LEM

Life Energy Motion

Annual Report

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LEM at a glance

LEM – Life Energy Motion

A leading company in electrical measurement, LEM engineers the best solutions for energy and mobility, ensuring that our customers' systems are optimized, reliable and safe. Our 1,800 people in 17 countries transform technology potential into powerful solutions. We develop and recruit the best global talent, working at the forefront of megatrends such as renewable energy, mobility, automation and digitization. Listed on the SIX Swiss Exchange since 1986, the company's ticker symbol is LEHN. ➔ **lem.com**

LEM purpose

At LEM, we are proudly united behind one clear purpose: We help our customers and society accelerate the transition to a sustainable future. This purpose is not new to us, nor a nebulous dream; it is our company's raison d'être and is central to our strategy and future growth plan. LEM's current sensors play a key role in the energy and mobility transition underway, and, with the megatrends of decarbonization and electrification accelerating, we are in a unique position to capture further growth. More information about LEM's sustainability ambitions and strategy to ensure that our own operations and value chain, processes and targets support our purpose can be found in the Sustainability Report.

Download our Sustainability Report 2023/24

Highlights in 2023/24

- Achieved sales growth of 7.2% at constant exchange rates despite a challenging environment.
- Maintained a high R&D ratio of 8.3% of sales to further expand technology leadership and launched 11 new products.
- Collaboration signed with TDK Corporation for next-generation chips for LEM's integrated current sensors, whose performance parameters will benefit automotive and industrial customers.
- R&D capacities further strengthened with two new R&D centers in Munich, Germany, and Sofia, Bulgaria, and expansion of R&D site in Shanghai, China.
- Expanded LEM's global production network with a new facility in Penang, Malaysia, to supply the Asian markets as well as the US and Europe from Asia.
- Advanced the sustainability strategy by setting ambitious targets and KPIs such as reducing Scope 1 and Scope 2 emissions by 90% by 2025.

Key figures

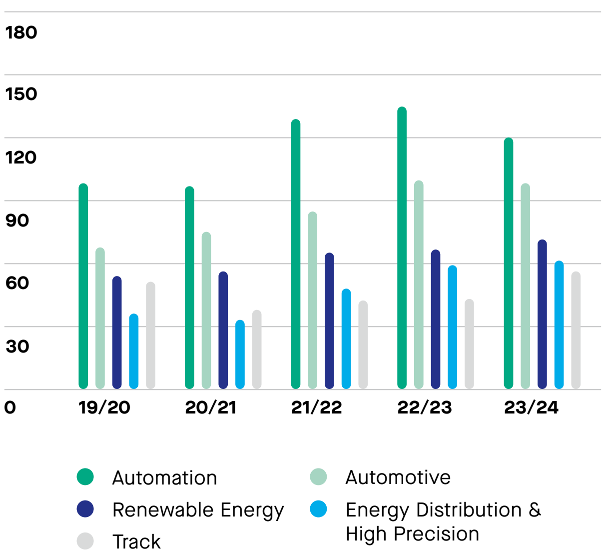
in CHF millions

	2019/20	2020/21	2021/22	2022/23	2023/24
Orders received	322.4	362.0	576.4	465.2	243.3
Book-to-bill ratio	1.05	1.20	1.54	1.14	0.60
Sales	307.9	301.0	373.4	406.4	405.8
Gross margin	142.7	140.6	177.3	192.2	189.2
in % of sales	46.4%	46.7%	47.5%	47.3%	46.6%
EBIT	58.3	60.9	88.4	92.2	81.1
in % of sales	18.9%	20.2%	23.7%	22.7%	20.0%
Net profit for the year	60.7	55.6	72.4	75.3	65.3
EPS basic (CHF)	53.27	48.79	63.48	66.12	57.35
Dividend per share (CHF)	40.00	42.00	50.00	52.00	50.00[1]
Operating cash flow	73.6	50.9	50.4	87.0	74.4
Investing cash flow	(14.7)	(13.5)	(21.0)	(26.5)	(31.6)
	31.3.2020	**31.3.2021**	**31.3.2022**	**31.3.2023**	**31.3.2024**
Net financial cash/(debt)	10.2	(1.6)	(23.5)	(21.8)	(43.1)
Shareholders' equity	117.4	131.9	161.2	173.6	176.7
Equity ratio (in % of assets)	51.0%	49.9%	53.5%	53.0%	51.3%
Market capitalization	1,210.7	2,082	2,554	2,241	1,945
Employees (in FTEs)	1,497	1,448	1,575	1,716	1,808

[1] Proposal of the Board of Directors to the Annual General Meeting of Shareholders on 27 June, 2024.

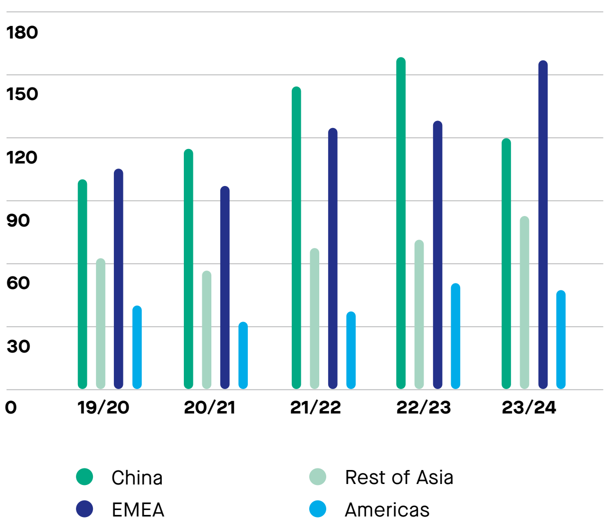
Sales per business

in CHF millions



Regional sales breakdown

in CHF millions



Letter to shareholders

Dear Shareholder,

The challenge of the 2023/24 financial year was to respond to the increasing complexity of the political and economic situation in the world. Looking back, we see two different trends in the two half-year periods. The financial year got off to a good start, and LEM was able to build on the excellent performance of the previous year. Improved supply chains enabled the delivery of the accumulated order backlog and thus strong sales growth. The lower order intake compared to the previous year was to be expected due to the normalization of order patterns to pre-pandemic levels and customers' continued high inventory levels.

From the third quarter of the reporting year, there was a significant economic slowdown in some key markets. China in particular, which had already had a subdued start, developed into a more difficult market with a significant decline in sales. Competition in the field of e-mobility intensified and stocks of components for solar energy were still high.

Supported by its robust business model, which is founded on global megatrends, LEM performed reasonably well in this challenging environment. Overall, we continued to develop our markets, to drive forward our innovation projects and to further optimize our operational infrastructure.

Sales level maintained despite strong negative currency effect

At CHF 405.8 million, we were able to maintain sales at the previous year's level, even though the currency effect had a strongly negative impact. At constant exchange rates, LEM achieved sales growth of 7.2%. The normalization of customer order patterns is reflected in incoming orders of CHF 243.3 million. At CHF 81.1 million, EBIT was 12.1% lower than in the previous year, primarily as a result of higher product costs and increased R&D and administration expenses. The EBIT margin reached 20.0%, compared to 22.7% in the previous year. Net profit amounted to CHF 65.3 million, after CHF 75.3 million in the previous financial year. The Board of Directors will propose to the Annual General Meeting on June 27, 2024, that a dividend of CHF 50 per share be distributed for the 2023/24 financial year.

Heterogeneous development in the businesses

The slowdown in the economic environment as well as customers' continued destocking and reduced willingness to invest were particularly noticeable in the Automation business, which traditionally develops in line with the global economy.

Automotive achieved weak growth, with developments varying greatly from region to region. Growth was driven by good sales in EMEA and South Korea. In contrast, sales in China, the single most important market, declined against the backdrop of an increasingly competitive environment.

Renewable Energy recorded a good overall business performance, albeit with regional variations. The majority of customers are located in China but export a large proportion of their products, which means that the business also benefits from the good momentum in the USA, for example. The fact that manufacturers of solar inverters and distributors continued to have full stocks had a negative impact.

Energy Distribution & High Precision achieved modest growth in an increasingly competitive environment that also affected OEMs. The DC meter for charging stations continued to sell very well, although growth slowed significantly in the second half of the year.

Track developed strongly in the reporting year, supported by the periodic retrofit business and the positive market environment. The business is subject to very long cycles and benefited from a high order backlog.

Challenges in China balanced out by other regions

In the Chinese market, LEM was confronted with a difficult environment. This was due to slow economic growth, declining exports of solar inverters, lower sales of products for e-mobility and significantly negative currency effects. LEM also saw some market share loss in the highly competitive e-mobility and renewable energy sectors. Increased speed and competitive pressure are the biggest challenges in China. In this environment, we implemented measures to become faster and more agile, focusing on greater customer proximity, increased local R&D and strengthened regional decision-making.

The other Asian markets, particularly Korea and Japan, recorded a broad-based upturn and solid business, partially offsetting the decline in China.

The EMEA region performed well initially, but experienced a significant economic slowdown over the course of the year. LEM was able to reduce order backlogs in the first half of the year, after which the market weakened noticeably.

The performance of the Americas region was mixed. This is due to the partial slowdown from the second quarter onwards, which occurred in the Automation segment due to an overall subdued investment activity, and in the Renewable Energies segment as a consequence of political uncertainties.

Megatrends will continue to give tailwind

LEM is benefiting from fundamental, environmentally-friendly developments in the areas of electrification, renewable energies and e-mobility. These megatrends will continue to dominate in the future. LEM consistently exploits the potential of these megatrends. For example, products for EV and hybrid vehicles already account for over 90% of sales in the Automotive business.

In a period characterized by economic uncertainty, the importance of LEM's technology platform, broad range of applications and comprehensive product portfolio, combined with its global presence in research and development, production and sales, has once again been confirmed.

Further milestones in innovation

LEM continued to drive innovation in the 2023/24 financial year in order to consolidate and further expand its technological leadership. The R&D ratio remains high at 8.3% of sales, and LEM launched 11 new products.

An important milestone in terms of innovation is the partnership with TDK Corporation. TDK will supply next-generation chips for LEM's integrated current sensors, whose outstanding performance parameters will benefit our customers in the automotive and industrial markets. Also worth mentioning are the innovative solutions for battery management in the Automotive business. The components set standards in the cost-effective fulfillment of redundancy requirements, which is extremely important to OEMs. LEM also further expanded its research and development capacities in the reporting year. Two new R&D centers were opened in Munich, Germany and Sofia, Bulgaria, and the site in Shanghai, China, was expanded to also host R&D activities.

Global production network expanded with fifth plant in Penang

LEM's customers today are having increased focus on the resilience of their suppliers and are looking for dual sourcing options. To meet these demands, LEM has expanded its manufacturing capabilities with a new production facility in Penang, Malaysia. The new production site enables LEM to supply the Asian markets as well as the USA and Europe from Asia. The site is also well positioned in proximity to major semiconductor manufacturers.

The new production facility has manufactured its first products and will expand its capacity significantly in the future. The fifth plant complements the global network of existing production facilities in Beijing, Sofia, Geneva, and Tokyo.

Letter to shareholders

Dr. Libo Zhang to be elected as new member of the Board of Directors

The Board of Directors will propose to the Annual General Meeting the election of Dr. Libo Zhang as member of the Board of Directors. Dr. Libo Zhang is an independent Board Professional and Corporate Finance Advisor. Among other mandates, she is a member of the Board of Directors of the Swiss technology group VAT. Previously, Ms. Zhang was CFO of the automotive manufacturer Borgward Group AG in Germany and of FFG Europe & Americas, a worldwide specialist in the tooling machine industry. She has many years of experience in management positions in the areas of finance, controlling and commercial processes in international industrial companies. Ms. Zhang is a German citizen and holds a PhD in Economics and an MBA from Georg-August University in Göttingen, Germany. The Board of Directors is convinced that with her background, know-how and experience, Ms. Zhang will be a very valuable contributor to the future of LEM.

Sustainability strategy driven forward

Over the financial year 2023/24, LEM is proud to report a strong improvement on sustainability to continue helping its customers and society accelerate the transition to a sustainable future. Solid foundations have been grounded to build up the LEM sustainability strategy.

On the governance side, a dedicated team has been created with clear roles, responsibilities, and accountabilities throughout the organization from the Strategy Committee to local Green Committees. A Double Materiality Assessment has been conducted highlighting the eight ESG material topics LEM will focus on in the next few years. KPIs for measuring target achievement were defined for those priority areas to comply with the indirect counterproposal to the Responsible Business Initiative in Switzerland, and especially the Due Diligence Transparency Ordinance (regarding Minerals and Metals from Conflict Area and Child Labor), while making progress towards compliance with the EU Corporate Sustainability Reporting Directive. Furthermore, concrete actions were implemented to improve LEM's ESG posture and reduce its carbon footprint such as management remuneration linked to Scope 1 and 2 emissions reduction.

Detailed information on the importance of sustainability for LEM's business strategy and purpose, and on the ESG priorities, can be found in the standalone Sustainability Report published for the first time.

Outlook

LEM expects market development to be moderate in the current financial year. The main reason for some headwind is that it will still take time for customers to reduce their inventories, particularly in the Renewable Energy and Automation markets. Based on forecasts from our customers, we expect the situation to improve during the second half of 2024/25.

In the medium to longer term, however, we remain optimistic: the megatrends that are driving all areas of our business are unbroken. LEM will continue to benefit from this, and we are committed to our R&D roadmap and continue to invest accordingly.

Sincere thanks

After this challenging, intensive and successful year, our thanks go above all to our employees. They put their energy, skills and experience to work for LEM every day. On behalf of the Board of Directors and the Executive Committee, we would like to express our sincere thanks for this. We would also like to thank our customers for their trust and you, our shareholders, for your continued long-term support.

Andreas Hürlimann
Chairman of the Board of Directors

Frank Rehfeld
Chief Executive Officer

Life

LEM is following a clear purpose: To help our customers and society accelerate the transition to a sustainable future. Competent and determined employees work tirelessly to fulfill this purpose and develop innovations together with customers and suppliers. We work at the forefront of megatrends such as renewable energy, mobility, automation and digitization. We collaborate with universities to attract emerging talents who will contribute new ideas to reach our purpose.

Energy

LEM is in a unique position: our business is facilitating the enormous changes needed to make the pursuit of a low-carbon future a reality. A wide range of applications we serve – electric vehicles, charging stations, renewable energy, trains – rely on our innovative components to monitor energy consumption and optimize performance. Our current sensors can be found in low-carbon industries and technologies that are critical to a sustainable future.

Motion

The electronic sensor industry is changing fast, being shaped by continuous technological breakthroughs. The rapid rise in the electrification of the world is driving change faster than ever before. We are focused and moving fast to capture growth opportunities in all of our markets. We are investing heavily in the research and development of new technologies and next-generation applications.

Financial performance

Sales

LEM maintained sales at prior year level with CHF 405.8 million (full year 2022/23: CHF 406.4 million). At constant exchange rates, sales increased by 7.2%. In the EMEA region, there was the strongest growth of 22.6%, while the Rest of Asia saw an increase of 15.9%. Americas decreased 5.0% while China was down 24.2% year-on-year due to the economic slowdown. At constant exchange rates, growth in Rest of Asia was 26.0%, while the decline in China was only 15.3%. Starting from the previous year's peak, bookings further normalized to CHF 243.3 million (CHF 465.2 million); the book-to-bill ratio was 0.60.

Profitability

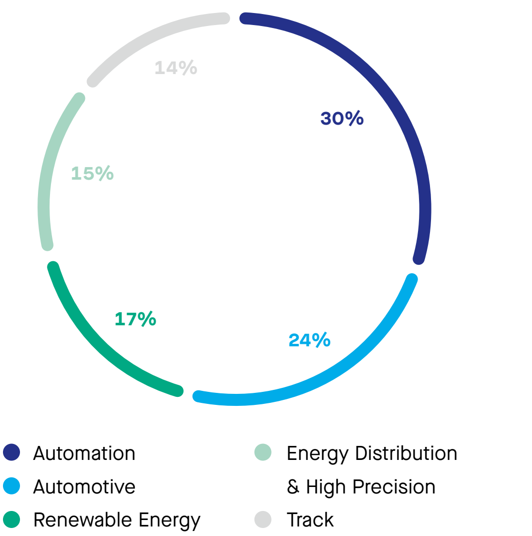
Gross profit for the financial year 2023/24 decreased by 1.6% to CHF 189.2 million (CHF 192.2 million). The gross profit margin decreased slightly from 47.3% to 46.6% and was in line with the long-term average. The gross margin was impacted by higher costs for electronic components, provisions for slow moving stocks and positively influenced by the improved business mix. SG&A costs were 9.3% higher at CHF 74.4 million (CHF 68.1 million) due to LEM's investments in digitalization projects, such as the first successful launches of the new ERP system, and build-up costs for the new production facility in Malaysia. In addition, severance costs resulted from the layoff of 40 employees. Overall, SG&A costs as a percentage of sales increased to 18.3% (16.8%). LEM continued its investments in future applications and opened two new R&D centers in Germany and Bulgaria, expanded the R&D site in China and increased the headcount overall by 30 engineers. This build-up is reflected in the increase in R&D costs by 5.3% to CHF 33.9 million or 8.3% of sales (CHF 32.2 million; 7.9%).

The EBIT declined by 12.1%, from CHF 92.2 million to CHF 81.1 million. The EBIT margin was down from 22.7% to 20.0% due to the increased SG&A and R&D expenses.

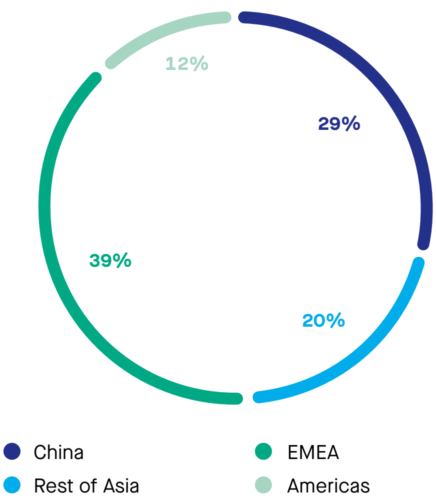
Financial expenses increased from CHF 1.3 million to CHF 2.8 million due to an increase in interest rates and higher average debt. Exchange rate effects due to the Swiss franc appreciation had a negative impact of CHF 3.3 million (CHF 1.9 million).

The effective tax rate was 12.9% due to the increase in deferred tax assets as a result of the increase in the Canton of Geneva tax rate from 1 January 2024 and the sale of an IP to LEM China. Without these one-off effects, the tax rate would have been at 15.5%.

Sales per business



Sales per region



Net profit decreased from CHF 75.3 million to CHF 65.3 million, mainly due to the lower operating result, while lower taxes had a slightly supportive effect. As a result, the net profit margin decreased to 16.1% (18.5%).

Cash flow and balance sheet

Operating cash flow amounted to CHF 74.4 million (CHF 87.0 million), while free cash flow totaled CHF 42.9 million (CHF 60.5 million). The balance sheet remains robust, with net debt limited to CHF 43.1 million. As of March 2024, shareholders' equity reached CHF 176.7 million, resulting in an equity ratio of 51.3% (53.0% as of March 2023).

Outlook

LEM expects market development to be moderate in the current financial year. The main reason for some headwind is that it will still take time for customers to reduce their inventories, particularly in the Renewable Energy and Automation markets. Based on forecasts from customers, LEM expects the situation to improve during the second half of 2024/25.

In the medium to longer term, however, LEM remains optimistic: the megatrends that are driving all areas of the business are unbroken. LEM will continue to benefit from this and is committed to it's R&D roadmap and continue to invest accordingly.

Selected financial figures

in CHF millions

	April to March		
	2023/24	**2022/23**	**Change**
Orders received	243.3	465.2	– 47.7%
Income statement			
Sales	405.8	406.4	– 0.1%
Cost of goods sold	(216.6)	(214.2)	
Gross profit	**189.2**	**192.2**	**– 1.6%**
Gross profit margin (in %)	46.6%	47.3%	
Sales expenses	(29.5)	(29.1)	
Administration expenses	(44.9)	(39.0)	
Research & development expenses	(33.9)	(32.2)	
Other income	0.2	0.2	
Operating profit	**81.1**	**92.2**	**– 12.1%**
Operating profit margin (in %)	20.0%	22.7%	
Financial expenses	(3.2)	(1.7)	
Financial income	0.4	0.4	
Foreign currency exchange effect	(3.3)	(1.9)	
Profit before tax	**75.0**	**88.9**	**– 15.7%**
Income taxes	(9.6)	(13.6)	
Net profit	**65.3**	**75.3**	**– 13.3%**
Net profit margin (in %)	16.1%	18.5%	
Cash flow from operating activities	**74.4**	**87.0**	**– 14.5%**
Free cash flow	42.9	60.5	– 29.2%
	31.3.2024	**31.3.2023**	
Equity	**176.7**	**173.6**	
Equity ratio	51.3%	53.0%	

Our five businesses

Automation

Activity

Automation is one of LEM's traditional businesses. It focuses on current and voltage sensors for electrical motors and drives. LEM sensors secure efficient monitoring, control, regulation, energy saving, fault detection and comfort.

The core business is power drives for industrial manufacturing, robots and production lines. Other applications include large drives for elevators, forklifts, cranes, pumps and steel mills. Sensors for small- and medium-power applications go into tooling machines, heating, ventilation and air-conditioning (HVAC) as well as end-consumer products such as heat pumps.

Market

The market is linked to the investment cycle in industrial manufacturing. Over the cycle, it is developing in parallel with the global economy at an annual growth rate of 3%.

A major market trend is robotization, which will accelerate over the next five to ten years, with AI paving the way for smarter robots. Electrification of heating in residential buildings through heat pumps will boost this application. Energy savings are a major climate-related growth driver.

The market is pushing for smaller power drives and striving for modularity as well as space and cost savings. Accordingly, there is increased competition for small power drives (<100A), while competition for large power drives is less intense. With an estimated market share of around 30%, LEM is the market leader.

2023/24

The automation business reported sales of CHF 120.0 million in the reporting period, compared with CHF 136.3 million of the previous year. Considering the negative exchange rate effects, sales fell by 5.5%.

The business largely developed in line with the global economic trend. The first half of the year was relatively solid. Among other factors, LEM benefited from the trend towards sustainable and customer-oriented solutions in manufacturing, particularly in EMEA. In the second half of the year, the automation business was slowed down by the more difficult economic conditions as well as high inventories. In China, sales weakened slightly due to declining exports. In Europe, LEM has won new projects for ICS (Integrated Current Sensors) products used for drives and heat pumps, which will lead to future sales.

Innovation

The Automation business launched two highly interesting integrated current sensing products, both based on Hall-sensor technology, targeting the robotics and automation markets. As part of the collaboration with TDK Corporation, which was agreed in 2023, LEM is developing best-in-class ICS, based on TDK's next generation TMR (Tunnel Magnetoresistance) technology, which will bring high accuracy and speed in the same device.

Outlook

LEM is confident that the automation business will return to growth in the current financial year. Incoming orders have stabilized for the most part and are already increasing again in some areas. Customers have reduced their inventories. Companies are planning new projects again, particularly for low-power, low-voltage drives, which are used in industrial equipment, but also in consumer-related products such as heat pumps, HVAC and fans, and for which LEM's ICS products are used.

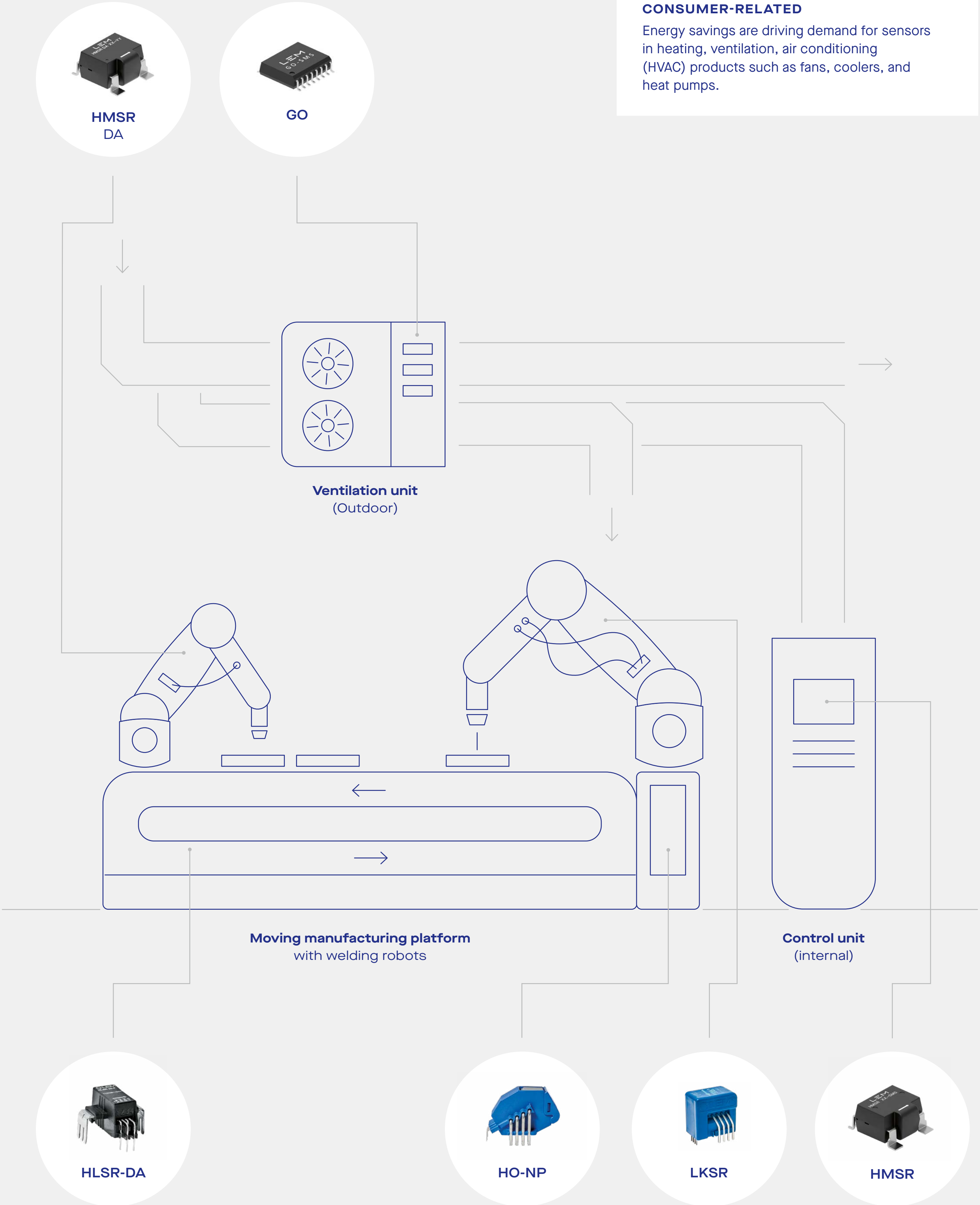
In Japan, the semiconductor industry is expected to grow, and suppliers are already ordering components to be prepared for the expected upturn.

INDUSTRIAL PRODUCTION

Automation sensors are used in industrial manufacturing equipment such as tooling machines, robotics, and conveyor belts for production lines.

CONSUMER-RELATED

Energy savings are driving demand for sensors in heating, ventilation, air conditioning (HVAC) products such as fans, coolers, and heat pumps.



Activity

Automotive is specialized in developing and manufacturing current sensors that measure electrical parameters in battery management, power inverters and on-board chargers. For battery management, LEM offers intelligent sensors for start/stop architectures combining a unique know-how in current sensing technologies together with expertise in battery technologies. Sensors for motor control are integrated in the inverter module to measure current signals at very high speeds. The charging system product range offers dedicated technologies to support transfer energy subsystems from AC to DC and DC to DC with high- and low-voltage applications, and also to measure and protect against leakage current.

LEM works with the world's major car, bus and truck manufacturers (OEMs) and tier-1 suppliers. The green car sector represents more than 90% of the Automotive revenues, reflecting LEM's strategic focus on battery electric (EVs) and plug-in hybrid vehicles.

Market

The e-mobility revolution is creating substantial demand for current sensors. Battery systems are rapidly evolving as integrated circuits combine multiple functions together with the current measurement and activation shunts. Motor control is shifting from standalone current sensors to integrated field sensors, and V2X (Vehicle-to-everything, a vehicular communication system) is becoming the norm for on-board charging, requiring leakage sensors to monitor the integrity of the electrical system.

LEM estimates its own share in the market for current sensors for e-mobility applications at 16%. Competition is intensifying for OEMs, tier-1 suppliers and consequently also for tier-2 suppliers such as LEM. However, there will be short- and long-term growth opportunities, as LEM offers unparalleled experience in automotive current sensing, with the largest portfolio in the industry.

2023/24

Sales remained almost stable year-on-year at CHF 98.6 million, which is the result of the negative currency effect. At constant exchange rates, sales were up by 6.8%. The growth was driven by strong sales in EMEA and South Korea. In both regions, LEM saw strong demand for products for battery management systems, engine control and onboard chargers. LEM has won three important development contracts for battery management from two of the largest European OEMs. These orders will lead to strong sales in Europe and America in the current year and beyond. LEM is working on further projects for on-board chargers and battery management with OEMs in Europe and America. In China, the most important market, sales were below the previous-year period. However, the cost initiatives introduced, and the enhanced customer focus began to show the desired improvements.

Innovation

LEM continued to drive forward product innovation at a high rate in 2023/24. Examples include LEM's famous HAH3 product family, suitable for high-power motor control and inverter applications, as well as the HC5FW automotive current sensors which have been further optimized. LEM is also developing novel battery current sensors that meet the highest ASIL (Automotive Safety Integrity Level) requirements with minimal size and bi-directional on-board chargers with dedicated residual current sensing solutions. The new LEM smart shunt solution for battery management in EV- and hybrid vehicles has been introduced with two truck OEMs in Europe and the Americas. To intensify and accelerate product innovation in Asia, LEM is building up R&D activities in Shanghai as an extension to the locations in Beijing and Tokyo, which is planned to open in June. The focus will be on product development and customer-specific applications in battery management.

Outlook

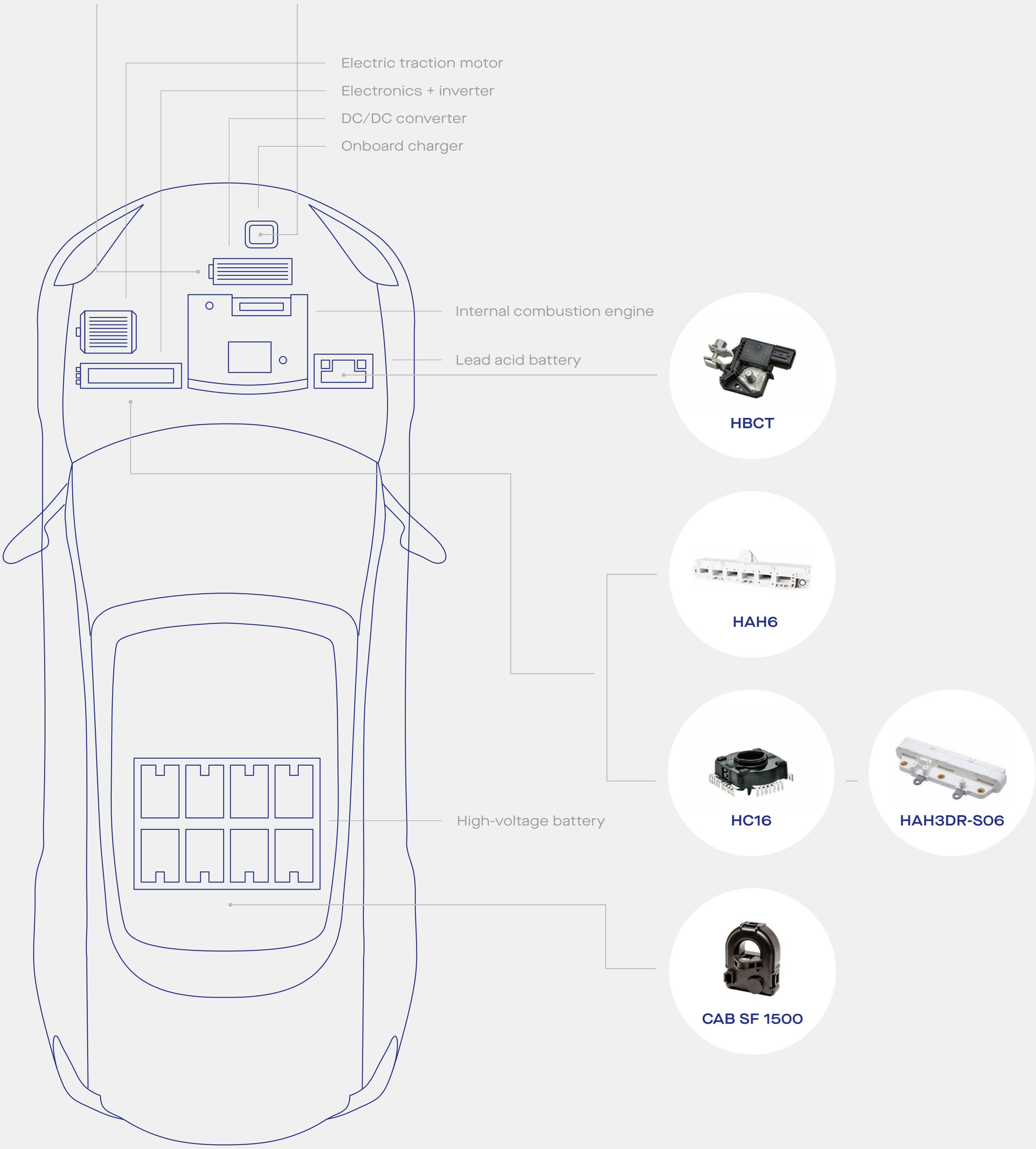
China, the largest market for e-mobility, will continue to grow in the current financial year, and LEM expects considerable growth rates. Overall growth is also expected for Japan in 2024/25. By contrast, growth in Korea is likely to be weaker, as its exports are mainly destined for Europe and the USA, where volumes are expected to remain stable or potentially weaker. Chinese car manufacturers are expected to gain market share by penetrating the European markets. LEM strives to consolidate and expand its market position in China through innovation and cost-down initiatives.

BATTERY MANAGEMENT

Highly accurate and reliable sensors provide all the required information to improve the efficiency and safety of the charging and discharging process of the battery management system.

MOTOR CONTROL

Pressing the accelerator pedal sends a signal to motor control to pull power from the batteries in order to increase torque and speed. Reliable sensors are integrated in the inverter module to measure current signals at very high speeds to assure smooth, jerk-free acceleration.



Activity

In the Renewable Energy business, LEM develops and produces sensors that are specifically designed for renewable power systems to control the flow and waveform of electrical energy sent to the grid from renewable energy systems. They measure the current to help solar power plants, windmills and battery storage to work at their maximum efficiency. LEM customers are manufacturers of inverters (OEMs), whose customers are installers or distributors of solar equipment.

LEM's first sales of sensors for industrial photovoltaics were in 1992. Today there are new opportunities for the sale of current sensors in hybrid solar inverters, to use the power generated for household appliances or to feed it into the grid. Similarly, LEM's first sales of sensors for wind turbines in Germany were in 1990. Today, the company sells products for highly complex wind park projects, often in offshore locations. There is also an increasing demand for commercial energy storage, with very large systems to store energy in battery parks used to provide stability to the grid.

Market

The Renewable Energy market is expected to continue growing in the upcoming years. The market is led by sensors for grid and hybrid solar applications. Solar installations doubled between 2021 and 2023, reaching 400GW. Consolidation has taken place in Europe, and the market has largely moved to Asia, especially China. New opportunities emerge in consumer markets for solar as people install more photovoltaics at home with hybrid solar applications, which allow for temporary power storage in a battery. With the transition to renewable energy generation, there is also an increasing expansion of wind energy, both offshore and onshore, particularly in Europe.
LEM is the leading player in the market with an estimated market share of 40%.

2023/24

The Renewable Energy business increased sales by 5.6% to CHF 70.8 million in the 2023/24 financial year. Exchange rate effects had a strong negative impact. In local currencies, growth amounted to 14.8%.

The business saw strong demand from EMEA, Americas, Japan and India in the first half of the financial year. This compensated for declining business in China, where exports of solar energy generation equipment have slowed down, and destocking was taking place at Chinese manufacturers and their distributors.

Starting from this good level, there was a slowdown from the third quarter onwards. Demand in the area of domestic installations declined seasonally, while customers in Europe also had high stock levels. Price pressure was noticeable in both China and Europe.

Innovation

Innovation milestones in the Renewable Energy business in the 2023/24 financial year included the introduction of a new OLCI (Open Loop Coreless Integral) sensor concept for high-current applications in wind turbines and for hydrogen electrolyzers. In addition, the sensor solutions for the latest generation of 400kW string inverters will be further improved and faster sensors for EV charging modules will be developed.

Outlook

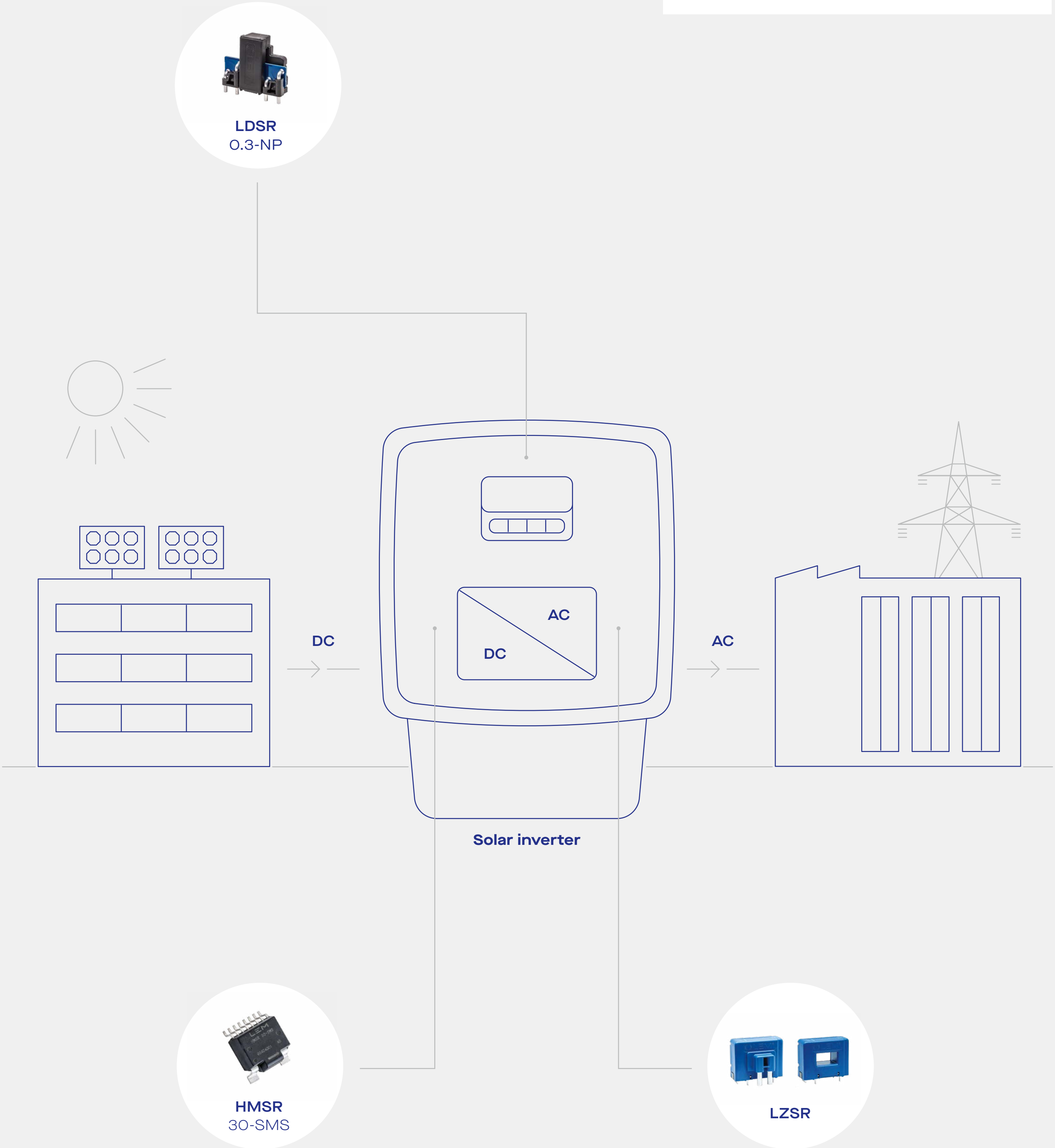
LEM expects growth in China, as inventories have now returned to normal levels. The fundamental growth trend for renewable energies is continuing in the Chinese market. In Europe, it will still take some time to reduce inventories.

With a medium-term view, LEM is working to strengthen its market position through measures such as faster product development, cost-efficient solutions, greater customer proximity and faster time to market.

SOLAR INVERTER

Every house with a photovoltaic system needs an inverter to convert the solar DC electricity into AC electricity.

LDSR measures AC and DC leakage currents in transformerless photovoltaic systems to ensure the safety of people and installations. Primarily used on the DC side of the inverter, HMSR SMS measures AC and DC currents with high accuracy and high immunity to external interference.
On the AC side, newly launched LWSR supports a lower levelized cost of energy (LCOE).



Our five businesses
Energy Distribution and High Precision

Activity
Solutions from LEM's Energy Distribution and High Precision business target power-supply-based applications for the charging and smart grid infrastructure as well as sophisticated high-precision equipment. LEM is supplying sensors and metering solutions to make electric vehicle charging stations more reliable and smarter. The key product is an integrated DC meter for electric vehicle fast charging stations, for which LEM has developed in-house expertise in metrology to comply with European and US regulatory standards.

LEM's smart equipment improves electricity networks by measuring electrical parameters to enable control rooms to automate, monitor remotely and share real-time equipment data. Power-supply-based applications that utilize devices with power electronics (chargers, DC links, batteries, inverters and/or rectifiers) all require efficient power control, monitoring and protection. Furthermore, ultra-precise current sensors are essential for the test and measurement sector, e.g. for testing batteries and EVs, as well as for medical equipment such as MRI scanners, for which LEM products have been the standard for decades.

Market
The largest market segment is sensors for smart grid infrastructure. The main trend is the replacement of traditional current transducers with low power sensors (Rogowskis and LPCTs). This segment is growing at around 9% per year. The fragmentation of the customer base is the biggest obstacle to faster growth.

In the second largest market segment, sensors and metering solutions for charging infrastructure, large customers are increasingly seeking integrated solutions to certify the metering at the charger level. Charging for electric trucks will bring opportunities in mega chargers and overnight chargers. This market segment is growing much faster. The attractiveness of the market is also reflected in the entry of new providers of metering systems and charging infrastructure in Europe. The third segment is sensors for high-precision applications such as testing and measuring equipment and medical devices, which are achieving solid growth. LEM estimates its overall market share at 14%.

2023/24
Sales increased by 2.6% to CHF 60.9 million compared to the previous year. Excluding the negative exchange rate effects, growth totaled 8.2%.

The DC meter for EV charging stations was a strong driver, particularly in the first half of the year. There was a noticeable slowdown in the second half of the year, as some customers in Europe with large inventories postponed their orders. Products for smart grids developed solidly due to the favorable growth rates in these markets, although customers were rather reluctant to invest at the end of the financial year. The testing and measurement business performed well in the first half of the year due to good demand from the e-mobility sector, which invested in the development of batteries. There was a slowdown in the second half of the year, in line with the general slowdown in e-mobility. In medical technology, the first half of the year was also good, followed by a slowdown in the second half of the year.

Innovation
LEM continues to work on the development pipeline of metering solutions. The focus is on cost optimization and system integration for the DC meter. By the end of 2025, a new DC meter will be launched in the market that is cheaper, has more functions and is more compact. A 100A energy meter has been launched for small DC chargers. LEM is also investing in metering solutions for mega chargers for trucks.

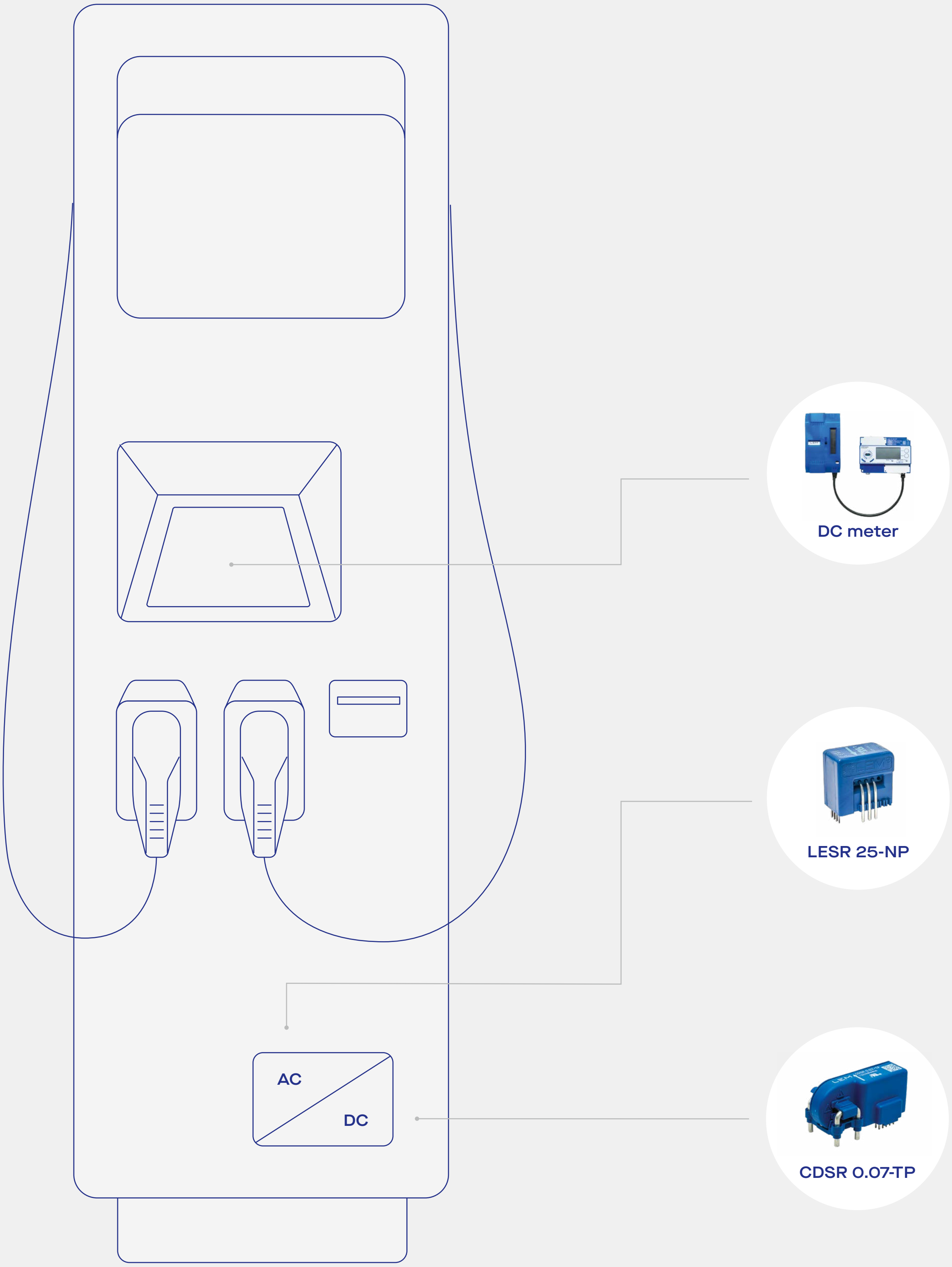
Outlook
For metering solutions for charging infrastructure, LEM is aiming for further growth in the current financial year, primarily in Europe, where e-mobility is most widely accepted. Based on its strong position in EMEA, LEM is also expanding its focus to the emerging American market for EV charging stations. Additional momentum will be provided by the next, more cost-effective product generation, which is currently under development.

For the smart grid, test and measurement as well as medical devices market segments, LEM expects investment by customers to increase again.

DC FAST-CHARGING STATION FOR ELECTRIC VEHICLES

DC fast chargers provide power to the car battery directly and quickly, which is essential for convenient long-distance driving and for fleets.

The AC/DC power module enables the conversion from alternating current to a direct current. Sensors ensure the control loop function, which regulates the stability and power of power modules.



Activity

The first LEM products in the 1970s were sensors in locomotives for trains, trams and metros. Today, the Track business includes on-train sensors that control power converters to regulate the speed and power of locomotives as well as inverters that regulate energy for air-conditioning, heating, lighting or electrical doors. In Europe, where railroads often move across national borders, LEM's specially designed energy metering solutions make sure the electricity use is precisely accounted for.

Trackside sensors are for infrastructure along the rails, such as in substations, crossing gates, track circuits, control and safety systems, and signaling and point machines. These minimize train service interruptions due to equipment breakdown and reduce lifecycle costs.

Market

Although growth is not as fast as that of new application areas, the legacy Track business continues to record solid year-over-year growth of around 3%.

Electric trains will continue to replace diesel trains, and many countries are investing in the electrification of railroads and more public transportation. These are fundamental long-term infrastructure investments by governments and therefore the market is characterized by project-related long investment horizons. LEM is the clear market leader in this business.

2023/24

Starting from a weak previous-year base, the Track business achieved in the financial year 2023/24 a 29.1% jump in sales to CHF 55.5 million. At constant exchange rates, sales increased by as much as 35.4%. Momentum was exceptionally high in the first half of the financial year, settling into solid growth in the second half.

The periodic retrofit business for the renewal of energy meters for locomotives in various EU countries ensured high demand in EMEA. Track also recorded robust growth in China, supported by a positive market environment.

Innovation

Due to the long project-related investment horizons, the product renewable cycles are longer in the Track business than in other areas of the LEM Group. In the reporting period, one focus was on the renewal of the DVM voltage sensor family. The DVM product family comprises a compact range of voltage sensors designed for high and medium voltage measurements, which feature a unique compact design and deliver exceptional overall accuracy.

Outlook

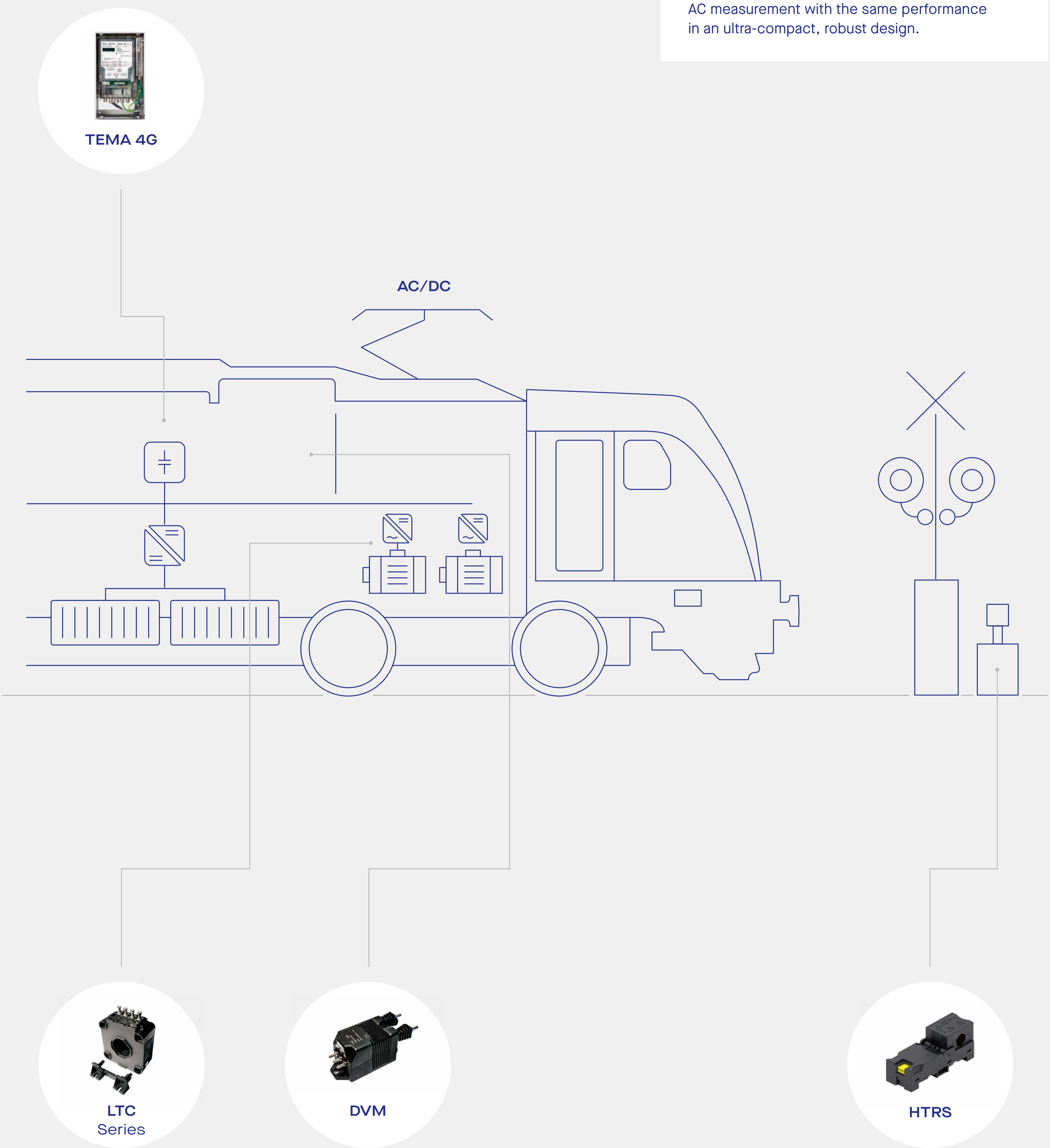
LEM assumes that the Track business, which is characterized by long investment cycles, will remain on its usual growth path in the coming years. The business of retrofitting energy meters for locomotives in the EU will continue to provide stimulus. LEM has received a major new order from a European state railroad, which will run over a period of three years.

TRACTION

LEM Traction sensors are used in converters to regulate speed and power of locomotives as well as in auxiliary systems such as ventilation, lighting, etc. In addition, our products are used for energy metering to make sure the electricity use is precisely accounted for.

TRACKSIDE

Privatization of rail networks means new requirements such as monitoring tracks to minimize service interruptions. Our new HTRS family of sensors features DC and AC measurement with the same performance in an ultra-compact, robust design.



Leading the world in electrical measurement

A leading company in electrical measurement, LEM engineers the best solutions for energy and mobility, ensuring that our customers, systems are optimized, reliable, and safe.

Our 1,808 people in 17 countries transform technology potential into powerful solutions and support our customers on a global scale.

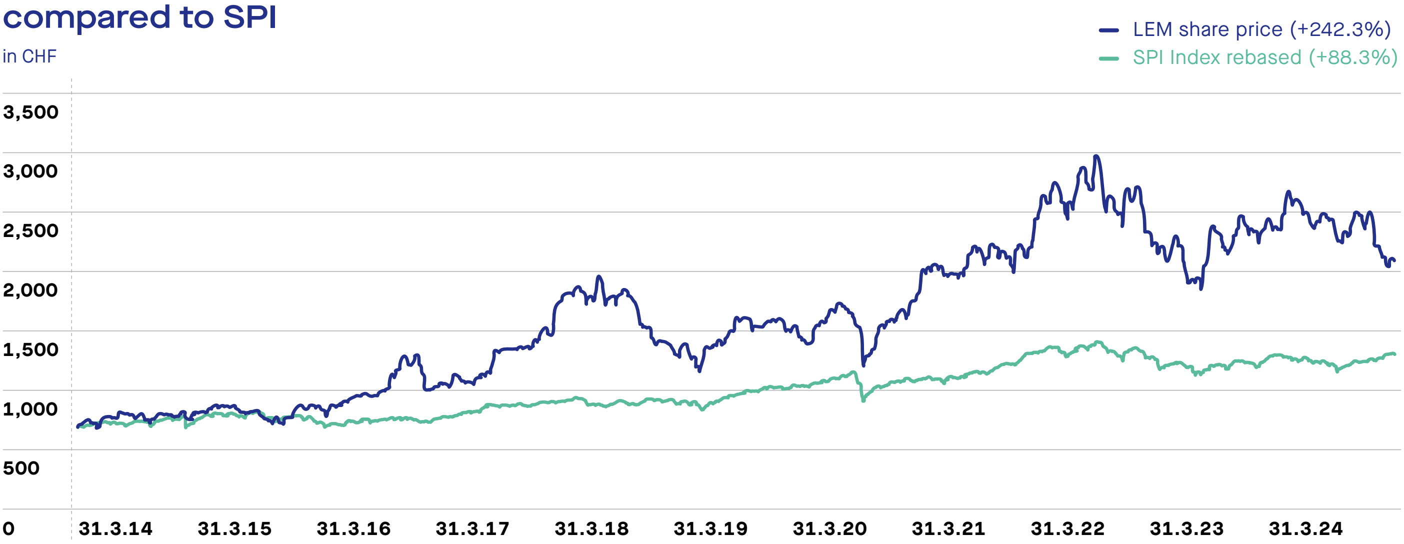
LEM has expanded its production capacities in the financial year 2023/24 with a new production facility in Penang, Malaysia.

The new production facility enables LEM to supply the Asian markets as well as the US and Europe from Asia. The new plant complements the global network of existing production facilities in Geneva, Beijing, Sofia and Tokyo.

Information for investors

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

in CHF



Source: Bloomberg

Share information

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

Key figures for the LEM share

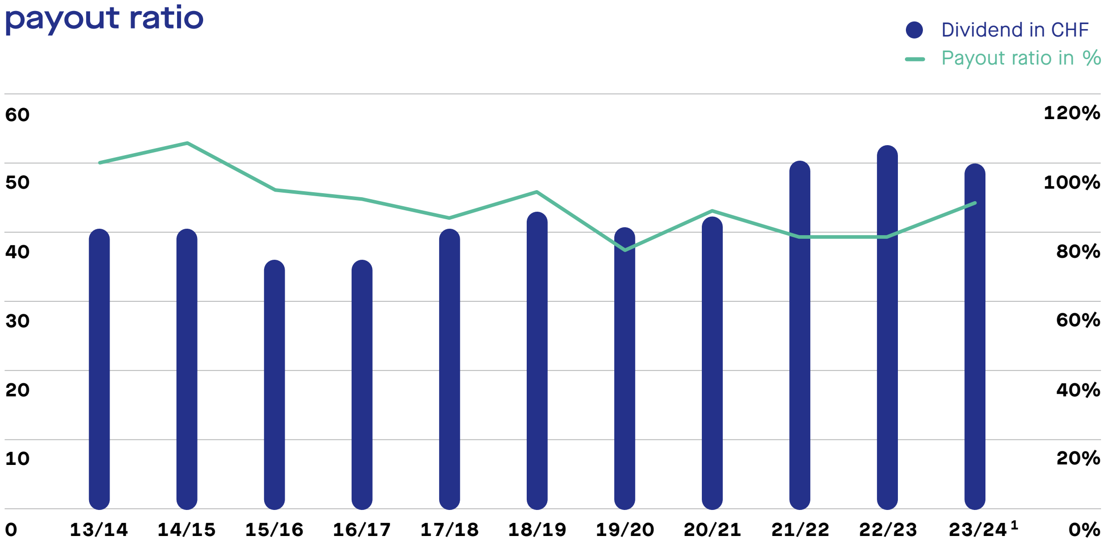
In number of shares, CHF	2023/24	2022/23
Number of shares	1,140,000	1,140,000
Year high[1]	2,350	2,440
Year low[1]	1,568	1,364
Year-end (March 31)[1]	1,706	1,966
Market capitalization as per March 31[1] (in CHF millions)	1,945	2,241
Average daily trading volume (shares)[1]	731	540
Earnings per share	57.35	66.12
Equity per share	154.98	152.31
Ordinary dividend per share	50.00[2]	52.00

1 Source: SIX
2 Proposal of the Board of Directors to the Annual General Meeting of Shareholders 2024

Dividend policy

LEM targets a payout ratio significantly above 50% of the consolidated net profit for the financial year. For the period 2023/24 the Board of Directors proposes to the Annual General Meeting on June 27, 2024, the distribution of a dividend of CHF 50.00 per share which corresponds to a payout ratio of 87.3%.

Dividend and payout ratio



1 Proposal of the Board of Directors to the Annual General Meeting of Shareholders 2024

Investor contact
Andrea Borla,
Chief Finance Officer
Phone: +41 22 706 1250
E-mail: investor@lem.com

Share register contact
areg.ch ag
Phone: +41 62 209 16 60
E-mail: info@areg.ch

Number of registered shareholders

	31.3.2024	31.3.2023
1–499	1,646	1,422
500–4,999	62	63
5,000–49,999	9	8
50,000 and more	3	3
Total	**1,720**	**1,496**

Shareholders by category

in %	31.3.2024	31.3.2023
Institutional shareholders	42.9	45.2
Private individuals	25.8	25.8
LEM employees, managers, and Board	7.0	6.9
Treasury shares	0.1	0.0
Nonregistered shares	24.2	22.1
Total	**100.0**	**100.0**

Financial calendar

2024
June 27, 2024 Annual General Meeting for the financial year 2023/24
July 2, 2024 Dividend ex-date
July 4, 2024 Dividend payment date
July 26, 2024 First quarter results 2024/25
November 11, 2024 Half year results 2024/25

2025
February 7, 2025 9 months results 2024/25
May 27, 2025 Full year results 2024/25
June 26, 2025 Annual General Meeting for the financial year 2024/25
July 1, 2025 Dividend ex-date
July 3, 2025 Dividend payment date

Corporate governance report

The following information complies with the Directive on Information relating to Corporate Governance 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 this Financial Report and our website (www.lem.com). Key elements are contained in the Articles of Incorporation.

1. Group structure and shareholders

Group structure

LEM HOLDING SA is domiciled at Route du Nant-d'Avril 152, CH–1217 Meyrin. LEM's registered shares are listed on the main segment of the SIX Swiss Exchange (LEHN, security no. 2 242 762; ISIN 0022427626). On 31 March 2024, the market capitalization was CHF 1,945 million. LEM Group is structured into Asia and Europe & Americas regions. Appropriate segment reporting pursuant to IFRS is contained in note 3 of the consolidated financial statements. All companies in LEM Group are listed under "Scope of consolidation" in note 26 of the consolidated financial statements, with their respective company names, registered offices, share capital and the relevant percentages of shares held. There are no other listed companies in the scope of consolidation.

Significant shareholders

The following shareholders held 3% or more of the share capital and voting rights:

In number of shares, percent of shareholding	31.3.2024 Shares	31.3.2024 In %	31.3.2023 Shares	31.3.2023 In %
Werner O. Weber and Ueli Wampfler, in Zollikon/ Wollerau, Switzerland, through WEMACO Invest AG and Voltano AG in Cham, Switzerland	599,139	52.6%	592,500	52.0%
Capital Group Companies Ltd., Los Angeles, U.S.A.	n.a.	3% – 5%[1]	n.a.	3% – 5%[1]
J. Safra Sarasin Investmentfonds AG, Basel, Switzerland	34,550	3.0%	n.a.	<3%

[1] Capital Group disclosed a 3.02% stake as of 31 August 2020, but did not report the exact number of LEM shares per 31 March 2023 and 31 March 2024

Shareholdings of non-executive directors

	31.3.2024 Number of shares held	31.3.2023 Number of shares held
Andreas Hürlimann	1,001	1,001
François Gabella	600	600
Ilan Cohen	300	300
Ueli Wampfler	76,650	75,500
Ulrich Jakob Looser	350	350
Werner C. Weber	0	0
Total	**78,901**	**77,751**

Shareholdings of Executive Management

	31.3.2024 Number of shares held	31.3.2023 Number of shares held
Frank Rehfeld, CEO	29	20
Andrea Borla, CFO	0	0
Rodolphe Boschet, CHRO	0	0
Verena Vescoli, CTO	0	0
John McLuskie, SVP Asia	0	0
Bastien Musy, SVP Europe & Americas	0	0
Uwe Gerber, SVP Operations	0	0
Total	**29**	**20**

The notifications which have been sent to the Company and the disclosure office of SIX Swiss Exchange AG during the financial year pursuant to Article 120 et seqq. of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading may be viewed via the search function on https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/.

The trading of LEM shares by both Board of Directors and Executive Management has to respect LEM's disclosure and insider trading policy as well as all applicable rules and legislation.

Cross-shareholdings

LEM has no cross-shareholdings with other joint-stock companies.

2. Capital structure and shares

The nominal value of the share capital of LEM HOLDING SA is CHF 570,000, which is divided into 1,140,000 fully paid-up registered shares with a par value of CHF 0.50 each. No changes in the capital have occurred during the last three financial years. There are no shares with preferred voting rights. All shareholders are entitled to the same dividends. There are no restrictions on the transfer of shares. In order to be registered in the share register, each shareholder shall declare that they hold the shares for their own account.

On 31 March 2024, LEM HOLDING SA held 1,058 treasury shares.

Capital range and conditional capital

There is neither capital range nor conditional capital, nor are there any profit-sharing certificates or participation in certificates or any convertible bonds or options outstanding.

3. The Board of Directors' election, terms of office and cross-involvement

The Board of Directors is composed of at least three members who are individually elected at the Annual General Meeting for a mandate of one year, which is renewable up to an age limit of 70. It is possible to derogate from this rule in justified cases. The Board of Directors constitutes itself, except for the Chairman of the Board of Directors and the members of the Compensation Committee who are elected by the Annual General Meeting of Shareholders.

At the Annual General Meeting on 29 June 2023, Andreas Hürlimann, François Gabella, Ilan Cohen, Ueli Wampfler, Ulrich J. Looser and Werner C. Weber were re-elected as members of the Board of Directors. Andreas Hürlimann was re-elected as Chairman of the Board of Directors. In addition, shareholders elected Andreas Hürlimann, Ulrich J. Looser and Werner C. Weber to the Nomination & Compensation Committee (NCC). Ulrich J. Looser chairs the Committee.

All members of the Board of Directors are non-executive. Only François Gabella had been part of the Executive Management of LEM before his election as member of the Board of Directors. No member of the Board of Directors has any significant business connection with LEM Group.

External mandates

Pursuant to Article 31 of the Articles of Incorporation, members of the Board of Directors may not hold more than ten additional mandates of which no more than four may be in listed companies. The following mandates are not subject to the above limitations: (a) mandates in companies which are controlled by LEM or which control LEM; (b) up to five mandates held at the request of LEM or companies controlled by it; and (c) up to six mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. Mandates shall mean mandates in the supreme governing body of a legal entity, which is required to be registered in the commercial register or a corresponding foreign register. Up to 20 mandates in different legal entities which are under joint control or same beneficial ownership are deemed one mandate.

Internal organizational structure

The Board of Directors meets as often as necessary, but six annual meetings are planned in advance. In the completed financial year, six full-day meetings were held. The meetings usually take place at the Company's registered office in Meyrin. The Chairman, after consulting with the CEO and the Chairmen of the committees, determines the agenda for the Board meetings. The members of the Board of Directors can ask for additional items to be included on the agenda. They receive supporting documents beforehand, allowing for a comprehensive preparation of the meeting. The CEO and CFO attend the meetings of the Board of Directors as non-voting guests. Depending on the topics, other members of Executive Management participate in the meetings in order to respond to specific questions. Decisions can be taken by the Board of Directors if at least half of the Directors are present, and a simple majority of them is sufficient. In the event of tie, the Chairman has the casting vote. Minutes of the meetings including decisions taken are prepared by the CFO and distributed to the members of the Board of Directors, the CEO and the CFO.

The Board of Directors reviews its working procedures, the efficiency and effectiveness of its 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 extent permitted by the Swiss Code of Obligations. The Board of Directors reviews and assesses at least on an annual basis and makes 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;
- appointment/dismissal of the Executive Management;
- monitoring the ethical and legal behavior of LEM;
- review of human resources management, including employee satisfaction and management development and legal, intellectual property, social and environmental aspects.

The Board of Directors was composed of the following members as of 31 March 2024:

Andreas Hürlimann

Nationality Swiss
Born in 1964

Position
Chairman of the Board of Directors, Chairman of the Strategy Committee, Member of the Nomination and Compensation Committee

Entry
2011

Professional background
- Since 2011, Entrepreneur
- 2005 – 2010, Managing Director, Spencer Stuart, Zurich
- 1999 – 2005, Global Director of Industry Practices and Member of the Executive Board, Arthur D. Little Inc., Zurich, Lisbon, London and Paris
- 1990 – 1999, international business development, sales and management roles with Siemens Schweiz AG, ABB Power Generation AG and Oerlikon Aerospace Inc., Zurich, Baden, Montréal

Other notable activities
- HMT Microelectronic AG, Biel/Bienne, Chairman of the Board of Directors
- Condis SA, Rossens, Member of the Board of Directors
- Glatz AG, Frauenfeld, Vice-Chairman of the Board of Directors
- Sustainable Real Estate Investments SICAV, Zurich, Chairman of the Board of Directors
- themissinglink ag, Cham, Member of the Board of Directors

Education
- M. Sc. Electrical Engineering, ETH Zurich, Switzerland
- DAS Finance, University of Zurich, Switzerland

François Gabella

Nationality Swiss
Born in 1958

Position
Member of the Board of Directors, Member of the Strategy Committee

Entry
2018

Professional background
- 2010 – 2018, CEO, LEM Group
- 2006 – 2010, CEO, Tesa SA
- 2002 – 2006, SVP, Areva
- 1996 – 2002, Business Area Manager, ABB Power Transformers

Other notable activities
- Natron Energy, USA, Chairman of the Board
- Sonceboz SA, Sonceboz, Member of the Board of Directors
- Sensirion AG, Stäfa, Member of the Board of Directors
- ALPIQ Holding AG, Olten, Member of the Board of Directors
- Swissmem, Zurich, Vice President
- Switzerland Global Enterprise, Zurich, Vice President of the Advisory Board
- Economiesuisse, Zurich, Member of the Board
- City Counsel of Buchillon, Switzerland, Member
- Fondation des Maladies Hépatiques, Lausanne, Member

Education
- M. Sc. Microtechnics EPFL, Lausanne, Switzerland
- MBA IMD, Lausanne, Switzerland

Ilan Cohen

Nationality Israeli
Born in 1956

Position
Member of the Board of Directors

Entry
2010

Professional background
- Since 2019, Chairman and CEO of Caja Robotics
- 2009 – 2019, President, Servotronix Motion System Ltd.
- 2008 – 2009, General Manager, Kollmorgen Industrial & Commercial Engineered Solutions Ltd. (Danaher Group)
- 1997 – 2008, President and CEO, Kollmorgen Servotronix Ltd.
- 1987, Founder, Servotronix Ltd.
- 1983 – 1990, Associate Professor, University of Tel Aviv, Israel

Other notable activities
- Caja Robotics, Israel, Chairman of the Board of Directors
- MOTX LTD, Israel, Member of the Board of Directors
- New Era Partner Capital, Israel and USA, Member of the Advisory Board
- Negba Houses for Children at Risk in Israel, Honorary President

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

Ulrich J. Looser

Nationality Swiss
Born in 1957

Position
Member of the Board of Directors,
Chairman of the Nomination and Compensation Committee,
Member of the Audit and Risk Committee

Entry
2015

Professional background
- Since 2009, Berg Looser Rauber & Partner (BLR&Partners)
- 2001 – 2009, Accenture, various positions including Managing Director Austria/Switzerland/Germany Management Consulting and Chairman Accenture AG (Switzerland)
- 1987 – 2001, McKinsey & Company, industry, energy, pharma and public sector practices, partner election 1993

Other notable activities
- u-blox AG, Member of the Board of Directors
- Bachofen Holding AG, Chairman of the Board of Directors
- Fostag AG, Member of the Board of Directors
- Geistlich Holding AG, Member of the Board of Directors
- Fachhochschule Kanton Zurich, Member of the Fachhochschul Council
- Economiesuisse, Member of the Board
- University Hospital Balgrist, Member of the Board of Directors
- Swiss-American Chamber of Commerce

Education
- M.Sc. Physics, ETH Zürich, Switzerland
- M.A. HSG, University of St. Gallen, Switzerland

Ueli Wampfler

Nationality Swiss
Born in 1950

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

Entry
2007

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

Other notable activities
- Jereca Holding AG (Traco Power Group), Baar, Member of the Board of Directors
- Rebew AG, Zurich, Member of the Board of Directors
- Voltano AG, Baar, Owner and Chairman of the Board of Directors
- Swisa Holding AG, Baar, Owner and Delegate of the Board of Directors

Education
- Lic. oec., University of Zurich, Switzerland
- Certified auditor

Werner C. Weber

Nationality Swiss
Born in 1960

Position
Member of the Board of Directors, Member of the Strategy Committee,

Member of the Nomination and Compensation Committee

Entry
2017

Professional background
- Since 1998, weber schaub & partner ag, Partner
- Prior thereto in particular Freddy Burger Management Group in Zurich as Legal Counsel and General Secretary, and PricewaterhouseCoopers AG in Zurich as Legal and Tax Counsel

Other notable activities
- WEMACO Invest AG, Zug, Member of the Board of Directors
- Arosa Bergbahnen AG, Arosa, Member of the Board of Directors
- Schilthornbahn AG, Lauterbrunnen, Member of the Board of Directors
- City Parkhaus Aktiengesellschaft, Zurich, Member of the Board of Directors
- MedioSearch AG, Bern / SkySmile AG, Zurich, Member of the Board of Directors

Education
- Dr. iur. University of Zurich, Switzerland
- Admitted as an attorney-at-law in Zurich, Switzerland
- Mediator SBA, Zurich, Switzerland

Information and control systems of the Board of Directors vis-à-vis Executive Management

The Board of Directors ensures that it receives sufficient information from the management to perform its supervisory duty and to make the necessary decisions.
The Board of Directors obtains the information required to perform its duties through several means:
- the Board of Directors receives monthly and quarterly reports on the current development of the business;
- informal meetings and teleconferences are held as required between the Chairman and the CEO as well as between the Chairman and individual members of the Board of Directors;
- the Committees meet at regular intervals and exchange detailed information with the Executive Management;
- the Board of Directors receives detailed information to each agenda item one week before the Board meeting;
- each Executive Manager joins at least one but usually multiple Board sessions in any given year.

Business risk management

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

The Executive 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 consolidated list with 5 to 10 main hazards is set up. In a second step, each hazard is assessed by a product of probability and quantified impact. Step two results in a risk map, which visualizes LEM's potential risk environment. In step three, an action plan is put in place to mitigate the risks. The hazards thereafter are revalued a second time, taking into consideration the mitigation measures. In step four, the action plan is validated and thereafter monitored on a bi-annual basis (step five).

Internal control system

In compliance with Swiss law, LEM has put in place an internal control system.

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

Committees

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

Corporate governance report

- The primary objective of the Audit & Risk Committee (ARC) 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 in the meeting. The ARC prepares proposals to be decided by the Board of Directors. In the completed financial year, three half-day meetings were held.

- The Nomination & Compensation Committee (NCC) deals with succession, recruitment and compensation of the members of the Board of Directors and the Executive Management. It ensures and monitors the personnel development plan and adequate succession planning for middle and top management. It supports the Board of Directors in establishing and reviewing the compensation strategy and guidelines and the performance objectives as well as in preparing the proposals to be submitted to the General Meeting regarding the compensation of the Board of Directors and of the Executive Management. It reviews and updates the compensation policy for the members of the Board of Directors and the Executive Management and the performance-based compensation system for the Executive Management. The NCC prepares proposals to be decided by the Board of Directors. In the completed financial year, four half-day meetings were held.

- The primary objective of the Strategy Committee (SC) is to assist the Board of Directors in fulfilling its duties with respect to determining the Company's strategy and the appropriate means to pursue it, including LEM's organizational setup. As strategic work and its successful implementation is based upon coordinated and interlocking activities between Executive Management and the Board of Directors, the SC ensures close collaboration with the CEO and the Executive Management. The SC prepares proposals to be decided by the Board of Directors. The Board of Directors may also decide to delegate members of the SC to assist in steering longer-term strategic initiatives by joining the project steering committee. In the completed financial year, seven video/phone conferences were held.

4. Executive Management

The Executive Management was composed of the following members as of 31 March 2024:

Frank Rehfeld **Nationality** German **Born in** 1968 **Function** CEO **With LEM since** 2016	**Previous companies and positions** 2016 – 2018, SVP Industry, LEM Group 2009 – 2015, VP Drives, Brose China Co., Ltd. 2006 – 2009, Managing Director, Hella Shanghai Electronics Co., Ltd. 2004 – 2006, Siemens VDO China, Director Body/Chassis Electronics 1996 – 2004, Siemens VDO Germany, Director R&D Body/Chassis Electronics **Education** Dipl. Eng. Electrical Engineering, Erlangen-Nuremberg, Germany
Andrea Borla **Nationality** Swiss **Born in** 1967 **Function** CFO **With LEM since** 2015	**Previous companies and positions** 2008 – 2015, CFO, Schindler France 2003 – 2007, Field Operations Manager, Schindler China 1999 – 2003, Area Controller, Schindler Asia Pacific 1996 – 1999, Head of Group Consolidation, SAirGroup **Education** Ph.D., M.A. HSG, Finance and Accounting, St. Gallen, Switzerland
Rodolphe Boschet **Nationality** French **Born in** 1967 **Function** CHRO **With LEM since** 2020	**Previous companies and positions** 2019 – 2020, VP HR integration, Danaher 2016 – 2019, Senior Vice President HR & Communications, Beckman Coulter 2013 – 2016, Global Vice President HR & Communications, Radiometer 2006 – 2013, Head of HR France, Europe, Chemistry Business Unit, Beckman Coulter 2002 – 2006, HR Manager Europe, Datascope Corp 1997 – 2002, International HR Manager, Cartier **Education** Masters of Political Science, Paris Sorbonne, France Masters in International Human Resources Management, ENS Cachan, France
Verena Vescoli **Nationality** Italian **Born in** 1970 **Function** CTO **With LEM since** 2022	**Previous companies and positions** 2016 – 2022, Senior Vice President R&D, ams OSRAM AG, Austria 2015 – 2016, Senior Manager Device & Systems R&D, ams AG, Austria 2012 – 2015, Department Manager R&D Particle and Soot Management Systems, AVL List GmbH, Austria 2009 – 2012, Product Manager Particle and Soot Management Systems, AVL List GmbH, Austria 2000 – 2009, Senior Engineer TCAD and Device Development, ams AG, Austria **Education** Ph.D. in Solid State Physics, ETH Zurich Master of Science in Physics, Université de Franche-Comté of Besançon/France Bachelor of Science in Physics, Karl Franzens University and Technical University of Graz/Austria
John McLuskie **Nationality** British **Born in** 1970 **Function** Senior Vice President Asia **With LEM since** 2023	**Previous companies and positions** 2018 – 2022, President, GKN Automotive China 2014 – 2018, Deputy General Manager Shanghai GKN HUAYU Automotive Systems 2007 – 2013, Business Development Director, GKN Driveline Torque Technology 2005 – 2007, Commercial Director Japan and Korea, GKN Driveline Torque Technology 2003 – 2004, Global Commercial Director, Propshaft Product Group, GKN Driveline 2001 – 2003, Global Account Manager, GKN Driveline 1999 – 2000, Manager – Japanese Development Projects, GKN Driveline 1996 – 1998, Business Development Manager, GKN Invel Transmissions Ltd **Education** BEng in Electrical and Electronic Engineering, University of Leeds, UK

Bastien Musy **Nationality** French **Born in** 1978 **Function** Senior Vice President Europe & Americas **With LEM since** 2018	**Previous companies and positions** 2019 – 2022, VP Global Product Management, LEM Group 2018 – 2019, Special Projects Manager, LEM Group 2016 – 2018, Global Pricing & Commercial Analytics Lead, Syngenta 2015 – 2016, Investor Relations Manager, Syngenta 2012 – 2015, Head Finance Production & Supply Asia Pacific, Syngenta 2009 – 2012, Controller Seeds Division, Syngenta 2005 – 2009, Risk and Financial Planning Manager, Ciba Specialty Chemicals 2001 – 2005, Internal Auditor, Credit Mutuel – CIC **Education** MSc in Management, University Lyon III, France
Uwe Gerber **Nationality** German **Born in** 1965 **Function** Senior Vice President Operations **With LEM since** 2023	**Previous companies and positions** 2020 – 2022, Managing Director & COO, Bode – Die Tür 2018 – 2020, Managing Director & COO, Thermamax 2016 – 2018, VP Global Operations (Industry), Behr (MAHLE) 2012 – 2016, VP Operations North America, Behr (MAHLE) 2008 – 2011, Plant Manager, Behr 2004 – 2008, Head of Prototype Shop, Behr 1999 – 2004, Program Manager, Behr **Education** Industrial Engineering, University – FH Esslingen, Germany

Verena Vescoli is member of the Board of Directors of Sonion, Denmark, OSRAM GmbH and of OSRAM Licht AG, Germany. Apart from Ms. Vescoli, none of the members of the Executive 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.

External mandates

Pursuant to Article 31 of the Articles of Incorporation, and subject to approval by the Board of Directors, members of the Executive Management may not hold more than three additional mandates of which no more than one may be in listed companies. The following mandates are not subject to the above limitations: (a) mandates in companies which are controlled by LEM or which control LEM; (b) up to five mandates held at the request of LEM or companies controlled by it; and (c), subject to approval by the Board of Directors, up to three mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. Mandates shall mean mandates in the supreme governing body of a legal entity, which is required to be registered in the commercial register or a corresponding foreign register. Up to 20 mandates in different legal entities which are under joint control or same beneficial ownership are deemed one mandate.

Management contracts

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

5. Compensation

Please refer to the compensation report.

6. Shareholders’ participation rights

The rules on shareholders’ participation rights are outlined in the Articles of Incorporation. The rules for the convening of General Meetings, the participation rights and the majority rules for decisions all follow Swiss law. The complete Articles of Incorporation can be downloaded from the Investor Relations pages on the website www.lem.com/en/file/12164/download.

Voting rights and representation restrictions and entry 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 they expressly declare that the shares are held for their own account. Each shareholder may be represented 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. In case a second vote is necessary for elections, a relative instead of the absolute majority of the votes represented is required.

Convocation of the General Meeting of the Shareholders and inclusion of items on the agenda

Registered shareholders are convened to General Meetings by ordinary mail and by publication in the Swiss Official Gazette of Commerce at least 20 calendar days prior to the day of the meeting.

According to Article 12 of the Articles of Incorporation, one or several shareholders who collectively hold 10% of the share capital can call for a shareholders’ meeting; shareholders representing shares with a total nominal value of CHF 1 m or 1% of the share capital may request that an item be placed on the agenda.

Entries in the share register

Voting rights may be exercised by shareholders who are registered in the share register on the record date indicated in the invitation to shareholders’ meeting.

Dividend policy

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

7. Change of control and defensive measures Opting-out clause

Any shareholder is released from the obligation to submit a public takeover offer to all shareholders if their participation in LEM exceeds 33 1/3% of the voting rights.

Clauses on changes of control

There is no particular clause in the Articles of Incorporation for changes of control. No member of the Executive Management will receive additional severance payments if dismissed in the case of a change of control of the Company.

7a. Transparency on non-financial matters

Please refer to the report on non-finanicial matters in the sustainability report.

8. Auditors

The duration of the auditors' mandate is one year. Ernst & Young has been auditing LEM since the financial year 2005/06, with Daniel Zaugg bearing the responsibility for the audit since 2021/22. As required by law, the auditor-in-charge is changed every seven years. Ernst & Young audits the Group's consolidated financial statements as well as all of LEM's Group companies in Switzerland and abroad that are subject to a statutory audit requirement. The audit fees and fees for additional services are as follows:

Type of service

In CHF thousands	2023/24	2022/23
Audit fees	533	595
Additional audit-related fees	41	
Total	**574**	**595**

The Audit Committee evaluates and controls the performance (focus on areas that involve significant risk to LEM, ability to provide effective and practical recommendations, open and effective communication and coordination), fees, and independence of the auditors each year. It discusses and reviews the scope of the audits, and the resulting feedback. Based on this information, it determines which changes and improvements are necessary. The auditor's report on the results of their audits both orally and in writing. Financial statements as well as management letters are discussed in the ARC in the presence of the external auditors. During 2023/24 Ernst & Young attended two regular ARC meetings.

9. Information policy

LEM informs its shareholders about the business status and its results on a quarterly basis in the form of press releases. These, together with the Annual Review and Financial Report, are made publicly available on its website (www.lem.com/en/investors) and may be obtained in printed form from the Company's headquarters. Once a year, LEM holds a presentation for the media, investors and financial analysts. Internal processes assure that price-sensitive facts are published without delay in accordance with the ad hoc publicity rules of the SIX Swiss Exchange. At www.lem.com, detailed information is available, e.g., the Articles of Incorporation, interim and annual reports, investor presentations, press releases as well as the financial calendar.

10. Trading restriction periods

LEM HOLDING SA has adopted a disclosure and insider trading policy with the objective to prevent insider trading by LEM HOLDING SA, its affiliates, their directors, officers and employees. LEM applies trading restriction periods (blackout periods) from the internal disclosure of the quarterly, semi-annual and annual financial results to the Board of Directors (at 7am on the 1st of the month following the closing of the relevant financial period) until 24 hours after the public release of such financial results.

LEM HOLDING SA, its affiliates and all persons who have regular access to potentially price-sensitive information, including all members of the Board of Directors and the Executive Management, as well as their staff and LEM employees worldwide (insiders) are bound by the blackout periods. Any Insider is prohibited from engaging in any transactions in LEM securities during the blackout periods. The blackout periods are without prejudice to the obligation of the Insiders to refrain from dealing in LEM securities at any other times when in possession of price sensitive facts relating to LEM.

Contact for investors and media: Andrea Borla, CFO, Route du Nant-d'Avril 152, CH–1217 Meyrin, or send an e-mail to investor@lem.com (phone: +41 22 706 12 50).

Compensation report

The future of LEM depends on our ability to attract, develop and retain talented people. Among the many measures we use to achieve this goal are competitive compensation policies. Our compensation policies are designed to align the interests of the Executive Management and the Board of Directors with the interests of shareholders.

In brief

Core principles

LEM's compensation policies are designed to reward results and performance as well as to create long-term value for shareholders. The compensation policies are reviewed on an annual basis.

LEM's Articles of Incorporation (www.lem.com/en/Investors > Corporate Governance) contain provisions regarding the approval of compensation of the Board of Directors (BoD) and the Executive Management (Article 27), the supplementary amount for new members of the Executive Management (Article 28), the general compensation principles (Article 29) as well as provisions regarding the agreements with members of the Board of Directors and the Executive Management (Article 30).
This compensation report is based on section 5 of the annex to the Corporate Governance Directive issued by SIX Exchange Regulation AG and Articles 13 to 17 of the Ordinance Against Excessive Compensation in Listed Stock Companies (OaEC).

Compensation of the Board of Directors

The compensation of the Board of Directors consists exclusively of a fixed fee paid in cash. There is no variable compensation. The compensation of the Chairman and the members of the Board of Directors depends on the responsibility of each member and the related work, such as serving on committees of the Board of Directors.

Compensation of the Executive Management

To encourage and reward results that contribute to the sustainable success of LEM, the total compensation of the Executive Management consists of three elements: base salary, variable compensation, and non-wage compensation. The target-setting process for the variable compensation is carried out on an annual basis and includes quantitative and qualitative performance criteria, including LEM's financial results.

Members of the Executive Management are entitled to attend the meetings of the Board of Directors relevant to their function but are excluded from any deliberation and decision on their compensation.

The compensation authorities are summarized in the following table:

Beneficiary	Compensation element	Proposal	Approval
Board of Directors (BoD) and Executive Management	Compensation principles	Nomination and Compensation Committee (NCC)	BoD within limits of Articles of Incorporation
BoD	Aggregate maximum amount fixed compensation	BoD based on NCC proposal	Annual General Meeting (prospective approval)
BoD	Individual compensation	NCC	BoD
Executive Management	Aggregate maximum amount fixed annual base salary	BoD based on NCC proposal	Annual General Meeting (prospective approval)
Executive Management	Aggregate amount short-term incentive	BoD based on NCC proposal	Annual General Meeting (retrospective approval)
Executive Management	Aggregate maximum amount long-term incentive	BoD based on NCC proposal	Annual General Meeting (prospective approval)
Executive Management	Individual compensation	NCC based on proposal from CEO	BoD
CEO	Individual compensation	Chairman of the BoD	BoD

1. Board of Directors

1.1 General principles of compensation for members of the Board of Directors

The aggregate maximum compensation of the Board of Directors is approved by the Annual General Meeting upon proposal by the Board of Directors based upon recommendation from the Nomination & Compensation Committee. The remuneration of the Board of Directors consists of a fixed cash payment and is reviewed on an annual basis. The remuneration compensates for the personal responsibility and exposure as member of the Board of Directors and the work related to the Board of Directors' membership. There is neither a variable compensation nor any participation in an equity-based compensation plan.

1.2 Compensation for members of the Board of Directors

The Board of Directors adopted a remuneration scheme with a fixed membership fee payable in cash of gross CHF 280,000 for the Chairman and gross CHF 100,000 for each member of the Board of Directors. Activities in committees of the Board of Directors is compensated by membership fees of gross CHF 40,000 for the Committee's Chairman and gross CHF 20,000 for each member.

The tables below show the compensation per member of the Board of Directors in the financial years 2022/23 and 2023/24 for their respective term of office. At the Annual General Meeting held on 29 June 2023, the shareholders approved a maximum compensation amount for the term of office from the Annual General Meeting 2023 until the Annual General Meeting 2024 of CHF 1,400,000. The actual costs for the Company are CHF 1,098,000.

2023/24

In CHF thousands	Annual fees (A)	Taxes, social security charges and similar contributions (B)	Total (A) + (B)
Andreas Hürlimann [1, 5, 6]	340	28	**368**
Ueli Wampfler [2]	140	10	**150**
Ulrich Jakob Looser [3, 4]	160	11	**171**
Ilan Cohen [a]	120	8	**128**
Werner C. Weber [5, 7]	140	13	**153**
François Gabella [7]	120	8	**128**
Total	**1,020**	**78**	**1,098**

2022/23

In CHF thousands	Annual fees (A)	Taxes, social security charges and similar contributions (B)	Total (A) + (B)
Andreas Hürlimann [1, 5, 6]	310	26	**336**
Ueli Wampfler [2]	120	10	**130**
Ulrich Jakob Looser [3, 4]	140	10	**150**
Ilan Cohen [a]	100	7	**107**
Werner C. Weber [7]	100	9	**109**
François Gabella [7]	100	8	**108**
Total	**870**	**70**	**940**

[1] Chairman of the Board of Directors
[2] Chairman of the Audit & Risk Committee
[3] Member of the Audit & Risk Committee
[4] Chairman of the Nomination & Compensation Committee
[5] Member of the Nomination & Compensation Committee
[6] Chairman of the Strategy Committee
[7] Member of the Strategy Committee
[a] including the amount of CHF 20,000 for R&D contribution

2. Executive Management

2.1 General principles of compensation for members of Executive Management

The aggregate maximum compensation of the Executive Management is approved by the shareholders at the Annual General Meeting upon proposal by the Board of Directors. The proposals of the Board of Directors are based on NCC recommendation. The compensation of the Executive Management is reviewed by the Board of Directors on an annual basis.

The total compensation of the Executive Management is composed of the following elements:

Compensation element	Instrument	Purpose	Drivers	Range and cap	Shareholder approval
Base salary	Monthly cash payments	Pay for the function	Scope and responsibilities, profile and competencies	N/A	Prospective maximum amount (October – September)
Short-term incentive	Annual cash payment	Pay for annual performance	Business and individual performance throughout the financial year	0% – 139% of target amount	Retrospective
Former long-term incentive until 21/22	Annual cash payment	Participation in sustainable company success, alignment with shareholder interests	Achieved value creation over three consecutive financial years	0% – 200% of target amount	Prospective maximum amount for payout three years later
New long-term incentive starting 22/23	Shares	Participation in sustainable company success, alignment with shareholder interests	Achieved value creation and absolute and relative shareholder return over three consecutive financial years	0% – 200% of target amount	Maximum compensation assuming all performance targets will be reached at maximum possible level, not considering future share price development
Non-wage compensation	Pension contributions	Protect against risks plus retirement and dependents' coverage	Local legislation and market practice	N/A	

The total compensation is in line with the market for comparable industrial companies considering the various remuneration levels for different functions and locations. Furthermore, the compensation mix between base salary, variable compensation and non-wage compensation reflects sectorial and functional market practice. The full Board of Directors periodically reviews, sets, and approves the compensation system, based on the recommendation of the NCC. The latest external benchmark was performed early 2022 with the support of Mercer. The Mercer IPE (International Position Evaluation) has been used to define the peer group, which allows comparability between companies based on revenues, number of employees and business value chain.

2.1.1 Base salary of Executive Management

Base salaries are paid monthly as fixed cash amounts.

2.1.2 Variable compensation of Executive Management

The target-setting process for the Leadership-for-Results (L4R) plan is part of the LEM performance management and is carried out on an annual basis by the NCC. Variable compensation is partly paid in cash (the short-term incentive) and partly delivered in LEM shares (the long-term incentive) and after approval by the shareholders. The Chairman of the Board of Directors (for the CEO) and the NCC (for the other members of the Executive Management) prepare objectives and performance evaluations based on personal performance review.

Short-term incentive (STI) related to the Executive's function, responsibility and obtained results

Each Executive's individual target amount for the short-term incentive plan is communicated to the Executive at the beginning of the financial year together with the objectives and their weighting. The target amount and the objectives are based on the role and impact of the Executive as well as annual Company priorities. Objectives are linked to audited financial indicators such as EBIT and net profit, other quantitative indicators as well as qualitative targets based on strategic initiatives. At the end of the financial year, the performance on each objective is evaluated resulting in the total amount to be paid.

The number of objectives is large enough to allow each Executive to reach a fair level of short-term variable compensation rewarding for the results achieved even under changed business conditions. Since the degree of achievement of set objectives has to be evaluated at the end of the period, a clear understanding of the metrics to be applied is established at the time of target setting and kept constant over the period. For each objective, the curve between minimum and maximum bonus level is defined. Ambitious but achievable objectives are set as targets, at which 100% of the respective target amount is attributed.

For the Executive Management, the minimum payout of the short-term incentive is 0% of the target amount and the weighted maximum payout is 139%. The target amount of the short-term incentive represents between 18% and 24% of the total target compensation.

The short-term incentive payout is presented for retrospective approval to the shareholders along with the Annual Report and the financial statements of the same financial year at the Annual General Meeting 2024 prior to being paid out.

Long-term incentive (LTI) related to the sustainable financial performance of LEM Group

During the financial year 2021/22, the long-term incentive was replaced by a share-based Performance Share Unit (PSU) plan. The goal is to further focus participants on various dimensions of LEM's financial performance, especially long-term growth and value creation, thereby tightening the alignment of interest with our shareholders.

Starting with financial year 2022/23, participants are granted an individual LTI amount in CHF at the beginning of each three- year plan cycle, which corresponds to the grant date. This amount is converted into PSUs based on a reference price (10-day average share price prior to grant date). At the end of the plan cycle, PSUs vest in LEM shares, whereas the number of shares obtained can vary between 0 and 2, depending on the achievement of pre-defined performance and service conditions.

The performance conditions are:
- **Economic Value Added** (EVA): to account for an internal view on value creation (weighted 60%)
- **Absolute TSR:** to link the overall compensation directly to the absolute value created by LEM for its shareholders (weighted 20%)
- **Relative TSR** (LEM's TSR compared to the TSR of the SPI EXTRA): to strengthen the appreciation of a participant's contribution to the Company's success based on LEM's performance compared to the market (weighted 20%)

Under these conditions performance is measured over three consecutive financial years starting with the year during which the grant date occurs and therefore the plan cycle starts. The Board of Directors defines the targets for all three performance criteria, including minimum, expected and maximum levels, at the beginning of year one of the plan cycle following a stringent target setting process. In financial year 2023/24 the target for the grant are as follows:

	Minimum level (leading to a vesting of 0%)	**Expected level** (leading to a vesting of 100%)	**Maximum level** (leading to a vesting of 200%)
EVA	69% of expected performance	100% of expected performance	131% of expected performance
Absolute TSR	0.0%	7.0%	14.0%
Relative TSR	–10 pp.	0 pp.	10 pp.

Because absolute target amounts for the EVA performance condition are considered strategic and sensitive business information, targets are provided on a relative basis. To set those targets, investors, return expectations on market value, performance projections and current profitability levels were considered to establish an appropriate link between LTI payouts, and the value created for investors. Once the targets are defined, they remain unchanged over the three-year period. The evaluation of the performance takes place at the end of year three. The LEM shares for the purposes of this PSU plan will be acquired in the market. It will not dilute existing shareholders' interests in the Company.

Overall, the minimum number of shares delivered under the long-term incentive corresponds to 0% of the granted PSUs and the maximum is 200% of granted PSUs. The target amount, the individual LTI amount, of the long-term incentive represents 35% of the total target compensation of the CEO and between 14% and 27% of the total target compensation for other members of the Executive Management.

Forfeiture rules apply in case a participant is no longer an employee of LEM at the moment where PSUs vest.

The PSU related to the period 23/24 to 25/26 LTI plan were allocated as follows:

	Numbers of PSUs	**Value at reference price** In CHF thousands
Frank Rehfeld, CEO	210	450
Executive Management (excl. CEO)	368	785
Total	**578**	**1,235**

Former compensation plans: Long-term incentive related to the sustainable financial performance of LEM Group
Until (and including) financial year 2021/22, the former long-term incentive plan was defined as an annual cash target amount and was based on the performance of LEM evaluated over a period of three consecutive financial years. The performance criterion was the cumulated Economic Value Added (EVA) over these three financial years.

For the Executive Management, the minimum payout of the long-term incentive was 0% of the target amount and the maximum payout was 200%.

For the long-term incentive cycle 2021/22 to 2023/24, the maximum amount approved prospectively by the shareholders at the Annual General Meeting in 2021 was CHF 1,870,000 for payout in 2024 in cash.

No further awards will be made under this plan.

2.1.3 Non-wage compensation of the Executive Management

For the Executive Management, non-wage compensation consists of pension plans (retirement benefits) only.

The Executive Management benefits from LEM's Swiss pension plan, considered a defined contribution plan under Swiss law that provides retirement benefits and risk insurance for death and disability. IFRS, on the contrary, considers this plan as a defined benefits plan. The insured base salary follows Swiss professional pension regulations without limitation of the amount. The pension fund is funded by contributions from the Company and the respective insured executive.

2.2 Remuneration of Executive Management

2023/24

In CHF thousands	Base salary	Short-term incentive	Long-term incentive	Company's contribution to pension fund	Other benefits[3]	Total	Company's contribution to social security compensation
Frank Rehfeld, CEO	525	183	328	61		1,097	110
Executive Management (excl. CEO)[1]	2,162	581	390	204	150	3,487	349
Total	**2,687**	**764**	**718**	**265**	**150**	**4,584**	**459**

From 2016 to 2023, the Company erroneously deducted the employer contribution of the Executive Committee members 1e pension from the Executive Committee members variable compensation payout. The aggregate amount of CHF 886,459 was reimbursed to the members of the Executive Committee in March 2024.

2022/23

In CHF thousands	Base salary	Short-term incentive	Long-term incentive	Company's contribution to pension fund	Other benefits[3]	Total	Company's contribution to social security compensation
Frank Rehfeld, CEO	512	363	420	54		1,349	135
Executive Management (excl. CEO)[2]	1,490	705	655	149	26	3,025	303
Total	**2,002**	**1,068**	**1,075**	**203**	**26**	**4,374**	**438**

1 Including leaver former SVP Europe/Americas for short-term incentive
2 Including joiners CTO (pro-rated five months), SVP Asia (pro-rated three months), New SVP Operations (pro-rated two months), new SVP Europe/Americas (pro-rated three months), and leaver former SVP Operations (pro-rated six months)
3 Other benefits: international benefits (e.g. company car, housing)

The amounts are shown as follows:
- Base salary: CHF 2,687,000 as paid out in the reporting period.
- Short-term incentive 2023/24: CHF 763,748 as proposed to the Annual General Meeting on 27 June 2024 for payout in July 2024.
- Long-term incentive: CHF 718,000 as accrued for long-term incentive 2021/24 for payout in July 2024.
- Pension fund contributions: CHF 265,000 as accrued for or paid during the reporting period.
- Company's contributions to social security charges: CHF 459,000 as accrued for or paid during the reporting period.

Amounts approved by previous Annual General Meetings related to the period reported above:
- Maximum amount base salary (for the period from 1 October 2022 to 30 September 2023): CHF 3,348,000
- Maximum amount base salary (for the period from 1 October 2023 to 30 September 2024): CHF 3,937,000
- Short-term incentive amount for 2022/23 for payment in 2023: CHF 1,175,255
- Maximum amount long-term incentive 2021/22 to 2023/24 for payment in 2024: CHF 1,870,000
- Pension fund contribution and Company contribution to social security charges as paid out or accrued for in the reporting period are included in the above amounts.

The overall variable remuneration paid out for 2023/24 to the Executive Management ranged from 16% (for recent new joiners) to 49% of the total compensation.

2.3 Shareholding requirements

Starting with financial year 2022/23, each member of the Executive Management is required to build up an investment in LEM shares worth the equivalent of 150% of the annual base salary for the CEO, 140% for the CFO, and 80% for other members of the Executive Management.

Members of the Executive Management will have a five-year period to achieve the above shareholding targets. In case of non-compliance, restrictions on the sale of owned shares and post-vesting holding requirements for shares vesting in the near future under the new share based PSU plan will apply. All vested shares directly or indirectly owned by a member of the Executive Management and related parties, as well as granted but yet unvested PSUs under the LEM's long-term incentive, will be taken into account when assessing whether or not the shareholding requirements are met.

3. Loans to current and former members of the Board of Directors and Executive Management and related parties

Our Articles of Incorporation do not provide the basis to grant loans to current or former members of the Board of Directors, the Executive Management or to any related party. Therefore, no loans have been granted in the financial years 2022/23 and 2023/24 or in any previous year.

Auditor’s report

Report of the statutory auditor on the audit of the compensation report

Opinion

We have audited the compensation report of LEM Holding SA (the Company) for the year ended 31 March 2024. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables marked “audited” on pages 38 to 45 of the compensation report.

In our opinion, the information pursuant to Art. 734a-734f CO in the compensation report complies with Swiss law and the Company’s articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the compensation report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked ”audited” in the compensation report, the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

Our opinion on the compensation report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the compensation report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the compensation report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors’ responsibilities for the compensation report

The Board of Directors is responsible for the preparation of a compensation report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a compensation report that is free from material misstatement, whether due to fraud or error. It is also responsible for designing the compensation system and defining individual compensation packages.

Building a better working world

Auditor's responsibilities for the audit of the compensation report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this compensation report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the compensation report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Geneva, 23 May 2024

Ernst & Young Ltd

Daniel Zaugg Licensed audit expert (Auditor in charge)	**Didier Lequin** Licensed audit expert

Financial Report of LEM Group

Consolidated statement of financial position

Assets

In CHF thousands	Notes	31.3.2024	31.3.2023
Current assets			
Cash and cash equivalents		23,710	21,775
Accounts receivable	5	76,125	86,458
Inventories	6	56,361	56,831
Income tax receivable		10,457	3,896
Other current assets	7	5,099	4,678
Total current assets		**171,751**	**173,638**
Non-current assets			
Property, plant and equipment	8	85,085	73,580
Right-of-use assets	9	25,897	25,266
Intangible assets	10	9,026	5,987
Deferred tax assets	21	49,536	48,369
Other non-current assets	11	3,029	664
Total non-current assets		**172,574**	**153,866**
Total assets		**344,325**	**327,504**

Liabilities and equity

In CHF thousands	Notes	31.3.2024	31.3.2023
Current liabilities			
Accounts payable	12	28,352	36,071
Accrued expenses		31,952	32,296
Lease liabilities	9	2,796	3,103
Income tax payable	21	5,229	2,199
Current provisions	13	856	601
Interest-bearing loans and borrowings		57,275	38,414
Other current liabilities	14	2,392	2,228
Total current liabilities		**128,852**	**114,912**
Non-current liabilities			
Non-current lease liabilities	9	26,035	26,930
Non-current provisions	13	303	1,020
Deferred tax liabilities	21	2,347	2,934
Interest-bearing loans and borrowings		9,550	5,175
Other non-current liabilities	14	561	2,899
Total non-current liabilities		**38,796**	**38,959**
Total liabilities		**167,648**	**153,871**
Equity			
Share capital	15	570	570
Treasury shares	15	(1,988)	(1,069)
Reserves	15	(1,176)	2,949
Retained earnings		179,272	171,184
Total equity		**176,677**	**173,633**
Total liabilities and equity		**344,325**	**327,504**

Consolidated income statement

In CHF thousands	Notes	April to March 2023/24	2022/23
Sales		405,777	406,350
Cost of goods sold		(216,614)	(214,156)
Gross profit		**189,163**	**192,194**
Sales expenses		(29,513)	(29,124)
Administration expenses		(44,881)	(38,950)
Research & development expenses		(33,866)	(32,174)
Other income		153	234
Operating profit		**81,058**	**92,180**
Financial expenses	18	(3,181)	(1,719)
Financial income	19	422	392
Foreign currency exchange effect	20	(3,326)	(1,928)
Profit before tax		**74,972**	**88,925**
Income taxes	21	(9,645)	(13,585)
Net profit		**65,327**	**75,340**
Earnings per share, in CHF			
Basic earnings per share	22	57.35	66.12
Diluted earnings per share		57.26	66.07

Consolidated statement of comprehensive income

In CHF thousands	Notes	April to March 2023/24	2022/23
Net profit for the period recognized in the income statement		**65,327**	**75,340**
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Currency translation difference		(5,045)	(6,843)
Income tax		465	726
Total other comprehensive income to be reclassified to profit and loss in subsequent periods		**(4,579)**	**(6,117)**
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Remeasurement gains/(losses) on defined benefit plans	24	2,087	(172)
Income tax	21	(293)	32
Total other comprehensive income not to be reclassified to profit and loss in subsequent periods		**1,794**	**(140)**
Other comprehensive income/(loss) for the period, net of tax		**(2,785)**	**(6,257)**
Total comprehensive income for the period		**62,542**	**69,083**

Consolidated statement of changes in equity

Attributable to shareholders

In CHF thousands	Notes	Share capital	Treasury shares	Capital reserve	Translation reserve	Retained earnings	Total equity
1 April 2022		**570**	**(977)**	**12,920**	**(3,219)**	**151,904**	**161,197**
Net profit for the year						75,340	75,340
Other comprehensive income/(loss)					(6,843)	586	(6,257)
Total comprehensive income					*(6,843)*	*75,926*	*69,083*
Share-based payments	17					514	514
Dividends paid	15					(56,958)	(56,958)
Movement in treasury shares	15		(92)	92		(202)	(202)
31 March 2023		**570**	**(1,069)**	**13,011**	**(10,062)**	**171,185**	**173,633**
1 April 2023		**570**	**(1,069)**	**13,011**	**(10,062)**	**171,185**	**173,633**
Net profit for the year						65,327	65,327
Other comprehensive income/(loss)					(5,045)	2,259	(2,785)
Total comprehensive income					*(5,045)*	*67,586*	*62,542*
Share-based payments	17					768	768
Dividends paid	15					(59,252)	(59,252)
Movement in treasury shares	15		(920)	920		(1,015)	(1,015)
31 March 2024		**570**	**(1,988)**	**13,931**	**(15,107)**	**179,272**	**176,677**

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

Consolidated cash flow statement

In CHF thousands	Notes	April to March 2023/24	2022/23
Cash flow from operating activities			
Profit before tax		**74,972**	**88,925**
Adjustment for non-cash items and taxes paid		5,597	9,020
Net financial result		2,536	1,257
Derivative financial instruments revaluation		932	(18)
Share-based payment expense		800	516
Depreciation and amortization		15,750	14,592
Impairment loss		(751)	442
Gain / Loss on disposal of fixed assets		244	75
Increase (+) / decrease (–) of provisions and allowances		1,966	1,596
Movement in pension		2,039	(244)
Interest received		387	284
Interest paid		(2,923)	(536)
Taxes paid		(15,382)	(8,944)
Cash flow before changes in net working capital		**80,569**	**97,945**
Change in inventories		(3,532)	(13,789)
Change in accounts receivable and other current assets		5,856	(10,786)
Change in payables and other liabilities		(8,475)	13,624
Cash flow from changes in net working capital		**(6,150)**	**(10,951)**
Cash flow from operating activities		**74,419**	**86,995**
Cash flow from investing activities			
Investment in fixed assets	8	(26,725)	(26,232)
Investment in intangible assets	10	(2,426)	(227)
Increase (–) in other non-current assets		(2,528)	(144)
Decrease (+) in other non-current assets		119	150
Cash flow from investing activities		**(31,561)**	**(26,453)**
Cash flow from financing activities			
Treasury shares acquired (–)	15	(8,666)	(7,427)
Treasury shares divested (+)	15	7,746	7,225
Payment of lease liabilities		(3,300)	(1,819)
Lease incentive received			892
Dividends paid to the shareholders of LEM HOLDING SA	15	(59,252)	(56,958)
Increase (+) in financial liabilities		128,418	141,745
Decrease (–) in financial liabilities		(104,750)	(138,590)
Cash flow from financing activities		**(39,803)**	**(54,932)**
Change in cash and cash equivalents		**3,054**	**5,609**
Cash and cash equivalents at the beginning of the period		**21,775**	**17,198**
Exchange effect on cash and cash equivalents		(1,120)	(1,032)
Cash and cash equivalents at the end of the period		**23,710**	**21,775**

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

Notes to the consolidated financial statements

1. General information

LEM Group (the Group) is a leading company in electrical measurement. LEM engineers the best solutions for energy and mobility, ensuring that its customers' systems are optimized, reliable and safe. The Group has operations in seventeen countries and employed 1,808 people as at 31 March 2024. The parent company of LEM Group is LEM HOLDING SA (the Company) which is a limited company incorporated in Switzerland. LEM HOLDING SA is domiciled at Route du Nant-d'Avril 152, 1217 Meyrin.
The financial year ends on 31 March 2024. The Company has been listed on the SIX Swiss Exchange since 1986.
The Board of Directors approved the consolidated financial statements on 23 May 2024, to be submitted for approval by the Annual General Meeting of Shareholders on 27 June 2024.

2. Material accounting principles

2.1 Basis of preparation

The consolidated financial statements of LEM Group have been prepared in accordance with the IFRS accounting standards 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.

The financial information is presented in thousands of Swiss francs (CHF). The totals are calculated with the original unit amounts which could lead to rounding differences. These differences in thousands of units are not changed in order to keep the accuracy of the original data.

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

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standard or interpretation	Title	Effective date
Amendments to IAS 1 and IFRS Practice Statement 2	Making Materiality Judgements	1 January 2023
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12	1 January 2023

For IAS 1 and IFRS Practice statement 2, the amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

The amendment, International Tax Reform – Pillar Two Model Rules, had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million per year.

Future standards

There are no standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

2.3 Summary of critical accounting estimates and judgments

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

Leases

The Group assessed whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgment about whether it depends on a specific asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

Impairment of goodwill, other intangible assets and property, plant and equipment

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Other intangible assets and property, plant and equipment are tested for impairment if there is a triggering event indicating a potential impairment. 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

The Group operates in multiple jurisdictions with complex legal and tax regulatory environments. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions. The Group periodically reassesses its tax positions. The Group recognizes liabilities for potential tax audit issues and uncertain tax positions based on management's estimate of whether additional taxes will be due and on the requirements of IFRIC 23 Uncertainty over Income Tax Treatments.

Employee benefits

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

Valuation of deferred tax assets

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

2.4 Basis of consolidation

The consolidated financial statements are composed of LEM HOLDING SA and of its subsidiaries.

Subsidiaries

Subsidiaries are those entities over which the Group has control. Control is when the Group is exposed, or has rights, to variable returns from its involvement with a subsidiary and has the ability to affect those returns through its power over the subsidiary to direct the relevant activities.
Business combinations are accounted for using the acquisition method. Companies that are acquired are included when control is obtained and are consolidated until control is transferred to the acquirer. The cost of purchasing a company is 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 assumed, on the date of purchase. Identifiable acquired assets, liabilities and contingent liabilities are recognized at their fair value as of the date of their acquisition. The Group's share of the purchase price that exceeds the fair value of the identifiable net assets is recognized as goodwill. The Group's share of the fair value of the identifiable net assets that exceeds the purchase price is shown as a gain on bargain purchase on the income statement.
Intragroup assets and liabilities as well as income and expenses are set-off against each other.
Unrealized intragroup profits, particularly 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 existed as of 31 March 2024 and 31 March 2023.

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 other comprehensive income. When a foreign operation is disposed, the cumulative translation differences recognized in other comprehensive income are transferred to the income statement.

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

Currency	Income statement of 2023/24 Average rate in CHF	Income statement of 2022/23 Average rate in CHF	Balance sheet 31.3.2024 Year-end rate in CHF	Balance sheet 31.3.2023 Year-end rate in CHF
BGN	0.491	0.508	0.497	0.509
CNY	0.124	0.139	0.125	0.133
DKK	0.129	0.134	0.130	0.134
EUR	0.961	0.994	0.972	0.995
GBP	1.113	1.150	1.137	1.131
JPY	0.0061	0.0071	0.0060	0.0069
MYR	0.191	0.215	0.191	0.207
RUB	0.010	0.014	0.010	0.012
USD	0.886	0.955	0.901	0.914

Foreign currency transactions

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

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and cash at postal accounts and bank deposits with an original maturity of three months or less from the date of acquisition that are readily convertible to known amounts of cash.

2.7 Inventories

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

2.8 Property, plant and equipment

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

Land	nil
Buildings	20–40 years
Fixtures and equipment	5–15 years
Machinery and equipment	5–8 years
Tools and molds	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 property, plant and equipment is capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2.9 Leases

The Group recognizes a right-of-use asset and a corresponding lease liability with respect to contracts considered as a lease in which the Group acts as lessee, except for leases with a term of 12 months or less ("short-term leases") and leases for which the underlying asset is of a low value ("low-value asset").
At the commencement date of a lease, a lessee recognizes a liability measured at the present value of future lease payments using the interest rate stated in the contract or in the absence of such a rate an incremental borrowing rate (i.e., the lease liability) and a corresponding asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Extension options are initially only considered if the Group is reasonably certain that such options are exercised. Lease liabilities are subsequently remeasured in case the lease term is changing or if extension options are reassessed. Right-of-use assets are adjusted accordingly if lease liabilities are reassessed.
Lease liabilities are thereafter recorded at amortized cost whereas right-of-use assets are depreciated on a straight-line basis over the lease term.

Real estate leases

The Group leases buildings for use as office and warehouse space. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are typically made for a fixed period of 1 to 15 years and may include extension options.

Vehicles leases

The Group maintains some leased vehicles with an average lease term of three years.

2.10 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 at the date of acquisition. Goodwill on acquisitions is reported in the balance sheet under intangible assets and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research & development

Research costs are expensed as incurred. An intangible asset arising from development is recognized if, and only if, the Group can demonstrate the following:

- the technical feasibility of completing the intangible asset;
- Group's intention to complete the intangible asset;
- ability to use or sell the intangible asset and the expectation that the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development; and
- the ability to measure the expenditure attributable to the intangible asset during its development reliably.

Such development costs are capitalized and amortized over the life of the product or process.

Other intangible assets

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

2.11 Impairment of tangible fixed assets, intangible assets and right-of-use assets

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.
For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash-flows (cash-generating unit).
The value in use is calculated based on the estimated future cash-flows expected to result from the use of the asset and eventual disposal, discounted using an appropriate non-current interest rate.
Goodwill is tested for impairment annually (at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Impairment losses relating to goodwill cannot be reversed in future years.

2.12 Financial assets

Financial assets comprise cash, receivables, certain accrued income, marketable securities and derivative financial instruments. Financial assets are recorded on the trade date.

Initial recognition and measurement

At initial recognition, financial assets are designated into two categories, financial assets at fair value through profit and loss and at amortized cost.
Financial assets are initially recognized at fair value plus, in the case of a financial asset not at fair value through profit and loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification:
- financial assets at fair value through profit and loss (refer to note 2.13);
- loans and receivables are measured at amortized cost using the effective interest rate method, less impairment.

Accounts receivables are carried at the original invoice amount less an allowance made for doubtful accounts based on a review of all outstanding amounts at year-end covering expected lifetime credit losses. 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 as not recoverable in full. For accounts receivable that are not individually adjusted, LEM applies the simplified approach for the recognition of the expected lifetime losses using a provision matrix.

Other receivables are measured at amortized cost less allowances for amounts that are deemed not to be recoverable.

2.13 Derivative financial instruments

The Group uses derivative financial instruments to hedge foreign exchange risks of forecasted transactions. Derivative financial instruments comprise forward exchange contracts.

Derivative financial instruments are initially measured at fair value and subsequently at fair value through profit and loss. Any gains and losses arising from changes in fair value on derivatives are recorded directly in the income statement which means that the Group does not apply hedge accounting.
Derivative financial instruments are shown as part of other current assets and other current liabilities. In case the maturity is after more than one year, derivative financial instruments are recognized under other non-current assets or other non-current liabilities.

2.14 Financial liabilities

Financial liabilities comprise bank loans, payables, certain accrued expenses and derivative financial instruments at the end of the period. Financial liabilities are initially recorded on the trade date.
All financial liabilities are recognized initially at fair value less, in the case of financial liabilities not at fair value through profit and loss, directly attributable transaction costs.
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 at least 12 months after the balance sheet date.
Borrowing costs are expensed as incurred except if they are capitalized as part of a qualifying asset.

Subsequent measurement

Subsequently, financial liabilities other than derivatives are measured at amortized cost based on their effective interest rate. Interest expenses and foreign currency revaluations are recognized in the income statement. On derecognition, gains and losses are recognized in the income statement. Financial liabilities are derecognized when the contractual obligations are fulfilled, cancelled or expired.

2.15 Employee benefits

The Swiss and German subsidiaries provide a defined benefit plan for employees; the other subsidiaries provide defined contribution plans according to local laws. 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

The defined benefit obligation is determined annually by qualified independent actuaries. The obligation and cost of pension benefits are determined using the projected unit credit method. Service costs are part of personnel expenses and consist of current service cost, past service cost and gains/losses from plan settlements. Past service costs are recognized at the earlier of the date when the plan amendment occurs, or when restructuring costs are recognized. They include plan amendment and curtailment. Gains or losses on settlement of pension benefits are recognized when the settlement occurs. Net interest is recorded in the financial result and is determined by applying the discount rate to the net defined benefit liability/asset that exists at the beginning of the year. Actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments are recorded in other comprehensive income as remeasurements of employee benefits. The return on plan assets (excluding interest based on the discount rate) and any change in the effect of an asset ceiling are also recorded in this line. In accordance with IFRIC 14, any assets resulting from surpluses in defined benefit plans are limited to their economic benefit such as to the value of the maximum future savings from reduced contributions.

Defined contribution plan

The subsidiaries sponsor defined contribution plans including state plans based on local laws and regulations. Defined contribution plan expenses are recorded in the income statement as incurred.

LEM Incentive System

The LEM Incentive System consists of a short-term incentive component and a long-term incentive component.
The short-term incentive component compensates for the actual annual results and achieved performance. The long-term incentive plan rewards the members of the Executive Management and Senior Managers for the sustainable financial performance of the Group.
Both elements are cash settled and the bonus payments are made in the first four months of the following fiscal year. The estimated payments are accrued for at year-end.
As of 2022/23, the Board of Directors of LEM HOLDING SA decided to replace the current cash-based long-term incentive plan for LEM's Executive Management by a share-based Performance Share Unit ("PSU") plan.

Share-based payment

The purpose of the share-based Performance Share Unit ("PSU") plan is to offer LEM's senior management and Executive Management the possibility to participate in the future long-term business results of LEM Group, provide an increased incentive for participants and foster loyalty as well as align the interests among senior management and Executive Management, LEM Group as well as its shareholders.

The number of shares obtained per PSU can thereby vary between 0% and 200% of the award, subject to continuous employment and depending on the achievement of pre-agreed performance conditions.

The performance conditions include non-market and market conditions such as economic value added ("EVA"), absolute total shareholder return ("absolute TSR"), and total shareholder return measured relative to the SPI EXTRA® Total Return Index ("relative TSR"). The grant-date fair value estimate of market conditions is based on a Monte Carlo simulation. The performance conditions are measured over the period of three consecutive financial years starting with the financial year during which the award date occurs, relevant for measuring the long-term performance.

The Group accounts for the PSU as an equity-settled plan.

The employee services received in exchange for the grant of the PSU are measured at the fair value of the equity instruments granted and are recognized as expenses, with a corresponding increase in retained earnings over the vesting period.

The dilutive impact of the outstanding performance share plan is reflected in the calculation of diluted earnings per share. Further details about this share-based payment LTI plan are provided in the compensation report.

2.16 Provisions and contingent liabilities

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

Warranty and customer claims

The Group recognizes the estimated liability to replace products still under the contractual 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.

Litigations

The Group recognizes the estimated country and entity-specific risks relating to litigations with former personnel or indirect taxation.

Restructuring

A constructive obligation to restructure arises only when an entity has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
- the principal locations affected, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented;

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

Contingent liabilities

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

2.17 Share capital

LEM HOLDING SA has only ordinary registered shares. Dividends on ordinary shares are deducted from equity in the period in which they are declared.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in retained earnings.

2.18 Revenue recognition

Revenue from the sale of products is recognized at a point in time when LEM satisfies its performance obligation, which is the moment when the customer acquires control over the products. This is generally achieved at delivery of the products. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.
Revenue from the sale of products comprises all revenue that is derived from sales of products to third parties after deduction of rebates and value-added taxes.

2.19 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 or in other comprehensive income.

Deferred taxation

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

3. Segment Information

For management purposes, LEM Group is organized into two reportable segments as follows:
– Region of Asia which includes China, Japan, South Korea, India, Southeast Asia;
– Region of Europe/Americas which includes Europe, Middle East, Africa, NAFTA and Latin America.

The Group evaluates the performance of its reportable segments based on net sales and operating profit. Net sales for geographic segments are based on the location of customers. Operating profit for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment.
Centralized headquarter support functions as well as certain research and development costs managed outside of the reportable segments are allocated to each segment based on sales.

The Group does not include intercompany transfers between segments for management reporting purposes. The reporting segments are presented in a manner consistent with the internal reporting.

Business segment information

In CHF thousands	Asia 2023/24	Asia 2022/23	Europe/Americas 2023/24	Europe/Americas 2022/23	LEM Group 2023/24	LEM Group 2022/23
Income statement						
Sales	201,982	228,900	203,795	177,450	405,777	406,350
EBITDA	38,563	60,591	58,744	46,557	97,307	107,148
Depreciation and amortization						
Property, plant and equipment	3,690	3,705	8,888	7,765	12,578	11,470
Intangible assets	44	217	247	167	291	383
Right-of-use assets	1,014	1,021	2,367	2,094	3,381	3,115
Total	**4,748**	**4,943**	**11,502**	**10,026**	**16,250**	**14,968**
Operating profit	33,816	55,648	47,242	36,531	81,058	92,180
Interest expenses					(3,181)	(1,719)
Interest revenue					422	392
Foreign currency exchange effect					(3,326)	(1,928)
Taxes					(9,645)	(13,585)
Net profit for the year					65,327	75,340
Capital expenditures						
Property, plant and equipment	11,763	11,480	14,962	14,752	26,725	26,232
Intangible assets	18	71	2,408	156	2,426	227
Total capital expenditures	**11,781**	**11,551**	**17,370**	**14,908**	**29,151**	**26,459**
Goodwill	2,759	2,907			2,759	2,907

Assets by reportable segments include trade receivables, inventories, property, plant and equipment, right-of-use assets. Liabilities by reportable segments include trade payables, accrued expenses and lease liabilities.

4. Revenue information

Regional information

In CHF thousands	2023/24	2022/23
Sales		
China	119,656	157,897
Rest of Asia	82,326	71,003
Total region Asia	**201,982**	**228,900**
EMEA	156,514	127,668
Americas	47,281	49,782
Total region Europe/Americas	**203,795**	**177,450**
LEM Group	**405,777**	**406,350**

Geographical information

In CHF thousands	China 2023/24	China 2022/23	USA 2023/24	USA 2022/23	Germany 2023/24	Germany 2022/23	Japan 2023/24	Japan 2022/23
Sales	119,656	157,897	42,941	44,560	52,333	43,533	27,008	29,149
Non-current assets[1]	15,026	15,990	154	98	154	132	3,133	3,425
Right-of-use assets	604	1,339	303	394	211	8	91	247

In CHF thousands	South Korea 2023/24	South Korea 2022/23	Italy 2023/24	Italy 2022/23	Other countries 2023/24	Other countries 2022/23	LEM Group 2023/24	LEM Group 2022/23
Sales	29,789	24,650	14,595	13,827	119,456	92,734	405,777	406,350
Non-current assets[1]			0	21	75,644	59,902	94,111	79,567
Right-of-use assets			21	37	24,666	23,241	25,897	25,266

[1] Other than financial instruments, deferred tax assets and post-employment benefit assets.

Sales are reported as per place of transaction destination.

5. Accounts receivable

In CHF thousands	31.3.2024	31.3.2023
Accounts receivable – trade	74,412	82,525
Allowance for doubtful accounts / expected credit losses	(1,678)	(1,379)
Total accounts receivable – trade	**72,734**	**81,146**
Other receivables	3,391	5,313
Total	**76,125**	**86,458**

Movements of allowance for doubtful accounts/expected credit losses

In CHF thousands	Total
Balance as per 1 April 2022	**1,147**
Addition	467
Utilized during the year	(188)
Foreign exchange effect	(47)
Balance as per 31 March 2023	**1,379**
Balance as per 1 April 2023	**1,379**
Addition	385
Utilized during the year	(45)
Foreign exchange effect	(41)
Balance as per 31 March 2024	**1,678**

Aging analysis of accounts receivable

In CHF thousands	Not due	< 30 days	31–90 days	91–180 days	> 180 days	Total
31 March 2023						
Accounts receivable – trade	70,633	8,116	2,343	363	1,070	82,525
Allowances for doubtful accounts / expected credit losses		(157)	(117)	(90)	(1,015)	(1,379)
Other receivables	4,517	510			286	5,313
Total	**75,150**	**8,469**	**2,226**	**273**	**341**	**86,458**
31 March 2024						
Accounts receivable – trade	53,266	12,499	5,483	1,266	1,898	74,412
Allowances for doubtful accounts / expected credit losses		(75)	(148)	(252)	(1,203)	(1,678)
Other receivables	3,391					3,391
Total	**56,657**	**12,424**	**5,335**	**1,013**	**696**	**76,125**

6. Inventories

In CHF thousands	31.3.2024	31.3.2023
Raw material	28,558	30,756
Work in progress	1,515	3,323
Finished goods and goods for resale	26,288	22,752
Total	**56,361**	**56,831**

The inventories include allowances of CHF 7,363 thousand (at 31 March 2023: CHF 6,090 thousand).

7. Other current assets

In CHF thousands	31.3.2024	31.3.2023
Advances to suppliers	2,310	2,682
Prepayments and accrued income	2,789	1,952
Derivative financial instruments		42
Other current assets	1	2
Total	**5,099**	**4,678**

8. Property, plant and equipment

In CHF thousands	Land and buildings	Machinery and equipment	Total
Net book value 1 April 2022	**1,055**	**59,518**	**60,574**
Acquisitions	717	25,736	26,453
Disposals		(140)	(140)
Impairment		(442)	(442)
Other movements		(17)	(17)
Depreciation charge	(13)	(11,016)	(11,028)
Foreign exchange effect	(57)	(1,762)	(1,819)
Net book value 31 March 2023	**1,703**	**71,878**	**73,580**
At cost of acquisition	1,804	161,131	162,934
Accumulated depreciation	(101)	(89,253)	(89,354)
Net book value 31 March 2023	**1,703**	**71,878**	**73,580**

In CHF thousands	Land and buildings	Machinery and equipment	Total
Net book value 1 April 2023	**1,703**	**71,878**	**73,580**
Acquisitions	7,821	18,231	26,052
Disposals		(235)	(235)
Impairment reversal (charge)		751	751
Transfer to right of use	(1,302)		(1,302)
Other movements	4,232	(4,291)	(59)
Depreciation charge	(319)	(11,780)	(12,099)
Foreign exchange effect	(118)	(1,485)	(1,603)
Net book value 31 March 2024	**12,016**	**73,069**	**85,085**
At cost of acquisition	12,424	170,866	183,289
Accumulated depreciation	(408)	(97,796)	(98,205)
Net book value 31 March 2024	**12,016**	**73,069**	**85,085**

9. Leases

9.1 Right-of-use assets

In CHF thousands	Real estate	Vehicles	Total
Net book value 1 April 2022	**28,272**	**164**	**28,436**
Addition	880	231	1,111
Remeasurement	(882)		(882)
Depreciation	(2,984)	(130)	(3,114)
Foreign exchange effect	(271)	(14)	(285)
Net book value 31 March 2023	**25,015**	**251**	**25,266**
At cost of acquisition	33,114	583	33,697
Accumulated depreciation	(8,099)	(332)	(8,431)
Net book value 31 March 2023	**25,015**	**251**	**25,266**
Net book value 1 April 2023	**25,015**	**251**	**25,266**
Addition	2,593	334	2,927
Remeasurement	1,224		1,224
Depreciation	(3,190)	(170)	(3,360)
Foreign exchange effect	(142)	(18)	(160)
Net book value 31 March 2024	**25,500**	**397**	**25,897**
At cost of acquisition	36,045	1,125	37,169
Accumulated depreciation	(10,545)	(728)	(11,272)
Net book value 31 March 2024	**25,500**	**397**	**25,897**

9.2 Lease liabilities

The Group presents the lease liabilities in the table below:

In CHF thousands	Current lease liabilities	Non-current lease liabilities	Total
Balance as per 1 April 2022	**1,646**	**28,375**	**30,021**
Payment of lease liabilities including interest	(1,819)		(1,819)
Lease incentive	892		892
Non-cash items			
Addition	224	887	1,111
Interest	1,006		1,006
Remeasurements	(873)		(873)
Transfer from non-current to current	2,149	(2,149)	
Foreign exchange effect	(121)	(183)	(304)
Balance as per 31 March 2023	**3,103**	**26,930**	**30,034**
Balance as per 1 April 2023	**3,103**	**26,930**	**30,034**
Payment of lease liabilities including interest	(4,373)		(4,373)
Lease incentive			
Non-cash items			
Addition	152	2,117	2,269
Interest	1,073		1,073
Remeasurements			
Transfer from non-current to current	2,931	(2,931)	
Foreign exchange effect	(91)	(81)	(171)
Balance as per 31 March 2024	**2,796**	**26,035**	**28,831**

The weighted average incremental borrowing rate is 3.72% (31 March 2023: 3.35%).

The following table presents the contract undiscounted cash flows for lease obligations:

Undiscounted cash flows

In CHF thousands	31.3.2024	31.3.2023
Within 1 year	3,781	4,261
Within 1 year to 5 years	12,674	12,118
Above 5 years	17,931	20,862

9.3 Other lease disclosures

The following expenses related to the Group's leasing activities are recognized in the income statement:

Expenses related to the Group's leasing activities

In CHF thousands	2023/24	2022/23
Expenses relating to short-term leases / low value assets	(977)	(1,001)
Depreciation of right-of-use assets	(3,360)	(3,114)
Interest expenses on lease liabilities	(1,073)	(1,006)
Total	**(5,410)**	**(5,121)**

10. Intangible assets

In CHF thousands	Goodwill	Patents	Other intangible assets	Total
Net book value 1 April 2022	**3,022**	**130**	**920**	**4,072**
Investment		51	2,368	2,418
Other movements			16	16
Amortization			(383)	(383)
Foreign exchange effect	(115)		(21)	(136)
Net book value 31 March 2023	**2,907**	**181**	**2,899**	**5,987**
At cost of acquisition	2,907	516	11,505	14,928
Accumulated amortization		(335)	(8,606)	(8,941)
Net book value 31 March 2023	**2,907**	**181**	**2,899**	**5,987**
Net book value 1 April 2023	**2,907**	**181**	**2,899**	**5,987**
Investment		4	3,220	3,223
Other movements			49	49
Amortization			(291)	(291)
Foreign exchange effect	(149)	(1)	207	58
Net book value 31 March 2024	**2,759**	**183**	**6,085**	**9,026**
At cost of acquisition	2,759	518	14,933	18,210
Accumulated amortization	(0)	(335)	(8,849)	(9,184)
Net book value 31 March 2024	**2,759**	**183**	**6,085**	**9,026**

The entire goodwill of LEM Group results from the acquisition of NANA in 2000/01 and is allocated to the cash-generating unit LEM Japan KK. The goodwill relates to the Asia business segment. The recoverable amount has been determined based on value-in-use calculations. These calculations use cash flow projections of five years based on financial business plans and budgets approved by management. The projections include assumptions concerning revenue growth and expected operating costs over the next five years plus a continuous period. Average revenue growth is projected at 13.1% and operating costs were estimated based on the experience of management. The pretax discount rate used within these cash flow calculations is 13.8% (2022/23 13.7%) and is based on the weighted average cost of capital of a peer group. The carrying value of the cash-generating unit including goodwill was compared to the value in use and no impairment was found to be present for the year ended 31 March 2024.

This year, the Group continues to invest into the transformation program, initiated last year, to support LEM's future growth. This transformation program contains cloud computing arrangements on which an assessment has been made to ensure it complies with IAS 38 Intangible assets. In relation to cloud computing arrangements, an entity needs to assess whether an intangible asset(s) is(are) present, i.e. does the contract provide the customer with a resource that it can control. Costs of implementation such as testing software and configuration are capitalized if directly attributable, and programming of interfaces are capitalized if they met the definition of IAS 38. All other costs are expensed.

11. Other non-current assets

In CHF thousands	31.3.2024	31.3.2023
Loan to personnel	100	140
Recognized surplus – pension plan	2,339	
Deposits and guarantees	590	524
Total	**3,029**	**664**

12. Accounts payable

In CHF thousands	31.3.2024	31.3.2023
Total accounts payable – trade	24,912	33,004
Other payables	3,440	3,067
Total	**28,352**	**36,071**

13. Provisions

In CHF thousands	Warranty and customer claims	Litigations and indirect taxes	Other	Total
Balance as per 1 April 2022	**681**	**210**	**58**	**950**
Additional provisions	334		727	1,061
Unused amounts reversed	(177)	(35)	(4)	(216)
Utilized during the year	(71)		(12)	(83)
Foreign exchange effect	(26)		(64)	(91)
Balance as per 31 March 2023	**741**	**175**	**705**	**1,621**
Of which current				*601*
Of which non-current				*1,020*
Balance as per 1 April 2023	**741**	**175**	**705**	**1,621**
Additional provisions	373		1	374
Unused amounts reversed	(243)	(175)		(417)
Utilized during the year	(61)		(283)	(344)
Foreign exchange effect	(12)	0	(63)	(75)
Balance as per 31 March 2024	**798**	**0**	**360**	**1,159**
Of which current				*856*
Of which non-current				*303*

Warranty and customer claims

Provisions for warranty and customer claims have been estimated based on past experience and the risk assessment of management. The warranty provision is expected to be used over the next five years.

Litigations and indirect taxes

Despite the care that LEM applies in the separation process with personnel, such separation may result in legal conflicts. The Group reviews all legal claims and takes appropriate actions to support its position and management estimates the reasonable risk to be provided for. The Company operates in multiple jurisdictions with complex legal and tax regulatory environments. Indirect tax provisions include disputes and uncertainties on non-income taxes (mainly VAT and sales taxes). They cover numerous separate cases whose detailed disclosure could be detrimental to the Group's interests. The Group does not believe that any of these cases will have a material adverse impact on its financial position.

Other

The restructuration provision of CHF 380,000 recorded last year for the termination of LEM Russia operation has been utilized for CHF 300,000 in 2023/24.

14. Other liabilities

In CHF thousands	31.3.2024	31.3.2023
Post-employment benefit plans	459	513
Derivative financial instruments	890	
Other liabilities	1,605	4,613
Total	**2,953**	**5,127**
Of which current	*2,392*	*2,228*
Of which non-current	*561*	*2,899*

15. Equity

Share capital

The nominal share capital of CHF 570,000 comprises 1,140,000 registered shares, each with a nominal value of CHF 0.50. There is neither authorized nor conditional share capital outstanding.

Investments in shares of LEM HOLDING SA held by the Group are classified as treasury shares and are accounted for at historical cost. Treasury shares are not entitled to dividends.

Movement of treasury shares

In number of shares, in CHF	Number	High	Price per share in CHF Average	Low	Value in CHF thousands
Value 1 April 2022	**449**				**977**
Purchases at cost	3,986	2,401.82	1,863.23	1,392.29	7,427
Sales at cost	(3,880)	2,438.18	1,890.66	1,439.90	(7,336)
Value 31 March 2023	**555**				**1,069**
Purchases at cost	4,469	2,263.75	1,939.04	1,575.00	8,666
Sales at cost	(3,945)	2,280.00	1,952.28	1,576.00	(7,702)
Granted to employees at cost	(21)	2,099.65	2,099.65	2,099.65	(44)
Value 31 March 2024	**1,058**				**1,988**

In CHF	
Ordinary dividend per share 2022/23	52.00
Ordinary dividend per share 2023/24	50.00

A dividend of CHF 50 per share will be proposed by the Board of Directors to the Annual General Meeting of Shareholders of the Group on 27 June 2024. The expected payout for dividends amounts to CHF 57.0 million.

16. Staff costs

In CHF thousands	Notes	2023/24	2022/23
Production		(28,467)	(28,520)
Sales		(18,609)	(19,544)
Administration		(18,546)	(16,192)
Research & development		(27,092)	(23,833)
Total		**(92,714)**	**(88,089)**
Salaries and wages		(86,890)	(83,039)
Temporary employee costs		(4,104)	(3,596)
Cost of defined benefit plans	24.1	(1,549)	(1,274)
Cost of defined contribution plans		(171)	(180)
Total		**(92,714)**	**(88,089)**
Number of employees at the end of the financial year		**31.3.2024**	**31.3.2023**
Permanent employees		1,574	1,488
Temporary employees		217	216
Apprentices		18	13
Total		**1,808**	**1,716**

17. Share-based payments

The grant-date fair value is calculated based on the closing share price as reported by SIX Swiss Exchange at the date of the grant. As the EVA condition is a non-market condition, the future EVA performance realization is not reflected in the grant-date fair value. Since plan participants are not entitled to dividends during the vesting period, the value of the EVA-driven part of a PSU is reduced by the present value of the expected dividend stream during the period from the grant date to the vesting date.
The three-year TSR is calculated as the relation between the average daily closing share prices / index performance during the month of March of the year of grant and the average daily closing share prices / index performance during the month of March of the year of vesting assuming dividend payments over the performance period are reinvested in shares at the time of the distribution and expressed in percentage based on the compound annual growth rate (CAGR) over the performance period. Relative TSR is calculated as a simple difference between the three-year LEM's TSR CAGR and the three-year TSR CAGR of the SPI EXTRA® Index.

As of 31 March 2024, the Group has the following plans ongoing:

Plan name	Grant date	Vesting date	Number of beneficiaries	Number of PSU allocated	Revision of share number related to service and performance conditions	Number of shares definitely allocated in March 2024	Number of shares expected to be delivered at vesting date
Plan Cycle 2022/23 to 2024/25	**20.7.2022**	**20.7.2025**	**32**	**995**	**(136)**	**(21)**	**838**
Plan Cycle 2023/24 to 2025/26	**19.7.2023**	**19.7.2026**	**33**	**879**	**(44)**	**0**	**835**

	Fair value at grant date (in CHF)	Absolute TSR fair value at grant date (in CHF)	Relative TSR fair value at grant date (in CHF)	EVA fair value at grant date (in CHF)
Plan Cycle 2022/23 to 2024/25	**1,518.18**	**1,187.22**	**1,627.70**	**1,592.00**
Plan Cycle 2023/24 to 2025/26	**2,043.31**	**2,137.22**	**2,393.35**	**1,895.32**

The expense recognised for employee services received during the year is shown in the following table:

In CHF thousands	31.3.2024	31.3.2023
Expense arising from equity-settled share-based payment transactions	**781**	**514**
Plan Cycle 2022/23 to 2024/25	*358*	*514*
Plan Cycle 2023/24 to 2025/26	*423*	

The following tables list the inputs to the models used for the calculation of the fair value of the plans:

	Plan Cycle 2023/24 to 2025/26		Plan Cycle 2022/23 to 2024/25	
In %	LEM	SPI Index	LEM	SPI Index
Risk-free interest	1.09%	1.09%	1.09%	1.09%
Dividend yield	2.85%	–	3.07%	
Expected volatility	35.27%	16.09%	36.66%	18.42%

18. Financial expenses

In CHF thousands	2023/24	2022/23
Interest expenses	(2,923)	(1,542)
Other financial expenses	(258)	(177)
Total	**(3,181)**	**(1,719)**

19. Financial income

In CHF thousands	2023/24	2022/23
Interest income on cash	422	392
Total	**422**	**392**

20. Exchange effect

In CHF thousands	2023/24	2022/23
Exchange gains/losses	(2,543)	(2,191)
Fair value revaluation on derivatives	(932)	18
Gains and losses on derivatives [1]	148	246
Total	**(3,326)**	**(1,928)**

[1] Position includes cost of derivative hedging.

In 2023/24, the exchange effect is mainly driven by the foreign exchange loss linked to EUR devaluation.

21. Income taxes, deferred tax assets and liabilities

The Group operates in multiple jurisdictions with complex legal and tax regulatory environments. In certain of these jurisdictions, the Group has taken income tax positions that management believes are supportable and are intended to withstand challenges by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions. The Company periodically reassesses its tax positions. Considering all available information and the history of resolving income tax uncertainties, the Group believes that the ultimate resolution of such matters will not have a material effect on its financial statements.
Differences between the final tax outcome and the amounts that were initially recorded impact the income and deferred taxes in the period in which such determinations are made. The Group calculates its expected average tax rate as a weighted average of the tax rates in the tax jurisdictions in which the Group operates.

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

The tax expense relating to components of other comprehensive income amounts to CHF 173,000 for the year 2023/24 (tax expense of CHF 758,000 in 2022/23).

Income tax

In CHF thousands	2023/24	2022/23
Current income taxes	(12,347)	(9,608)
Deferred taxes relating to the origination and reversal of temporary differences	893	(4,462)
Deferred tax income/(expense) resulting from reduction in tax rates	1,693	0
Adjustment recognized in the period for current tax of prior year	116	485
Total	**(9,645)**	**(13,585)**

The Group's effective tax rate differs from the Group's average expected tax rate as follows:

In %	2023/24	2022/23
Group's average expected income tax rate	16.3	15.6
Group's average expected withholding tax rate	(0.1)	0.8
Group's average expected tax rate	**16.2**	**16.4**
Tax effect of		
Permanent differences	(0.5)	(0.4)
Adjustment in respect of previous periods' income tax	(0.2)	(0.6)
Recognition of previously unrecorded tax losses	(2.3)	0.0
Other differences	(0.4)	(0.2)
Group's effective tax rate	**12.9**	**15.3**

As of 31 March, 2024, LEM Group recognized a tax profit of CHF 1.7 million related to the increase of its deferred tax assets. This is mainly due to the decision taken by Swiss cantonal authorities in September 2023 to raise the income tax rate in 2024.

Deferred tax assets and liabilities

Deferred taxes have been calculated on the following balance sheet positions:

		31.3.2024		31.3.2023
In CHF thousands	Asset	Liability	Asset	Liability
Assets	**50,149**	**(6,021)**	**48,524**	**(5,116)**
Accounts receivable	168	(124)	108	(113)
Inventories	1,235	(410)	1,425	(591)
Property, plant and equipment	2,064	(4,751)	1,348	(3,891)
Intangible assets	46,585	(25)	45,635	(24)
Tax losses carried forward				
Other assets	96	(711)	8	(497)
Liabilities	**4,950**	**(1,889)**	**4,825**	**(2,798)**
Provisions	66	0	218	0
Others	4,884	0	4,607	0
Withholding tax on dividends		(1,889)		(2,798)
Gross deferred taxes	**55,099**	**(7,910)**	**53,349**	**(7,914)**
Offsetting	(5,563)	5,563	(4,980)	4,980
Net deferred taxes	**49,536**	**(2,347)**	**48,369**	**(2,934)**

The balance sheet contains the following:

	31.3.2024	31.3.2023
Deferred tax assets	49,536	48,369
Deferred tax liabilities	(2,347)	(2,934)
Net assets	**47,189**	**45,435**

In 2023/24, the deferred tax assets of CHF 49.5 million are mainly linked to the deferred tax asset of the technical intellectual property intercompany sale, the latest occurring in 2023/24, and usufruct sale in 2020/21.

22. Earnings per share

Net earnings per share is calculated by dividing the net profit for the financial period by the average number of shares in issue over the period net of treasury shares held.
Only treasury shares held by LEM Group and allocated at the closing to share performance plan guarantee a dilutive effect on the calculation of diluted earnings per share.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2023/24	2022/23
Basic earnings per share		
Net profit for the year attributable to LEM shareholders – in CHF thousands	65,327	75,340
Ordinary number of shares at the beginning of the year	1,140,000	1,140,000
Weighted average number of ordinary shares	1,140,000	1,140,000
Weighted average number of treasury shares	874	544
Weighted average number of shares outstanding	1,139,125	1,139,456
Earnings per share – basic in CHF	**57.35**	**66.12**
Diluted earnings per share		
Net profit for the year attributable to LEM shareholders – in CHF thousands	65,327	75,340
Weighted average number of shares outstanding	1,139,125	1,139,456
Share-based payment plans	1,673	908
Adjusted weighted average number of shares outstanding	1,140,798	1,140,364
Earnings per share – diluted in CHF	**57.26**	**66.07**

23. Related parties

Related parties are the Board of Directors and the Executive Managers as defined in the Corporate Governance guidelines. The compensation to the Board of Directors is paid as a fixed fee in cash. The compensation for the Executive Management includes base salary, a performance-related bonus (LEM Incentive System), bonus and post-employment benefits. In 2023/24 and 2022/23, no termination benefits have been paid. The base salary is the employee's compensation before deduction of the employee's social security contributions. Bonus payments are made in cash.

Compensation of the Board of Directors

In CHF thousands	2023/24	2022/23
Annual fees	(1,020)	(870)
Total	**(1,020)**	**(870)**

Compensation of the Executive Management

In CHF thousands	2023/24	2022/23
Base salary	(2,687)	(2,002)
Bonus	(1,482)	(2,143)
Other benefits	(150)	(26)
Company's contribution to pension fund	(265)	(203)
Total	**(4,584)**	**(4,374)**

Share-based payments of the Executive Management

Plan name	Grant date	Vesting date	Number of beneficiaries	Number of shares allocated	Revision of share number related to service and performance conditions	Number of shares definitely allocated in March 2024	Number of shares expected to be delivered at vesting date
Plan Cycle 2022/23 to 2024/25	**20.7.2022**	**20.7.2025**	**4**	**604**	**–50**	**21**	**533**
Plan Cycle 2023/24 to 2025/26	**19.7.2023**	**19.7.2026**	**7**	**578**		**0**	**578**

In 2023/24 and 2022/23, no member of the Board of Directors has any significant business connection with LEM Group.

For details on the compensation of the Board of Directors and of the Executive Management, please refer to the compensation report. Also, see Significant Accounting Principles 2.15 Employee benefits.

24. Retirement benefit obligations

The Group operates a defined benefit plan for all its employees in Switzerland with a collective foundation.

This foundation is a separate legal entity which is not part of the Group. It is managed by a board of trustees having equal representation of employees and employers of the affiliated companies. It is supervised by the supervisory authority and complies with the requirements of Swiss pension law. The Company pays contributions that are based on a percentage of the insured salary under the Swiss law. The pension plan qualifies as a defined benefit plan under IAS 19 due to the various benefits guaranteed according to the law.

The plan is funded by contributions from both employer and employees. The plan participants are insured against the financial consequences of old age, disability and death. The retirement benefit is based on a notional individual savings account converted at retirement into a fixed pension benefit.

The assets of the foundation are invested in a diversified portfolio. Death in service and disability benefits are insured with an insurance company. The pension plan does not expose the affiliated companies to any additional unusual risks not foreseen by the law. No curtailments or settlements occurred in 2023/24.

As at 31 March 2024, the pension plan is in surplus. Based on the expected amount of contributions to be paid over the next year versus the next year employer service cost, an economic benefit in the form of a reduction in future contributions can be realised. Therefore, the full amount of the surplus is recognised as per IFRIC 14 requirements for an amount of CHF 2,339 thousand.

The following main assumptions have been updated:
– discount rate from 2.1% to 1.4%;
– interests credited on savings account remains stable at 1.5%;
– salary increase rate remains stable at 1%.

Applying the rules of IAS 19, this adjustment was accounted for in other comprehensive income and did not impact the net profit for the year.

The subsidiaries abroad sponsor either defined contribution plans or defined benefit plans based on local laws and regulations. A former employee in Germany benefits from a defined benefit obligation amounting to CHF 244 thousand at 31.3.2024 (CHF 249 thousand at 31.3.2023). Other subsidiaries, defined benefit obligations in Japan, Bulgaria and Italy amount to CHF 221 thousand at 31.3.2024 (CHF 264 thousand at 31.3.2023).

In CHF thousands	31.3.2024	31.3.2023
Fair value of plan assets at year-end	54,272	48,768
Defined benefit obligations at year-end	51,933	44,435
Surplus	**2,339**	**4,333**
Effect of asset ceiling	0	(4,333)
Funded status (Net assets in the balance sheet)	**2,339**	**0**

24.1 Cost of defined benefit plans

In CHF thousands	2023/24	2022/23
Current service cost	1,587	1,682
Past service cost	0	(386)
Net interest (income)/cost	(38)	(22)
Total pension expenses recorded in the consolidated income statement	**1,549**	**1,274**

Costs related to the pension plan were charged to the different functional departments based on salary costs. In 2022/23, past service costs resulted from a change in the conversion rate.

24.2 Remeasurements of employee benefits

In CHF thousands	2023/24	2022/23
Experience adjustments on defined benefit obligation	4,696	(3,601)
Change in the effect of asset ceiling	(4,425)	498
Return on plan assets excluding interests	(2,358)	3,347
Total remeasurements recorded in other comprehensive income	**(2,087)**	**244**

24.3 Reconcilitation of the effect of asset ceiling

In CHF thousands	2023/24	2022/23
Effect of asset ceiling per beginning of year	**(4,334)**	(3,788)
Change in the effect of asset ceiling	4,425	(498)
Net interest (income)/cost	(91)	(48)
Effect of asset ceiling per end of year	**0**	**(4,334)**

24.4 Change in fair value of plan assets

In CHF thousands	31.3.2024	31.3.2023
Fair value of plan assets as per beginning of year	**48,768**	**48,672**
Return on plan assets excluding interest income	2,358	(3,347)
Interest income on plan assets	1,042	618
Employer's contributions	1,810	1,518
Employees' contributions	1,727	1,403
Benefits paid	(1,433)	(95)
Fair value of plan assets as per end of year	**54,272**	**48,768**

24.5 Change in present value of defined benefit obligation

In CHF thousands	31.3.2024	31.3.2023
Defined benefit obligation per beginning of year	**44,435**	**44,884**
Current service cost	1,587	1,682
Past service cost	0	(386)
Employees' contributions	1,727	1,403
Interest cost	913	549
Actual (gains)/losses	4,704	(3,601)
due to changes in assumptions	*4,735*	*(4,359)*
due to demographic and experience changes	*(30)*	*758*
Benefits paid	(1,433)	(95)
Defined benefit obligation per end of year	**51,933**	**44,435**

The weighted average duration of the Defined Benefit Obligation (DBO) at the end of the current fiscal year is 15 years. In 2022/23, past service costs resulted from a change in the conversion rate.

24.6 Asset allocation of investments

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

In %	Long-term target	2023/24	2022/23
Equity securities	35.0%	35.7%	33.1%
Debt securities	39.0%	36.2%	31.2%
Real estate	24.0%	25.3%	28.4%
Cash and other investments	2.0%	2.8%	7.3%
	100.0%	**100.0%**	**100.0%**

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.

Cash as well as most equity and debt securities have a quoted market price in an active market (Level 1 of fair value hierarchy). Other assets including real estate and other investments do not have a quoted market price (Level 3 of fair value hierarchy).

24.7 Actuarial assumptions

The main actuarial assumptions used in the actuarial calculations include:

In %	2023/24	2022/23
Discount rate	1.40%	2.10%
Salary increases	1.00%	1.00%
Interest credit rates	1.50%	1.50%

The present value of the defined benefit obligation is determined annually by independent actuaries using the projected unit credit method. Actuarial assumptions are required for this purpose.

Sensitivities of significant actuarial assumptions

The sensitivity analysis is based on reasonable possible changes as of the end of the year 2023/24. Each change in a significant assumption was analyzed separately as part of the test.

The sensitivity of the DBO to changes in the main actuarial assumptions is as follows:

DBO increase / DBO (decrease) – In CHF thousands	2023/24	2022/23
Discount rate		
Increase by 0.25%	(1,787)	(1,520)
Decrease by 0.25%	1,905	1,616
Salary increase rate		
Increase by 0.25%	522	448
Decrease by 0.25%	(527)	(458)

24.8 Maturity structure of pension obligation

The following main cash outflows are expected in future periods:

In CHF thousands	2023/24
in 1 year	1,915
in 2 years	2,192
in 3 years	1,831
in 4 years	2,675
in 5 years	2,300
in 6 to 10 years	16,383

24.9 Contingent liabilities

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 insurance policies. For the years 2022/23 and 2023/24, there is no material contingent liability from a consolidated point of view.

25. Financial risk management objectives and policies

The Group classifies its financial assets and liabilities in the following categories as per IFRS 7:

Financial assets

In CHF thousands	31.3.2024 Book value	31.3.2023 Book value	Amortized cost	At fair value through profit and loss
Cash and cash equivalents	23,710	21,775	X	
Accounts receivable	76,125	86,458	X	
Derivative financial instruments – current		42		X
Other current financial assets	1	2	X	
Other non-current financial assets	3,029	664	X	
Total	**102,864**	**108,941**		

Financial liabilities

In CHF thousands	31.3.2024 Book value	31.3.2023 Book value	Other finan-cial liabilities	At fair value through profit and loss
Accounts payable	28,352	36,071	X	
Accrued expenses	31,952	32,296	X	
Derivative financial instruments - current	890			X
Other current financial liabilities	57,275	38,414	X	
Other non-current financial liabilities	9,550	5,175	X	
Total	**128,019**	**111,956**		

Book values approximate fair values except for derivative financial instruments which are disclosed at fair value. Fair value of the lease is amounting to CHF 34,386 thousand in 2023/24 (CHF 37,241 thousand in 2022/23).

Changes in liabilities arising from financing activities

In CHF thousands	1.4.2022	Cash impact: Cash flows Inflow	Cash impact: Cash flows (Outflow)	Non-cash impact: Fair value changes and Others	31.3.2023
Interest-bearing loans and borrowings	40,650	141,745	(138,590)	(216)	43,589
Total	**40,650**	**141,745**	**(138,590)**	**(216)**	**43,589**

In CHF thousands	1.4.2023	Cash impact: Cash flows Inflow	Cash impact: Cash flows (Outflow)	Non-cash impact: Fair value changes and Others	31.3.2024
Interest-bearing loans and borrowings	43,589	128,418	(104,750)	(432)	66,825
Total	**43,589**	**128,418**	**(104,750)**	**(432)**	**66,825**

Management assessed that fair value levels of all financial assets and liabilities approximate their book value. The Group enters into derivative transactions such as forward contracts to hedge USD and EUR risks.
The purpose of these currency hedges is to manage the currency risks arising from the Group's operations.

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation method:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: methods which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.
The Group's net financial assets at fair value amount to CHF 890,000 per 31 March 2024 (net financial assets of CHF 42 thousand per 31 March 2023), all classified under Level 2.
During the two last reporting periods, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Foreign currency risk

The Group operates globally and is exposed to various foreign exchange risks primarily to the USD, EUR, JPY, CNY and GBP. The Group generally seeks to reduce these risks by optimizing its natural hedging strategy (cash inflows and outflows in a specific currency should be balanced as far as possible).
The Group's policy states that 100% of LEM's net exposure for the main currencies EUR, USD and JPY is to be hedged on a rolling 12-month basis.
Currency risks also arise from translation differences that are not hedged by the Group when preparing the consolidated financial statements in CHF. The foreign exchange translation is excluded from the calculation of the sensitivity analysis for currency risk below.

Sensitivity analysis for currency risk

The sensitivity analysis is performed per 31 March 2024 with a 5% change in the USD, EUR, JPY, CNY and GBP, with all other variables held constant of the Group's profit before tax (due to the changes in the fair value of the monetary assets and liabilities) and the Group's equity.
The sensitivity analysis performed for the financial year shows an impact of CHF ±1,179 thousand for a ±5% EUR rate change (CHF ±979 thousand per 31 March 2023), of CHF ±720 thousand for a ±5% USD rate change (CHF ±575 thousand per 31 March 2023), of CHF ±1,181 thousand for a ±5% CNY rate change (CHF ±1,608 thousand per 31 March 2023) and of CHF ±140 thousand for a ±5% JPY rate change (CHF ±249 thousand per 31 March 2023). For other currencies, there is no significant impact. There is no significant impact on the Group's equity.

Credit risk

Credit risk is the risk that a financial loss occurs if a counterparty is unable or unwilling to fulfill its contractual payment obligation. The Group trades with recognized and creditworthy parties. Accounts receivables are monitored on a monthly basis.
It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In case of a deterioration of the credit history, advance payments are required.
The Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 5. There are no significant concentrations of credit 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 a potential default of the counterparty, with a maximum exposure equal to the carrying amount of these positions.

Liquidity risk

The Group operates through a cash-pooling agreement in which cash targets are set for all the subsidiaries. Cash surplus / shortages are balanced in intercompany loans on a monthly basis.
Group capital requirements are managed centrally by corporate finance. In case liquidity is required, bank loans are either taken up centrally and passed on as an intercompany loan, or provided 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.

In CHF thousands	31.3.2024 Book value	Less than one year	Over one year	31.3.2023 Book value	Less than one year	Over one year
Debt	66,825	57,275	9,550	43,589	38,414	5,175
Accounts payable	28,352	28,352		36,071	36,071	
Other current liabilities	34,748	35,734		35,399	36,557	
– of which lease liabilities[1]	*2,796*	*3,781*		*3,103*	*4,261*	
– of which derivative financial instruments	*0*			*0*		
Other non-current liabilities	26,035		30,604	26,930		32,980
– of which lease liabilities[1]	*26,035*		*30,604*	*26,930*		*32,980*
Total Financial liabilities	**155,960**	**121,361**	**40,154**	**141,989**	**111,042**	**38,155**

[1] Whereas net book values are net present values, future liabilities are disclosed as undiscounted.

The Group's exposure to the risk of changes in market interest rates with the current financial leverage is low. As of 31 March 2024, the bank credit line amounts to CHF 57.3 million.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy and stable equity ratio in order to secure the confidence of shareholders and investors, creditors and other market players and to strengthen the future development of the Group's business activities. The Group manages its capital structure and makes adjustments if required by economic conditions. LEM targets a payout ratio significantly above 50% of the consolidated net profit for the year. However, it may diverge from this policy due to economic prospects or on the grounds of planned future investment activities.

26. Scope of consolidation

Full consolidation	Country	Currency	Share capital	Ownership
Europe				
LEM Europe GmbH	Germany	EUR	75,000	100%
LEM HOLDING SA	Switzerland	CHF	570,000	100%
LEM International SA	Switzerland	CHF	100,000	100%
LEM Management Services SARL	Switzerland	CHF	20,000	100%
LEM Tech France SAS	France	EUR	50,000	100%
LEM Bulgaria EOOD	Bulgaria	BGN	1,971,000	100%
LEM Russia Ltd	Russia	RUB	16,400,000	100%
North America				
LEM USA Inc.	USA	USD	150,000	100%
Asia				
LEM Electronics (China) Co. Ltd	China	CNY	204,495,594	100%
LEM Japan KK	Japan	JPY	16,000,000	100%
LEM Malaysia SDN, BHD	Malaysia	MYR	15,000,000	100%

27. Changes in scope of consolidation

As announced last year, LEM Russia Ltd has terminated its operation in Russia. There are no other changes in scope.

28. Events after the balance sheet date

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

Auditor’s report

Building a better working world

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of LEM Holding SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2024, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the consolidated financial statements.

Recoverability of deferred tax assets

Risk

At 31 March 2024, the Group disclosed CHF 50m of deferred tax assets in Note 21 to the consolidated financial statements (CHF 48m at 31 March 2023).

The deferred tax assets were recognized and relate mainly to timing difference of the technical IP sale from LIP to LIN and usufruct sale from LHO to LIN . The analysis of the recoverability of the deferred tax assets was significant to our audit because the amounts are material, the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions.

Our audit response

Our procedures included, amongst others:

- We have audited the tax provision and the related business tax risks.
- We also involved our internal tax experts to assess the recoverability of the asset as well as inputs into the model such as tax rate.
- We analyzed the offsetting and presentation of deferred tax positions.
- We audited the current year tax provision, the Company's reconciliation of book to taxable income, as well as the deferred tax balances and evaluated whether the assumptions applied by management on the recoverability of deferred tax assets are consistent with its budget and forecasts.

Our audit procedures did not lead to any material reservations regarding the recoverability of the deferred tax assets.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Building a better working world

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the 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, 23 May 2024

Ernst & Young Ltd

Daniel Zaugg	**Didier Lequin**
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Financial Report of LEM HOLDING SA

Balance sheet
(before distribution of earnings)

Assets

In CHF thousands

	Notes	31.3.2024	31.3.2023
Current assets			
Cash and cash equivalents		5,526	704
Loans to affiliated companies	4	131,698	133,774
Current assets from affiliated companies		2,441	3,027
Other current assets		414	288
Total current assets		**140,079**	**137,793**
Non-current assets			
Loans to affiliated companies NC	4	215,050	237,050
Investments in affiliated companies	1	43,090	38,286
Total non-current assets		**258,140**	**275,336**
Total assets		**398,219**	**413,130**

Liabilities and equity

In CHF thousands

	Notes	31.3.2024	31.3.2023
Current liabilities			
Current financial liabilities		52,500	38,000
Loans from affiliated companies			57
Current liabilities from affiliated companies		92	97
Other current liabilities		3,211	1,788
Total current liabilities		**55,803**	**39,942**
Equity			
Share capital	2	570	570
Legal reserves		285	285
Free reserves – balance carried forward		314,147	339,453
– profit for the year		29,402	33,948
Treasury shares	3	(1,988)	(1,069)
Total equity		**342,416**	**373,188**
Total liabilities and equity		**398,219**	**413,130**

Income statement

Income

In CHF thousands	Notes	2023/24	2022/23
Dividend from affiliated companies	5	22,401	30,778
Interest income from affiliated companies		11,672	7,423
Foreign exchange gain	6	1,412	1,268
Other financial income	1	3,991	149
Other income from affiliated companies		1,868	2,818
Total income		**41,344**	**42,435**

Expense

In CHF thousands	Notes	2023/24	2022/23
Administration and other expenses		(4,848)	(5,279)
Participations' impairment	1	(593)	(444)
Financial expense		(1,685)	(752)
Foreign exchange loss	6	(3,432)	(1,807)
Total expense		**(10,558)**	**(8,283)**
Profit before tax		**30,786**	**34,153**
Income taxes	7	(1,383)	(204)
Net profit for the year		**29,403**	**33,948**

Notes to the financial statements

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. In agreement with the Article 961d of the Code of Obligations, the Company does not present the additional information in the notes to the annual accounts, the cash flow statement and the management report.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.
LEM HOLDING SA does and did not have any employees.

Financial income and expenses

Current assets and current liabilities denominated in foreign currencies are converted at year-end exchange rates. Realized exchange gains and losses, and all unrealized exchange losses arising from these as well as those from business transactions, are recorded net as financial income or financial expenses.

Derivative financial instruments

Derivative financial instruments are used for hedging purposes. These instruments are valued at fair value.

Cash and cash equivalents

Cash and cash equivalents are bank accounts and short-term deposits, highly liquid and readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition.

Financial assets

Financial assets are valued at acquisition cost less adjustments for foreign currency losses and any other impairment of value.

Financial investments

Financial investments are initially recognized at cost. Investments in LEM HOLDING SA subsidiaries are assessed annually and in case of an impairment adjusted to their recoverable amount.

Treasury shares

Treasury shares are recognized at acquisition cost and deducted from equity. Gains and losses on the sale are recognized in the statement of income.

1. Investments in affiliated companies

In CHF thousands	31.3.2024	31.3.2023
Historical cost minus impairment	43,090	38,286
Total	**43,090**	**38,286**

The CHF 4,804 thousand increase in participations is explained by:
- CHF 1,723 thousand on capital increase in LEM Malaysia;
- CHF 3,081 thousand for corrections of participations previously impaired (mostly LEM Europe and LEM USA, following their value increase).

For more detail about participation, please refer to note 26 of the consolidated financial statements.

2. Share capital

	Number of shares	Par value per share in CHF	Capital in CHF thousands
Opening capital at 1 April 2023	**1,140,000**	**0.50**	**570**
Change of capital	0		0
Closing capital at 31 March 2024	**1,140,000**	**0.50**	**570**

3. Treasury shares

In number of shares, in CHF	Number	Price per share in CHF High	Average	Low	Value in CHF thousands
Value at 1 April 2022	**449**				**977**
Purchases at cost	3,986	2,401.82	1,863.23	1,392.29	7,427
Sales at cost	(3,880)	2,438.18	1,890.66	1,439.90	(7,336)
Value at 31 March 2023	**555**				**1,069**
Purchases at cost	4,469	2,263.75	1,939.04	1,575.00	8,666
Sales at cost	(3,945)	2,280.00	1,952.28	1,576.00	(7,702)
Granted to employees at cost	(21)	2,099.65	2,099.65	2,099.65	(44)
Value at 31 March 2024	**1,058**				**1,988**

Subsidiaries of LEM HOLDING SA did not own any shares of LEM HOLDING SA.
Treasury shares are valued at the lower of cost or market value.

4. Loans to affiliated companies

On 31 March 2024, LEM HOLDING SA has notably a loan of CHF 237 million towards LEM International SA, coming from the IP sold to LEM International SA in 2019. This loan is refunded every year for an amount of CHF 22 million. It is disclosed as follows in the balance sheet as of 31 March 2024:
- Current loans, for CHF 22 million;
- Non-current loans, for CHF 215 million.

5. Dividend from affiliated companies

In financial year 2023/24, the dividend income amounts to CHF 22 million coming mostly from LEM China (CHF 15 million).

6. Exchange effect

In CHF thousands	2023/24	2022/23
Exchange gains/(losses)	(1,237)	(803)
Fair value revaluation on derivatives [1]	(932)	18
Gains/(losses) on derivatives [1]	148	246
Exchange effect	**(2,021)**	**(539)**

[1] Position includes cost of derivative hedging

7. Income taxes

In CHF thousands	2023/24	2022/23
Current taxes	(1,384)	(737)
Adjustments of tax provisions of previous periods	1	533*
Total	**(1,383)**	**(204)**

* From previous years due to liquidation of LEM Intellectual Property SA

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

In CHF thousands	31.3.2024	31.3.2023
Amount of guarantees issued	185	1,627

The lease guarantee of LEM former Headquarters (Plan-les-Ouates) was cancelled, following the move to Meyrin.

9. Shareholdings

Significant shareholders
On 31 March 2024, the following shareholders held 3% or more of the share capital and voting rights:

	31.3.2024		31.3.2023	
In number of shares, percent of shareholding	Shares	In%	Shares	In%
Werner O. Weber and Ueli Wampfler, in Zollikon/Wollerau, Switzerland, through WEMACO Invest AG and Voltano AG in Cham, Switzerland	599,139	52.6%	592,500	52.0%
J. Safra Sarasin Investmentfonds AG, Basel, Switzerland	34,550	3.0%	n.a.	<3%
Capital Group Companies Ltd., Los Angeles, USA	n.a.	3%–5%[1]	n.a.	3%–5%[1]

[1] Capital Group disclosed a 3.02% stake as of 31 August 2020, but did not report the exact number of LEM shares per 31 March 2023 and 31 March 2024

Shareholdings of non-executive directors

	31.3.2024 Number of shares held	31.3.2023 Number of shares held
Andreas Hürlimann	1,001	1,001
François Gabella	600	600
Ilan Cohen	300	300
Ueli Wampfler	76,650	75,500
Ulrich Jakob Looser	350	350
Werner C. Weber	0	0
Total	**78,901**	**77,751**

Shareholdings of Executive Management

	31.3.2024 Number of shares held	31.3.2023 Number of shares held
Frank Rehfeld, CEO	29	20
Executive management (excl. CEO)	0	0
Total	**29**	**20**

Starting with financial year 2022/23, participants to the LTI plans are granted an individual LTI amount in CHF at the beginning of each three-year plan cycle, which corresponds to the grant date. This amount is converted into PSUs based on a reference price (10-day average share price prior to grant date). At the end of the plan cycle, PSUs vest in LEM shares, whereas the number of shares obtained per PSU can vary between 0% and 200% of the award, depending on the achievement of pre-defined performance and service conditions. Each year, a new plan is setup, with new PSU allocated, as below:

Number of PSU allocated	Plan Cycle 2023/24 to 2025/26	Plan Cycle 2022/23 to 2024/25
Frank Rehfeld, CEO	210	265
Executive management (excl. CEO)	368	290
Total	**578**	**555**

Proposed appropriation of available earnings

In CHF thousands	31.3.2024	31.3.2023
Balance brought forward from previous year	**313,013**	**338,436**
of which treasury shares from previous year	*(1,069)*	*(977)*
Variation of treasury shares	(920)	(91)
Net profit for the year	29,403	33,948
Total available earnings	**341,496**	**372,293**
Proposal of the Board of Directors		
Ordinary dividend	(57,000)	(59,280)
Balance to be carried forward	**284,496**	**313,013**

The Board of Directors proposes the distribution of an ordinary dividend of CHF 50 per share. Net of 35% withholding tax, this is an ordinary cash dividend of CHF 32.5 per share.
The proposed appropriation of available earnings is made in compliance with Article 671 of the Code of Obligations.
Shares held by LEM HOLDING SA or any of its subsidiaries are not entitled to dividends.

Auditor’s report

EY
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Report on the audit of the financial statements

Opinion
We have audited the financial statements of LEM Holding SA (the Company), which comprise the statement of financial position as at 31 March 2024 and the statement of income for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements comply with Swiss law and the Company’s articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the financial statements” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor’s reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we 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, 23 May 2024

Ernst & Young Ltd

Daniel Zaugg	**Didier Lequin**
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Group subsidiaries

LEM is a global player with production plants and development centers in Beijing (China), Geneva (Switzerland), Tokyo (Japan), Peneng (Malaysia) and Sofia (Bulgaria). The Company has a dedicated R&D Center in Lyon (France) and sales offices at all its customers' locations and offers seamless service around the globe.
For a complete list of subsidiaries and offices, refer to www.lem.com > About LEM > Our Locations

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Concept and text
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Dynamics Group, Zurich

Design
Process AG, Zurich

Photos
Mara Truog, Zurich
Getty Images

Printing
Druckprodukt, Zurich

Leading the world in electrical measurement, LEM engineers the best solutions for energy and mobility, ensuring that our customers’ systems are optimized, reliable, and safe.

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