Annual Report 2014/15

At the heart of power electronics

LEM

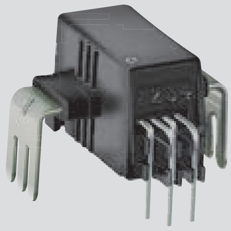
Air-conditioning systems

Air conditioning gives a comfortable room environment all along the year. An air-conditioning system has several functions: heating, cooling and air purification. The air goes through filters to avoid dust and pollens, to prevent allergies and respiratory problems.

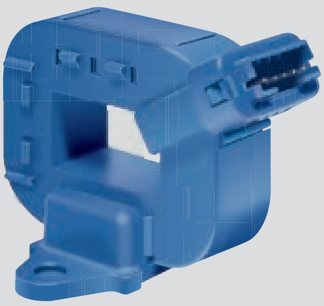
Inverterization of air conditioners started with industrial and light commercial systems. In central air conditioning (1), the air is cooled by blowing it over an evaporator filled with a refrigerant. Then the refrigerant is pumped into a condenser where it releases the heat. A pump or compressor is used to move the refrigerant, and a motor runs the compressor. Today, also residential systems (2) increasingly use inverters in order to reduce energy consumption, while improving comfort. Inverters sit inside the air conditioners to control the motors, which drive the pumps and fans.

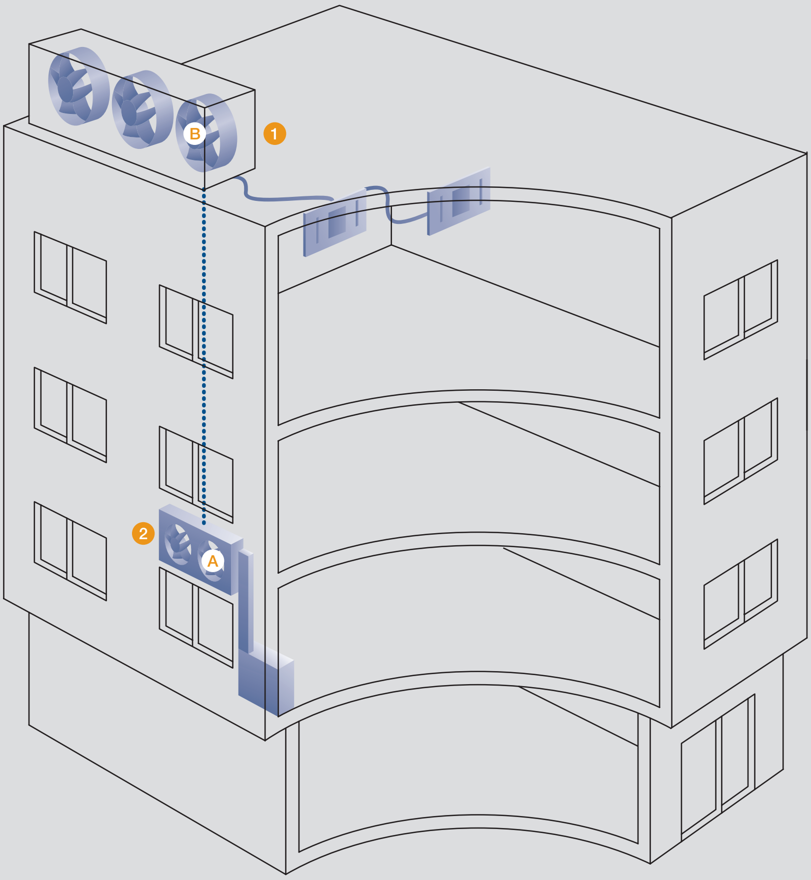
Robust current measurement devices from LEM like the HLSR models (A) or HO xxx-S models (B) are used by major HVAC (heating, ventilating, and air conditioning) manufacturers worldwide. They allow reaching the desired temperature quicker while consuming less electricity and operating more quietly.

HLSR



HO xxx-S





A HLSR
B HO xxx-S
1 Central air-conditioning system
2 Room air conditioner

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Reporting period 1 April 2014 to 31 March 2015

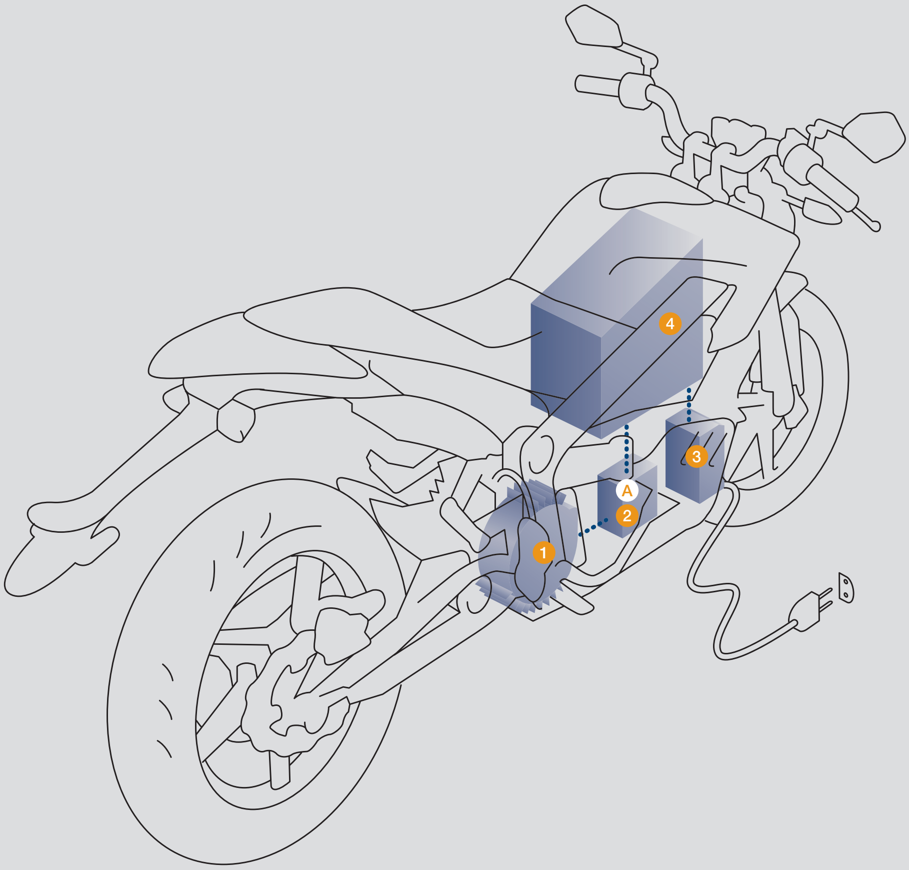
Electric motorcycle

Electric motorcycles have clear advantages: no need to visit the gas station, no oil, no exhaust. Compared to a classical combustion engine, the direct-drive power train is highly efficient and maintenance-free but requires a highly accurate torque control.

The electricity is stored on board in a rechargeable lithium-ion battery (4), which supplies the direct-drive electronics (2). The direct-drive electronics control and power the direct-drive brushless motor (1). The direct-drive motor requires no shifting and offers instant torque, so that the bike rider may simply focus on enjoying the ride, without motor noise or fumes of exhaust. Electric motorcycles provide for recharging the battery with the battery charger (3).

The LEM HAH1 DR transducers (A) are used by the direct-drive electronics for the motor torque control. They allow a dynamic and accurate torque control.

HAH1DR



A HAH1DR
1 Direct-drive brushless motor
2 Direct-drive electronics
3 Battery charger
4 Lithium-ion battery

LEM at a Glance

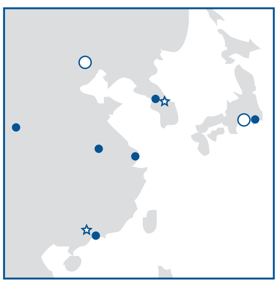
LEM – At the heart of power electronics

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

LEM has the strongest brand recognition in its markets. Its products – commonly called "LEMs" – are at the heart of many power electronics applications. LEM's strategy is to increase its technology leadership, efficiency and production flexibility. At the same time, LEM is committed to maintaining customer focus and operational excellence by running cost-effective and service-oriented production platforms. Profitable growth is a key objective.

Worldwide presence

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



■ LEM Holding SA, Fribourg, Switzerland

○ Production Centers (PDCs)

Beijing, China
Geneva, Switzerland
Tokyo, Japan
Sofia, Bulgaria

◉ Adaptation Centers

Milwaukee, USA
Tver, Russia

● Sales Offices

Geneva, Switzerland
Frankfurt, Germany
Vienna, Austria
Brussels, Belgium
Kgs. Lyngby, Denmark
Paris, France
Padova, Italy
Skelmersdale, UK
Tver, Russia
Beijing, Shanghai, Shenzhen, Xian, Hefei, China
Tokyo, Japan
Pune, India
Seoul, South Korea
Milwaukee, Columbus, Amherst,
Los Angeles, USA

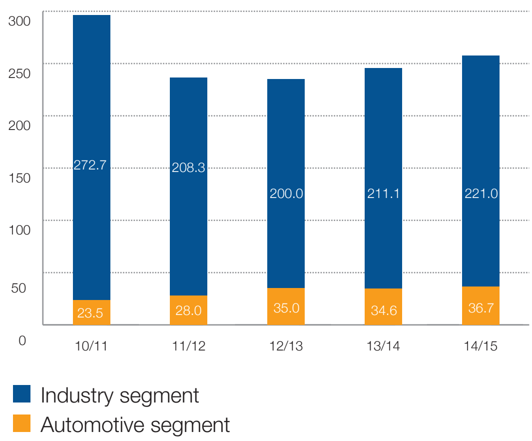
☆ Agents/Distributors

Key figures 2010/11 to 2014/15

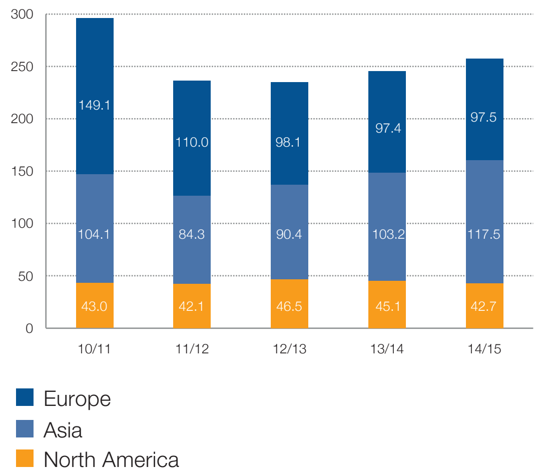
In CHF millions, %	2010/11	2011/12	2012/13*	2013/14	2014/15
Orders received	336.9	182.9	230.6	246.4	251.0
Book-to-bill ratio	1.14	0.77	0.98	1.00	0.97
Sales	296.2	236.3	235.0	245.6	257.8
Gross profit	126.3	96.5	98.6	115.4	118.4
In % of sales	*42.6%*	*40.8%*	*41.9%*	47.0%	45.9%
Operational EBIT	*60.4*	*34.2*	*40.8*	55.7	*54.2*
In % of sales	*20.4%*	*14.5%*	*17.4%*	*22.7%*	*21.0%*
Net profit for the year	39.6	28.5	32.4	45.6	43.1
EPS basic (CHF)	34.69	25.11	28.48	40.09	37.86
Dividend per share (CHF)	40.00	25.00	30.00	40.00	40.00**
Operating cash flow	30.0	46.7	46.2	40.6	50.2
Investing cash flow	-9.4	-9.1	-10.4	-8.7	-9.7
In CHF millions, %	**31.3.11**	**31.3.12**	**31.3.13**	**31.3.14**	**31.3.15**
Net financial assets/(liabilities)	26.6	18.1	27.6	24.6	20.9
Shareholders' equity	96.9	79.6	84.0	94.2	91.9
Equity ratio (in % of assets)	59.8%	60.0%	61.9%	65.1%	65.0%
Market capitalization	655.5	563.7	671.5	801.4	910.3
Employees (FTEs)	1'316	1'136	1'137	1'241	1'274

* Restatement following IAS19R application (pensions).
** Proposal of the Board of Directors to the ordinary General Meeting of the Shareholders 25 June 2015.

Sales per segment
In CHF millions



Regional sales breakdown
In CHF millions



Foreword

Dear Shareholders,

The financial year 2014/15 was another intense, good year for LEM. We continued along our growth trajectory, increasing market share while also delivering robust sales growth and strong margins. Again, we launched a high number of new products. Our strategy to diversify our production footprint and thus reducing the exposure to the Swiss franc limited the financial impact of the Swiss National Bank's decision to discontinue the minimum euro exchange rate and the following sharp appreciation of the Swiss franc.

International footprint

Our February 2013 decision to start production in Bulgaria has helped us diversify and increase our cost-effective production capacities while simultaneously ameliorating our natural foreign currency hedge. With about 65% of production from sites in low-cost countries in China and Bulgaria, we are convinced that LEM is well prepared for the future.

Nevertheless, given our Swiss franc cost base in SG&A and R&D, the sharp appreciation of the Swiss franc against the euro adversely affects the Company in terms of both sales and operating margins. This stresses the importance of continuously reevaluating all our processes to determine their optimal location.

Strong market position

We have strengthened our market position in Industry markets by growing faster than our addressable market and also faster than competition. Like last year, sales growth was strongest in China. Also the Automotive businesses continued their growth, driven significantly by the green cars business in China where government support for electric vehicles had an immediate positive effect on volumes.

Robust profitability

Sales reached CHF 257.8 million, an increase of 4.9% compared with the previous year and in line with our expectations. At constant exchange rates, Group sales increased by 6.7%. EBIT came to CHF 54.2 million, compared with CHF 55.7 million in the previous year. EBIT included a negative currency impact of CHF 2 million in Q4 of 2014/15 following the Swiss franc's sharp appreciation against the euro in mid-January 2015. The EBIT margin reached 21.0%. Our financial result benefitted from our established foreign exchange hedging policy and recorded a revaluation gain, which partially compensated the revaluation of assets and liabilities. Net profit for the year amounted to CHF 43.1 million.

Changes in the Board of Directors

Peter Rutishauser, member of the Board of Directors since 2003, has announced his resignation on the date of the ordinary General Meeting on 25 June 2015. During his tenure, Mr. Rutishauser played a pivotal role as Vice-Chairman in transformational projects, which helped shape LEM and delivered prosperous outcomes for shareholders, employees and customers. Board and Management thank Mr. Rutishauser for his highly valuable work and wish him all the best for the future.

The Board of Directors proposes to elect Ulrich J. Looser (M. Sc. Physics, ETH Zürich; M.A. HSG, University of St.Gallen). Mr. Looser is entrepreneur and partner with BLR & Partners, focusing on developing industrial companies by active personal ownership. Based on his current work as a chairman and board member of Swiss-based publicly listed and privately held companies he will contribute to the Company a breadth of functional experience and deep insights into various customer segments.

Dividend proposal to the ordinary General Meeting of the Shareholders

The dividend proposal of CHF 40 (stable versus the prior year) to be submitted by the Board of Directors to the forthcoming ordinary General Meeting is a sign of trust in the Company. The proposal follows LEM's dividend policy of distributing significantly more than 50% of its consolidated net profit to shareholders and corresponds to a payout ratio of 105.7%.

Thanks

Our customer and employee survey confirmed that customers hold LEM in very high esteem. It also highlighted that our employees are strongly committed to the Company and proud to work for LEM – we owe them special thanks. Our thanks go also to our customers for their renewed trust in our Company as well as to our shareholders for their lasting confidence.

A. Hürlimann

Andreas Hürlimann
Chairman of the Board of Directors

François Gabella
Chief Executive Officer

Business Report

We got the year off to a strong start with robust growth in sales and solid operating margins. The sales growth was driven by strong performance across all businesses in Asia, mainly in China, where we benefited from our strong foothold, and the strategic decision to continuously renew our product range. The currency fluctuations that ensued following the Swiss National Bank's decision to discontinue the minimum euro exchange rate led to a decline in Q4 of 2014/15 Swiss franc sales along with a negative impact on EBIT, compared with the previous quarter. Nevertheless, we maintained a satisfactory profitability.

Continued sales growth

Sales in the financial year 2014/15 totaled CHF 257.8 million, an increase of 4.9% or CHF 12.1 million compared with the previous year. At constant exchange rates, Group sales increased by 6.7%.

Key figures 2014/15

In CHF millions	Q1	Q2	Q3	Q4	Total
Orders received	64.7	61.9	63.8	60.6	251.0
Sales	65.0	66.5	64.7	61.5	257.8
Book-to-bill	1.00	0.93	0.99	0.99	0.97
EBIT	13.5	16.0	14.3	10.3	54.2
Net profit	**10.7**	**10.8**	**11.7**	**10.0**	**43.1**

The strongest sales growth was once again reported in China (+20%). China reinforced its position as LEM's largest market with a share of 26% of sales, compared with 23% of sales in the previous financial year. Sales in Asia excluding China were also robust with an increase of 6% while sales in Europe remained stable and sales in North America decreased by 5%. Europe represented 38% of Group sales in the financial year 2014/15 and North America accounted for 17%.

In the financial year 2014/15, our gross margin decreased from 47.0% to 45.9% due to foreign exchange developments and price pressure.

Sales, general and administrative spending (SG&A) increased because of higher IT spending and strategy consulting by 7.6% to CHF 64.2 million, representing 24.9% of sales compared with 24.3% in the previous reporting year. Research and development expenses (R&D) rose 6.2% to CHF 15.3 million. However R&D as a percentage of sales remained stable at 5.9%, which is above LEM's long-term average.

The euro's depreciation against the Swiss franc negatively impacted our EBIT margin in Q4 of 2014/15 to the amount of CHF 2 million. EBIT for the full financial year 2014/15 declined by 2.7% from CHF 55.7 million to CHF 54.2 million. Our EBIT margin for the financial year 2014/15 came in at 21.0%, down from 22.7% in the previous year yet still above our EBIT margin target of 15% to 20%. We posted a net profit for the year of CHF 43.1 million.

Our balance sheet remains strong. As per 31 March 2015, total assets decreased to CHF 141.6 million. Shareholders' equity reached CHF 91.9 million, representing an equity ratio of 65.0% (65.1% as at 31 March 2014).

Cash flow from operating activities in the financial year 2014/15 was CHF 50.2 million (+23.7%) and free cash flow was CHF 40.5 million (+27.1%).

Industry segment

We achieved market share gains across most businesses and continually strong growth in China. Sales increased by 4.7% to CHF 221.0 million in financial year 2014/15. At constant exchange rates, sales increased by 6.7%. Sales in China were up 18%. In light of this increase, China has expanded its position as the most important single country for LEM and now accounts for 26% of Industry sales. Sales performance in Asia excluding China was also strong and increased by 8% while sales in Europe remained stable and sales in North America decreased by 8%. Europe and Asia were the most important regions, accounting for 43% and 44% respectively of Industry sales. 11% of Industry sales were generated in North America in the financial year 2014/15. The EBIT margin came in at 22.6%, a strong result despite the negative impact following the Swiss franc's sharp appreciation against the euro. Last year's EBIT margin was a record 24.1%.

Global economic recovery gained momentum with modest improvements seen in Europe and solid growth in North America. GDP growth in China slowed down yet remained at a high level. We are still observing a continued relocation of certain target industries from the US to Asia and increasingly to Eastern Europe. Our competitive environment remains largely unchanged.

Recently launched products have proven successful, some of which even helped tap new customers with new applications. We improved our market position, particularly in the important Chinese market.

Sales in the drives and welding business increased by 1% over the previous year. We observed stable demand across all regions. Sales development was best in China and Japan while Europe and North America were rather slow. The positive sales performance in Japan was driven by export-led growth due to the weakening Japanese yen.

The renewable energies & power supplies business benefitted from increasing investments in renewable energies in China and India. Renewable energy markets continue to shift to China and Japan with local players becoming increasingly important. North American markets remained weak. We recorded support from offshore wind projects in Europe. Total sales increased by 1%.

Sales in the traction business increased by 26% thanks to the recovery of infrastructure investments. Sales performance was strong in China, Korea and India, not only for local markets but for export markets, as well. While interest in high-speed train products was strong in China, international interest was directed toward light rail.

Activity in the high-precision business remained sluggish. Medical applications were stable while the market for test & measurement was characterized by low investments and strong competition. Total sales decreased by 13%.

In the financial year 2015/16 we aim to increase our market share. We will continue implementing our road map for existing markets but also increase our focus on developing markets such as smart grid or HVDC. We will continue to launch innovative products next year.

Automotive segment

Sales in the Automotive segment reached CHF 36.7 million in the financial year 2014/15, representing an increase of 6.2% compared with the financial year 2013/14. At constant exchange rates, sales grew by 6.4%. This growth is the result of robust battery management sales and continued recovery in the green cars business. Sales of green cars applications peaked in Q4 of 2014/15, especially in China. Segment sales in North America (-1%) and Europe (-3%) were relatively stable while sales in Asia grew by 16%. China represented the fastest growing single country in the Automotive segment, as well, with sales up 32%. China represented 25% of segment sales in the financial year 2014/15 while the rest of Asia accounted for 17%. North America remained the most important region with 49% of segment sales and Europe was the smallest region at 8%. EBIT reached CHF 4.3 million, down 10.8% from the financial year 2013/14. The EBIT margin was 11.8%, compared with 14.0% in the previous year.

The global automotive industry continued to grow in 2014 and reached a new production volume record of 89.7 million vehicles, representing an increase of 2.8% over 2013. All major markets contributed to the volume increase with growth rates ranging from 1.5% in Japan to 7.3% in China.

Year-on-year sales in the conventional cars business grew by 4%. We added new customers and new platforms with existing customers. In response to emerging market trends, we developed a new start/stop application for niche markets. We also posted good results in connection with new battery pack monitoring products, which we launched very recently.

The green cars business benefitted from strong recovery among hybrid electric vehicles. China has recently rolled out a set of measures to promote the use of green cars triggering a sharp growth at the end of 2014 as a result. Thus, we saw the strongest growth in China and we landed several new projects with Chinese car manufacturers. Korean sales increased, too. Sales grew 15% compared with the financial year 2013/14.

We will maintain our high level of R&D spending in the financial year 2015/16 and that will put us in a position to launch a series of new products. Our focus will be on dedicated products. The green cars business remains a priority for LEM; accordingly, we will intensify our activities in this area.

Strategy implementation

Our February 2013 decision to start production in Bulgaria has allowed us to diversify and increase our cost-effective production capacities while simultaneously ameliorating our natural foreign currency hedge. Nevertheless, the recent sharp appreciation of the Swiss franc against the euro adversely affects the Company in terms of both sales and operating margins. In light of these circumstances, it has become more important to review and evaluate our processes to determine their optimal location.

We continue to implement our strategic priorities:

- **Increase technological leadership**

  We once again made significant progress in our product development strategy and concluded the renewal of our product range. The new products offer our customers increased performance and new functions at a reduced cost.

  In financial year 2014/15 we launched nine new products in three product families for Industry applications. The three new products of the HO xxx-S open-loop family target drives, UPS and solar applications. They offer over-current detection as a standard, a feature that meets emerging customer requirements. The new products are equipped with our latest proprietary ASICs, deliver best-in-class performance and offer a modular concept that allows programming parameters in line with customers' specifications. The customer-specific HOI model features our proprietary ASICs with improved accuracy. It is extremely compact given the high currents it measures. The LF product family, with four new products, is a new generation of closed-loop transducers that feature our proprietary ASICs for closed-loop Hall effect technology. They offer increased accuracy and a high level of immunity against surrounding perturbations. The new LF products are geared toward drives, renewable energy and traction applications. The IT xx5 models feature fluxgate closed-loop technology with exceptionally high accuracy on a wide operating range. The IT xx5 series is used in test & measurement applications. For Automotive applications, we have launched HAH3 DR S03, a new 3-phase transducer offering improved performance at a lower cost for drive applications in hybrid cars. The new DAHBV2 is best suited for pulse current measurement in high-power and low-voltage automotive applications. The product is designed for applications for battery pack monitoring, hybrid vehicle batteries, electric vehicles and utility vehicle batteries.

  We are continuing to develop our external network through partnerships with universities and institutions. We also embarked on a partnership initiative with the University of Sofia.

- **Increase efficiency of operations**

  One area of focus was on production cost management. Here we were able to achieve improvements in terms of supplier performance, internal efficiency and transfers of production. We have continued to expand our activities at our new site in Sofia, Bulgaria. A comparison of the fourth quarter figures of 2013/14 and 2014/15 reveals that we have increased production at this site from 3.9% to 5.9% of the Group's total. As of 31 March 2015, we manufactured 9 product families in Sofia, all of which with the "Made by LEM" quality standards. Over the next few months we will be transferring additional production lines to the new site. The Sofia site is set to become a competence center in engineering for industrialization and new product development.

  We upgraded our ERP (enterprise resource planning) system with the aim of increasing the speed and efficiency of our internal processes.

- **Increase production flexibility**

  Our customers' preference for short-term orders remained a challenge. We successfully managed both seasonal factors, which occurred mainly in the solar businesses, as well as production transfers. Even under such challenging circumstances, we still succeeded in improving our high level of delivery performance as shown by our OTD (on-time-delivery) statistics. We continued the deployment of our integrated flexile supply chain model to all sites.

Responsibility

Our core values (page 14) have laid a strong foundation for our achievements. We have been embracing the ten principles of the United Nations Global Compact (UNGC) since 2006. These principles, which relate to human rights, labor, environment and anticorruption, are embedded in every aspect of our Company, from our strategy to our recurring actions.

In the financial year 2014/15 we made major progress in terms of compliance by upgrading our Company principles into a comprehensive LEM Code of Conduct, which goes far beyond the UNGC requirements. In particular, we increased our compliance to a culture in which misconduct is never acceptable. We show zero tolerance for corruption in all its forms, including extortion and bribery. The Board of Directors and the CEO are personally and constantly committed to preventing any misconduct of our stakeholders. We trained our staff and received positive feedback as employees, in particular, valued the enhanced feedback culture. 80% of our main business partners have already signed our Code of Conduct.

Our Internal Control System (ICS) contributes to the reliability of financial reporting, compliance with laws and regulations and the effectiveness of operations, while also safeguarding LEM's assets. In the financial year 2014/15 we reinforced our ICS by training our teams and enhancing internal controls; our new ERP system will allow to increase the efficiency of these internal controls via a higher degree of automation.

Like every year, we renewed our ISO 9001, ISO 14 001 and ISO TS certifications for our production sites. We optimize each new product family's ecological footprint and share this information in each product's environmental profile. We have reached tangible results in terms of material consumption, packaging, and end-of-life recyclability.

Employee engagement

In 2014 we conducted a global survey to assess LEM's employee engagement for the Company, employee engagement for the job and managerial effectiveness. 76% of employees participated. The study showed that, thanks to regular internal communications and training, employee engagement around the world has increased since the previous survey, which was performed in 2012. Overall, job satisfaction has improved and employees were proud to work for LEM. According to the employee assessment, LEM was even more customer-focused in 2014 and better met customers' needs than in 2012. Also, LEM was more efficient and results driven. LEM's employees were confident about the future of the Company with LEM's strategy perceived as a clear strength.

Customer satisfaction

In 2014 we also conducted a customer satisfaction survey which included customers from all territories. Our customers rated the quality of our products highly, even higher than in our 2012 study. A look at the detailed findings reveals that our customers have a very positive perception of LEM products in terms of reliability, quality, performance and innovation. Many customers agree that our products have a positive impact on the value and performance of their own products. Our customers confirmed that we have improved the quality of relations since 2012. Getting in touch with our team and how the team understands customers' requests and expectations, both from a commercial and a technical perspective, were rated as a clear strength of LEM. Customers are more satisfied with processes and on-time delivery, they appreciate working with us and rate us as a reliable business partner.

Outlook

Economic perspectives in Europe and North America seem to improve. Although the Chinese economic growth is poised to slow, we do not expect negative effects on our markets. Due to these economic factors and the success of new products, we expect growth of volumes in both segments. Current price pressure, however, as well as foreign exchange effects may affect our sales and margins in the financial year 2015/16. We expect the operating margin to be within our target range of 15% to 20%.

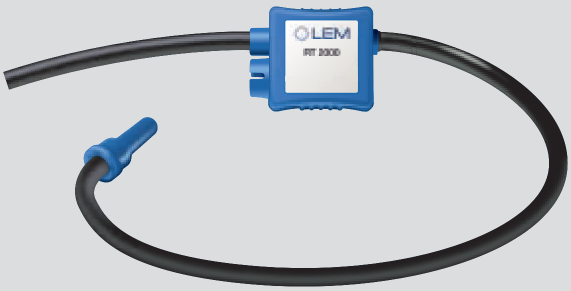
Power generator

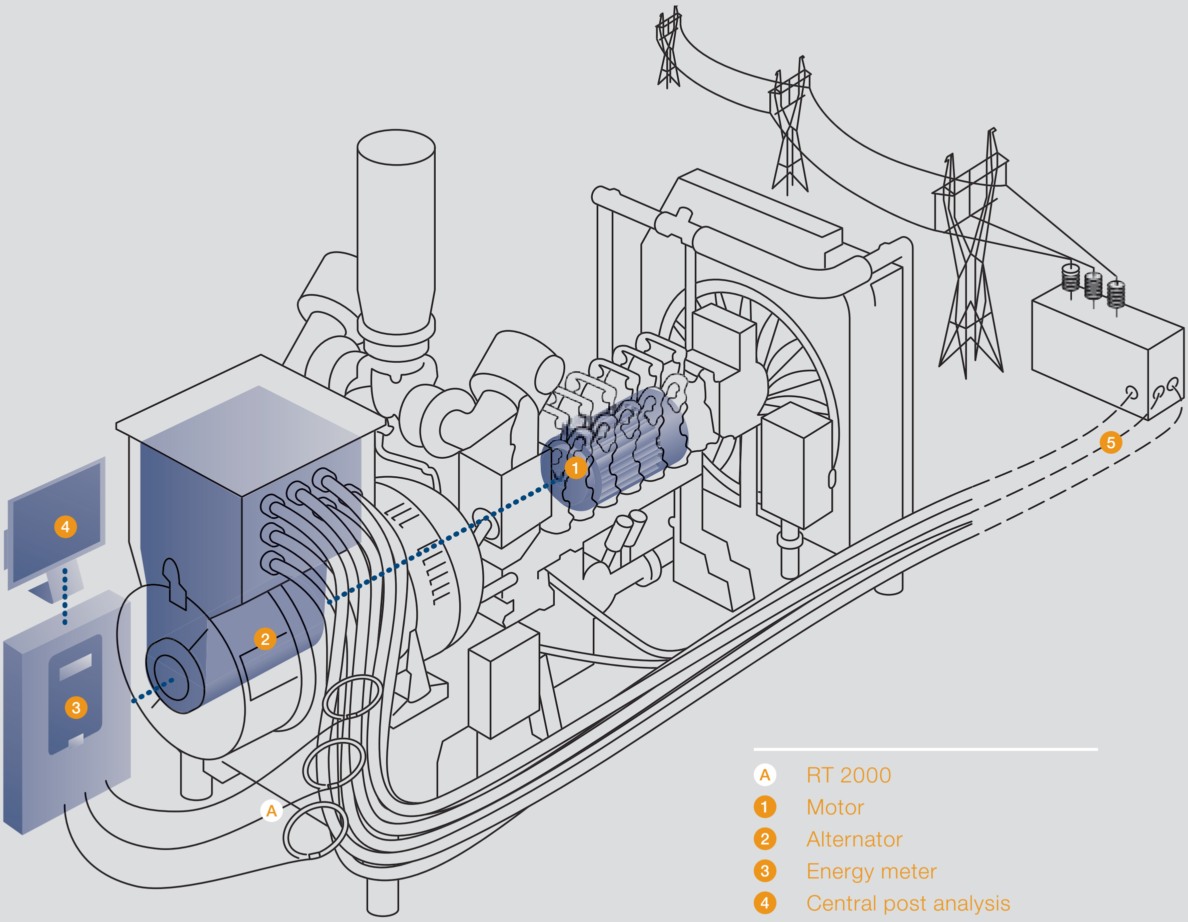
In remote areas, the use of power generator is needed to ensure continuity of power supply. To avoid outages, power generators must know in real time their capacity requirements.

The diesel-driven engine (1) activates an alternator (2), which converts mechanical energy into electricity. The electricity is conducted to the network and measured at the output of the alternator through the RT Rogowski coil (A) that is connected to the energy meter (3). The energy meter transmits the information to the central post analysis (4) which adapts the power generation to demand.

To measure real-time electricity production, the use of RT Rogowski coils offers considerable advantages for the energy producer: the transducer installation on the generator does not require any interruption of production, their size is minimal, and their robustness ensures high reliability and long-term service.

RT 2000





A RT 2000
1 Motor
2 Alternator
3 Energy meter
4 Central post analysis
5 Grid

LEM's Core Values

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

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

There are six core values, each one guiding us throughout all our activities.
- We are customer driven
- We operate with integrity
- We value teamwork
- We commit
- We strive for excellence
- We lead innovation

We are customer driven

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

We operate with integrity

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

We value teamwork

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

We commit

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

We strive for excellence

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

We lead innovation

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

Corporate Governance Report

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

1 Group structure and shareholders

Group structure

LEM Holding SA is domiciled at Avenue Beauregard 1, CH-1700 Fribourg. 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 2015, the market capitalization was CHF 910 million.

LEM Group is structured into the Industry Segment and the Automotive Segment. Appropriate segment reporting pursuant to IFRS is contained in note 3 to the consolidated financial statements. All companies in LEM Group are listed under "Scope of consolidation" in note 25 of the consolidated financial statements, with their respective Company names, registered offices, share capitals and the relevant percentages of shares held. There are no other listed companies in the scope of consolidation.

Significant shareholders

On 31 March 2015, the following shareholders held 3% or more of the share capital and voting rights:

In number of shares/options, per cent of shareholding	31.3.2015				31.3.2014			
	Shares	Options	Position	In %	Shares	Options	Position	In %
Werner O. Weber and Ueli Wampfler, in Zollikon/Wollerau, Switzerland, through WEMACO Invest AG and Swisa Holding AG, in Zug/Cham, Switzerland	480'000	30'000	510'000	44.7%	403'500	100'000	503'500	44.2%
Ruth Wertheimer, in Kfar Shmaryahu, Israel, through 7-Industries Holding B.V., in Amsterdam, Netherlands	141'581	N/N	141'581	12.4%	141'581	N/N	141'581	12.4%
Montanaro Asset Management Ltd, in London, United Kingdom	74'834	N/N	74'834	6.6%	85'608	N/N	85'608	7.5%
Sarasin Investmentfonds AG, in Basel, Switzerland	59'813	N/N	59'813	5.2%	80'979	N/N	80'979	7.1%
Erwin Studer and Joraem de Chavonay, in Zollikon/Zug, Switzerland	30'000	(30'000)	0	0.0%	94'000	(100'000)	(6'000)	(0.5%)
Total shareholders < 3%	**353'772**	**N/N**	**353'772**	**31.0%**	**334'332**	**N/N**	**334'332**	**29.3%**
Total	**1'140'000**	**0**	**1'140'000**	**100.0%**	**1'140'000**	**0**	**1'140'000**	**100.0%**

N/N = none notified

Mr. Werner O. Weber and Mr. Ueli Wampfler have notified the Company of the acquisition of 50'000 options from Erwin Studer and Joraem de Chavonay on 27 June 2012 and of another 50'000 options from the same issuer on 27 November 2013. Both have exercised 50'000 options on 10 June 2014 and another 20'000 options on 23 December 2014. No other shareholder has notified any options to the Company.

The notifications which have been sent to the Company and the disclosure office of the SIX Swiss Exchange AG during the financial year pursuant to article 20 of the Federal Act on Stock Exchanges and Securities Trading and which have been published on the latter's electronic publication platform may be viewed via the search function on http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html.

Cross-shareholdings

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

2 Capital structure

Capital and shares

The nominal value of the share capital of LEM Holding SA is CHF 570'000, which is divided into 1'140'000 fully paid-up registered shares with a par value of CHF 0.50 each. There are no shares with preferred voting rights. All shareholders are entitled to the same dividends.
There are no restrictions on the transfer of shares. In order to be registered in the share register, each shareholder shall declare that he holds the shares for his own account.

On 31 March 2015, LEM Holding SA held 365 treasury shares.

Authorized and conditional capital

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

3 The Board of Directors

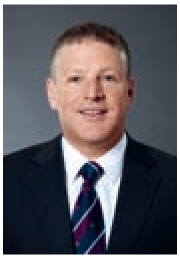
Election, terms of office and cross-involvement

The Board of Directors is comprised of at least three members who are individually elected at the ordinary General Meeting of the Shareholders for a mandate of one year, which is renewable up to an age limit of 70. Except for the Chairman of the Board of Directors and the members of the Compensation Committee who are elected by the ordinary General Meeting, the Board constitutes itself.

At the ordinary General Meeting on 26 June 2014, Ilan Cohen, Norbert Hess, Andreas Hürlimann, Peter Rutishauser and Ueli Wampfler were reelected as members of the Board of Directors. Andreas Hürlimann was elected as Chairman of the Board; Peter Rutishauser maintained the Vice Chairmanship. All members of the Board are nonexecutive and have at no time been part of the executive management of LEM.

Servotronix Motion Control Ltd, a company presided by Ilan Cohen, has bought transducers for CHF 609 thousand in 2014/15 (CHF 163 thousand in 2013/14), including purchases done by its subsidiaries and subcontractors, from LEM Group at market price. No other member of the Board of Directors has any significant business connection with LEM Group.

The Board of Directors was comprised of the following members as of 31 March 2015:



Andreas Hürlimann

Nationality Swiss

Born in 1964

Position Chairman of the Board of Directors, Chairman of the Strategy Committee, Member of the Audit & Risk Committee

Entry 2011

Professional background

Since 2011, Independent board professional and entrepreneur
2005–2010, Managing Director, Spencer Stuart, Zürich
1999–2005, Global Director of Industry Practices and Member of the Executive Board, Arthur D. Little Inc., London and Paris
1990–1999, International Sales and Marketing Management roles with Siemens Schweiz AG, ABB Kraftwerke AG and Oerlikon Aerospace Inc., Zürich, Baden, Montreal

Other notable activities

- None

Education

M. Sc. Electrical Engineering, ETH Zürich
DAS Finance, University of Zürich

Peter Rutishauser

Nationality Swiss

Born in 1956

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

Entry 2003

Professional background

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

Other notable activities

- President of the Board of Directors, Equatis AG, Zürich

Education

Ph. D. sc. nat., ETH Zürich
M. A. HSG, University of St.Gallen

Ilan Cohen

Nationality Israeli

Born in 1956

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

Entry 2010

Professional background

Since 2010, President, Servotronix Motion System Ltd. and Servotronix Motion Control Ltd., Israel
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

- Board member, Servotronix Motion Control Ltd., Israel

Education

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

Norbert Hess

Nationality German

Born in 1960

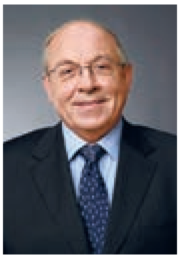
Position Member of the Board of Directors, Member of the Nomination & Compensation Committee

Entry 2013

Professional background
Since 2012, Member of the Management Board, EPCOS AG, Munich, Germany
2005–2012, Head of Ceramic Components Division, EPCOS OHG, Deutschlandsberg, Austria
1999–2005, Head of Surge Arresters Business Division, EPCOS AG, Berlin, Germany
1987–1999, Business, marketing and R&D roles at Siemens AG, Berlin/Erlangen, Germany

Other notable activities
- Member of the Management Board, EPCOS AG, Munich, Germany

Education
Ph.D., Technical University of Berlin, Germany
M. Sc. Mat. Eng., Technical University of Berlin, Germany



Ueli Wampfler

Nationality Swiss

Born in 1950

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

Entry 2007

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

Other notable activities
- Chairman of the Board of Directors, Swisa Holding AG, Cham (Swisa Group); Japako Management AG, Japako Immobilien AG, Japako Plan AG, St. Gallen (Japako Group)
- Vice Chairman of the Board of Directors, Merbag Holding AG, Cham (Merbag Group)
- Member of the Board of Directors, Caspar Finanz AG, Zug (Traco Power Group); Offumo AG, Lupfig (Offumo Group); Rebew AG, Zürich; Otto Frey Beteiligungen AG, Lupfig

Education
M. A., University of Zürich
Certified auditor

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 five to six annual meetings are planned in advance. In the completed financial year, six full-day meetings and one conference call were held. The meetings usually take place at the Company's seat in Fribourg. The Chairman, after consultation 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. The Board members receive supporting documents beforehand, allowing for a comprehensive preparation of the meeting. As a rule the CEO attends the meetings of the Board of Directors without having a right to vote, and for most of the agenda items the CFO also attends. Depending on the topics, other members of Executive Management participate in the meetings in order to respond to specific questions. Decisions can be taken by the Board if at least half of the Directors are present, and a simple majority of them is sufficient. In the event of tie, the Chairman has the casting vote. Minutes of the meetings including decisions taken are prepared by the outside Secretary of the Board and distributed to the members of the Board, the CEO and the CFO.

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

Definition of areas of responsibility

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

- review and approval of the strategy, business plan, annual business objectives and budget for the LEM Group;
- approval of creation/closing of any subsidiary and purchase/sale of any interest in any company or entry into any merger or joint venture agreement;
- appointment/dismissal of the Executive Management;
- monitoring the ethical and legal behavior of LEM;
- review of human resources management, including co-worker satisfaction and management development and legal, intellectual property, social and environmental aspects.

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

The Board of Directors ensures that it receives sufficient information from the Management to perform its supervisory duty and to make the necessary decisions.

The Board of Directors obtains the information required to perform its duties through several means:

- the Board of Directors receives monthly and quarterly reports on the current development of the business;
- informal meetings and teleconferences are held as required between the Chairman and the CEO as well as between the Chairman and individual members of the Board;
- the Committees meet at regular intervals and exchange detailed information with the Management;
- the Board receives detailed information to each agenda item one week before the Board meeting;
- each Executive Manager joins at least one Board session 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 consensual list with 10 to 15 main hazards is set up. In a second step, each hazard is assessed by a multiplication of probability with frequency. Step two results in a risk map which visualizes LEM's potential risk environment. In step three an action plan is put in place to manage the risks. The hazards thereafter are revalued a second time, taking into consideration the action plan. In step four the action plan is validated and thereafter monitored on a monthly 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 financial result of the Annual Report, the important underlying processes and process owners have been identified. For each process, key risks that could lead to errors in the financial reporting have been identified. For each key risk, key controls have been defined and responsibilities assigned to assure effective compliance and documentation of the key controls. The process has been presented to and approved by the Audit & 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.

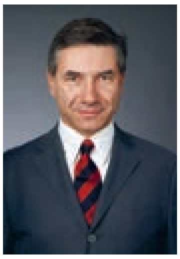
Committees

Three standing committees support the Board of Directors. They are comprised of two nonexecutive members of the Board of Directors. They meet whenever necessary but at least twice a year.

- 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 at 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 the 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 five half-day meetings and two telephone conferences 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 management and the Board, 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 four half-day meetings and six telephone conferences were held.

4 Executive Management

The Executive Management was comprised of the following members as of 31 March 2015:



François Gabella

Nationality Swiss

Born in 1958

Function CEO LEM Group

With LEM since 2010

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

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

Julius Renk

Nationality German

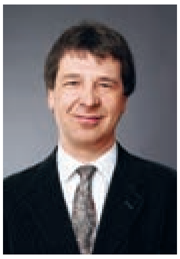
Born in 1970

Function CFO

With LEM since 2009

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

Education
M. A. HSG, University of St.Gallen
CEMS Master in International Management, University of St.Gallen and HEC, Jouy-en-Josas, France



Luc Colombel

Nationality French

Born in 1959

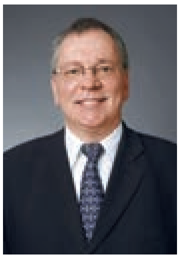
Function Vice President, Automotive

With LEM since 1996

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

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

Education
Engineer ESIGELEC, Rouen, France



Hans-Dieter Huber

Nationality German

Born in 1959

Function Vice President, Industry

With LEM since 1995

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

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

Education
Graduate Electrical Engineer, Berufsakademie Mannheim, Germany

Jean-Marc Peccoux

Nationality French

Born in 1966

Function Vice President, R&D and IP

With LEM since 2001

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

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

Education
Engineer, Arts & Métiers Paris Tech, France
Master of Economics Besançon University, France

Simon Siggen

Nationality Swiss

Born in 1967

Function Vice President, Operations

With LEM since 2002

Previous functions
2002 – 2005, Operations Manager Geneva site

Previous companies and positions
- Business Segment Director, Leclanché

Education
Engineer EPFL, Lausanne
Master in Logistics EPFL, Lausanne

On 17 February 2015, the Company has published that the CFO Julius Renk has decided to leave the Company in the course of 2015. A successor has not yet been appointed as per 22 May 2015.

The company announced on 8 May 2015 that Luc Colombel has decided to leave LEM and that Rainer Bos has been appointed as new VP Automotive, with effect as per 1 July 2015.

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 and shareholdings

Please refer to the section "Compensation Report" following on page 23.

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

Voting rights and representation restrictions and inscription in the share register

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

Each shareholder may be represented by the 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

Registered shareholders are convened to General Meetings by ordinary mail and by publication in the Swiss Official Gazette of Commerce at least 20 days prior to the day of the meeting. Any shareholder who is registered as a shareholder, on the day determined by the Board of Directors, has the right to attend and vote at the General Meeting.
According to Article 12 of the Articles of Incorporation and Article 699 paragraph 3 of the Swiss Code of Obligations, one or several shareholders who collectively hold 10% of the share capital can call for a General Meeting and submit matters to be placed on the agenda.

Agenda

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 and submit matters to be placed on the agenda.

Dividend policy

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

7 Change of control and defensive measures

Opting-out clause

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

Clauses of changes of control

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

8 Auditors

The duration of the auditors' mandate is one year. Ernst & Young have been auditing LEM since the financial year 2005/06, with Arthur Bergmann bearing the responsibility for the audit since 2013/14.

Ernst & Young charged the following fees for professional services rendered for the 12-month period ending 31 March 2015:

Type of service In CHF thousands	2014/15
Audit services	323
Tax services	0
Total	**323**

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

The auditors report on the results of their audits both orally and in writing. Financial statements as well as management letters are discussed in the ARC in the presence of the external auditors.

During 2014/15 Ernst & Young attended two regular ARC meetings.

9 Information policy

LEM informs its shareholders on the business status and its results on a quarterly basis. After the first six months, a half-year report is published. This report, as well as the Annual Report, is made publicly available on its website www.lem.com and may be obtained in print from the Company's headquarters. Once a year, LEM holds a presentation for the media and financial analysts. Internal processes assure that price-sensitive facts are published without delay in accordance with the ad hoc publicity rules of the SIX Swiss Exchange.

At www.lem.com, detailed information is available, e.g., the Articles of Incorporation, interim and annual reports, investor presentations, press releases as well as the financial calendar.

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

Compensation Report

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

In brief:

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

- 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 additional variable compensation. The total compensation for the Chairman and the members of the Board of Directors depends on the amount of responsibility and all work related to the Board of Directors membership such as Committee activity.

- Compensation of the Executive Management
  In order 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 nonwage compensation. The target-setting process for the variable compensation is carried out on an annual basis and includes quantitative and qualitative performance criteria, such as financial results of LEM.

- Changes to the compensation policies
  At the ordinary General Meeting of the Shareholders on 26 June 2014, the shareholders have amended the Articles of Association in order to comply with the "Ordinance against Excessive Compensation in Public Corporations." LEM has adjusted short-term and long-term variable compensation for Executive Management in this regard.

1 General Compensation Principles in the Articles of Association

LEM's Articles of Association provide for the following mechanism of approving the aggregate amounts of compensation of the Board of Directors and the Executive Management (Article 27):
"The General Meeting shall approve the proposals of the Board of Directors in relation to:

1. the maximum aggregate amount of compensation of the Board of Directors for the following term of office;
2. the maximum aggregate amount of fixed compensation of the Executive Management for the period from October 1 to September 30 of the following year;
3. the aggregate amount of short-term variable compensation elements of the Executive Management for the past financial year;
4. the maximum aggregate amount of long-term variable compensation elements of the Executive Management for the current financial year.

The Board of Directors may submit for approval by the General Meeting deviating or additional proposals in relation to the same or different periods.
In the event the General Meeting should not approve a proposal of the Board of Directors, the Board of Directors shall determine, taking into account all relevant factors, the respective (maximum) aggregate amount or (maximum) partial amounts, and submit this or these amounts for approval by the same General Meeting, a subsequent extraordinary General Meeting or the next ordinary General Meeting.
The Company or companies controlled by it may pay or grant compensation prior to approval by the General Meeting subject to subsequent approval by the General Meeting."

In case a person assumes an Executive Management function during a compensation period for which the General Meeting has already approved the compensation, Article 28 of the Articles of Association provides that LEM or companies controlled by it shall be authorized to pay or grant to each such person a supplementary amount during the compensation period(s) already approved if the compensation already approved is not sufficient to cover his compensation. Per each compensation period and member, the supplementary amount shall not exceed thirty-five per cent of the aggregate amounts of compensation of the Executive Management last approved.

Article 29 of the Articles of Association provides for the following general principles for the compensation of the Board of Directors and the Executive Management:
"The compensation of the members of the Board of Directors shall consist of fixed compensation.
The compensation of the members of the Executive Management shall consist of a fixed and a variable part. The variable compensation may comprise short-term and long-term variable compensation elements and shall take into account position and level of responsibility of the recipient.

The short-term variable compensation elements shall be governed by performance objectives. These may take into account individual targets, the performance of the Company, the group or parts thereof and/or targets in relation to the market, other companies or comparable benchmarks; their achievement is generally measured during a one-year period.
The long-term variable compensation elements shall be governed by performance objectives. These may take into account strategic and/or financial targets; their achievement is generally measured during a perennial period.
The Board of Directors or, to the extent delegated to it by the Board of Directors, the Compensation Committee shall determine the relative weight of the performance objectives and the respective target values.
Compensation may be paid or granted in the form of cash, shares, in kind and/or in the form of other types of benefits; compensation of the Executive Management may also be paid or granted in the form of options, financial instruments or units. The Board of Directors or, to the extent delegated to it by the Board of Directors, the Compensation Committee shall determine grant, vesting, exercise and forfeiture conditions. They may in particular provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation based upon assumed target achievement, or for forfeiture of compensation, in each case in the event of predetermined events such as a change-of-control or termination of an employment or mandate agreement.
Compensation may be paid or granted by the Company or companies controlled by it."

The Articles of Association do not contain a provision regarding loans, credits or pension benefits to members of the Board of Directors and the Executive Management.

2 Board of Directors

2.1 General principles for compensation of nonexecutive Directors

The compensation for the Board of Directors is approved by the General Meeting of the Shareholders upon proposal by the Board of Directors based upon recommendation by the NCC. The remuneration of the Board of Directors is a fixed cash payment and is reviewed on an annual basis. The remuneration compensates for the personal responsibility and exposure as a nonexecutive member of the Board of Directors and all work related to the Board of Directors membership. There is neither an additional variable compensation nor any participation in an equity-based compensation plan. Each member of the Board of Directors shall be a shareholder of LEM. The number of shares to be acquired on the market within a period of three years after joining the Board of Directors shall reach a value of approximately three annual fixed compensations. Trading with LEM shares has to respect LEM's disclosure and insider-trading policy.

2.2 Remuneration of nonexecutive Directors

The Board of Directors has decided to adopt a remuneration scheme with a fixed fee paid in cash in the amount of CHF 220'000 for the Chairman, CHF 130'000 for the Vice Chairman and CHF 80'000 for each member. Committee activity will be compensated with CHF 40'000 for the Committee's chairman and with CHF 20'000 for its members.

2014/15

In CHF thousands	Annual salary	Additional fees	Total compensation	Company's contribution to social security charges
Andreas Hürlimann[1, 4, 7]	280	0	280	18
Peter Rutishauser[2, 5, 8]	190	0	190	17
Ilan Cohen[8]	100	0	100	0
Norbert Hess[6]	100	0	100	0
Ueli Wampfler[3]	120	0	120	8
Total	**790**	**0**	**790**	**42**

The aggregate total amount of compensation of the Board of Directors in 2014/15 amounted to CHF 832 thousand.

2013/14

In CHF thousands	Annual salary	Additional fees	Total compensation	Company's contribution to social security charges
Andreas Hürlimann[1, 6, 7]	260	15	275	17
Peter Rutishauser[2, 5, 8]	160	15	175	16
Ilan Cohen[8]	100	0	100	0
Norbert Hess[4]	100	0	100	0
Ueli Wampfler[3]	120	0	120	8
Total	**740**	**30**	**770**	**40**

[1] Chairman of the Board
[2] Vice Chairman of the Board
[3] Chairman of the Audit & Risk Committee
[4] Member of the Audit & Risk Committee
[5] Chairman of the Nomination & Compensation Committee
[6] Member of the Nomination & Compensation Committee
[7] Chairman of the Strategy Committee
[8] Member of the Strategy Committee

In 2013/14, additional fees totaling CHF 30'000 were awarded to Andreas Hürlimann (CHF 15'000) and to Peter Rutishauser (CHF 15'000) for additional efforts of the NCC with regard to the implementation of the requirements of the "Ordinance against Excessive Compensation in Public Corporations."

Compensation of former members and of related parties

In financial years 2014/15 and 2013/14, no compensation was paid to former members of the Board of Directors and to related parties.

2.3 Shareholdings of nonexecutive directors

In number of shares/options	31.3.2015 Number of shares held	31.3.2015 Number of options held	31.3.2014 Number of shares held	31.3.2014 Number of options held
Board of Directors				
Andreas Hürlimann	793	0	724	0
Peter Rutishauser	2'606	0	2'606	0
Ilan Cohen	170	0	140	0
Norbert Hess	0	0	0	0
Ueli Wampfler	55'000	10'000	30'500	30'000
Total	**58'569**	**10'000**	**33'970**	**30'000**

On 27.6.2012 and 27.11.2013, Ueli Wampfler has acquired 30'000 options on LEM shares via Swisa AG from the shareholder group Studer/Chavonay. He exercised 20'000 options on 10.6.2014.

3 Executive Management

3.1 General principles for compensation of Executive Management

Remunerations for the Executive Management are approved by the General Meeting upon recommendation by the Board of Directors, with input from the Chairman of the Board, the CEO and the NCC. The remuneration of the Executive Management is reviewed on an annual basis.

The total compensation 2014/15 for the Executive Management consists of three elements:

1. Base salary
2. Variable compensation according to the LEM Incentive System (LIS)
   LIS part 1: short-term variable compensation related to the individual's function and responsibility and obtained results
   LIS part 2: long-term variable compensation to the sustainable financial performance of LEM Group
3. Nonwage compensation

Total compensation shall be in line with the market for comparable industrial companies taking into account the various remuneration levels in each different function. The ratios between salary, variable compensation and nonwage compensation shall reflect sectorial and functional market practice. Benchmarking is carried out periodically.

3.1.1 Base salary of Executive Management

Base salaries are fixed amounts of cash paid monthly.

3.1.2 Variable Compensation of Executive Management

The target-setting process for the LEM Incentive System (LIS) is part of the LEM performance management and is carried out on an annual basis. All variable compensation payments are made in cash and after the finalization of the respective year-end closing based on the annual accounts and the personal performance review. Objectives and performance evaluations are prepared by the Chairman of the Board of Directors for the CEO and by the NCC for the other members of the Executive Management.

LIS part 1: short-term variable compensation related to the individual's function and responsibility and obtained results

The maximum value of the annual short-term incentive related to LIS part 1 amounts to 60% of the base salary for the CEO, 30% for the CFO and 35% for the other members of the Executive Management.

The number of objectives has to be large enough to allow the manager to reach a fair level of bonus rewarding his results even under changed business conditions. Since the degree of achievement of set objectives has to be evaluated at the end of the period, a clear understanding of the metrics to be applied has to be established at the time of target setting and kept constant for the whole period. For each criterion, the curve between minimum and maximum bonus level has to be defined. Ambitious but achievable objectives shall be set as targets, at which 80% of the respective maximum amount shall be attributed.

LIS part 2: long-term variable compensation related to the sustainable financial performance of LEM Group

The LIS part 2 is an annual long-term incentive which is based on the performance of LEM evaluated over a period of three consecutive years. The performance criterion is the cumulated economic value added (EVA) achieved over these three financial years. The definition of the EVA objective takes place at the beginning of year one and the evaluation of the performance at the end of year three. Once the forward-looking EVA objective is defined, the EVA objective remains unchanged over the period of three years.

For the LIS part 2 cycle ending 2014/15, the maximum value of the annual long-term variable compensation related to LIS part 2 amounts to 40% of the base salary for the CEO, 20% for the CFO and 25% for the other members of the Executive Management. In financial year 2014/15, the calculation for the LIS part 2 shows that the maximum amount will be attributed.

For the LIS part 2 cycle ending 2015/16, the maximum value of the annual long-term variable compensation related to LIS part 2 amounts to 48% of the base salary for the CEO, 24% for the CFO and 30% for the other members of the Executive Management.

3.1.3 Nonwage compensation of Executive Management

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

Executive Management benefits from the Swiss pension plan, a defined contribution plan that provides retirement benefits and risk insurance for death and disability. Under IFRS, this plan is considered as a defined benefit plan. The insured compensation includes base salary only, is based upon LPP Swiss law and without limitation on the amount. The pension fund is funded by contributions from the Company and the insured employees. The average contribution ratio is 43% by the Executive and 57% by the Company. As of 1 January 2015, two additional pension plans allow the Executive to increase the employee contribution to pension, while maintaining company contribution constant.

3.2 Remuneration of Executive Management

2014/15

In CHF thousands	Base salary	LIS 1 short-term variable compensation	LIS 2 long-term variable compensation	Company's contribution to pension fund	Total compensation	Company's contribution to social security charges
François Gabella, CEO	480	245	192	61	977	78
Executive Management (excl. CEO)	1'406	386	298	129	2'219	174
Total Executive Management	**1'886**	**631**	**490**	**190**	**3'196**	**252**

2013/14

In CHF thousands	Base salary	LIS 1 short-term variable compensation	LIS 2 long-term variable compensation	Company's contribution to pension fund	Total compensation	Company's contribution to social security charges
François Gabella, CEO	480	231	169	50	930	67
Executive Management (excl. CEO)	1'259	379	275	111	2'024	154
Total Executive Management	**1'740**	**610**	**444**	**161**	**2'954**	**222**

The amounts are shown as follows:
- Base salary: as paid out in the reporting period
- LIS 1 and 2 2014/15: as proposed to the ordinary General Meeting in June 2015 for payout in July 2015
- LIS 2 2014/15: as accrued for in the reporting period for payout in July 2015
- LIS 1 and 2 2013/14: as paid out in June 2014
- Pension fund contribution and company contribution to social security charges: as paid out or accrued for in the reporting period

Compensation of former members and related parties

In financial years 2014/15 and 2013/14, no compensation was paid to former members of the Executive Management and to related parties.

3.3 Shareholdings of Executive Management

Executive Management	31.3.2015		31.3.2014	
In number of shares/options	Number of shares held	Number of options held	Number of shares held	Number of options held
François Gabella, CEO	400	0	150	0
Julius Renk, CFO	0	0	140	0
Luc Colombel, Vice President, Automotive	2'100	0	2'100	0
Hans-Dieter Huber, Vice President, Industry	1'265	0	1'265	0
Jean-Marc Peccoux, Vice President, R&D and IP	1'500	0	1'500	0
Simon Siggen, Vice President, Operations	1'100	0	1'100	0
Total	**6'365**	**0**	**6'255**	**0**

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

In financial years 2014/15 and 2013/14, no loans were granted or outstanding to current or former members of the Board of Directors and Executive Management and to related parties.

Auditor's Report

Building a better working world

Report of the statutory auditor on the remuneration report

We have audited the remuneration report on parts 2.2 to 2.3 (pages 24 to 25), parts 3.2 to 3.3 and part 4 (page 27) dated 12 May 2015 of LEM Holding SA for the year ended 31 March 2015.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report for the year ended 31 March 2015 of LEM Holding SA complies with Swiss law and articles 14–16 of the Ordinance.

Lancy, 26 May 2015

Ernst & Young Ltd

Arthur Bergmann Licensed audit expert (Auditor in charge)	Karine Badertscher Chamoso Licensed audit expert

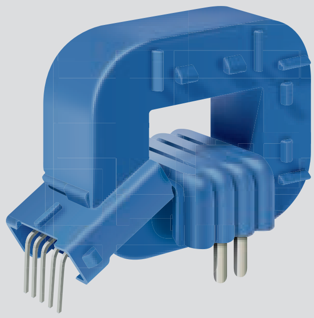
Super charger station for electric vehicle

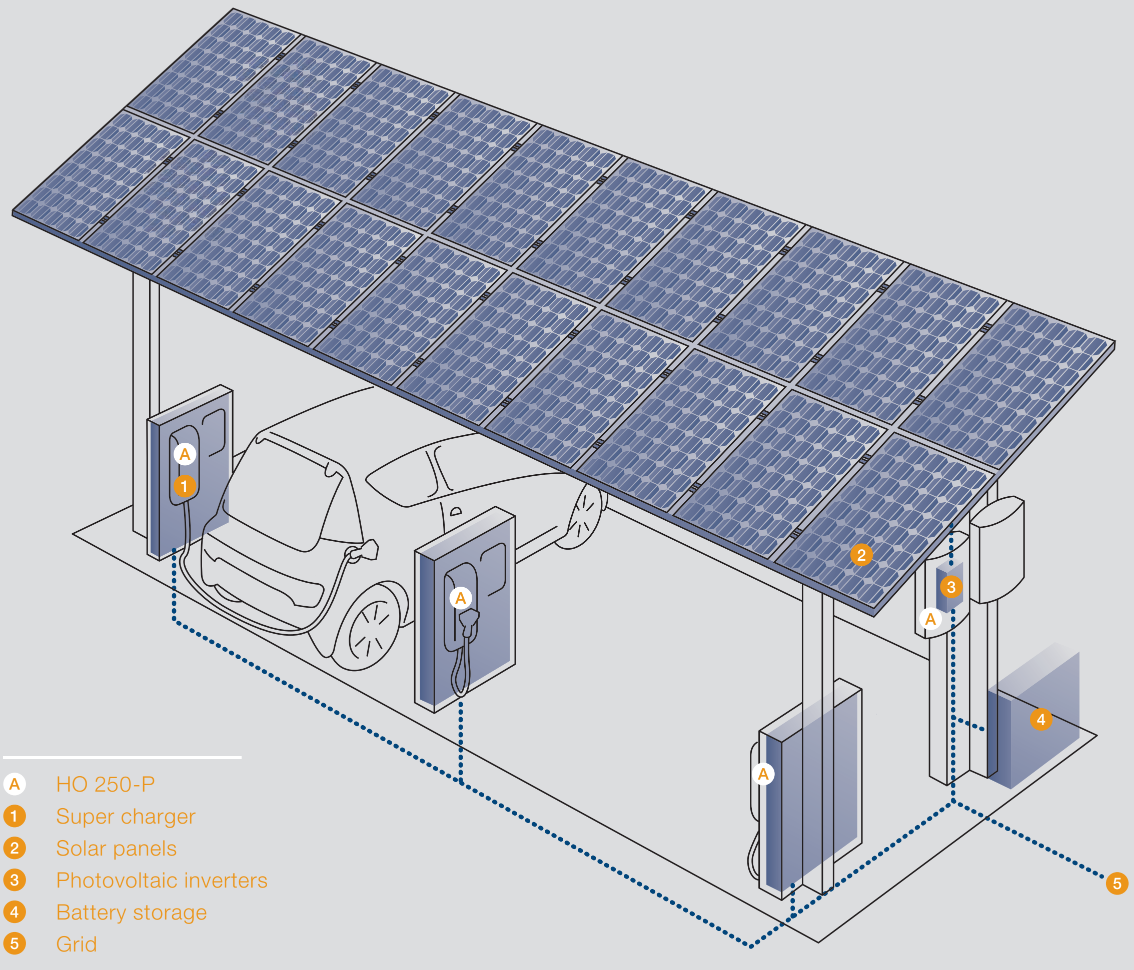
As plug-in hybrid and electric vehicle ownership is expanding, there is a growing need for publicly accessible charging stations, some of which support faster charging at higher voltages and currents than residential charging stations. The challenge is to provide fast charging without stressing the energy supply grid.

A super charger (1) operates using several 400V DC chargers in parallel. This allows to re-charge a high-end electric car in 40 minutes to 80% load. If 10 cars are charged simultaneously, 1MW would be required from the grid (5). Charging stations therefore include a photovoltaic plant with solar panels (2) on the sunshade roof and a battery storage system (4). The stored energy is used to reduce the energy peaks and to best use the photovoltaic energy.

LEM's transducers are used along the entire energy chain. The chargers use the HO 250-P (A) to measure the DC current while the photovoltaic inverter (3) uses up to 7 transducers, such as CASRs, HLSRs and CTSRs to measure DC, AC and residual currents.

HO 250-P





Financial Review

Highlights

- At CHF 43.1 million, LEM shows the second-best net profit of its history (16.7% of sales)
- High operational profitability maintained at 21.0% on 257.8 million sales
- Low tax rate of 16.3%, due to one-off effects on the China withholding tax rate
- Net working capital reduced by 2.1%, to CHF 37.9 million
- The decrease of the discount rate following the low-interest policy of the Swiss National Bank caused a CHF 6.5 million reduction in the pension's funded status, through equity
- Strong free cash flow of CHF 40.5 million
- Proposed dividend payout of CHF 45.6 million (CHF 40 per share, unchanged), corresponding to 105.7% of the net profit for 2014/15

In CHF thousands, %	2010/11	2011/12*	2012/13**	2013/14	2014/15
Sales	**296'203**	**236'334**	**234'953**	**245'638**	**257'757**
Sales growth LEM Group	59.7%	(20.2%)	(0.6%)	4.5%	4.9%
Sales growth Industry	59.7%	(23.6%)	(4.0%)	5.5%	4.7%
Sales growth Automotive	59.8%	19.1%	24.8%	(1.2%)	6.2%
Gross margin	**126'299**	**92'299**	**98'557**	**115'371**	**118'392**
Gross margin in % of sales	**42.6%**	**39.1%**	**41.9%**	**47.0%**	**45.9%**
Sales, General and Administration expense	(51'855)	(44'716)	(43'008)	(45'202)	(48'845)
SG&A in % of sales	(17.5%)	(18.9%)	(18.3%)	(18.4%)	(19.0%)
R&D expense	(14'031)	(13'412)	(14'722)	(14'441)	(15'337)
R&D in % of sales	(4.7%)	(5.7%)	(6.3%)	(5.9%)	(6.0%)
Operational EBIT	**60'413**	**34'171**	**40'828**	**55'728**	**54'209**
Operational EBIT growth	134.1%	(43.4%)	19.5%	36.5%	(2.7%)
Operational EBIT in % of sales	20.4%	14.5%	17.4%	22.7%	21.0%
Operational EBIT as % of sales Industry	21.1%	14.3%	18.2%	24.1%	22.6%
Operational EBIT as % of sales Automotive	12.0%	15.4%	12.6%	14.0%	11.8%
Additional stock option plan costs/income	(5'426)	315	0	0	0
EBIT	**54'987**	**34'486**	**40'828**	**55'728**	**54'209**
Financial result	(4'622)	(1'962)	(1'514)	(1'379)	(2'674)
Income tax	(10'722)	(4'037)	(6'914)	(8'709)	(8'404)
Effective tax rate	(21.3%)	(12.4%)	(17.6%)	(16.0%)	(16.3%)
Net profit for the year	**39'643**	**28'487**	**32'400**	**45'641**	**43'131**
Net profit growth	276.4%	(28.1%)	13.7%	40.9%	(5.5%)
Net profit in % of sales	13.4%	12.1%	13.8%	18.6%	16.7%

* Restatement after changes in classifications from 2011/12 on. The 2011/12 restatement lowered gross margin as percentage of sales by 1.8%pt, decreased SG&A as percentage of sales by 2.0%pt and increased R&D as percentage of sales by 0.2%pt.
** Restatement following IAS19R application (pensions).

Sales

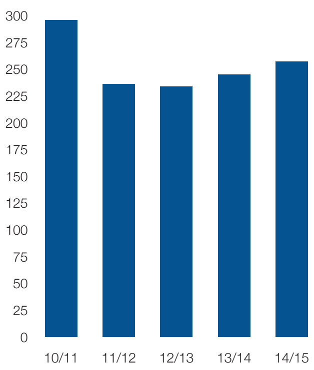
LEM's sales increased by 4.9% to CHF 257.8 million in financial year 2014/15. At constant exchange rates, sales increased by 6.7%. The unfavorable currency impact stems from the depreciation mostly of the euro, but also of the Japanese yen and the Russian ruble. The U.S. dollar and the Chinese yuan have slightly appreciated against the Swiss franc, on a yearly average.

Operational profitability

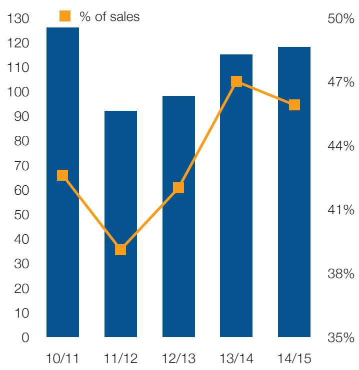
The gross margin decreased 1.1 percentage points to 45.9%, mainly due to foreign exchange impacts and competitive pressure on prices.

Operating expenses have been increased by CHF 4.5 million, mainly linked to IT, strategy consulting, the continued build-up of LEM Bulgaria, to increased Research & Development spend and to a positive one-off effect on pension revaluation of CHF 1.2 million in 2013/14.

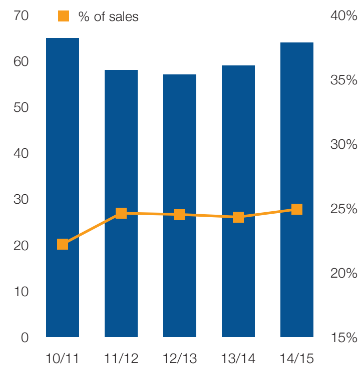
Net sales
In CHF millions



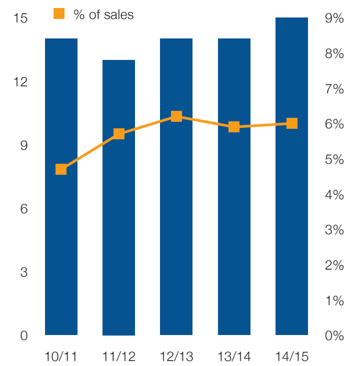
Gross margin
In CHF millions



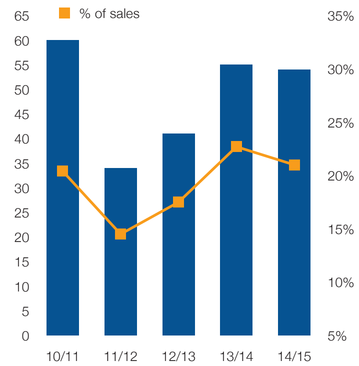
Operating expenses (incl. R&D exp.)
In CHF millions



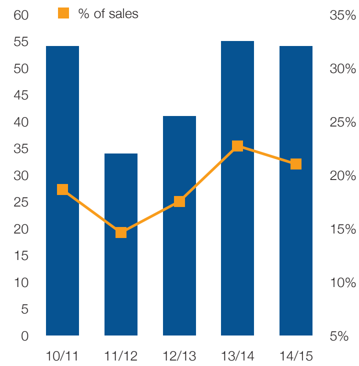
R&D expenses
In CHF millions



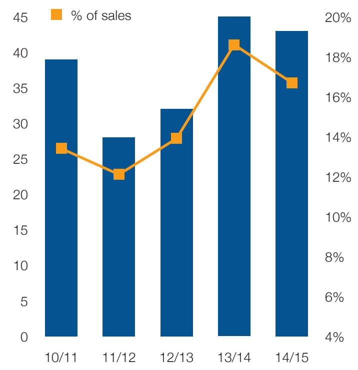
Operational EBIT
In CHF millions



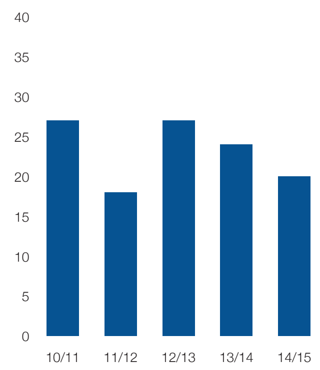
EBIT
In CHF millions



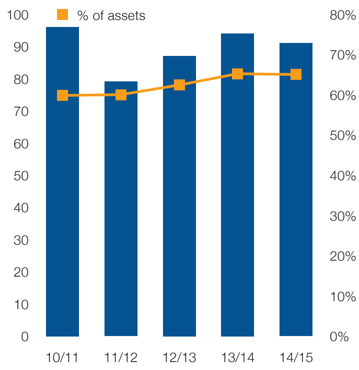
Net earnings
In CHF millions



Net financial assets
In CHF millions



Equity and equity ratio
In CHF millions



The 2014/15 EBIT margin remained high at 21.0%. We achieved this result thanks to a strong market position, continued operational excellence and low-cost manufacturing and despite negative currency impacts.

Taxes

In the perspective of the new Chinese-Swiss double taxation agreement, LEM had taken the decision to delay the payment of dividends from its Chinese subsidiary. The agreement entered into force as per 15 November 2014, reducing the withholding rate on dividends from 10% to 5%. This generated most of the 2.1% one-off tax savings in the reporting period and was also the main driver for the decrease in LEM's expected tax rate from 18.8% to 18.4%. As a result, LEM maintained a low 16.3% tax rate for the financial year 2014/15.

Net profit for the year

Net profit for the year was CHF 43.1 million, 5.5% lower than last year, and represented 16.7% of sales. It ranks second-highest in LEM's history.

In CHF thousands, %	31.3.2011	31.3.2012*	31.3.2013**	31.3.2014	31.3.2015
Balance sheet analysis					
Net working capital	39'391	29'073	23'183	38'707	37'887
Fixed assets	37'508	37'683	36'771	37'803	39'913
Noncurrent liabilities	(6'599)	(5'316)	(3'534)	(6'887)	(6'777)
Net operating assets	**70'300**	**61'440**	**56'420**	**69'622**	**71'023**
Net cash/(debt)	26'613	18'121	27'629	24'581	20'920
Equity	**96'913**	**79'561**	**84'049**	**94'203**	**91'943**
Equity ratio	59.8%	60.0%	61.9%	65.1%	65.0%
DSO – Days of Sales Outstanding	66	58	60	65	66
DIO – Days of Inventory Outstanding	73	67	63	80	72
DPO – Days of Payables Outstanding	59	41	41	49	28

* Restatement after changes in classifications from 2011/12 on
** Restatement following IAS 19R application (pensions).

Balance sheet

In financial year 2014/15, LEM has reduced its net working capital by CHF 0.8 million to CHF 37.9 million. In anticipation of the go-live of the new Enterprise Resource Planning (ERP) software in April 2015, LEM proceeded to an early payment of its suppliers per end of March 2015. This temporary negative impact has been more than compensated by higher tax payables and use of a pension prepayment.

As a consequence of the low-interest policy of the Swiss National Bank, the discount rate used for the evaluation of LEM's pension obligations has been reduced from 2.0% to 0.9%, thereby increasing the obligations by CHF 11.9 million. The plan assets showed a solid investment performance and increased by CHF 5.4 million. As a result, the overall funded status reduced by CHF 6.5 million, from a CHF 4.4 million asset to a CHF 2.1 million liability. In application of IAS 19, this adjustment was accounted for in other comprehensive income and did not impact the net profit for the year.

Net financial assets (cash minus financial liabilities) decreased from CHF 24.6 million to CHF 20.9 million. On 31 March 2015, LEM had no interest-bearing financial liabilities.

The balance sheet showed a strong equity ratio of 65.0% (prior year 65.1%).

Cash flow

Free cash flow of CHF 40.5 million significantly increased compared to prior year (CHF 31.9 million), given lower tax payouts compared to last year.

Dividend

The proposed dividend of CHF 40 per share compares to CHF 37.86 earnings per share of and represents a payout ratio of 105.7%. The dividend proposal is unchanged from last year and underpins the Board of Directors' confidence in LEM's financial outlook.

LEM Group

Consolidated Financial Statements

Consolidated Statement of Financial Position

Assets In CHF thousands	Notes	31.3.2015	31.3.2014
Current assets			
Cash and cash equivalents		20'920	24'581
Accounts receivable	4	50'126	48'290
Inventories	5	27'545	28'495
Income tax receivable		771	802
Other current assets	6	2'338	4'704
Total current assets		**101'700**	**106'872**
Noncurrent assets			
Deferred tax assets	18	4'418	4'103
Property, plant and equipment	7	25'728	25'180
Intangible assets	8	8'878	5'755
Other noncurrent assets	9,21	889	2'765
Total noncurrent assets		**39'913**	**37'803**
Total assets		**141'613**	**144'675**

Liabilities and equity In CHF thousands	Notes	31.3.2015	31.3.2014
Current liabilities			
Accounts payable	10	12'012	19'483
Accrued expenses		18'688	16'133
Income tax payable		10'225	6'579
Current provisions	11	1'501	1'070
Other current liabilities	12	466	319
Total current liabilities		**42'892**	**43'584**
Noncurrent liabilities			
Noncurrent provisions	11	1'854	2'886
Deferred tax liabilities	18	2'259	3'607
Other noncurrent liabilities	12, 21	2'665	394
Total noncurrent liabilities		**6'777**	**6'887**
Total liabilities		**49'670**	**50'471**
Equity			
Share capital	13	570	570
Treasury shares	13	(283)	(745)
Reserves	13	12'552	9'298
Retained earnings		79'105	85'081
Total equity		**91'943**	**94'203**
Total liabilities and equity		**141'613**	**144'675**

Consolidated Income Statement

In CHF thousands	Notes	April to March 2014/15	2013/14
Sales		257'757	245'638
Cost of goods sold	14	(139'366)	(130'267)
Gross margin		**118'392**	**115'371**
Sales expense	14	(25'156)	(24'526)
Administration expense	14	(24'075)	(20'881)
Research & development expense	14	(15'337)	(14'441)
Other expense		(1)	(64)
Other income		386	270
Operating profit		**54'209**	**55'728**
Financial expense	15	(251)	(121)
Financial income	16	199	133
Exchange effect	17	(2'622)	(1'390)
Profit before taxes		**51'535**	**54'350**
Income taxes	18	(8'404)	(8'709)
Net profit for the year		**43'131**	**45'641**
Earnings per share, in CHF			
Basic & diluted earnings per share	19	37.86	40.09

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

Consolidated Statement of Comprehensive Income

In CHF thousands	Notes	April to March 2014/15	2013/14
Net profit for the period recognized in the income statement		**43'131**	**45'641**
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Currency translation difference		3'716	(2'933)
Total other comprehensive income to be reclassified to profit and loss in subsequent periods		**3'716**	**(2'933)**
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Remeasurement gains/(losses) on defined benefit plans	21	(5'096)	1'886
Income tax	18	1'092	(421)
Total other comprehensive income not to be reclassified to profit and loss in subsequent periods		**(4'004)**	**1'465**
Other comprehensive income/(loss) for the period, net of tax		**(288)**	**(1'468)**
Total comprehensive income for the period		**42'843**	**44'173**

Consolidated Statement of Changes in Equity

Attributable to shareholders

In CHF thousands	Notes	Share capital	Treasury shares	Capital reserve	Translation reserve	Retained earnings	Total equity
1 April 2013*		**570**	**(765)**	**12'708**	**(457)**	**71'993**	**84'049**
Net profit of the year						45'641	45'641
Other comprehensive income/(loss)	13, 21				(2'933)	1'465	(1'468)
Total comprehensive income					*(2'933)*	*47'106*	*44'173*
Dividends paid	13					(34'157)	(34'157)
Movement in treasury shares			19	(19)		138	138
31 March 2014 / 1 April 2014		**570**	**(745)**	**12'688**	**(3'390)**	**85'081**	**94'203**
Net profit of the year						43'131	43'131
Other comprehensive income/(loss)	13, 21				3'716	(4'004)	(288)
Total comprehensive income					*3'716*	*39'127*	*42'843*
Dividends paid	13					(45'568)	(45'568)
Movement in treasury shares	13		462	(462)		465	465
31 March 2015		**570**	**(283)**	**12'226**	**326**	**79'105**	**91'943**

* Restatement following IAS 19R application (pensions)

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 2014/15	2013/14
Cash flow from operating activities			
Profit before taxes		51'535	54'350
Adjustment for noncash items and taxes paid			
– Net financial result		90	14
– Derivative financial instruments revaluation		134	(1'591)
– Depreciation and amortization		7'291	7'523
– Gain/loss on disposal of fixed assets		47	220
– Increase (+)/decrease (-) of provisions and allowances		7	179
– Movement in pension		1'420	287
Interest received		56	30
Interest paid		(146)	(44)
Taxes paid		(5'199)	(11'684)
Cash flow before changes in net working capital		**55'236**	**49'283**
Change in inventory		1'673	(5'264)
Change in accounts receivable and other current assets		348	(8'156)
Change in payables and other current liabilities		(7'026)	4'733
Cash flow from changes in net working capital		**(5'005)**	**(8'687)**
Cash flow from operating activities		**50'232**	**40'596**
Cash flow from investing activities			
Investment in fixed assets	7	(6'151)	(7'275)
Investment in intangible assets	8	(3'969)	(1'538)
Increase (-)/decrease (+) in other assets		394	77
Cash flow from investing activities		**(9'727)**	**(8'735)**
Cash flow from financing activities			
Treasury shares acquired (-)/divested (+)	13	465	138
Dividends paid to the shareholders of LEM Holding SA	13	(45'568)	(34'157)
Cash flow from financing activities		**(45'103)**	**(34'019)**
Change in cash and cash equivalents		**(4'598)**	**(2'158)**
Cash and cash equivalents at the beginning of the period		**24'581**	**27'629**
Exchange effect on cash and cash equivalents		937	(890)
Cash and cash equivalents at the end of the period		**20'920**	**24'581**

Notes to the Consolidated Financial Statements

1 General information

LEM Group (the Group) is a market leader in providing innovative and high-quality solutions for measuring electrical parameters. Its core products – current and voltage transducers – are used in a broad range of applications in drives & welding, renewable energies and power supplies, traction, high-precision, conventional and green cars businesses. The Group has operations in thirteen countries and employs 1'274 people per 31 March 2015. The parent company of LEM Group is LEM Holding SA (the Company), which is a limited company incorporated in Switzerland.
The financial year ends on 31 March (the year). The registered office is at Avenue Beauregard 1, CH-1700 Fribourg. The Company has been listed on the SIX Swiss Exchange since 1986.
The Board of Directors approved the consolidated financial statements on 12 May 2015, to be submitted for approval by the ordinary General Meeting of the Shareholders on 25 June 2015.

2 Significant accounting principles

2.1 Basis of preparation

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

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

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

New standards in 2014/15

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

Standard or interpretation	Title	Effective date	Impact
IFRS 10, IFRS 12 and IAS 27	Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014	N/A
IAS 32	Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32	1 January 2014	N/A
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39	1 January 2014	N/A
IFRIC 21	Levies	1 January 2014	Immaterial

Future standards

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

Standard or interpretation	Title	Effective date
Amendments	Annual Improvements to IFRS – 2011–2013 Cycle	1 July 2014
Amendments	Annual Improvements to IFRS – 2010–2012 Cycle	1 July 2014
IAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture Amendments to IFRS 10 and IAS 28	1 January 2016
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception Amendments to IFRS 10, IFRS 12 and IAS 28	1 January 2016
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations Amendments to IFRS 11	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IAS 1	Disclosure Initiative Amendments to IAS 1	1 January 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization Amendments to IAS 16 and IAS 38	1 January 2016
IAS 16 and IAS 41	Agriculture Bearer Plants Amendments to IAS 16 and IAS 41	1 January 2016
IAS 27	Equity Method in Separate Financial Statements Amendments to IAS 27	1 January 2016
Amendments	Annual Improvements to IFRS 2012–2014	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018

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

2.3 Summary of critical accounting estimates and judgments

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

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

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Other intangible assets and property, plant and equipment are 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. Changes to the financial statement recognition, measurement, and disclosure of tax positions are based on management's best judgment given any changes in the facts, circumstances, information available and applicable tax laws.

Employee benefits

The standard requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected 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 comprised of LEM Holding SA and of its subsidiaries.

Subsidiaries

Subsidiaries are those entities over whose the Group has the control. Control is when the Group is exposed, or has rights, to variable returns from its involvement with 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 or sold during the financial year are included in the Group financial statements up to the date of transfer of control. The costs of purchasing a company are determined as the sum of the fair value of the assets that are to be paid to the seller and the obligations that are entered into, or acquired, on the date of purchase. Identifiable acquired assets, liabilities and contingent liabilities are recognized at their fair value as of the date of their acquisition. The Group's share of the purchase price that exceeds the fair value of the identifiable net assets is recognized as goodwill. The Group's share of the fair value of the identifiable net assets that exceeds the purchase price is shown as gain on bargain purchase on the income statement.
Intragroup assets and liabilities as well as income and expenses are set off against each other.
Also intragroup unrealized profits on inventories and fixed assets are eliminated.

Associates

Investments in associated undertakings are accounted for using the equity method. These are undertakings over which the Group exercises significant influence, but which it does not control.
No associated undertakings exist as per 31 March 2015 and 31 March 2014.

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 company is sold, 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 2014/15 Average rate in CHF	Income statement of 2013/14 Average rate in CHF	Balance sheet 31.3.2015 Year-end rate in CHF	Balance sheet 31.3.2014 Year-end rate in CHF
BGN	0.603	0.629	0.535	0.623
CNY	0.151	0.149	0.158	0.143
DKK	0.158	0.165	0.140	0.163
EUR	1.180	1.230	1.046	1.219
GBP	1.499	1.458	1.437	1.474
JPY	0.0085	0.0092	0.0081	0.0086
RUB	0.022	0.028	0.017	0.025
USD	0.930	0.918	0.971	0.885

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 nonmonetary 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. Financing costs are not included in inventories. 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 linear basis on the following estimated useful life:

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

Repairs and renewals are charged to the income statement when the expense is incurred. Subsequent expenditure on an item of 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 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 as an intangible asset and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research & development

Research costs are written off as incurred. An intangible asset arising from development should be recognized if, and only if the Group can demonstrate the following:

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

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

Other intangible assets

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

2.10 Impairment of tangible fixed assets and intangible assets

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

2.11 Financial assets

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

Initial recognition and measurement

At initial recognition, financial assets are designated into two categories, financial assets at fair value through profit and loss and loans and receivables.
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 2.12);
- loans and receivables which are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment.

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

Other receivables are measured at amortized cost. The Group assesses at each reporting date whether there is any objective evidence that an asset or group of assets is impaired. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant difficulties, default or delinquency in interest or principal payments. The amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows.

2.12 Derivative financial instruments

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

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 taken directly to 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 more than one year, derivative financial instruments are recognized under other noncurrent assets or other noncurrent liabilities.

2.13 Financial liabilities

Financial liabilities comprise bank loans, payables, accrued expenses and derivative financial instruments at the end of the period.
All financial liabilities are recognized initially at fair value and, in the case of loans and payables, net of 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 more than 12 months after the balance sheet date.

2.14 Leases

In the years under review LEM Group does not hold any finance lease.
Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term.

2.15 Employee benefits

The Swiss subsidiaries provide a defined benefit plan for employees; the other subsidiaries provide defined contribution plans. In both cases the charges are included in the related periods in the personnel expenses of the various functions where the employees are located.

Defined benefit plan

The defined benefit obligation is determined annually by a qualified independent actuary. The obligation and costs of pension benefits are determined using the projected unit credit method. Service costs are part of personnel expenses and consist of current service costs, past service costs 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 the value of the maximum future savings from reduced contributions.

Defined contribution plan

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

LEM Incentive System

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

2.16 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 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 and consumption taxes

The Group recognizes the estimated country- and entity-specific risks relating to litigations with former personnel or direct and 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; the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented;
- and raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent liabilities

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

2.17 Share capital

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

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Neither gain nor loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in retained earnings.

2.18 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. 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 revenues that are derived from sales of products to third parties after deduction of price rebates and value-added tax. Revenues from the sale of products are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the products.

2.19 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 are recognized as deferred tax assets to the extent that it is probable that tax profit will be available in the future against which the tax losses carried forward can be utilized. Deferred tax assets and liabilities are offset against each other if the corresponding income taxes arise by the same tax authority and a legally enforceable right for offsetting exists.

3 Segment information

Business segment information

In CHF thousands	Industry 2014/15	Industry 2013/14	Automotive 2014/15	Automotive 2013/14	LEM Group 2014/15	LEM Group 2013/14
Income statement						
Sales	221'042	211'065	36'715	34'573	257'757	245'638
EBITDA	55'449	57'052	6'052	6'200	61'501	63'252
Operating profit	49'892	50'888	4'317	4'840	54'209	55'728
Net financial expenses					(2'674)	(1'379)
Taxes					(8'404)	(8'709)
Net profit for the year					43'131	45'641
Depreciation and amortization:						
Tangible assets	4'928	4'931	1'669	1'320	6'597	6'251
Intangible assets	629	1'233	66	39	694	1'272
Total	5'557	**6'164**	**1'735**	**1'360**	**7'291**	**7'523**
Balance sheet						
Segment assets	85'198	87'806	15'329	14'393	100'527	102'199
Nonallocated assets					41'086	42'475
Of which cash and cash equivalents					*20'920*	*24'581*
Of which other nonallocated assets					*20'166*	*17'894*
Total assets	**85'198**	**87'806**	**15'329**	**14'393**	**141'613**	**144'675**
Segment liabilities	18'678	24'732	5'925	3'700	24'603	28'432
Nonallocated liabilities					*25'068*	22'039
Of which income tax payable					*10'225*	*6'579*
Of which deferred tax liabilities					*1'869*	*2'723*
Of which other nonallocated liabilities					*12'974*	*12'737*
Total liabilities	**18'678**	**24'732**	**5'925**	**3'700**	**49'671**	**50'471**
Capital expenditures:						
Tangible assets	4'713	5'667	1'439	1'607	6'151	7'275
Intangible assets	3'404	1'322	565	216	3'969	1'538
Total assets	**8'117**	**6'989**	**2'004**	**1'824**	**10'121**	**8'813**

For management purposes, LEM Group is organized into two operating segments, Industry and Automotive. The Industry segment develops, manufactures and sells electronic components called transducers for the measurement of current and voltage of various industrial applications. The Automotive segment develops, manufactures and sells transducers for applications in automotive markets.

Nonallocated assets correspond to cash, noncurrent financial receivables as well as deferred tax assets. Nonallocated liabilities comprise bank borrowings, income tax payable and deferred tax liabilities.

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

Amortization expense of intangible asset in Industry segment decreases by CHF 609 thousand as the useful life of the IP asset added through a past business acquisition come to an end.
The evolution of intangible capital expenditure is mostly explained by the Enterprise Resource Planning; see note 8.
The decrease of segment liability is mostly explained by accounts payable; see note 10.

Geographical information

In CHF thousands	China 2014/15	China 2013/14	USA 2014/15	USA 2013/14	Germany 2014/15	Germany 2013/14	Japan 2014/15	Japan 2013/14	Italy 2014/15	Italy 2013/14	Switzerland 2014/15	Switzerland 2013/14	Rest of the world 2014/15	Rest of the world 2013/14	LEM Group 2014/15	LEM Group 2013/14
Sales	67'619	56'428	40'967	42'973	34'344	35'662	26'169	24'813	14'501	13'790	2'565	3'519	71'593	68'452	257'757	245'638
Noncurrent assets	12'367	11'804					3'354	4'445			15'589	11'653	3'296	3'032	34'606	30'935

Sales are reported as per place of transaction.

4 Accounts receivable

In CHF thousands	31.3.2015	31.3.2014
Accounts receivable – trade	47'451	45'373
Allowance for doubtful accounts	(777)	(1'314)
Total accounts receivable – trade	46'674	44'059
Other receivables	3'452	4'232
Total	**50'126**	**48'290**

Movements of allowance for doubtful accounts

In CHF thousands	2014/15	2013/14
Opening position	**1'314**	**1'066**
Additions charged/(reversals credited) to income statement	(560)	392
Amounts written off	(30)	(101)
Foreign exchange effect	52	(43)
Total	**777**	**1'314**

Aging analysis of accounts receivable

In CHF thousands	Not due	<30 days	31–90 days	91–180 days	>180 days	Total
31 March 2014						
Accounts receivable – trade	32'511	6'092	3'730	2'074	965	45'373
Allowance for doubtful accounts	0	(0)	(244)	(433)	(637)	(1'314)
Other receivables	2'345	414	568	810	94	4'232
Total	**34'856**	**6'507**	**4'055**	**2'451**	**422**	**48'290**
31 March 2015						
Accounts receivable – trade	30'724	12'611	3'064	562	490	47'451
Allowance for doubtful accounts	0	0	(161)	(147)	(469)	(777)
Other receivables	3'373	7	31	0	40	3'452
Total	**34'097**	**12'619**	**2'934**	**415**	**61**	**50'126**

The increase in receivables is mainly linked to the increase in sales, the days of sales outstanding ratio remains fairly stable compared to the year 2013/14.

The allowance for doubtful accounts is computed as a percentage of aged balances plus an assessment of individual recoverability. It corresponds to 1.6% of trade accounts receivable (2.9% in 2013/14). In 2014/15, no receivables have been individually impaired.

5 Inventories

In CHF thousands	31.3.2015	31.3.2014
Raw material	12'001	12'185
Work in progress	1'177	1'451
Finished goods and goods for resale	14'367	14'859
Total	**27'545**	**28'495**

The inventories include allowances of CHF 2'882 thousand (2013/14 CHF 2'934 thousand).

6 Other current assets

In CHF thousands	31.3.2015	31.3.2014
Advances to suppliers	634	530
Prepayments and accrued income	1'348	1'386
Derivative financial instruments	342	455
Pension current assets	0	2'278
Other current assets	14	55
Total	**2'338**	**4'704**

The decrease of the pension current assets is linked to the decrease of the discount rate assumption, as elaborated in note 21.

For further information on derivative financial instruments, see note 24.

7 Property, plant and equipment

In CHF thousands	Land and buildings	Machinery and equipment	Total
Net book value 1 April 2013	**165**	**25'209**	**25'373**
Foreign exchange effect	(23)	(1'151)	(1'174)
Investment		7'275	7'275
Disposal		(42)	(42)
Depreciation charge for the year	(15)	(6'236)	(6'251)
Net book value 31 March 2014	**126**	**25'054**	**25'180**
At cost of acquisition	348	77'782	78'130
Accumulated depreciation	(222)	(52'728)	(52'950)
Net book value 31 March 2014	**126**	**25'054**	**25'180**
Net book value 1 April 2014	**126**	**25'054**	**25'180**
Foreign exchange effect	(7)	1'038	1'031
Investment		6'152	6'152
Disposal		(38)	(38)
Depreciation charge for the year	(14)	(6'582)	(6'597)
Net book value 31 March 2015	**105**	**25'623**	**25'728**
At cost of acquisition	328	82'780	83'108
Accumulated depreciation	(223)	(57'157)	(57'380)
Net book value 31 March 2015	**105**	**25'623**	**25'728**

8 Intangible assets

In CHF thousands	Goodwill	Patents	Other intangible assets	Total
Net book value 1 April 2013	**3'350**	**1'320**	**1'230**	**5'900**
Foreign exchange effect	(214)		(20)	(234)
Investment			1'538	1'538
Disposal			(178)	(178)
Amortization charge for the year		(990)	(282)	(1'272)
Net book value 31 March 2014	**3'136**	**330**	**2'289**	**5'755**
At cost of acquisition	3'136	4'950	5'657	13'743
Accumulated amortization		(4'620)	(3'368)	(7'988)
Net book value 31 March 2014	**3'136**	**330**	**2'289**	**5'755**
Net book value 1 April 2014	**3'136**	**330**	**2'289**	**5'755**
Foreign exchange effect	(127)		(15)	(142)
Investment			3'969	3'969
Disposal			(10)	(10)
Amortization charge for the year		(330)	(364)	(694)
Net book value 31 March 2015	**3'009**	**0**	**5'869**	**8'878**
At cost of acquisition	3'009	4'950	9'534	17'493
Accumulated amortization		(4'950)	(3'665)	(8'615)
Net book value 31 March 2015	**3'009**	**(0)**	**5'869**	**8'878**

The increase in the intangible assets is mainly explained by the capitalization of costs related to the implementation of the new ERP. The cumulative investment 2013/14 and 2014/15 amounts to CHF 4.2 million. The item is presented in 'assets under construction' as per 31.3.2015 with a finalization and start of amortization as per 1.4.2015.

The entire goodwill of LEM Group is from the acquisition of NANA in 2000/01 and is allocated to the cash-generating unit LEM Japan KK. The goodwill relates to the Industry segment. The recoverable amount has been determined based on value-in-use calculations. These calculations use cash flow projections of five years based on financial business plans and budgets approved by management. The projections include assumptions concerning revenue growth and expected operating costs. Revenue growth is projected at 5% and operating costs were estimated based on the experience of management. The pretax discount rate used within these cash flow calculations is 7.1% (2013/14 9.0%) and is based on the weighted average cost of capital of a peer group. The carrying value of the cash-generating unit including goodwill was compared to the value in use and no impairment was found for the year ended 31 March 2015.

9 Other noncurrent assets

In CHF thousands	31.3.2015	31.3.2014
Pension noncurrent assets	(0)	2'139
Other noncurrent assets	889	626
Total	**889**	**2'765**

The decrease of the pension noncurrent assets is linked to the decrease of the discount rate assumption, as elaborated in note 21.

10 Accounts payable

In CHF thousands	31.3.2015	31.3.2014
Total accounts payable – trade	10'587	17'470
Other payables	1'425	2'013
Total	**12'012**	**19'483**

In anticipation of the go-live of the new Enterprise Resource Planning (ERP) software in April 2015, LEM proceeded to an early payment of its suppliers per end of March 2015, thereby decreasing the trade accounts payable as per 31.3.2015.

11 Provisions

In CHF thousands	Warranty and customer claims	Litigations and consumption taxes	Restructuring	Total
Balance as per 1 April 2013	**3'087**	**0**	**1'830**	**4'917**
Additional provisions	1'434	868	538	2'841
Unused amounts reversed	(1'663)		(438)	(2'101)
Utilized during the year	(259)	(5)	(1'256)	(1'520)
Foreign exchange effect	(75)	(9)	(96)	(179)
Other movements	(55)	55		0
Balance as per 31 March 2014	**2'468**	**910**	**579**	**3'957**
Of which current				*1'070*
Of which noncurrent				*2'886*
Balance as per 1 April 2014	**2'468**	**910**	**579**	**3'957**
Additional provisions	1'478	208		1'686
Unused amounts reversed	(727)	(332)		(1'059)
Utilized during the year	(854)	(24)	(366)	(1'244)
Foreign exchange effect	6	23	(14)	15
Other movements				0
Balance as per 31 March 2015	**2'371**	**785**	**199**	**3'355**
Of which current				*1'501*
Of which noncurrent				*1'854*

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 consumption taxes

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

Transfer of activity

As a continuation of a strategy initiated in 2004, LEM continues to relocate production lines from the plants in Machida, Japan, and Geneva, Switzerland, to low-cost countries. The operations in Japan are significantly reduced and concentrated on the local Japanese market. In Switzerland, the operations are being progressively reduced and focused on high-complexity / high-precision products for worldwide markets. In parallel, LEM's site in Switzerland is being reinforced with continued investment in R&D and marketing.

A provision had been constituted in 2012/13 in relation with the above-mentioned relocations of activity. During 2013/14 and 2014/15, LEM transferred a part of the production lines from Geneva, Switzerland, and from Machida, Japan, to Sofia, Bulgaria, and Beijing, China and used most of the before-mentioned provisions. The provision position amounts to CHF 199 thousand at 31.3.2015.

12 Other liabilities

In CHF thousands	31.3.2015	31.3.2014
Post-employment benefit plans	2'449	370
Other liabilities	682	342
Total	**3'131**	**712**
Of which current	*466*	*319*
Of which noncurrent	*2'665*	*394*

The increase of the post-employment benefit plan liability is linked to the decrease of the discount rate assumption, as elaborated in note 21.

13 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 of shares	Average purchase price	Total in CHF thousands
Balance 1 April 2013	**1'316**	**581.00**	**765**
Movement	(232)	83.96	(19)
Balance 31 March 2014	**1'084**	**687.38**	**745**
Ordinary dividend per share	40.00		
Balance 1 April 2014	**1'084**	**687.38**	**745**
Movement	(719)	642.54	(462)
Balance 31 March 2015	**365**	**775.72**	**283**
Ordinary dividend per share	40.00		

The dividend to be paid will be proposed by the Board of Directors to the ordinary General Meeting of the shareholders of the Group on 25 June 2015. The expected payout for dividends amounts to CHF 45'585 thousand.

14 Staff cost

In CHF thousands	2014/15	2013/14
Production	(23'035)	(22'455)
Sales	(17'126)	(15'246)
Administration	(12'713)	(10'926)
Research and development	(10'399)	(9'811)
Total	**(63'272)**	**(58'438)**
Salaries and wages	(42'038)	(40'712)
Other personnel costs	(18'258)	(15'519)
Temporary employee costs	(2'977)	(2'207)
Total	**(63'272)**	**(58'438)**

Number of employees at the end of the financial year	31.3.2015	31.3.2014
Permanent employees	1'182	1'144
Temporary employees	81	86
Apprentices	12	12
Total	**1'274**	**1'241**

Salaries and wages increase driven by the continued build-up of LEM Bulgaria and the increase of R&D spending in the Group. Other personnel cost 2013/14 was impacted by a one-off saving of CHF 1.2 million linked to the change in the pension conversion ratio.

Other personnel costs comprise the expenses for defined contribution plans of CHF 243 thousand (2013/14 CHF 258 thousand). See accounting policies 2.15 Employee benefits, 2.16 Provisions and contingent liabilities.

15 Financial expense

In CHF thousands	31.3.2015	31.3.2014
Interest expenses	(146)	(44)
Other financial expenses	(104)	(77)
Total	**(251)**	**(121)**

The Group incurred higher interest expense than in prior year, linked to more financing need for the higher dividend.

16 Financial income

In CHF thousands	31.3.2015	31.3.2014
Interest income on cash	199	133
Total	**199**	**133**

17 Exchange effect

In CHF thousands	31.3.2015	31.3.2014
Exchange gains/(losses)	(2'536)	(1'922)
Fair value revaluation on derivatives	(134)	1'591
Gains/(losses) on derivative[1]	49	(1'060)
Total	**(2'622)**	**(1'390)**

[1] Position includes cost of derivative hedging

The exchange effect is mainly driven by EUR devaluation in 2014/15. JPY and RUB devaluation further contributed to the loss, partially compensated by gains on USD and CNY positions.

18 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 challenge by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions. The Company periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions are based on management's best judgment given any changes in the facts, circumstances, information available and applicable tax laws. Considering all available information and the history of resolving income tax uncertainties, the Group believes that the ultimate resolution of such matters will not have a material effect on its financial statements. Differences between the final tax outcome and the amounts that were initially recorded impact the income and deferred taxes in the period in which such determinations are made. The Group calculates its expected average tax rate as a weighted average of the tax rates in the tax jurisdictions in which the Group operates.

LEM has taken the decision to repatriate all available dividends from its subsidiaries in the foreseeable future. Unrecoverable withholding taxes are considered part of the expected tax rate. Deferred income tax liabilities have been established for unrecoverable withholding taxes that would be payable on the unremitted earnings of foreign subsidiaries. Given that the new double taxation agreement between China and Switzerland reducing the withholding tax rate from 10% to 5% has been formally enacted as per 15 November 2014, the Group has applied the new rate for the fiscal year 2014/15.

In CHF thousands	2014/15	2013/14
Current income taxes	(8'849)	(7'795)
Deferred taxes relating to the origination and reversal of temporary differences	228	(2'581)
Deferred tax income resulting from changes in tax rates	(7)	1'568
Adjustment recognized in the period for current tax of prior year	224	100
Total	**(8'404)**	**(8'709)**

The tax (expense)/income relating to components of other comprehensive income amount to CHF 1'092 thousand for the year 2014/15 (CHF (421) thousand in 2013/14).

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

In %	2014/15	2013/14
Group's average expected income tax rate	17.6	16.8
Group's average expected withholding tax rate	0.8	2.0
Group's average expected tax rate	**18.4**	**18.8**
Tax effect of		
– permanent differences	0.5	0.1
– effect of changes in tax rates on deferred taxes	(2.4)	(2.9)
– adjustment in respect of previous periods' income tax	(0.4)	(0.1)
– other differences	0.2	0.1
Group's effective tax rate	**16.3**	**16.0**

The decrease in the expected tax rate is mainly due to the change in the Chinese withholding tax as mentioned above. This change has had a positive impact on the one-off effects of 2.4% linked to the revaluation of the withholding tax position from 10% to 5%.

Deferred tax assets and liabilities

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

	31.3.2015		31.3.2014	
In CHF thousands	Asset	Liability	Asset	Liability
– Accounts receivable	118	(292)	219	(337)
– Inventories	934	(648)	890	(254)
– Property, plant and equipment	1'780	(42)	1'855	(17)
– Intangible assets	860	(458)	1'351	(553)
– Other financial assets	652	(218)	0	(1'062)
– Other assets	35	0	75	(97)
– Provisions	514	0	443	0
– Others	847	(54)	754	(47)
– Withholding tax on dividends	0	(1'869)	0	(2'723)
Gross deferred taxes	**5'740**	**(3'581)**	**5'586**	**(5'090)**

The balance sheet contains the following:		
– Deferred tax assets	4'418	4'103
– Deferred tax liabilities	(2'259)	(3'607)
Net assets / (liabilities)	**2'159**	**496**

There were no unrecorded losses carried forward at 31.3.2015, nor at 31.3.2014.

19 Earnings per share

	2014/15	2013/14
Basic and diluted earnings per share		
Net profit for the year attributable to LEM shareholders – in CHF thousands	43'131	45'641
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	923	1'438
Weighted average number of shares outstanding	1'139'077	1'138'562
Earnings per share – basic and diluted in CHF	**37.86**	**40.09**

20 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 (LIS), bonus and post-employment benefits. In 2014/15 and 2013/14, no termination benefits have been paid. The base salary is the employee's compensation before deduction of the employee's social security contributions. Bonus payments are effected in cash.

Compensation of the Board of Directors

In CHF thousands	2014/15	2013/14
Base salary	(790)	(740)
Additional fees		(30)
Total	**(790)**	**(770)**

Compensation of the Executive Management

In CHF thousands	2014/15	2013/14
Base salary	(1'886)	(1'740)
Bonus	(1'120)	(1'053)
Post-employment benefits	(190)	(161)
Total	**(3'196)**	**(2'954)**

Servotronix Motion Control Ltd, a company presided by Ilan Cohen, has bought transducers for CHF 609 thousand in 2014/15 (CHF 163 thousand in 2013/14), including purchases done by its subsidiaries and subcontractors, from LEM Group at market price. No other 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 note 11 in the notes to the financial statements of LEM Holding SA. Also, see accounting policies 2.15 Employee benefits and note 2.16 Provisions and contingent liabilities.

21 Retirement benefit obligations

The Group operates a defined contribution 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 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. According to Swiss law, the pension plan is considered as a defined contribution plan whereas it is considered as a defined benefit plan under IAS 19 due to the various benefit guarantees included in the laws.

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

The assets of the foundation are invested into 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. During 2013/14, the conversion rate of the savings account into pension at retirement was changed. No curtailments or settlements occurred in 2014/15.

As a consequence of the low-interest policy of the Swiss National Bank, the discount rate used for the evaluation of LEM's pension obligations has been reduced from 2.0% to 0.9%, thereby increasing the obligations by CHF 11.9 million. The plan assets showed a solid investment performance and increased by CHF 5.4 million. As a result, the overall funded status reduced by CHF 6.5 million, from a CHF 4.4 million asset to a CHF 2.1 million liability. In application 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 defined contribution plans based on local practices and regulations.

In CHF thousands	31.3.2015	31.3.2014
Fair value of plan assets at year-end	42'564	37'173
Defined benefit obligations at year-end	44'661	32'755
Funded status (net assets/(liabilities) in the balance sheet)	**(2'098)**	**4'417**

LEM expects to contribute CHF 2'114 thousand to its defined benefit plan in 2015/16.

21.1 Cost of defined benefit plans

Cost of defined benefit plans In CHF thousands	31.3.2015	31.3.2014
Current service cost	2'114	2'207
Past service (income)	0	(1'329)
Net interest (income) / cost	(88)	(56)
Total pension expenses recorded in consolidated income statement	**2'026**	**821**

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

In 2013/14, the past service income stems from the change in the conversion rate.

21.2 Remeasurements of employee benefits

Remeasurements of employee benefits In CHF thousands	31.3.2015	31.3.2014
Experience adjustments on defined benefit obligation	8'310	1'259
Return on plan assets excluding interest	(3'214)	(3'145)
Total remeasurements recorded in other comprehensive income	**5'096**	**(1'886)**

21.3 Change in fair value of plan assets

Change in fair value of plan assets In CHF thousands	31.3.2015	31.3.2014
Fair value of plan assets per beginning of year	**37'173**	**35'711**
Return on plan assets excluding interest income	3'214	3'145
Interest income on plan assets	743	714
Employer's contributions	605	534
Employees' contributions	1'663	1'582
Benefits paid	(834)	(4'514)
Fair value of plan assets per end of year	**42'564**	**37'173**

21.4 Change in present value of defined benefit obligation

Change in present value of defined benefit obligation In CHF thousands	31.3.2015	31.3.2014
Defined benefit obligation per beginning of year	**32'755**	**32'893**
Current service cost	2'114	2'207
Employees' contributions	1'662	1'582
Interest cost	655	658
Experience adjustments on obligation	8'309	1'259
due to assumption changes	*5'765*	*0*
due to population changes	*2'544*	*1'259*
Benefits paid	(834)	(4'514)
Plan amendment	0	(1'329)
Defined benefit obligation per end of year	**44'661**	**32'755**

The weighted average duration of the Defined Benefit Obligation (DBO) at the end of the current fiscal year is 26 years.

21.5 Asset allocation of investments

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

In %	Long-term target	2014/15	2013/14
Equity securities	30.0%	34.0%	34.1%
Debt securities	36.0%	29.3%	32.0%
Real estate	20.0%	24.3%	19.1%
Cash and other investments	14.0%	12.4%	14.8%
	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. Other assets including real estate and other investments do not have a quoted market price.

21.6 Actuarial assumptions

The principal actuarial assumptions used in the actuarial calculations include:

In %	2014/15	2013/14
Discount rate	0.90%	2.00%
Salary increases	1.00%	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 2014/15. 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	2014/15	2013/14
Discount rate		
Increase by 0.25%	(1'696)	(1'673)
Decrease by 0.25%	1'748	1'802
Salary increase rate		
Increase by 0.25%	514	146
Decrease by 0.25%	(499)	(146)

21.7 Maturity structure of pension obligation

The following main cash outflows are expected in future periods:

In CHF thousands	
Within 1 year	954
Within 2 years	975
Within 3 years	990
Within 4 years	1'082
Within 5 years	1'171
Within 6 to 10 years	7'579

22 Operating lease commitments

Minimal lease payments are payable as follows:

In CHF thousands	31.3.2015	31.3.2014
Within one year	4'616	3'906
Between one and five years	15'927	14'960
Beyond five years	1'492	3'866
Total	**22'035**	**22'732**

In 2014/15 lease expenses amounted to CHF 4'839 thousand (2013/14 CHF 5'061 thousand). Lease agreements exist for the business facilities used by the Group companies. The agreements are classified as operating leases. The leases have varying terms and renewal rights between one and fifteen years.

23 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 insurances.
For the years 2013/14 and 2014/15, there is no contingent liability from a consolidated point of view.

24 Financial risk management objectives and policies

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

Financial assets

In CHF thousands	31.3.2015 Fair value	31.3.2014 Fair value	Loans and receivables	At fair value through profit and loss
Cash and cash equivalents	20'920	24'581	X	
Accounts receivable	50'126	48'290	X	
Derivative financial instruments – current	342	455		X
Other current financial assets	14	55	X	
Derivative financial instruments – noncurrent	0	21		X
Other noncurrent financial assets	889	605	X	
Total	**72'291**	**74'007**		

Financial liabilities

In CHF thousands	31.3.2015 Fair value	31.3.2014 Fair value	Loans and receivables	At fair value through profit and loss
Accounts payable	12'012	19'483	X	
Accrued expenses	18'688	16'133	X	
Other current financial liabilities	27	27	X	
Other noncurrent financial liabilities	16	24	X	
Total	**30'743**	**35'667**		

The management assessed that fair value level of cash and cash equivalents, accounts receivables, other current and noncurrent assets, accounts payables, accrued expenses and other current and noncurrent liabilities that are not measured at fair value approximate their carrying amounts in view of their short-term nature and are consequently not separately disclosed.

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

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.
The Group's financial assets at fair value amount to CHF 342 thousand per 31.3.2015 (financial asset of CHF 476 thousand per 31.3.2014), 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 seeks to reduce those risks by optimizing its natural hedging (cash inflows and outflows in a specific currency should be in balance as far as possible).
The Group's policy states that 100% of LEM's net exposure for the main currencies EUR and USD is to be hedged on a rolling 12-month basis for EUR and USD.
Currency risks also arise from translation differences that are not hedged by the Group when preparing the consolidated financial statements in CHF. The foreign exchange translation is excluded from the calculation of the sensitivity analysis for currency risk below.

Sensitivity analysis for currency risk

The sensitivity analysis is performed per 31.3.2015 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 ±587 thousand for a ±5% EUR rate change (CHF ±496 thousand per 31.3.2014), of CHF ±646 thousand for a ±5% USD rate change (CHF ±538 thousand per 31.3.2014) and of CHF ±742 thousand for a ±5% CNY rate change (CHF ±541 thousand per 31.3.2014). 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. The accounts receivable are monitored on a monthly basis. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In case of a deterioration of the credit history, advance payments are required.

The Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 4. There are no significant concentrations of risk within the Group.

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

Liquidity risk

The Group operates a cash-pooling agreement in which cash targets are set for all the subsidiaries. Cash surplus / shortages are balanced in intercompany loans on a monthly basis.

Group capital requirements are managed centrally by corporate finance. In case liquidity is required a bank loan is either done centrally and passed on as an intercompany loan, or given directly by the bank to the subsidiary with a reduction of the Group's total credit line.

The total leverage of the Group is low, the financial liabilities mature in less than one year based on the carrying value of borrowings reflected in the financial statements.

Financial liabilities

In CHF thousands	31.3.2015 Fair value	Less than one year	Over one year	31.3.2014 Fair value	Less than one year	Over one year
Accounts payable	12'012	12'012	0	19'483	19'483	0
Accrued expenses	18'688	18'688	0	16'133	16'133	0
Other current financial liabilities	27	27	0	27	27	0
Other noncurrent financial liabilities	16	0	16	24	0	24
Total	**30'743**	**30'727**	**16**	**35'667**	**35'643**	**24**

Interest rate risk

The Group's exposure to the risk of changes in market interest rates with the current financial leverage is very low. Per 31.3.2015, there is no bank loan.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy and stable equity ratio in order to secure the confidence of shareholders and investors, creditors and other market players and to strengthen the future development of the Group's business activities.

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

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

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

25 Scope of consolidation

Full consolidation	Country	Currency	Share capital	Ownership
Europe				
LEM Deutschland GmbH	Germany	EUR	75'000	100%
LEM Holding SA	Switzerland	CHF	570'000	100%
LEM International SA	Switzerland	CHF	100'000	100%
LEM Intellectual Property SA	Switzerland	CHF	300'000	100%
LEM Switzerland SA	Switzerland	CHF	1'000'000	100%
LEM Bulgaria EOOD	Bulgaria	BGN	1'971'830	100%
LEM Russia Ltd	Russia	RUB	8'600'000	100%
LEM Management Services SARL	Switzerland	CHF	20'000	100%
North America				
LEM USA Inc.	USA	USD	150'000	100%
Asia				
LEM Electronics (China) Co. Ltd	China	CNY	53'153'194	100%
LEM Japan KK	Japan	JPY	16'000'000	100%

26 Changes in scope of consolidation

In 2012/13, LEM had launched a project aiming to simplify the structure of its European agency companies and to save administrative cost. As per 31.3.2014, LEM had already converted most of its European entities into branches of a European head office:

- On 1 December 2012, LEM Denmark was created as a branch of LEM Deutschland GmbH. The former company incorporated as LEM Danfysik A/S was liquidated per 8 April 2013.
- On 1 January 2013, LEM UK was created as a branch of LEM Deutschland GmbH. The former company incorporated as LEM UK Ltd was liquidated per 15 May 2013.
- On 1 January 2013, LEM Italy Srl was merged into LEM Deutschland GmbH.

In 2014/15, the Group finalized the conversion with the absorption of LEM France and LEM Belgium into LEM Deutschland GmbH:

- On 2 February 2015, LEM France Sàrl was merged into LEM Deutschland GmbH.
- On 2 February 2015, LEM Belgium Sàrl was merged into LEM Deutschland GmbH.

27 Events after the balance sheet date

The new double tax treaty between China and Switzerland reducing the withholding tax rate on dividends from 10% to 5% entered into force on 15 November 2014. On 28 April 2015, LEM China received the approval from the local tax authorities to apply the new withholding tax rate on future dividend distributions. LEM Holding received a first dividend of CNY 28.5 million after deduction of 5% withholding tax (CHF 4.3 million) on 11 May 2015. A second dividend payment is expected in Q1 of 2015/16 for CNY 95 million after deduction of 5% withholding tax (CHF 14.2 million using the exchange rate on 11 May 2015).

As per 4 April 2015, LEM Deutschland GmbH changed its name to LEM Europe GmbH.

Auditor's Report

Building a better working world

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of LEM Holding SA, which comprise the statement of financial position, income statement, cash flow statement, statement of comprehensive income, statement of changes in equity and notes (pages 35 to 61), for the year ended 31 March 2015.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

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

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

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

Lancy, 26 May 2015

Ernst & Young Ltd

Arthur Bergmann	Karine Badertscher Chamoso
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

LEM Holding SA

Financial Statements

Balance Sheet
(before distribution of earnings)

Assets In CHF thousands	Notes	31.3.2015	31.3.2014
Current assets			
Cash and cash equivalents	1	6'678	12'107
Group current assets	2	27'570	24'436
Treasury shares	3	283	745
Other current assets		477	685
Total current assets		**35'009**	**37'973**
Noncurrent assets			
Investments in subsidiaries	4	45'183	45'024
Total noncurrent assets		**45'183**	**45'024**
Total assets		**80'192**	**82'997**

Liabilities and Equity In CHF thousands	Notes	31.3.2015	31.3.2014
Current liabilities			
Group current liabilities	2	22'865	14'715
Other current liabilities		1'772	1'499
Total current liabilities		**24'637**	**16'214**
Other noncurrent liabilities		0	0
Total liabilities		**24'637**	**16'214**
Equity			
Share capital	5	570	570
General reserve		285	285
Reserve for treasury shares	3	283	745
Retained earnings		20'076	33'557
Net profit for the year		34'340	31'625
Total equity		**55'554**	**66'783**
Total liabilities and equity		**80'192**	**82'997**

Income Statement

Income In CHF thousands	Notes	2014/15	2013/14
Financial income from Group dividend payments		32'593	31'285
Interest income from Group loans		822	814
Foreign exchange gain	7	1'215	2'086
Other financial income		9	128
Other Group income		5'258	4'984
Total income		**39'896**	**39'296**

Expense In CHF thousands	Notes	2014/15	2013/14
Loss on investments in subsidiaries	4	0	(1'373)
Office, administration and personnel expense	6	(2'984)	(2'843)
Financial expense		(265)	(361)
Foreign exchange loss	7	(1'976)	(3'191)
Total expense		**(5'226)**	**(7'767)**
Profit before taxes		34'670	31'530
Income taxes	8	(330)	96
Net profit for the year		**34'340**	**31'625**

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. Regarding the inclusion of LEM Holding SA in the consolidated financial statements, the accounting and reporting principles described in the notes to the consolidated financial statements apply.

1 Cash and cash equivalents

In CHF thousands	31.3.2015	31.3.2014
Cash and cash equivalents	6'678	12'107
Total	**6'678**	**12'107**

In light of the expected application of the new 5% withholding tax rate on dividends in China, as opposed to 10% before, LEM Holding has delayed dividend payment from LEM China. This explains most of the decrease in cash and cash equivalents during the reporting period.

2 Group current assets and liabilities

In CHF thousands	31.3.2015	31.3.2014
Current intercompany loans receivable	26'839	23'939
Intercompany accounts receivable	731	497
Total	**27'570**	**24'436**
Current intercompany loans payable	22'783	14'621
Intercompany accounts payable	82	94
Total	**22'865**	**14'715**

The current intercompany loans payable increase is mainly due to the changes in net working capital and the resulting net financing need of the Group's subsidiaries.

3 Treasury shares

	Number of shares	Price per share in CHF	Value in CHF thousands
Value 1.4.2013	**1'316**	**581.00**	**765**
Change	(232)	83.94	(19)
Value 31.3.2014	**1'084**	**687.38**	**745**
Change	(719)	642.54	(462)
Value 31.3.2015	**365**	**775.72**	**283**

The movements in treasury shares during 2013/14 caused an impact of CHF - 19 thousand in retained earnings through market-making activities.
The movements in treasury shares during 2014/15 caused an impact of CHF - 462 thousand in retained earnings through market-making activities.
Subsidiaries of LEM Holding SA did not own any shares of LEM Holding SA.
Treasury shares are valued at lower of cost or market value.

4 Investments in subsidiaries

In CHF thousands	31.3.2015	31.3.2014
Historical cost	45'183	45'024
Total	**45'183**	**45'024**

The increase in investments in subsidiaries is linked to a share capital increase in LEM Russia LLC.
Refer also to note 25 Scope of consolidation of the consolidated financial statements.

5 Share capital

	Number of shares	Par value per share in CHF	Capital in CHF thousands
Opening capital 1.4.2014	1'140'000	0.50	570
Change of capital	0		0
Closing capital 31.3.2015	**1'140'000**	**0.50**	**570**

6 Office, administration and personnel expense

In CHF thousands	2014/15	2013/14
Office and administration expense	(1'904)	(1'731)
Board member fees	(790)	(770)
Consulting fees	(79)	(108)
Withholding taxes on paid dividend repatriation	(71)	(99)
Other withholding taxes not recoverable	(140)	(135)
Total	**(2'984)**	**(2'843)**

7 Exchange effect

In CHF thousands	2014/15	2013/14
Exchange gains/(losses)[1]	(676)	(1'636)
Fair value revaluation on derivatives[1]	(134)	1'591
Gains/(losses) on derivative[2]	49	(1'060)
Exchange effect	**(762)**	**(1'105)**

1 Positions exclude unrealized gains on long terms assets and liabilities, as per Swiss Code of Obligations
2 Position includes cost of derivative hedging.

8 Income taxes

In CHF thousands	2014/15	2013/14
Current taxes	(266)	(192)
Adjustments of tax provisions of previous periods	(64)	288
Total	**(330)**	**96**

9 Important shareholders according to article 663c of the Swiss Code of Obligations

The following shareholders held 3% or more of the share capital and voting rights on 31 March 2015:

All positions per 31.3.2015	Shares	Options	Position	In %
Werner O. Weber and Ueli Wampfler, in Zollikon/Wollerau, Switzerland, through WEMACO Invest AG and Swisa AG, in Zug/Cham, Switzerland	480'000	30'000	510'000	44.7%
Ruth Wertheimer, in Kfar Shmaryahu, Israel, through 7-Industries Holding B.V., in Amsterdam, Netherlands	141'581	N/N	141'581	12.4%
Montanaro Asset Management Ltd, London, United Kingdom	74'834	N/N	74'834	6.6%
Sarasin Investmentfonds AG, in Basel, Switzerland	59'813	N/N	59'813	5.2%
Erwin Studer and Joraem de Chavonay, in Zollikon/Zug, Switzerland	30'000	(30'000)	0	0.0%
Shareholders < 3%	353'772	N/N	353'772	31.0%
Total	**1'140'000**	**0**	**1'140'000**	**100.0%**

N/N = none notified

10 Guarantees in favor of third parties on behalf of subsidiaries

In CHF thousands	31.3.2015	31.3.2014
Amount of guarantees issued	1'834	1'811

11 Remuneration of Board of Directors and Executive Management

11.1 Compensation to active members of the Board of Directors

2014/15

In CHF thousands	Annual salary	Additional fees	Total compensation	Employer's contribution to social security charges
Andreas Hürlimann[1, 4, 7]	280	0	280	18
Peter Rutishauser[2, 5, 8]	190	0	190	17
Ilan Cohen[8]	100	0	100	0
Norbert Hess[6]	100	0	100	0
Ueli Wampfler[3]	120	0	120	8
Total	**790**	**0**	**790**	**42**

The aggregate total amount of compensation of the Board of Directors in 2014/15 amounted to CHF 832 thousand.

2013/14

In CHF thousands	Annual salary	Additional fees	Total compensation	Employer's contribution to social security charges
Andreas Hürlimann[1, 6, 7]	260	15	275	17
Peter Rutishauser[2, 5, 8]	160	15	175	16
Ilan Cohen[8]	100	0	100	0
Norbert Hess[4]	100	0	100	0
Ueli Wampfler[3]	120	0	120	8
Total	**740**	**30**	**770**	**40**

irman of the Board
[2] Vice Chairman of the Board
[3] Chairman of the Audit & Risk Committee
[4] Member of the Audit & Risk Committee
[5] Chairman of the Nomination & Compensation Committee
[6] Member of the Nomination & Compensation Committee
[7] Chairman of the Strategy Committee
[8] Member of the Strategy Committee

11.2 Compensation to active members of the Executive Management of the LEM Group

2014/15

In CHF thousands	Base salary	LIS 1 short-term variable compensation	LIS 2 long-term variable compensation	Company's contribution to pension fund	Total compensation	Company's contribution to social security charges
François Gabella, CEO	480	245	192	61	977	78
Executive Management (excl. CEO)	1'406	386	298	129	2'219	174
Total compensation to Executive Management	**1'886**	**631**	**490**	**190**	**3'196**	**252**

2013/14

In CHF thousands	Base salary	LIS 1 short-term variable compensation	LIS 2 long-term variable compensation	Company's contribution to pension fund	Total compensation	Company's contribution to social security charges
François Gabella, CEO	480	231	169	50	930	67
Executive Management (excl. CEO)	1'259	379	275	111	2'034	154
Total compensation to Executive Management	**1'740**	**610**	**444**	**161**	**2'954**	**222**

CEO François Gabella was the Executive Management member with the highest total compensation in 2013/14 and in 2014/15.

The amounts are shown as follows:
- Base salary: as paid out in the reporting period
- LIS 1 and 2 2014/15: as proposed to the ordinary General Meeting in June 2015 for payout in July 2015
- LIS 2 2014/15: as accrued for in the reporting period for payout in July 2015
- LIS 1 and 2 2013/14: as paid out in June 2014
- Pension fund contribution and company contribution to social security charges: as paid out or accrued for in the reporting period

11.3 Shareholdings

Board of Directors	31.3.2015		31.3.2014	
In number of shares/options	Number of shares held	Number of options held	Number of shares held	Number of options held
Andreas Hürlimann	793	0	724	0
Peter Rutishauser	2'606	0	2'606	0
Ilan Cohen	170	0	140	0
Norbert Hess	0	0	0	0
Ueli Wampfler	55'000	10'000	30'500	30'000
Total	**58'569**	**10'000**	**33'970**	**30'000**

Executive Management	31.3.2015		31.3.2014	
In number of shares/options	Number of shares held	Number of options held	Number of shares held	Number of options held
François Gabella, CEO	400	0	150	0
Julius Renk, CFO	0	0	140	0
Luc Colombel, VP, Automotive	2'100	0	2'100	0
Hans-Dieter Huber, VP, Industry	1'265	0	1'265	0
Jean-Marc Peccoux, VP, R&D and IP	1'500	0	1'500	0
Simon Siggen, VP, Operations	1'100	0	1'100	0
Total	**6'365**	**0**	**6'255**	**0**

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

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

13 Events after the balance sheet date

The new double tax treaty between China and Switzerland reducing the withholding tax rate on dividends from 10% to 5% entered into force on 15 November 2014. On 21 April 2015, LEM China received the approval from the local tax authorities to apply the new withholding tax rate on future dividend distributions. LEM Holding received a first dividend of CNY 28.5 million after deduction of 5% withholding tax (CHF 4.3 million) on 11 May 2015. A second dividend payment is expected in Q1 of 2015/16 for CNY 95 million after deduction of 5% withholding tax (CHF 14.2 million using the exchange rate on 11 May 2015).

Proposed Appropriation of Available Earnings

Appropriation of available earnings

In CHF thousands		31.3.2015	31.3.2014
Balance brought forward from previous year		19'615	33'538
Variation of treasury shares		462	20
Net profit for the year		34'340	31'625
Total available earnings		**54'417**	**65'183**
Proposal of the Board of Directors:			
Ordinary dividend		(45'585)	(45'568)
Balance to be carried forward		**8'831**	**19'615**

The Board of Directors proposes the distribution of an ordinary dividend of CHF 40 per share. Net of 35% withholding tax, this is an ordinary cash dividend of CHF 26 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

Building a better working world

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of LEM Holding SA, which comprise the balance sheet, income statement and notes (pages 65 to 70), for the year ended 31 March 2015.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 March 2015 comply with Swiss law and the Company's Articles of Incorporation.

Report on other legal requirements

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

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

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

Lancy, 26 May 2015

Ernst & Young Ltd

Arthur Bergmann Licensed audit expert (Auditor in charge)	Karine Badertscher Chamoso Licensed audit expert

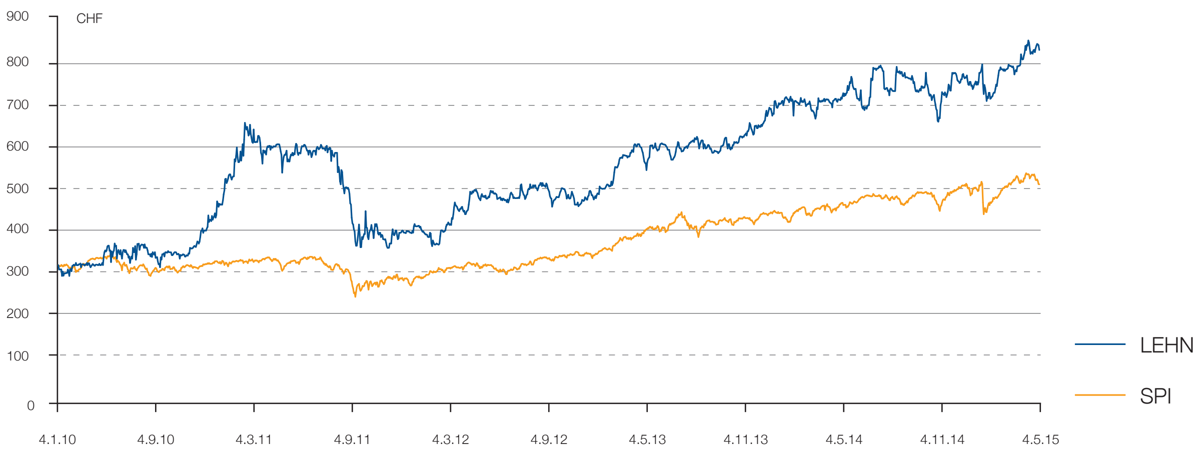
Information for Investors

Number of registered shareholders	31.3.2015	31.3.2014
1 – 499	742	574
500 – 4'999	73	67
5'000 – 49'999	8	7
50'000 and more	5	7
Total	**828**	**655**

Shareholders by category In %	31.3.2015	31.3.2014
Institutional shareholders	52.2	52.0
Private individuals	26.6	31.6
LEM employees, managers and board	5.8	3.5
Treasury shares	0.0	0.1
Non-registered shares	15.3	12.8
Total	**100.0**	**100.0**

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

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



Source: Bloomberg

Share information

In number of shares, CHF	2014/15	2013/14
Number of shares	1'140'000	1'140'000
Year high[1]	808	712
Year low[1]	626	547
Year end[1]	798.50	703
Average daily trading volume (shares)[1]	586	369
Earnings per share	37.86	40.09
Ordinary dividend per share[2]	40	40
Market capitalization as per 31 March[1] (in CHF millions)	910	801

[1] Source: SIX
[2] Proposal of the Board of Directors to the ordinary General Meeting of the Shareholders.

Financial calendar of the financial year 1 April 2015 to 31 March 2016

25 June 2015	Ordinary Meeting of the Shareholders Université de Fribourg, bvd. de Pérolles
30 June 2015	Dividend ex-date
2 July 2015	Dividend payment date
11 August 2015	First quarter results 2015/16
11 November 2015	Half-year results 2015/16
16 February 2016	Third quarter results 2015/16
9 June 2016	Year-end results 2015/16
30 June 2016	Ordinary General Meeting of the Shareholders
5 July 2016	Dividend ex-date
7 July 2016	Dividend payment date

Contact

Julius Renk (CFO)
Phone: +41 22 706 12 50
E-mail: investor@lem.com

Group Subsidiaries

LEM is a global player with production plants and development centers in Beijing (China), Geneva (Switzerland), Machida (Japan) and Sofia (Bulgaria). The company has sales offices at all its customers' locations and offers seamless service around the globe. For a complete list of subsidiaries, offices and representatives, refer to www.lem.com > Contact > Sales Locator

Europe

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Avenue Beauregard 1
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LEM Intellectual Property SA
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> Jean-Marc Peccoux

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Enol Chen, Enol Studio
Jasmin Viertl

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Cavelti, Gossau

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