 31, based on a pay-out multiple (m=0.5) and on the number of recipients, the company accrued a provision of CHF 423 which was charged to the income statement.

In view of disposing of the necessary shares potentially required under the PSP program, LEM has purchased 12’400 own shares at a share price of CHF 312.50 and call options on own shares as follows:

Terms of options

Transaction date	Number of options	Strike price	Premium paid	Exercise period
20.09.2008	15’000	360	61.7	01.03.2011–30.04.2013
20.09.2008	15’000	390	55.1	01.03.2012–30.04.2013

The call options which were acquired are intended to be gross settled and they are therefore treated as equity instruments.

During May 2009, the Board of Directors decided not to issue further equity based compensation plans.

19. Retirement benefit obligations

The Group operates a defined benefit plan for all its employees in Switzerland. The benefits are primarily based on years of service and level of compensation in accordance with local regulations and practices. The following table provides a reconciliation of the changes in the net benefit obligation.

Net benefit expense

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

	31.03.2009	31.03.2008[1]
	TCHF	TCHF
Current service cost	2’398	2’625
Interest cost	939	812
Expected return on plan assets	(1’226)	(1’224)
Employee contributions	(1’283)	(1’199)
Immediate recognition of loss due to IAS 19 § 58A	885	0
Net benefit expense	**1’713**	**1’014**
Changes in defined benefit obligation		
Defined benefit obligation 1 April 2008	**26’840**	
Interest cost	939	
Current service cost	2’398	
Benefits paid	(1’586)	
Actuarial (gains)/losses on obligation	(47)	
Defined benefit obligation 31 March 2009	**28’544**	

[1] Retrospective adjustment due to application of IFRIC 14, see Accounting policies 2.2

Defined benefit obligation 1 April 2007		**27'066**
Interest cost		812
Current service cost		2'625
Benefits paid		(2'674)
Actuarial (gains)/losses on obligation		(989)
Defined benefit obligation 31 March 2008		**26'840**
Changes in the fair value of plan assets		
Fair value of plan assets 1 April 2008	**27'250**	
Expected return	1'226	
Contribution by employer and employee	2'996	
Benefit paid	(1'586)	
Actuarial gains/(losses) on plan asset	(6'705)	
Fair value of plan assets 31 March 2009	**23'181**	
Fair value of plan assets 1 April 2007		**27'202**
Expected return		1'224
Contribution by employer and employee		2'802
Benefit paid		(2'674)
Actuarial gains/(losses) on plan asset		(1'304)
Fair value of plan assets 31 March 2008		**27'250**

LEM expects to contribute TCHF 1'648 to its defined benefit plan in 2009/10.

	31.03.2009	31.03.2008[1]
	TCHF	TCHF
Present value of funded obligations	28'544	26'840
Fair value of plan assets	(23'181)	(27'250)
Funded status	**5'363**	**(410)**
Unrecognized net actuarial losses	(6'729)	(956)
Pension asset (–)	**(1'366)**	**(1'366)**

Actual return on plan assets for 2008/09 was TCHF –5'479 (2007/08 TCHF –81)

	31.03.2009	31.03.2008	31.03.2007	31.03.2006	31.03.2005
	TCHF	TCHF	TCHF	TCHF	TCHF
Comparison of amounts					
Plan assets	23'181	27'250	27'202	25'404	22'391
Defined benefit obligations	28'544	26'840	27'066	24'332	23'335
Funded status	**(5'363)**	**410**	**136**	**1'072**	**(944)**
Actuarial gains/(losses) on plan asset	(6'705)	(1'304)	(170)	(407)	
Experience adjustment (gains)/ losses on obligation	(649)	(1'300)	786	2'413	

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.

[1] Retrospective adjustment due to application of IFRIC 14, see Accounting policies 2.2

Major categories of plan assets as a percentage of the fair value of total plan assets	Long-term target %	2008/09 %	2007/08 %
Equity	40	32	31
Bonds	50	52	57
Real estate	5	4	4
Cash and other investments	5	12	8
	100	**100**	**100**

The principal actuarial assumptions used in the actuarial calculations include:

	2008/09 %	2007/08 %
Discount rate	3.0	3.5
Expected rate of increase in salaries	1.5	1.5
Expected rate of pension increases	0.0	0.0
Expected rate of return on plan assets		
– Equities	6.5	6.5
– Bonds	3.5	3.5
– Other investments	2.5	2.5

20. Operating lease commitments

	31.03.2009 TCHF	31.03.2008 TCHF
Minimal lease payments are payable as follows:		
Within one year	3’645	3’901
Between one and five years	21’015	19’678
Beyond five years	25’605	28’783
Total	**50’265**	**52’362**

Prior year figure was restated (Previously reported: TCHF 43’032). In 2008/09 lease expenses amounted to TCHF 3’913 (2007/08 TCHF 3’907). 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. 2007/08 a new ten year lease contract was signed for new factory facilities in China.

21. Contingent liabilities

	31.03.2009 TCHF	31.03.2008 TCHF
Total guarantees for credits of subsidiaries	465	1’742
Total guarantees to third parties	1’958	1’846
Total	**2’423**	**3’588**

On 31 March 2009, 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.

22. Financial risk management objectives and policies

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

The Group enters into derivative transactions such as currency risk reversal contracts to hedge the USD and EUR risk. 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.

Foreign currency risk

The Group operates globally and is exposed to various foreign exchange risks primarily to the USD, EUR, GBP and JPY. 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 6-9 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 below.

Foreign exchange risk table

The following table demonstrates the sensitivity to a 5% change in the USD, EUR, GBP and JPY with all other variables held constant of the Group's profit before tax (due to the changes in the fair value of the monetary assets and liabilities) and the Group's equity. The sensitivity analysis is based on the Group's financial instruments held in each currency at each balance sheet date. There is no impact on the Group's equity. The hedging instrument already covering March 2009 have been taken into consideration to reduce the currency exposure in the table shown below.

	Increase / decrease in currency rate	Effect on profit before tax 2008/09 TCHF	2007/08 TCHF
USD	+5%	99	494
EUR	+5%	1'076	828
JPY	+5%	(2)	(40)
GBP	+5%	46	27
Total		**1'219**	**1'309**
USD	(5%)	(99)	(494)
EUR	(5%)	(1'076)	(828)
JPY	(5%)	2	40
GBP	(5%)	(46)	(27)
Total		**(1'219)**	**(1'309)**

Credit risk

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

With respect to credit risk arising from the other financial assets 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 monitors its risk to a shortage of funds using a monthly treasury forecast. This forecast considers the maturity of both its financial investments and financial assets (e.g., accounts receivable and other financial assets) and projected cash flows from operations. Capital requirements by subsidiaries 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, the financial liabilities mature in less than one year based on the carrying value of borrowings reflected in the financial statements.

Interest rate risk

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

Interest rate risk table

The table below demonstrates the sensitivity to a reasonable possible change in interest rates of 100 basis points, with all other variables held constant, of the Group's profit before tax. The calculations are based on the Group's financial liabilities held at each balance sheet date. The impact on the Group's equity is irrelevant.

	Increase/ decrease in basis points	Effect on profit before tax 2008/09 TCHF	2007/08 TCHF
CHF	100	(1)	0
USD	100	0	(10)
JPY	100	0	(10)
Total		**(1)**	**(20)**
CHF	(100)	1	0
USD	(100)	0	10
JPY	(100)	0	10
Total		**1**	**20**

Financial instruments: Interest bearing financial liabilities and derivative financial instruments

The table below is a comparison by category of carrying amounts, maturity profiles and fair values of all of the Group's financial liabilities and derivative financial instruments.

Financial liabilities

	Currency	Nominal amount	Fixed / variable	Interest rate	Maturity	Net carrying amount 31.03.2009 TCHF	31.03.2008 TCHF
LEM Holding SA	TCHF	93	variable		daily	93	0
Beijing LEM Electronics Co. Ltd	TUSD	0				0	1'087
LEM Japan KK	TJPY	0				0	1'000
Total						**93**	**2'087**
Of which current						93	2'087
Of which non-current						0	0

In 2006/07, LEM renegotiated credit lines with four Swiss Banks. The uncommitted credit lines have a maximum amount of CHF 70 million. The interest rate is composed of the LIBOR interest rate for the respective period and an interest surplus, which is linked to a debt ratio. The credit lines are subject to fulfillment of periodically calculated financial performance indicators (covenants). On 31 March 2009, all covenants were attained. For the variable interest loans the fair value equals approximately the carrying amount.

Maturity profile of derivative financial instruments and interest bearing financial liabilities[1]

31.03.2009				Contract value becomes due:		
	Contract values TCHF	Carrying amount TCHF	Fair values TCHF	in less than 3 months TCHF	in 3 to 12 months TCHF	Total TCHF
Financial assets						
Derivative financial assets	8'021	(2)	(2)	5'723	2'298	8'021
Total		**(2)**	**(2)**	**5'723**	**2'298**	**8'021**
Financial liabilities						
Current financial liabilities	93	93	93	93	0	93
Total		**93**	**93**	**93**	**0**	**93**

31.03.2008				Contract value becomes due:		
	Contract values TCHF	Carrying amount TCHF	Fair values TCHF	in less than 3 months TCHF	in 3 to 12 months TCHF	Total TCHF
Financial assets						
Derivative financial assets	9'840	221	221	4'920	4'920	9'840
Total		**221**	**221**	**4'920**	**4'920**	**9'840**
Financial liabilities						
Current financial liabilities	2'087	2'087	2'087	2'087	0	2'087
Total		**2'087**	**2'087**	**2'087**	**0**	**2'087**

Derivative financial assets on 31 March 2009: The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of the derivatives was provided externally using the Black & Scholes model. In order to hedge the EUR and USD risk, LEM entered into a EUR/CHF and USD/CHF Risk reversal. A Risk reversal option strategy is defined as a combination of buying a EUR or USD put at the lower end and selling a EUR or USD call at the upper end. This gives LEM a hedge at the lower end and gives the opportunity to profit until the EUR/CHF or USD/CHF reaches the upper end. LEM has put the documentation in place in order to apply hedge accounting. As a result the time value is recognized in the income statement, and the intrinsic value is booked to equity.

The following open hedging contracts are held:

	Volume	Start date	Maturity date	Expires
USD/CHF	500'000	23.04.2009	24.09.2009	6 monthly maturities
USD/CHF	500'000	15.02.2009	15.07.2009	6 monthly maturities
EUR/CHF	500'000	15.04.2009	15.06.2009	3 monthly maturities

Capital management

The primary objective of the Groups capital management is to ensure that it maintains a healthy and stable equity ratio in order to secure confidence of shareholders and investors, creditors and other market players and to strengthen the future development of the Groups business activities. The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions. The Board of Directors strives to achieve a pay-out ratio between 25-50%. However, it may diverge from this policy due to economic prospects or on the grounds of planned future investment activities.

[1] Does not include derivatives on own shares, see note 18. Stock option plans, performance share plan.

23. Scope of consolidation

Full consolidation	Country	Currency	Share Capital	Participation
Europe				
LEM Belgium sprl-bvba	Belgium	EUR	60'000	100%
LEM Deutschland GmbH	Germany	EUR	75'000	100%
LEM France Sàrl	France	EUR	240'000	100%
LEM Holding SA	Switzerland	CHF	575'000	100%
LEM International SA	Switzerland	CHF	100'000	100%
LEM Italia Srl	Italy	EUR	25'000	100%
LEM SA	Switzerland	CHF	8'500'000	100%
LEM UK Ltd	Great Britain	GBP	2	100%
TVELEM Ltd	Russia	RUB	200'000	90%
LEM Management Services Sarl	Switzerland	CHF	20'000	100%
North America				
LEM Holding Inc.	USA	USD	50	100%
LEM USA Inc.	USA	USD	150'000	100%
Asia				
Beijing LEM Electronics Co. Ltd	China	CNY	36'723'000	100%
LEM Japan KK	Japan	JPY	16'000'000	100%

LEM Management Services Sarl was created on 16 June 2008, with a share capital of TCHF 20 in order to found the Branch in India, which was incorporated on 25 August 2008. During the year, an investment in kind to Beijing LEM Electronics Co. Ltd was contributed and transferred into equity (share capital 31.3.2008 CNY 32'092'000). LEM Malasia sdn Bhd was liquidated on 25 September 2008.

24. Events after the balance sheet date

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

AUDITOR'S REPORT

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

As statutory auditor, we have audited the consolidated financial statements (balance sheet, statement of income, statement of changes in equity, statement of cash flow and notes on pages 31–47) of LEM Holding SA for the year ended 31 March 2009.

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 (ISA). 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 2009, 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.

Geneva, 15 May 2009

Ernst & Young Ltd

Hans Isler
(in charge of the audit)

Fredi Widmann

LEM HOLDING SA

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

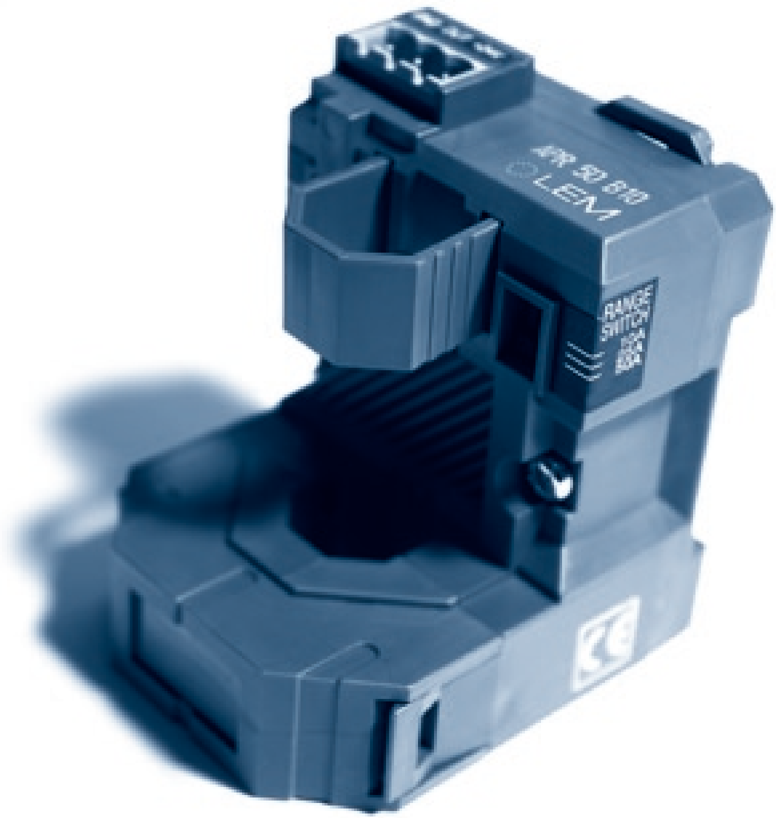
Assets	Notes	31.03.2009	31.03.2008
		TCHF	TCHF
Current assets			
Cash and cash equivalents		9'597	6'653
Treasury shares	2	1'859	0
Derivative instruments on treasury shares	2	308	0
Other current assets		91	392
Group current assets	5	9'473	25'056
Total current assets		**21'328**	**32'101**
Non-current assets			
Investments in subsidiaries	4	49'994	49'331
Intangible assets		1	17
Total non-current assets		**49'995**	**49'348**
Total assets		**71'323**	**81'449**

Liabilities and Equity	Notes	31.03.2009	31.03.2008
		TCHF	TCHF
Current liabilities			
Current financial liabilities		4	0
Other current liabilities		4'083	1'097
Group current liabilities	5	7'425	27'709
Total current liabilities		**11'512**	**28'806**
Non-current liabilities			
Non-current liabilities		669	6'770
Total non-current liabilities		**669**	**6'770**
Equity			
Share capital	1	575	575
General reserve		24'044	29'671
Reserve for treasury shares and derivative instruments on own shares	2	5'627	0
Retained earnings		2'977	8'218
Net profit for the year		25'919	7'409
Total equity		**59'142**	**45'873**
Total liabilities and equity		**71'323**	**81'449**

INCOME STATEMENT OF LEM HOLDING SA

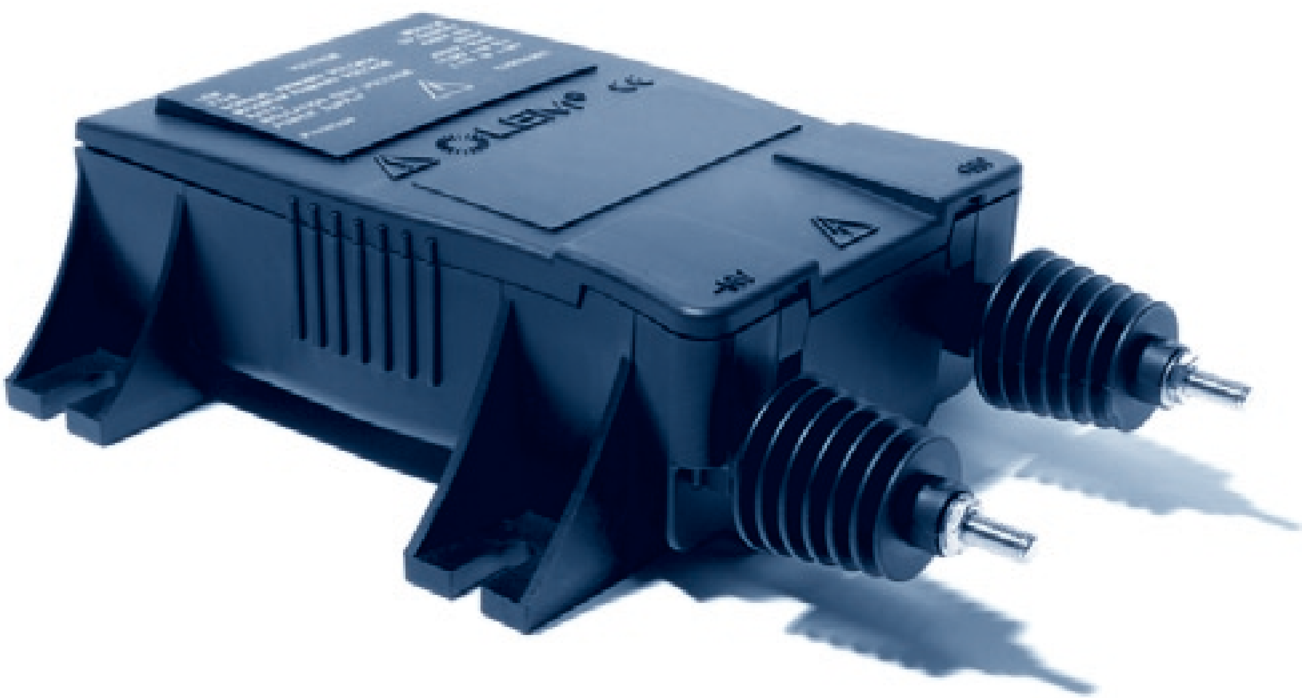
Income	Notes	2008/09	2007/08
		TCHF	TCHF
Financial income from Group dividend payments		29’218	6’471
Interest income from Group loans		283	34
Other financial income		38	430
Other Group income		3’077	2’861
Foreign exchange gain		436	1’972
Total income		**33’052**	**11’768**

Expense	Notes	2008/09	2007/08
		TCHF	TCHF
Office, administration and personnel expense	6	(1’836)	(3’089)
Financial expense		(4’061)	(753)
Foreign exchange effect		(477)	(137)
Total expense		**(6’374)**	**(3’979)**
Profit before taxes		**26’678**	**7’789**
Income taxes	7	(759)	(380)
Net profit for the year		**25’919**	**7’409**



STATEMENT OF EQUITY OF LEM HOLDING SA

TCHF	Share capital	General statutory reserve	Reserve for Treasury shares	Retained earnings	Total
1 April 2006	**600**	**37'485**	**0**	**14'344**	**52'429**
Dividends				(11'725)	(11'725)
Reserve for treasury shares		(7'820)	7'820		0
Net profit for the year				10'774	10'774
31 March 2007	**600**	**29'665**	**7'820**	**13'393**	**51'478**
1 April 2007	**600**	**29'665**	**7'820**	**13'393**	**51'478**
Dividends				(5'175)	(5'175)
Capital reduction	(25)				(25)
Reserve for treasury shares			(7'820)		(7'820)
Others		6			6
Net profit for the year				7'409	7'409
31 March 2008	**575**	**29'671**	**0**	**15'627**	**45'873**
1 April 2008	**575**	**29'671**	**0**	**15'627**	**45'873**
Dividends				(12'650)	(12'650)
Reserve for treasury shares		(3'875)	3'875		0
Reserve for derivative instruments on own shares		(1'752)	1'752		0
Net profit for the year				25'919	25'919
31 March 2009	**575**	**24'044**	**5'627**	**28'896**	**59'142**



NOTES TO THE FINANCIAL STATEMENTS OF LEM HOLDING SA

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.

1. Share capital

	Shares	Par value per share	TCHF
Opening capital 01.04.2008	1'150'000	0.50	575
Closing capital 31.03.2009	1'150'000	0.50	575

2. Treasury shares and derivative instruments on own shares

Treasury shares LEM Holding AG	Shares	Price per share	TCHF
Value 01.04.2008	0	0.00	0
Change	12'400	312.50	3'875
Value 31.03.2009	**12'400**	**312.50**	**3'875**
Value 01.04.2007	50'000	156.40	7'820
Change	(50'000)	156.40	(7'820)
Value 31.03.2008	**0**	**0.00**	**0**

On 4 July 2008, 12'400 shares of LEM Holding SA were purchased at a share price of CHF 312.50. On 27 September 2007, 50'000 shares were cancelled following approval by the shareholders at the ordinary shareholders' meeting on 27 June 2007. Subsidiaries of LEM Holding SA did not own any shares of LEM Holding SA.

Derivative instruments on treasury shares

On 30 September 2008, LEM has purchased 30'000 call options on LEM shares at a premium of TCHF 1'752.

Treasury shares and derivative instruments on own shares are valued at lower of cost or market value.

3. Proposal for appropriation of retained earnings

	31.03.2009 TCHF	31.03.2008 TCHF
Balance brought forward from previous year	2'977	8'218
Net income for the year	25'919	7'409
Total available earnings	**28'896**	**15'627**
Dividends[1]	(11'376)	(12'650)
Carried forward to new period	**17'520**	**2'977**

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

The Board of Directors proposes the distribution of an ordinary dividend of CHF 10 per share, which is net of 35% withholding tax a cash dividend of CHF 6.50 per share.

NOTES TO THE FINANCIAL STATEMENTS OF LEM HOLDING SA

4. Investments in subsidiaries

	31.03.2009	31.03.2008
	TCHF	TCHF
Historical cost	49'994	49'331
Total	**49'994**	**49'331**

See also note 23 of the consolidated financial statements.

5. Group current assets and liabilities

	31.03.2009	31.03.2008
	TCHF	TCHF
Current inter-company loans receivable	366	14'676
Inter-company accounts receivable	9'107	10'380
Total	**9'473**	**25'056**
Current inter-company loans payable	3'615	26'851
Inter-company accounts payable	3'810	858
Total	**7'425**	**27'709**

6. Office, administration and personnel expense

	2008/09	2007/08
	TCHF	TCHF
Office and administration expense	(1'753)	(1'203)
Board member fees	(415)	(427)
Expenses for stock option plans exercised	0	(983)
Change in provision for stock option plans	332	(476)
Total	**(1'836)**	**(3'089)**

7. Income taxes

	2008/09	2007/08
	TCHF	TCHF
Current taxes	(40)	(380)
Release of unused tax provisions of previous periods	529	0
Withholding taxes on planned dividend repatriation	(1'248)	0
Total	**(759)**	**(380)**

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

	31.03.2009		31.03.2008	
	Shares	in %	Shares	in %
Shareholder with ownership above 3%:				
WEMACO Invest AG, in Zug and Werner O.Weber, in Zollikon, Switzerland	315'000	27.4%	240'000	20.9%
Threadneedle Asset Management Holding Ltd, in London, United Kingdom	120'750	10.5%	120'750	10.5%
Sarasin Investmentfonds AG, in Basel, Switzerland	113'850	9.9%	119'399	10.4%
Joraem de Chavonay SA, in Zug, Switzerland	60'000	5.2%	38'000	3.3%
Impax Asset Management Ltd, United Kingdom	51'701	4.5%	0	0.0%
Erwin Studer, in Zollikerberg, Switzerland	42'000	3.7%	42'000	3.7%
POWE Capital management Ltd.	0	0.0%	38'406	3.3%

9. Guarantees in favor of third parties on behalf of subsidiaries

	31.03.2009	31.03.2008
	TCHF	TCHF
Amount of guarantees issued	8'703	12'018

10. Remuneration of Board of Directors and Senior Management

10.1 Compensation of active members of the Board of Directors

2008/09	Annual salary compensation TCHF	Annual bonus compensation TCHF	Company's contribution to pension fund	Number of options	Cash value of options TCHF	Total compensation
Felix Bagdasarjanz[2, 3]	140	–	–	–	–	140
Friedrich Fahrni[1]	15	–	–	–	–	15
Anton Lauber[4]	90	–	–	–	–	90
Peter Rutishauser[6]	90	–	–	–	–	90
Ueli Wampfler[5]	80	–	–	–	–	80
Total	**415**	**–**	**–**	**–**	**–**	**415**

One member of the Board of Directors received additional fees, amounting to more than half of his normal compensation (2008/09 TCHF 50; 2007/08 TCHF 0).

[1] pro rata compensation for term ending June 2008
[2] Chairman of the Board
[3] Member of the Nomination & Compensation committee
[4] Chairman of the Nomination & Compensation committee
[5] Member of the Audit committee
[6] Chairman of the Audit Committee

2007/08	Annual salary compensation TCHF	Annual bonus compensation TCHF	Company's contribution to pension fund	Number of options	Cash value of options TCHF[1]	Total compensation
Felix Bagdasarjanz[2, 3]	133	–	–	1'125	50	183
Friedrich Fahrni[4]	79	–	–	938	42	121
Anton Lauber[5]	73	–	–	938	42	115
Peter Rutishauser[6]	82	–	–	938	42	124
Ueli Wampfler[3]	60	–	–	–	–	60
Total	**427**	**–**	**–**	**3'939**	**176**	**603**

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

2008/09	Annual salary compensation TCHF	Annual bonus compensation TCHF	Company's contribution to pension fund TCHF	Number of shares granted (m=1)	Cash value of shares TCHF (m=1)[7]	Total compensation
Total compensation to Senior Management	1'330	103	155	3'400	1'032	2'620

2007/08	Annual salary compensation TCHF	Annual bonus compensation TCHF	Company's contribution to pension fund TCHF	Number of options	Cash value of options TCHF[1]	Total compensation
Total compensation to Senior Management	1'305	455	152	10'500	469	2'381

Compensation package for highest-paid member of the Senior Management:

2008/09	Annual salary compensation TCHF	Annual bonus compensation TCHF	Company's contribution to pension fund TCHF	Number of shares granted (m=1)	Cash value of shares TCHF (m=1)[7]	Total compensation
Paul Van Iseghem CEO	406	26	81	1'200	364	877

2007/08	Annual salary compensation TCHF	Annual bonus compensation TCHF	Company's contribution to pension fund TCHF	Number of options	Cash value of options TCHF[1]	Total compensation
Paul Van Iseghem CEO	414	191	80	3'750	167	852

[1] The cash value of the options has been calculated using the fiscal value of the options at grant. For more information on performance share plan and stock option plans, see note 18. Stock option plans and performance share plan.
[2] Chairman of the Board
[3] Member of the Nomination & Compensation committee
[4] Chairman of the Nomination & Compensation committee
[5] Member of the Audit committee
[6] Chairman of the Audit Committee
[7] The cash value of the shares has been calculated taking the share price at grant (CHF 303.5) and a multiple m=1. See also note 18 Stock option plans, performance share plan.

10.3 Shareholdings	31.03.2009			31.03.2008	
	Number of shares	Number of options	Number of PSP granted	Number of shares	Number of options
Board of Directors					
Felix Bagdasarjanz [1, 2]	1'400	2'375	0	1'400	2'375
Anton Lauber [3]	500	1'938	0	300	1'938
Peter Rutishauser [4]	2'300	1'938	0	2'000	1'938
Ueli Wampfler [5]	11'225	0	0	3'000	0
Friedrich Fahrni	n.a.	0	0	7'300	1'938
Total	**15'425**	**6'251**	**0**	**14'000**	**8'189**

	31.03.2009			31.03.2008	
	Number of shares	Number of options	Number of PSP granted	Number of shares	Number of options
Senior Management					
Paul Van Iseghem [6]	1'638	14'525	1'200	1'164	14'525
Ageeth Walti [7]	65	0	0	65	1'500
Hans-Dieter Huber [8]	160	5'128	600	160	5'128
Luc Colombel [9]	0	4'700	600	0	4'700
Simon Siggen [10]	850	2'625	500	450	2'625
Eric Favre [11]	0	2'625	500	0	2'625
Total	**2'713**	**29'603**	**3'400**	**1'839**	**31'103**

[1] Chairman of the Board
[2] Member of the Nomination & Compensation committee
[3] Chairman of the Nomination and compensation committee
[4] Chairman of the Audit Committee
[5] Member of the Audit committee
[6] President & CEO LEM Group
[7] CFO
[8] Vice-President Industry
[9] Vice-President Automotive & Traction
[10] Vice-President Operations
[11] Vice-President Technology

11. Risk management

In accordance with Article 663b of the Swiss Code of obligations, a risk management report was prepared for the financial year 2008/09. 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.

Report of the statutory auditor on the financial statements

As statutory auditors, we have audited the financial statements (balance sheet, statement of income, and notes on pages 53–57) of LEM Holding SA for the year ended 31 March 2009.

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 which ended 31 March 2009, 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 (Art. 728 Code of Obligations (CO) and Art. 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

Geneva, 15 May 2009

Ernst & Young Ltd

Hans Isler
(in charge of the audit)

Fredi Widmann

INFORMATION FOR INVESTORS

Number of registered shareholders	31.03.2009	31.03.2008
0–499	326	348
500–4'999	63	55
5'000–49'999	14	13
50'000 and more	5	3
Total	408	419

Shareholders by category

in%	31.03.2009	31.03.2008
Institutional Shareholders	47.3	38.6
Private Individuals	32.9	31.5
LEM employees, managers and board	1.7	1.5
Treasury shares	1.3	0.0
Non-registered shares	16.8	28.4
Total	100.0	100.0

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

In CHF	FY 2008/09	FY 2007/08
Number of shares	1'150'000	1'150'000
Year high[1]	341	368
Year low[1]	120	225
Year end[1]	150	270
Average daily trading volume (shares)[1]	913	1316
Earnings per share	20.90	18.60
Ordinary dividend per share[2]	10.00	7.00
Extraordinary dividend per share[2]	0.00	4.00
Market capitalization as per 31 March (in CHF Millions)	172	311

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

26 June 2009	Ordinary Shareholders' Meeting Geneva Business Center, Petit Lancy
6 August 2009	First quarter results 2009/10
5 November 2009	Half-year results 2009/10
9 February 2010	Nine months results 2009/10
3 June 2010	Year-end results 2009/10
25 June 2010	Ordinary Shareholders' Meeting

Contact:
Heinz Stübi (Interim CFO)
Tel: +41 22 706 1230
e-mail: hst@lem.com

[1] Source Bloomberg
[2] Proposal of the BoD to the Shareholders' Meeting

GROUP SUBSIDIARIES

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

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

Beijing LEM Electronics. Co. Ltd
No. 1, Standard Factory Buildings
Sector B, Airport Industrial Area
CN-101300 Beijing
> Jean Hinden

LEM Belgium sprl-bvba
Route de Petit-Roeulx 95
B-7090 Braine-le-Comte
> Paul Leens

LEM Deutschland GmbH
Frankfurter Strasse 74
D-64521 Gross-Gerau
> Martin Hoffmann

LEM France Sàrl
15, avenue Galois
F-92340 Bourg-la-Reine
> Paul Leens

LEM Holding SA
Chemin des Aulx 8
CH-1228 Plan-les-Ouates/Genève
> Paul Van Iseghem

LEM International SA
Chemin des Aulx 8
CH-1228 Plan-les-Ouates/Genève
> Paul Van Iseghem

LEM Italia Srl
Via V. Bellini 7
I-35030 Selvazzano Dentro, PD
> Paul Leens

LEM Management Services Sàrl
Chemin des Aulx 8
CH-1228 Plan-les-Ouates/Genève
> Paul Van Iseghem

LEM India
(branch of LEM Management
Services Sarl)
Level 4, Dynasty Business Park
"A" Wing, Andheri-Kurla Road
Andheri (East)
IN-400059 Mumbai
> Martin Hoffmann

LEM SA
Chemin des Aulx 8
CH-1228 Plan-les-Ouates/Genève
> Jean Hinden

LEM UK Ltd
West Lancs Investment Centre
Maple View
White Moss Business Park
UK-Skelmersdale WN8 9TG,
Lancashire
> Paul Leens

LEM Holding USA Inc.
11665 W. Bradley Road
USA – Milwaukee - Wisconsin 53224
> Paul Van Iseghem

LEM USA Inc.
11665 W. Bradley Road
USA – Milwaukee - Wisconsin 53224
> Kimbel A. Nap

LEM Japan K.K.
2-1-2 Nakamachi, Machida
JP-194-0021 Tokyo
> Hiroaki Mizoguchi

TVELEM
P.O. Box 18
Marshal Budionny St. 11
RU-170023 Tver
> Alexander Semenov

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LEM Holding SA, Geneva
Phone +41 22 706 11 11
Fax +41 22 794 94 78

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LEM
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Frank Mentha
Geneva

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Lyss

LEM

Postal address
LEM Holding SA
P.O. BOX 785
CH – 1212 Grand-Lancy 1

Visitors' address
LEM Holding SA
8, chemin des Aulx
CH – 1228 Plan-les-Ouates
Phone +41 22 706 11 11
Fax +41 22 794 94 78
www.lem.com