Life Energy Motion

Financial Report

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LEM Group

Consolidated statement of financial position

Assets

in CHF thousands	Notes	31.3.2022	31.3.2021
Current assets			
Cash and cash equivalents		17’198	22’418
Accounts receivable	5	80’096	72’259
Inventories	6	46’140	41’735
Income tax receivable		3’470	2’456
Other current assets	7	6’582	2’950
Total current assets		**153’486**	**141’818**
Noncurrent assets			
Property, plant and equipment	8	60’574	50’387
Right-of-use assets	9	28’436	7’253
Intangible assets	10	4’072	4’326
Deferred tax assets	20	54’102	59’741
Other noncurrent assets	11	728	848
Total noncurrent assets		**147’911**	**122’555**
Total assets		**301’397**	**264’373**

Liabilities and equity

in CHF thousands	Notes	31.3.2022	31.3.2021
Current liabilities			
Accounts payable	12	26’677	27’092
Accrued expenses		30’423	28’852
Lease liabilities	9	1’646	3’458
Income tax payable	20	3’793	31’027
Current provisions	13	94	889
Interest-bearing loans and borrowings		40’650	24’000
Other current liabilities	14	1’267	2’281
Total current liabilities		**104’549**	**117’599**
Noncurrent liabilities			
Noncurrent lease liabilities	9	28’375	3’905
Noncurrent provisions	13	856	1’386
Deferred tax liabilities	20	3’469	3’409
Other noncurrent liabilities	14	2’952	6’175
Total noncurrent liabilities		**35’651**	**14’875**
Total liabilities		**140’200**	**132’474**
Equity			
Share capital	15	570	570
Treasury shares	15	(977)	(1’156)
Reserves	15	9’701	9’181
Retained earnings		151’904	123’304
Total equity		**161’197**	**131’899**
Total liabilities and equity		**301’397**	**264’373**

Consolidated income statement

in CHF thousands	Notes	April to March 2021/22	2020/21
Sales		373'395	300'966
Cost of goods sold		(196'116)	(160'369)
Gross profit		**177'279**	**140'597**
Sales expenses		(28'909)	(26'343)
Administration expenses		(30'778)	(26'306)
Research & development expenses		(29'392)	(28'248)
Other income		158	1'196
Operating profit		**88'358**	**60'896**
Financial expenses	17	(650)	(510)
Financial income	18	269	148
Foreign currency exchange effect	19	(2'700)	351
Profit before taxes		**85'277**	**60'885**
Income taxes	20	(12'910)	(5'288)
Net profit		**72'367**	**55'597**
Earnings per share, in CHF			
Basic & diluted earnings per share	21	63.48	48.79

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

Consolidated statement of comprehensive income

in CHF thousands	Notes	April to March 2021/22	2020/21
Net profit for the period recognized in the income statement		**72’367**	**55’597**
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Currency translation difference		698	3’524
Income tax		(106)	(433)
Total other comprehensive income to be reclassified to profit and loss in subsequent periods		**592**	**3’091**
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Remeasurement gains / (losses) on defined benefit plans	23	4’596	1’849
Income tax	20	(605)	(277)
Total other comprehensive income not to be reclassified to profit and loss in subsequent periods		**3’991**	**1’572**
Other comprehensive income / (loss) for the period, net of tax		**4’583**	**4’663**
Total comprehensive income for the period		**76’950**	**60’260**

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 2020		**570**	**(581)**	**12'524**	**(7'441)**	**112'292**	**117'363**
Net profit for the year						55'597	55'597
Other comprehensive income/(loss)					3'524	1'139	4'663
Total comprehensive income					*3'524*	*56'736*	*60'260*
Dividends paid	15					(45'580)	(45'580)
Movement in treasury shares	15		(575)	575		(144)	(144)
31 March 2021		**570**	**(1'156)**	**13'099**	**(3'917)**	**123'304**	**131'899**
1 April 2021		**570**	**(1'156)**	**13'099**	**(3'917)**	**123'304**	**131'899**
Net profit for the year						72'367	72'367
Other comprehensive income/(loss)					698	3'885	4'583
Total comprehensive income					*698*	*76'252*	*76'950*
Dividends paid	15					(47'858)	(47'858)
Movement in treasury shares	15		179	(179)		207	207
31 March 2022		**570**	**(977)**	**12'920**	**(3'219)**	**151'904**	**161'197**

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 2021/22	2020/21
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxes		**85'277**	**60'885**
Adjustment for noncash items and taxes paid		(19'976)	4'976
Net financial result		327	(18)
Derivative financial instruments revaluation		(837)	1'133
Depreciation and amortization		15'149	13'746
Gain / Loss on disposal of fixed assets		43	20
Increase (+) / decrease (-) of provisions and allowances		924	3'347
Movement in pension		447	137
Interest received		242	128
Interest paid		(167)	(110)
Taxes paid		(36'104)	(13'407)
Cash flow before changes in net working capital		**65'301**	**65'861**
Change in inventories		(5'750)	(8'086)
Change in accounts receivable and other current assets		(13'782)	(12'650)
Change in payables and other liabilities		4'660	5'760
Cash flow from changes in net working capital		**(14'872)**	**(14'976)**
Cash flow from operating activities		**50'429**	**50'885**
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in fixed assets	8	(20'755)	(13'190)
Investment in intangible assets	10	(344)	(464)
Increase (–) in other non-current assets		(422)	(248)
Decrease (+) in other non-current assets		523	446
Cash flow from investing activities		**(20'998)**	**(13'456)**
CASH FLOW FROM FINANCING ACTIVITIES			
Treasury shares acquired (–)	15	(14'653)	(12'516)
Treasury shares divested (+)	15	14'860	12'371
Payment of lease liabilities		(4'388)	(4'324)
Lease incentive received		750	
Dividends paid to the shareholders of LEM HOLDING SA	15	(47'858)	(45'580)
Increase (+) in financial liabilities		172'200	106'000
Decrease (–) in financial liabilities		(155'550)	(91'000)
Cash flow from financing activities		**(34'639)**	**(35'048)**
Change in cash and cash equivalents		**(5'208)**	**2'381**
Cash and cash equivalents at the beginning of the period		**22'418**	**19'243**
Exchange effect on cash and cash equivalents		(13)	794
Cash and cash equivalents at the end of the period		**17'198**	**22'418**

Notes to the consolidated financial statements

1. General information

LEM Group (the Group) is a leading company in electrical measurement. LEM engineers the best solutions for energy and mobility, ensuring that its customers' systems are optimized, reliable and safe. The Group has operations in fifteen countries and employs 1'572 people per 31 March 2022. The parent company of LEM Group is LEM HOLDING SA (the Company) which is a limited company incorporated in Switzerland.
The registered office is Chemin des Aulx 8, 1228 Plan-les-Ouates. The financial year ends on 31 March (the year). The Company has been listed on the SIX Swiss Exchange since 1986.
The Board of Directors approved the consolidated financial statements on 18 May 2022, to be submitted for approval by the Annual General Meeting of Shareholders on 30 June 2022.

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 and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standard or interpretation	Title	Effective date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

These amendments did not have a material impact on the Group's consolidated financial statements.

Future standards

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

2.3 Summary of critical accounting estimates and judgments

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

Leases

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

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

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Other intangible assets and property, plant and equipment are tested for impairment if there is a triggering event indicating a potential impairment. These calculations require the use of estimates in particular to the expected growth of sales, discount rates and development of raw material prices.

Provisions

Provisions are recognized only if the specific criteria under IFRS are met. Provisions represent presumed obligations arising from past events and are recognized only if their amount can be estimated reliably. Nevertheless, provisions are based on assumptions.

Income and other taxes

The Group operates in multiple jurisdictions with complex legal and tax regulatory environments. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions. The Group periodically reassesses its tax positions. 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 defined benefit obligations and pension plan assets, in particular for defined benefit plans. These are mainly actuarial assumptions such as expected salary increase, employee turnover and discount rates. Substantial changes in the assumed development of any of these variables may significantly change LEM Group's retirement benefit obligation and pension plan assets.

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

2.4 Basis of consolidation
The consolidated financial statements are comprised of LEM HOLDING SA and of its subsidiaries.

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

Associates
Investments in associated undertakings are accounted for using the equity method. These are undertakings over which the Group exercises significant influence, but which it does not control.
No associated undertakings exist as per 31 March 2022 and 31 March 2021.

2.5 Foreign currencies
Functional and presentation currency
The consolidated financial statements are presented in Swiss francs as the presentation currency. The subsidiaries use local currencies as their functional currency which is the currency of the primary economic environment in which they operate.

Foreign currency translation
All assets and liabilities in the balance sheets of subsidiaries that are denominated in the respective functional currencies are translated into Swiss francs at the year-end exchange rate. Items in the income statement and cash flow statement are translated at the average exchange rate for the year. The resulting translation differences are recognized in other comprehensive income. When a foreign operation is disposed, the cumulative translation differences recognized in other comprehensive income are transferred to the income statement.

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

Currency	Income statement of 2021/22 Average rate in CHF	Income statement of 2020/21 Average rate in CHF	Balance sheet 31.3.2022 Year-end rate in CHF	Balance sheet 31.3.2021 Year-end rate in CHF
BGN	0.546	0.550	0.525	0.566
CNY	0.143	0.136	0.146	0.144
DKK	0.144	0.144	0.138	0.149
EUR	1.068	1.076	1.026	1.106
GBP	1.255	1.205	1.213	1.298
JPY	0.0082	0.0087	0.0076	0.0085
RUB	0.012	0.012	0.011	0.012
USD	0.919	0.922	0.923	0.943
MYR	0.220	0.221	0.219	0.227

Foreign currency transactions

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

2.6 Cash and cash equivalents

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

2.7 Inventories

Inventories are stated at the lower of cost or net realizable value. The first-in, first-out (FIFO) method is applied. The cost of finished goods and work in process comprise raw materials, direct labor cost and other cost that can be directly allocated, such as production overhead expenditures. Allowances are established when:

- there is an objective indication that the Group will not be able to sell the goods in due time;
- the goods are damaged, in excess or obsolete;
- the net realizable value is below cost.

2.8 Property, plant and equipment

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

Land	nil
Buildings	20–40 years
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 Leases

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

Real estate leases

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

Vehicles leases

The Group maintains some leased vehicles with an average lease term of 3 years.

2.10 Intangible assets

Goodwill

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

Research & development

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

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

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

Other intangible assets

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

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

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

2.12 Financial assets

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

Initial recognition and measurement

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

Subsequent measurement

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

Accounts receivable are carried at original invoice amount less an allowance made for doubtful accounts based on a review of all outstanding amounts at year-end covering expected lifetime credit losses. Allowances for doubtful accounts are established when there is an objective indication that the Group will not be able to collect the amounts due. Allowances for doubtful accounts are written-off when identified not recoverable in full. For accounts receivable that are not individually adjusted, LEM applies the simplified approach for the recognition of the expected lifetime losses using a provision matrix.

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

2.13 Derivative financial instruments

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

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

2.14 Financial liabilities

Financial liabilities comprise bank loans, payables, certain accrued expenses and derivative financial instruments at the end of the period. Financial liabilities are initially recorded on the trade date.
All financial liabilities are recognized initially at fair value less, in the case of financial liabilities not at fair value through profit and loss, directly attributable transaction costs.
Financial liabilities that are due within 12 months after the balance sheet date are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability until at least 12 months after the balance sheet date.
Borrowing costs are expensed as incurred except if they are capitalized as part of a qualifying asset.

Subsequent measurement

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

2.15 Employee benefits

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

Defined benefit plan

The defined benefit obligation is determined annually by qualified independent actuaries. The obligation and cost of pension benefits are determined using the projected unit credit method. Service costs are part of personnel expenses and consist of current service cost, past service cost and gains/losses from plan settlements. Past service cost are recognized at the earlier of the date when the plan amendment occurs, or when restructuring cost 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 its economic benefit such as to the value of the maximum future savings from reduced contributions.

Defined contribution plan

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

LEM Incentive System

The LEM Incentive System consists of a short-term incentive component and a long-term incentive component.
The short-term incentive component compensates for the actual annual results and achieved performance. The long-term incentive plan rewards the members of the Executive Management and Senior Managers for the sustainable financial performance of the Group.
Both elements are cash settled and the bonus payments are made in the first four months of the following fiscal year. The estimated payments are accrued for at year-end.

2.16 Provisions and contingent liabilities

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

Warranty and customer claims

The Group recognizes the estimated liability to replace products still under the contractual warranty at the balance sheet date. This position is calculated based on past history of the level of repairs and replacements. Additional specific provisions are booked when required.

Litigations

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

Restructuring

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

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

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

Contingent liabilities

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

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

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

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

2.19 Income taxes and deferred taxation

Income taxes
Income taxes comprise all current and deferred income taxes, including the withholding tax payable on profit distributions within the Group. Income taxes are recognized in the consolidated income statement except for income taxes on transactions that are recognized directly in shareholders' equity or in other comprehensive income.

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

3. Segment Information

Business segment information

In CHF thousands	Industry 2021/22	Industry 2020/21	Automotive 2021/22	Automotive 2020/21	LEM Group 2021/22	LEM Group 2020/21
Income statement						
Sales	287'617	225'233	85'778	75'733	373'395	300'966
EBITDA	83'832	58'364	19'675	16'278	103'507	74'642
Depreciation and amortization:						
Property, plant and equipment	6'713	6'181	3'521	2'897	10'233	9'078
Intangible assets	313	321	99	105	413	426
Right-of-use assets	3'477	2'467	1'025	1'774	4'503	4'242
Total	**10'503**	**8'969**	**4'645**	**4'777**	**15'149**	**13'746**
Operating profit	73'329	49'395	15'029	11'501	88'358	60'896
Net financial expenses					(3'081)	(11)
Taxes					(12'910)	(5'288)
Net profit for the year					72'367	55'597
Capital expenditures						
Property, plant and equipment	15'044	7'156	5'711	6'034	20'755	13'190
Intangible assets	265	347	79	117	344	464
Total capital expenditures	**15'309**	**7'503**	**5'790**	**6'151**	**21'099**	**13'654**

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.

4. Revenue information

Regional information

In CHF thousands	Industry 2021/22	Industry 2020/21	Automotive 2021/22	Automotive 2020/21	LEM Group 2021/22	LEM Group 2020/21
Sales						
Europe	106'583	81'728	9'622	9'180	116'205	90'908
North America	26'675	21'855	8'168	8'583	34'842	30'437
Asia and rest of the world	154'360	121'650	67'988	57'970	222'348	179'621
Total	**287'617**	**225'233**	**85'778**	**75'733**	**373'395**	**300'966**

Geographical information

In CHF thousands	China 2021/22	China 2020/21	USA 2021/22	USA 2020/21	Germany 2021/22	Germany 2020/21	Japan 2021/22	Japan 2020/21
Sales	141'881	113'116	32'607	28'777	37'862	29'708	28'845	23'677
Noncurrent assets[1]	13'789	12'195	60	52	148	163	3'661	3'967
Right-of-use assets	1'712	2'150	50	177	48	105	529	67

In CHF thousands	Italy 2021/22	Italy 2020/21	Switzerland 2021/22	Switzerland 2020/21	Rest of the world 2021/22	Rest of the world 2020/21	LEM Group 2021/22	LEM Group 2020/21
Sales	13'087	9'455	4'586	3'891	114'527	92'341	373'395	300'966
Noncurrent assets[1]	23	34	39'578	32'941	7'386	5'362	64'645	54'714
Right-of-use assets	52	73	23'389	2'546	2'656	2'134	28'436	7'253

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

Sales are reported as per place of transaction.

5. Accounts receivable

in CHF thousands	31.3.2022	31.3.2021
Accounts receivable – trade	74'918	67'102
Allowance for doubtful accounts / expected credit losses	(1'147)	(710)
Total accounts receivable – trade	**73'771**	**66'392**
Other receivables	6'325	5'867
Total	**80'096**	**72'259**

Movements of allowance for doubtful accounts/expected credit losses

in CHF thousands	Total
Balance as per 1 April 2020	**763**
Addition	41
Unused amount reversed	0
Utilized during the year	(115)
Foreign exchange effect	21
Balance as per 31 March 2021	**710**
Balance as per 1 April 2021	**710**
Addition	500
Unused amount reversed	0
Utilized during the year	(21)
Foreign exchange effect	(42)
Balance as per 31 March 2022	**1'147**

Aging analysis of accounts receivable

In CHF thousands	Not Due	< 30 days	31–90 days	91–180 days	> 180 days	Total
31 March 2021						
Accounts receivable – trade	55'895	7'635	2'659	459	454	67'102
Allowances for doubtful accounts / expected credit losses	(10)	(96)	(135)	(136)	(333)	(710)
Other receivables	5'864	0	0	0	3	5'867
Total	**61'749**	**7'539**	**2'524**	**323**	**124**	**72'259**
31 March 2022						
Accounts receivable – trade	61'858	8'985	3'129	229	717	74'918
Allowances for doubtful accounts / expected credit losses	(90)	(157)	(273)	(42)	(585)	(1'147)
Other receivables	6'324	0	0	0	1	6'325
Total	**68'092**	**8'829**	**2'856**	**186**	**133**	**80'096**

6. Inventories

in CHF thousands	31.3.2022	31.3.2021
Raw material	24'514	19'487
Work in progress	2'526	2'261
Finished goods and goods for resale	19'100	19'987
Total	**46'140**	**41'735**

The inventories include allowances of CHF 6'092 thousand (at 31 March 2021 CHF 5'565 thousand).

7. Other current assets

in CHF thousands	31.3.2022	31.3.2021
Advances to suppliers	4'665	1'224
Prepayments and accrued income	1'795	1'622
Derivative financial instruments	32	10
Other current assets	90	94
Total	**6'582**	**2'950**

8. Property, plant and equipment

in CHF thousands	Land and buildings	Machinery and equipment	Total
Net book value 1 April 2020	**44**	**45'111**	**45'155**
Investment	8	13'182	13'190
Disposal		(20)	(20)
Other movements		(9)	(9)
Depreciation	(8)	(9'070)	(9'078)
Foreign exchange effect	(2)	1'151	1'149
Net book value 31 March 2021	**42**	**50'345**	**50'387**
At cost of acquisition	144	140'274	140'417
Accumulated depreciation	(101)	(89'929)	(90'030)
Net book value 31 March 2021	**42**	**50'345**	**50'387**
Net book value 1 April 2021	**42**	**50'345**	**50'387**
Investment	1'025	19'731	20'755
Disposal		(27)	(27)
Other movements		41	41
Depreciation	(8)	(10'227)	(10'233)
Foreign exchange effect	(4)	(345)	(349)
Net book value 31 March 2022	**1'055**	**59'518**	**60'574**
At cost of acquisition	1'153	147'493	148'646
Accumulated depreciation	(98)	(87'975)	(88'072)
Net book value 31 March 2022	**1'055**	**59'518**	**60'574**

9. Leases

9.1 Right of use assets

in CHF thousands	Real estate	Vehicles	Total
Net book value 1 April 2020	**5'727**	**235**	**5'962**
Addition	5'164	175	5'339
Remeasurement	(16)		(16)
Depreciation	(4'050)	(192)	(4'242)
Foreign exchange effect	183	27	210
Net book value 31 March 2021	**7'008**	**245**	**7'253**
At cost of acquisition	12'624	611	13'235
Accumulated depreciation	(5'616)	(367)	(5'983)
Net book value 31 March 2021	**7'008**	**245**	**7'253**
Net book value 1 April 2021	**7'008**	**245**	**7'253**
Addition	25'874	58	25'932
Remeasurement	(25)		(25)
Depreciation	(4'369)	(134)	(4'503)
Foreign exchange effect	(216)	(5)	(221)
Net book value 31 March 2022	**28'272**	**164**	**28'436**
At cost of acquisition	37'117	523	37'640
Accumulated depreciation	(8'845)	(359)	(9'204)
Net book value 31 March 2022	**28'272**	**164**	**28'436**

On 14 January 2022, LEM international SA entered into a lease agreement for its new headquarters for 15 years.

9.2 Lease liabilities

The group presents the lease liabilities in the table below:

in CHF thousands	Current lease liabilities	Noncurrent lease liabilities	Total
Balance as per 1 April 2020	**1'629**	**4'514**	**6'143**
Payment of lease liabilities including interest	(4'595)		(4'595)
Non-cash items			
Addition	2'754	2'584	5'338
Interest	271		271
Remeasurements	(16)		(16)
Transfer from noncurrent to current	3'371	(3'371)	0
Exchange differences	43	178	221
Balance as per 31 March 2021	**3'458**	**3'905**	**7'363**
Balance as per 1 April 2021	**3'458**	**3'905**	**7'363**
Payment of lease liabilities including interest	(4'388)		(4'388)
Non-cash items			
Addition	487	26'382	26'869
Interest	402		402
Transfer from noncurrent to current	1'732	(1'732)	0
Exchange differences	(46)	(180)	(226)
Balance as per 31 March 2022	**1'646**	**28'375**	**30'021**

The weighted average incremental borrowing rate is 1.34 % (31 March 2021: 3.68%).

The following table presents the contract undiscounted cash flows for lease obligations as at 31 March 2022:

In CHF thousands	31.3.2022	31.3.2021
Within 1 year	1'853	3'789
Within 1 year to 5 years	12'562	3'288
Above 5 years	23'564	547

9.3 Other lease disclosures

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

In CHF thousands	31.3.2022	31.3.2021
Expenses relating to short-term leases / low value assets	(492)	(494)
Depreciation of right-of-use assets	(4'503)	(4'242)
Interest expenses on lease liabilities	(402)	(271)
Total	**(5'397)**	(5'007)

10. Intangible assets

in CHF thousands	Goodwill	Patents	Other intangible assets	Total
Net book value 1 April 2020	**3'328**	**130**	**1'016**	**4'474**
Investment			464	464
Other movements			(42)	(42)
Amortization			(426)	(426)
Foreign exchange effect	(158)	0	15	(143)
Net book value 31 March 2021	**3'171**	**130**	**1'025**	**4'326**
At cost of acquisition	3'171	465	9'194	12'830
Accumulated amortization		(335)	(8'169)	(8'504)
Net book value 31 March 2021	**3'171**	**130**	**1'025**	**4'326**
Net book value 1 April 2021	**3'171**	**130**	**1'025**	**4'326**
Investment			344	344
Other movements			(35)	(35)
Amortization			(413)	(413)
Foreign exchange effect	(148)	0	(2)	(150)
Net book value 31 March 2022	**3'022**	**130**	**920**	**4'072**
At cost of acquisition	3'022	465	9'285	12'773
Accumulated amortization		(335)	(8'365)	(8'700)
Net book value 31 March 2022	**3'022**	**130**	**920**	**4'072**

The entire goodwill of LEM Group results from the acquisition of NANA in 2000/01 and is allocated to the cash-generating unit LEM Japan KK. The goodwill relates to the 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 over the next five years plus a continuous period. Average revenue growth is projected at 7.8% and operating cost were estimated based on the experience of management. The pretax discount rate used within these cash flow calculations is 12.8% (2020/21 11.9%) and is based on the weighted average cost of capital of a peer group. The carrying value of the cash-generating unit including goodwill was compared to the value in use and no impairment was found to be present for the year ended 31 March 2022.

11. Other noncurrent assets

in CHF thousands	31.3.2022	31.3.2021
Loan to personnel	190	251
Deposits & guarantees	538	597
Total	**728**	**848**

12. Accounts payable

in CHF thousands	31.3.2022	31.3.2021
Total accounts payable – trade	23’320	22’527
Other payables	3’357	4’565
Total	**26’677**	**27’092**

13. Provisions

In CHF thousands	Warranty and customer claims	Litigations	Other	Total
Balance as per 1 April 2020	**1’723**	**0**	**713**	**2’436**
Additional provisions	1’570	359	266	2’195
Unused amounts reversed	(539)	0	(616)	(1’155)
Utilized during the year	(1’209)	0	(65)	(1’274)
Foreign exchange effect	49	0	24	73
Balance as per 31 March 2021	**1’594**	**359**	**322**	**2’275**
Of which current				*889*
Of which noncurrent				*1’386*
Balance as per 1 April 2021	**1’594**	**359**	**322**	**2’275**
Additional provisions	218		63	281
Unused amounts reversed	(649)	(149)	(213)	(1’011)
Utilized during the year	(482)		(112)	(594)
Foreign exchange effect	0	0	(2)	(2)
Balance as per 31 March 2022	**681**	**210**	**58**	**950**
Of which current				*94*
Of which noncurrent				*856*

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

Despite the care that LEM applies in the separation process with personnel, such separation may result in legal conflicts. The Group reviews all legal claims and takes appropriate actions to support its position and management estimates the reasonable risk to be provided for.

The Company operates in multiple jurisdictions with complex legal and tax regulatory environments. 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’s best judgment. Some of these positions are inherently uncertain and include the interpretation of local regulations applied to complex transactions.

14. Other liabilities

In CHF thousands	31.3.2022	31.3.2021
Post-employment benefit plans	531	4’655
Derivative financial instruments	8	823
Other liabilities	3’680	2’978
Total	**4’219**	**8’456**
Of which current	*1’267*	*2’281*
Of which noncurrent	*2’952*	*6’175*

The decrease of the post-employment benefit plan liability is mainly linked to the decrease in the DBO coupled with the increase in the fair-value of plan assets, as elaborated in note 23.

15. Equity

Share capital

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

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

Movement of treasury shares

In number of shares, in CHF	Number	High	Price per share in CHF Average	Low	Value in CHF thousands
Value 1 April 2020	**556**				**581**
Purchases at cost	7’846	1’940.38	1’595.19	1’002.10	12’516
Sales at cost	(7’794)	1’970.22	1’532.01	1’011.32	(11’940)
Value 31 March 2021	**608**				**1’156**
Purchases at cost	6’936	2’670.00	2’112.59	1’634.18	14’653
Sales at cost	(7’095)	2’670.00	2’090.42	1’657.40	(14’832)
Value 31 March 2022	**449**				**977**

In CHF	
Ordinary dividend per share 2020/21	42.00
Ordinary dividend per share 2021/22	50.00

A dividend of CHF 50 per share will be proposed by the Board of Directors to the Annual General Meeting of Shareholders of the Group on 30 June 2022. The expected payout for dividends amounts to CHF 57.0 million.

16. Staff costs

In CHF thousands	Notes	2021/22	2020/21
Production		(25'792)	(22'225)
Sales		(19'387)	(18'488)
Administration		(15'335)	(14'103)
Research and development		(20'046)	(19'538)
Total		**(80'559)**	**(74'354)**
Salaries and wages		(74'406)	(70'681)
Temporary employee costs		(3'624)	(1'235)
Cost of defined benefit plans	23.1	(2'335)	(2'231)
Cost of defined contribution plans		(194)	(207)
Total		**(80'559)**	**(74'354)**
Number of employees at the end of the financial year		**31.3.2022**	**31.3.2021**
Permanent employees		1'350	1'297
Temporary employees		198	135
Apprentices		24	16
Total		**1'572**	**1'448**

17. Financial expenses

In CHF thousands	2021/22	2020/21
Interest expenses	(573)	(381)
Other financial expenses	(77)	(129)
Total	**(650)**	**(510)**

18. Financial income

In CHF thousands	2021/22	2020/21
Interest income on cash	269	148
Total	**269**	**148**

19. Exchange effect

In CHF thousands	2021/22	2020/21
Exchange gains/losses	(3'481)	838
Fair value revaluation on derivatives	837	(1'133)
Gains and losses on derivatives [1]	(57)	646
Total	**(2'700)**	**351**

[1] Position includes cost of derivative hedging

In 2021/22, the exchange effect is mainly driven by the foreign exchange loss linked to EUR devaluation.

20. Income taxes, deferred tax assets and liabilities

The Group operates in multiple jurisdictions with complex legal and tax regulatory environments. In certain of these jurisdictions, the Group has taken income tax positions that management believes are supportable and are intended to withstand challenges by tax authorities. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions. The Company periodically reassesses its tax positions. 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.

In CHF thousands	2021/22	2020/21
Current income taxes	(8'228)	(6'881)
Deferred taxes relating to the origination and reversal of temporary differences	(5'155)	493
Deferred tax income/(expense) resulting from reduction in tax rates	2	314
Adjustment recognized in the period for current tax of prior year	471	786
Total	**(12'910)**	**(5'288)**

The tax expense relating to components of other comprehensive income amounts to CHF 711 thousand for the year 2021/22 (tax income of CHF 710 thousand in 2020/21).

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

In%	2021/22	2020/21
Group's average expected income tax rate	15.2	13.7
Group's average expected withholding tax rate	1.3	2.2
Group's average expected tax rate	**16.5**	**15.9**
Tax effect of		
Permanent differences	(0.7)	0.5
Changes in tax rates on deferred taxes	0.0	(0.5)
Adjustment in respect of previous periods' income tax	(0.6)	(1.3)
Recognition of previously unrecorded tax losses	(0.2)	0.0
Tax benefit from usufruct transaction / Group IP transaction	0.0	(5.8)
Other differences	0.1	(0.1)
Group's effective tax rate	**15.1**	**8.7**

In 2020/21, LEM HOLDING SA sold the usufruct of the trademark license to LEM International SA which led to a positive impact on the effective tax rate of around CHF 3.5 million.

Deferred tax assets and liabilities

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

	31.3.2022		31.3.2021	
In CHF thousands	Asset	Liability	Asset	Liability
Assets	**54'351**	**(4'982)**	**60'038**	**(2'107)**
Accounts receivable	101	(131)	107	(93)
Inventories	1'795	(470)	1'212	(702)
Property, plant and equipment	859	(4'018)	953	(747)
Intangible assets	51'163	99	55'902	(45)
Tax losses carried forward	426	0	1'857	0
Other assets	7	(462)	7	(520)
Liabilities	**4'492**	**(3'228)**	**1'751**	**(3'350)**
Provisions	53	0	125	0
Others	4'439	0	1'626	(11)
Withholding tax on dividends	0	(3'228)	0	(3'339)
Gross deferred taxes	**58'843**	**(8'210)**	**61'789**	**(5'457)**
Offsetting	(4'741)	4'741	(2'048)	2'048
Net deferred taxes	**54'102**	**(3'469)**	**59'741**	**(3'409)**

The balance sheet contains the following:

	31.3.2022	31.3.2021
Deferred tax assets	54'102	59'741
Deferred tax liabilities	(3'469)	(3'409)
Net assets / (liabilities)	**50'633**	**56'332**

LEM Group has CHF 426 thousand (CHF 1'857 thousand in 2020/21) of deferred tax assets on tax losses. The Group expects that the related subsidiaries will be able to fully use the tax losses against future taxable profit. In 2021/22, the deferred tax assets of CHF 54.1m is mainly linked to the deferred tax asset of the technical intellectual property sale in 2019/20 and usufruct sale in 2020/21.

21. Earnings per share

	2021/22	2020/21
Basic and diluted earnings per share		
Net profit for the year attributable to LEM shareholders – in CHF thousands	72'367	55'597
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	420	479
Weighted average number of shares outstanding	1'139'580	1'139'520
Earnings per share – basic and diluted in CHF	**63.50**	**48.79**

22. Related parties

Related parties are the Board of Directors and the Executive Managers as defined in the Corporate Governance guidelines. The compensation to the Board of Directors is paid as a fixed fee in cash. The compensation for the Executive Management includes base salary, a performance-related bonus (LEM Incentive System), bonus and post-employment benefits. In 2020/22 and 2020/21, no termination benefits have been paid. The base salary is the employee's compensation before deduction of the employee's social security contributions. Bonus payments are made in cash.

Compensation of the Board of Directors

In CHF thousands	2021/22	2020/21
Annual fees	(870)	(870)
Total	**(870)**	**(870)**

Compensation of the Executive Management

In CHF thousands	2021/22	2020/21
Base salary	(1'802)	(1'690)
Bonus	(1'745)	(1'435)
Company's contribution to pension fund	(180)	(165)
Total	**(3'727)**	**(3'290)**

In 2020/21 and 2021/22, no member of the Board of Directors has any significant business connection with LEM Group.
For details on the compensation of the Board of Directors and of the Executive Management, please refer to the compensation report. Also, see Significant Accounting Principles 2.15 Employee benefits.

23. Retirement benefit obligations

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

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

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

The assets of the foundation are invested 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 not foreseen by the law. No curtailments or settlements occurred in 2021/22.

Over the period, the funded status moved from a deficit of CHF 4.1 million to a surplus of CHF 3.8 million. Therefore, the amount of surplus have been restricted to nil as the economic benefit in the form of a reduction in future contributions cannot be realized.
The following main assumptions have been updated:
– discount rate from 0.3% to 1.25%;
– interests credited on savings account remains stable at 1%;
– salary increase rate remains stable at 1%.

Adjustment from actuarial assumptions have been accounted for in other comprehensive income and did not impact the net profit for the year.

The subsidiaries abroad sponsor either defined contribution plans or defined benefit plans based on local laws and regulations. A former employee in Germany benefits from a defined benefit obligation amounting to CHF 307 thousand at 31.3.2022 (CHF 347 thousand in 31.3.2021). Other subsidiaries' defined benefit obligations in Japan, Bulgaria and Italy amount to CHF 224 thousand at 31.3.2022 (CHF 202 thousand in 31.3.2021).

In CHF thousands	31.3.2022	31.3.2021
Fair value of plan assets at year-end	48'672	44'323
Defined benefit obligations at year-end	44'884	48'427
(Deficit)/ Surplus	3'788	(4'104)
Effect of asset ceiling	(3'788)	0
Funded status (Net (liabilities)/assets in the balance sheet)	**0**	**(4'104)**

23.1 Cost of defined benefit plans

In CHF thousands	2021/22	2020/21
Current service cost	2'329	2'650
Past service cost	0	(441)
Net interest (income) / cost	6	22
Total pension expenses recorded in consolidated income statement	**2'335**	**2'231**

Costs related to the pension plan were charged to the different functional departments based on salary costs. In 2020/21, past service costs resulted from a change in conversion rate.

23.2 Remeasurements of employee benefits

In CHF thousands	2021/22	2020/21
Experience adjustments on defined benefit obligation	(5'678)	3'510
Change in the effect of asset ceiling	3'788	0
Return on plan assets excluding interests	(2'662)	(5'292)
Total remeasurements recorded in other comprehensive income	**(4'552)**	**(1'782)**

23.3 Reconcilitation of the effect of asset ceiling

In CHF thousands	2021/22	2020/21
Effect of asset ceiling per beginning of year	0	0
Change in the effect of asset ceiling	(3'788)	0
Net interest (income) / cost	0	0
Effect of asset ceiling per end of year	**(3'788)**	**0**

23.4 Change in fair value of plan assets

In CHF thousands	31.3.2022	31.3.2021
Fair value of plan assets as per beginning of year	**44'323**	**42'088**
Return on plan assets excluding interest income	2'662	5'292
Interest income on plan assets	136	261
Employer's contributions	1'888	2'094
Employees' contributions	1'735	1'855
Benefits paid	(2'072)	(7'267)
Fair value of plan assets as per end of year	**48'672**	**44'323**

23.5 Change in present value of defined benefit obligation

In CHF thousands	31.3.2022	31.3.2021
Defined benefit obligation per beginning of year	**48’427**	**47’838**
Current service cost	2’329	2’650
Past service cost	0	(441)
Employees’ contributions	1’735	1’855
Interest cost	143	282
Actual (gains) / losses	(5’678)	3’510
due to changes in assumptions	(7’735)	2’643
due to demographic changes	2’057	867
Benefits paid	(2’072)	(7’267)
Defined benefit obligation per end of year	**44’884**	**48’427**

The weighted average duration of the Defined Benefit Obligation (DBO) at the end of the current fiscal year is 19 years. In 2020/21, past service costs resulted from a change in conversion rate.

23.6 Asset allocation of investments

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

In %	Long-term target	2021/22	2020/21
Equity securities	36.0 %	35.8 %	37.5 %
Debt securities	34.0 %	29.6 %	31.0 %
Real estate	25.0 %	27.6 %	25.3 %
Cash and other investments	5.0 %	7.0 %	6.2 %
	100.0 %	**100.0 %**	**100.0 %**

Strategic pension plan allocations are determined by the objective to achieve a return on investment which, together with the contribution paid, is sufficient to maintain reasonable control over the various funding risks of the plans. Estimated returns on assets are determined based on the asset allocation and are reviewed periodically. A temporary deviation from policy targets is allowed.

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

23.7 Actuarial assumptions

The main actuarial assumptions used in the actuarial calculations include:

In %	2021/22	2020/21
Discount rate	1.25 %	0.30 %
Salary increases	1.00 %	1.00 %

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 2021/22. 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	2021/22	2020/21
Discount rate		
Increase by 0.25%	(1’731)	(2’190)
Decrease by 0.25%	1’848	2’355
Salary increase rate		
Increase by 0.25%	400	522
Decrease by 0.25%	(403)	(506)

23.8 Maturity structure of pension obligation

The following main cash outflows are expected in future periods:

In CHF thousands	
in 1 year	1’939
in 2 years	1’800
in 3 years	2’012
in 4 years	2’093
in 5 years	2’114
in 6 to 10 years	12’886

24. Contingent liabilities

The Group is from time to time impacted by changing political, legislative, fiscal and regulatory environments, including those relating to environmental protection. The frequency and effects on future operations and earnings are unpredictable and are only partly covered by insurance policies. For the years 2020/21 and 2021/22, there is no material contingent liability from a consolidated point of view.

25. Financial risk management objectives and policies

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

Financial assets

In CHF thousands	31.3.2022 Book value	31.3.2021 Book value	Amortized cost	At fair value through profit and loss
Cash and cash equivalents	17'198	22'418	X	
Accounts receivable	80'096	72'259	X	
Derivative financial instruments – current	32	10		X
Other current financial assets	90	94	X	
Other noncurrent financial assets	728	848	X	
Total	**98'144**	**95'629**		

Financial liabilities

In CHF thousands	31.3.2022 Book value	31.3.2021 Book value	Other financial liabilities	At fair value through profit and loss
Accounts payable	26'677	27'092	X	
Accrued expenses	30'423	28'852	X	
Derivative financial instruments – current	8	823		X
Other current financial liabilities	40'650	24'000	X	
Other noncurrent financial liabilities	0	0	X	
Total	**97'758**	**80'767**		

Book values approximate fair values except for derivative financial instruments which are disclosed at fair value. Fair value of the lease is amounting to CHF 37'979 thousand in 2021/22 (CHF 7'624 thousand in 2020/21)

Changes in liabilities arising from financing activities

		Cash impact		Non-cash impact	
In CHF thousands	1.4.2020	Cash flows Inflow	Cash flows (Outflow)	Fair values changes and Others	31.3.2021
Interest-bearing loans and borrowings	9'000	106'000	(91'000)	0	24'000
Total	**9'000**	**106'000**	**(91'000)**	**(0)**	**24'000**

		Cash impact		Non-cash impact	
In CHF thousands	1.4.2021	Cash flows Inflow	Cash flows (Outflow)	Fair values changes and Others	31.3.2022
Interest-bearing loans and borrowings	24'000	172'200	(155'550)	0	40'650
Total	**24'000**	**172'200**	**(155'550)**	**0**	**40'650**

Management assessed that fair value levels of all financial assets and liabilities approximate their book value.

The Group enters into derivative transactions such as forward contracts to hedge 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 net financial assets at fair value amount to CHF 24 thousand per 31 March 2022 (financial liabilities of CHF 813 thousand per 31 March 2021), all classified under level 2.
During the two last reporting periods, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Foreign currency risk

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

Sensitivity analysis for currency risk

The sensitivity analysis is performed per 31 March 2022 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 ±837 thousand for a ±5% EUR rate change (CHF ±1'015 thousand per 31 March 2021), of CHF ±510 thousand for a ±5% USD rate change (CHF ±452 thousand per 31 March 2021),of CHF ±1'515 thousand for a ±5% CNY rate change (CHF ±1'582 thousand per 31 March 2021) and of CHF ±164 thousand for a ±5% JPY rate change (CHF ±133 thousand per 31 March 2021). For other currencies, there is no significant impact.

Credit risk

Credit risk is the risk that a financial loss occurs if a counterparty is unable or unwilling to fulfill its contractual payment obligation. The Group trades with recognized and creditworthy parties. Accounts 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 5. There are no significant concentrations of credit risk within the Group. With respect to credit risk arising from the other financial assets in the Group which comprises cash and cash equivalents, other current assets and certain derivative instruments, the Group's exposure to credit risks arises from a potential default of the counterparty, with a maximum exposure equal to the carrying amount of these positions.

Liquidity risk

The Group operates a cash-pooling agreement in which cash targets are set for all the subsidiaries. Cash surplus / shortages are balanced in intercompany loans on a monthly basis. Group capital requirements are managed centrally by corporate finance. In case liquidity is required, bank loans are either taken-up centrally and passed on as an intercompany loan, or provided directly by the bank to the subsidiary with a reduction of the Group's total credit line. The total leverage of the Group is low, the financial liabilities mature in less than one year based on the carrying value of borrowings reflected in the financial statements.

In CHF thousands	31.3.2022 Book value	Less than one year	Over one year	31.3.2021 Book value	Less than one year	Over one year
Accounts payable	26'677	26'677		27'092	27'092	
Accrued expenses	30'423	30'423		28'852	28'852	
Derivative financial instruments – current	8	8		823	823	
Lease liabilties	1'646	1'853		3'458	3'789	
Noncurrent lease liabilties	28'375	0	36'126	3'905	0	3'836
Other current financial liabilities	40'650	40'650		24'000	24'000	
Total	**127'779**	**99'611**	**36'126**	**88'130**	**84'556**	**3'836**

The Group's exposure to the risk of changes in market interest rates with the current financial leverage is low. Per 31 March 2022, the bank credit line amounts to CHF 40.6 million.

Capital management

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

26. Scope of consolidation

Full consolidation	Country	Currency	Share capital	Ownership
Europe				
LEM Europe GmbH	Germany	EUR	75'000	100%
LEM HOLDING SA	Switzerland	CHF	570'000	100%
LEM International SA	Switzerland	CHF	100'000	100%
LEM Intellectual Property SA ("in liquidation")	Switzerland	CHF	300'000	100%
LEM Management Services SARL	Switzerland	CHF	20'000	100%
LEM Advisory Services SA	Switzerland	CHF	100'000	100%
LEM Tech France SAS	France	EUR	50'000	100%
LEM Bulgaria EOOD	Bulgaria	BGN	1'971'000	100%
LEM Russia Ltd	Russia	RUB	16'400'000	100%
North America				
LEM USA Inc.	USA	USD	150'000	100%
Asia				
LEM Electronics (China) Co. Ltd	China	CNY	204'495'594	100%
LEM Japan KK	Japan	JPY	16'000'000	100%
LEM Malaysia SDN, BHD	Malaysia	MYR	200'000	100%

27. Changes in scope of consolidation

In 2021/22, there are no changes in scope compared to last year.

28. Events after the balance sheet date

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

Auditor’s report

Statutory auditor’s report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of LEM Holding SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2022 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 5 to 39) give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

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

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

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Recoverability of deferred tax assets

Risk
At 31 March 2022, the Group disclosed deferred tax assets of CHF 54m in Note 20, which were recognized and relate to tax losses carried forward and timing differences. The analysis of the recognition and recoverability of the deferred tax assets was significant to our audit because the amounts are material, the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions.

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

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Auditor’s report

EY
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Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the 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.

To the General Meeting of LEM Holding SA, Meyrin
Geneva, 18 May 2022

Ernst & Young Ltd

Daniel Zaugg	**Yevgenii Garnaga**
Licensed audit expert	
(Auditor in charge)	

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 this Financial Report and our website (www.lem.com). Key elements are contained in the Articles of Incorporation.

1. Group structure and shareholders

Group structure

LEM HOLDING SA is domiciled at Chemin des Aulx 8, CH–1228 Plan-les-Ouates. 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 2022, the market capitalization was CHF 2'554 million. LEM Group is structured into Industry and Automotive segments. Appropriate segment reporting pursuant to IFRS is contained in note 3 of the consolidated financial statements. All companies in LEM Group are listed under "Scope of consolidation" in note 26 of the consolidated financial statements, with their respective company names, registered offices, share capitals and the relevant percentages of shares held. There are no other listed companies in the scope of consolidation.

Significant shareholders

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

In number of shares, per cent of shareholding	31.3.2022 Shares	31.3.2022 In %	31.3.2021 Shares	31.3.2021 In %
Werner O. Weber and Ueli Wampfler, in Zollikon/Wollerau, Switzerland, through WEMACO Invest AG and Voltano AG in Cham, Switzerland	584'700	51.3 %	582'600	51.1 %
Ruth Wertheimer, in Kfar Shmaryahu, Israel, through 7-Industries Holding B.V., in Amsterdam, Netherlands	34'381	3.0 %	36'381	3.2 %
Capital Group Companies Ltd., Los Angeles, U.S.A.	n.a.	3 %–5 %[1]	n.a.	3 %–5 %[1]
J. Safra Sarasin Investmentfonds AG, Basel, Switzerland	36'550	3.2 %	36'250	3.2 %

[1] Capital Group disclosed a 3.02 % stake as of 31 August 2020, but did not report the exact number of LEM shares per 31 March 2021 and 31 March 2022

Shareholdings of non-executive Directors

	31.3.2022 Number of shares held	31.3.2021 Number of shares held
Andreas Hürlimann	1'001	1'001
François Gabella	600	600
Ilan Cohen	300	300
Ueli Wampfler	72'700	70'600
Ulrich Jakob Looser	300	100
Werner C. Weber	0	0
Total	**74'901**	**72'601**

Shareholdings of Executive Management

	31.3.2022 Number of shares held	31.3.2021 Number of shares held
Frank Rehfeld, CEO	0	0
Andrea Borla, CFO	0	0
Rodolphe Boschet, CHRO	0	0
Rebecca Cullinan, SVP Industry	0	0
Rainer Bos, SVP Automotive	0	0
Total	**0**	**0**

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 120 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading may be viewed via the search function on https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html/.

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

Cross-shareholdings

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

2. Capital structure 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. No changes of the total share capital have occurred during the last 3 years. There are no shares with preferred voting rights. All shareholders are entitled to the same dividends. There are no restrictions on the transfer of shares. In order to be registered in the share register, each shareholder shall declare that he/she holds the shares for their own account.

On 31 March 2022, LEM HOLDING SA held 449 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 Annual General Meeting for a mandate of one year, which is renewable up to an age limit of 70. The Board of Directors constitutes itself, except for the Chairman of the Board of Directors and the members of the Compensation Committee who are elected by the Annual General Meeting of Shareholders.

At the Annual General Meeting on 24 June 2021, Andreas Hürlimann, François Gabella, Ilan Cohen, Ueli Wampfler, Ulrich J. Looser and Werner C. Weber were re-elected as members of the Board of Directors. Andreas Hürlimann was re-elected as Chairman of the Board of Directors. In addition, shareholders elected Andreas Hürlimann and Ulrich J. Looser to the Nomination & Compensation Committee (NCC). Ulrich J. Looser chairs the Committee.

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

The Board of Directors was comprised of the following members as of 31 March 2022:

Andreas Hürlimann

Nationality Swiss
Born in 1964

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

Entry
2011

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

Other notable activities
- Condis SA, Rossens, Member of the Board of Directors
- HMT Microelectronic AG, Biel/Bienne, Member of the Board of Directors
- Glatz AG, Frauenfeld, Member of the Board of Directors
- ElectricFeel AG, Zürich, Member of the Board of Directors
- Novo MOF AG, Villigen, Member of the Board of Directors
- themissinglink ag, Cham, Member of the Board of Directors
- Sustainable Real Estate Investments SICAV, Zürich, Chairman of the Board of Directors
- Steiner Investment Foundation, Zürich, Member of the Board of Trustees

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

François Gabella

Nationality Swiss
Born in 1958

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

Entry
2018

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

Other notable activities
- Natron Energy, U.S.A., Chairman of the Board
- Sonceboz SA, Sonceboz, Member of the Board of Directors
- Sensirion AG, Stäfa, Member of the Board of Directors
- Optotune AG, Dietikon, Member of the Board of Directors
- Nextlens AG, Dietikon, Member of the Board of Directors
- Fischer Connectors SA, Saint-Prex, Member of the Board of Directors
- Vice President of Swissmem, Zürich
- Switzerland Global Enterprise, Zürich, Vice President of the Advisory Board
- Economie Suisse, Member of the Board, Zürich

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

Ilan Cohen

Nationality Israeli
Born in 1956

Position
Member of the Board of Directors

Entry
2010

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

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

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

Ulrich J. Looser

Nationality Swiss
Born in 1957

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

Entry
2015

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

Other notable activities
- Kardex AG, Member of the Board of Directors
- u-blox AG, Member of the Board of Directors
- Bachofen Holding AG, Chairman of the Board of Directors
- University of Zürich, Member of the University Council
- Economiesuisse, Member of the Board
- University Hospital Balgrist, Member of the Board
- Swiss-American Chamber of Commerce
- Swiss National Science Foundation, Member of the Executive Committee of the Foundation Council (until 31 Dec 2020), Member of the Foundation Council (ongoing)

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

Ueli Wampfler

Nationality Swiss
Born in 1950

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

Entry
2007

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

Other notable activities
- Artofex Holding AG, Cham, Owner and Chairman of the Board of Directors
- Merbag Holding AG (Merbag Group), Cham, Vice Chairman of the Board of Directors
- Caspar Finanz AG (Traco Power Group), Baar, Member of the Board of Directors
- Rebew AG, Zürich, Member of the Board of Directors
- Voltano AG, Cham, Owner and Chairman of the Board of Directors

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

Werner C. Weber

Nationality Swiss
Born in 1960

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

Entry
2017

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

Other notable activities
- WEMACO Invest AG, Zug, Member of the Board of Directors
- weber schaub & partner ag, Zürich, Member of the Board of Directors
- Arosa Bergbahnen AG, Arosa, Member of the Board of Directors
- Schilthornbahn AG, Lauterbrunnen, Member of the Board of Directors
- City Parkhaus Aktiengesellschaft, Zürich, Member of the Board of Directors
- MedioSearch AG, Bern / SkySmile AG, Zürich, Member of the Board of Directors

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

External mandates

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

Internal organizational structure

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

The Board of Directors reviews its working procedures, the efficiency and effectiveness of its teamwork as well as its interaction with the Management of the Company on a regular basis. Regular feedback sessions at the end of a meeting provide valuable 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 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 employee satisfaction and management development and legal, intellectual property, social and environmental aspects.

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

The Board of Directors ensures that it receives sufficient information from the Management to perform its supervisory duty and to make the necessary decisions.
The Board of Directors obtains the information required to perform its duties through several means:

- the Board of Directors receives monthly and quarterly reports on the current development of the business;
- informal meetings and teleconferences are held as required between the Chairman and the CEO as well as between the Chairman and individual members of the Board of Directors;
- the Committees meet at regular intervals and exchange detailed information with the Executive Management;
- the Board of Directors receives detailed information to each agenda item one week before the Board meeting;
- each Executive Manager joins at least one but usually multiple Board sessions in any given year.

Business risk management

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

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

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

Internal control system

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

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

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

Committees

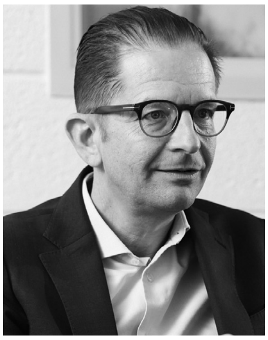
Three standing committees support the Board of Directors. They are comprised of at least two non-executive members of the Board of Directors. They meet whenever necessary but at least twice a year.

- The primary objective of the Audit & 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, four half-day meetings were held.

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

Frank Rehfeld



Andrea Borla

Rodolphe Boschet

Rebecca Cullinan

Rainer Bos

4. Executive Management

The Executive Management was comprised of the following members as of 31 March 2022:

Frank Rehfeld

Nationality German
Born in 1968

Function
CEO

With LEM since
2016

Previous companies and positions
- 2016 – 2018, SVP Industry, LEM Group
- 2009 – 2015, VP Drives, Brose China Co., Ltd.
- 2006 – 2009, Managing Director, Hella Shanghai Electronics Co., Ltd.
- 2004 – 2006, Siemens VDO China, Director Body/Chassis Electronics
- 1996 – 2004, Siemens VDO Germany, Director R&D Body/Chassis Electronics

Education
- Dipl. Eng. Electrical Engineering, Erlangen-Nuremberg, Germany

Andrea Borla

Nationality Swiss
Born in 1967

Function
CFO

With LEM since
2015

Previous companies and positions
- 2008 – 2015, CFO, Schindler France
- 2003 – 2007, Field Operations Manager, Schindler China
- 1999 – 2003, Area Controller, Schindler Asia Pacific
- 1996 – 1999, Head of Group Consolidation, SAirGroup

Education
- Ph.D., M.A. HSG, Finance and Accounting, St. Gallen, Switzerland

Rodolphe Boschet

Nationality French
Born in 1967

Function
CHRO

With LEM since
2020

Previous companies and positions
- 2019 – 2020, VP HR integration, Danaher
- 2016 – 2019, Senior Vice President HR & Communications, Beckman Coulter
- 2013 – 2016, Global Vice President HR & Communications, Radiometer
- 2006 – 2013, Head of HR France, Europe, Chemistry Business Unit, Beckman Coulter
- 2002 – 2006, HR Manager Europe, Datascope Corp
- 1997 – 2002, International HR Manager, Cartier

Education
- Masters of Political Science, Paris Sorbonne, France
- Masters in International Human Resources Management, ENS Cachan, France

Rebecca Cullinan

Nationality British
Born in 1970

Function
Senior Vice President Industry

With LEM since
2019

Previous companies and positions
- 2018 – 2019, Managing Director, South Europe, Middle East & Africa, Automotive Lighting/Magnetti Marelli
- 2015 – 2018, Managing Director, South East Asia, Valeo
- 2002 – 2015, Various Management Position, France, Valeo
- 1998 – 2002, Senior Consultant, UK, IHS Global Insight

Education
- MBA University of Westminster UK, BSc in Mechanical Engineering, Jiangsu University China

Rainer Bos

Nationality German
Born in 1962

Function
Senior Vice President Automotive

With LEM since
2015

Previous companies and positions
- 2011 – 2015, General Manager, Amphenol Tuchel Electronics GmbH
- 2001 – 2011, Business Unit Director, Delphi Deutschland GmbH
- 1991 – 1999, Key Account Manager, Continental-Teves KGaA

Education
- Dipl. Eng. Industrial Engineering, TU Darmstadt, Germany

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

External mandates

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

Management contracts

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

5. Compensation

Please refer to the compensation report on page 54.

6. Shareholders' participation rights

The rules on shareholders' participation rights are outlined in the Articles of Incorporation. The rules for the convening of General Meetings, the participation rights and the majority rules for decisions all follow Swiss law. The complete Articles of Incorporation can be downloaded from the Investor Relations pages on the website. http://www.lem.com/images/stories/files/HQ/en/Investors/AGM Docs/2014/LEM_Holding_SA_Articles_of_Association_26062014.pdf

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/she expressly declares that the shares have been bought and will be held for their own account. Each shareholder may be represented by the independent representative or by a third party who need not be a shareholder of LEM HOLDING SA.

Statutory quorums

The Articles of Incorporation contain no deviation from the applicable law. In case a second vote is necessary for elections, a relative instead of the absolute majority of the votes represented is required.

Convocation of the General Meeting of the Shareholders

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

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 Annual General Meeting.

7. Change of control and defensive measures

Opting-out clause

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

Clauses on changes of control

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

8. Auditors

The duration of the auditors' mandate is one year. Ernst & Young has been auditing LEM since the financial year 2005/06, with Daniel Zaugg bearing the responsibility for the audit since 2021/2022. As required by law, the auditor-in-charge is changed every seven years. Ernst & Young audits the Group's consolidated financial statements as well as all of LEM's Group companies in Switzerland and abroad that are subject to a statutory audit requirement. The audit fees and fees for additional services are as follows:

Type of service

In CHF thousands	2021/22	2020/21
Audit fees	386	338
Additional audit-related fees		41
Total	**386**	**379**

The Audit Committee evaluates and controls the performance (focus on areas that involve significant risk to LEM, ability to provide effective and practical recommendations, open and effective communication and coordination), fees, and independence of the auditors each year. It discusses and reviews the scope of the audits, and the resulting feedback. Based on this information, it determines which changes and improvements are necessary. The auditor's report on the results of their audits both orally and in writing. Financial statements as well as management letters are discussed in the ARC in the presence of the external auditors. During 2021/22 Ernst & Young attended two regular ARC meetings.

9. Information policy

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

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

Compensation report

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

In brief

Core principles

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

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

Compensation of the Board of Directors

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

Compensation of the Executive Management

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

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

The compensation authorities are summarized in the following table:

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

1. Board of Directors

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

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

1.2 Compensation for members of the Board of Directors

The Board of Directors adopted a remuneration scheme with a fixed membership fee payable in cash of gross CHF 250'000 for the Chairman and gross CHF 80'000 for each member of the Board of Directors. Activities in committees of the Board of Directors is compensated by membership fees of gross CHF 40'000 for the Committee's Chairman and gross CHF 20'000 for each member.

The tables below show the compensation per member of the Board of Directors in the financial years 2020/21 and 2021/22 for their respective term of office. At the Annual General Meeting held on 24 June 2021, the shareholders approved a maximum compensation amount for the term of office from the Annual General Meeting 2021 until the Annual General Meeting 2022 of CHF 1'100'000. The actual costs for the Company are CHF 946'000.

2021/22

In CHF thousands	Annual fees (A)	Taxes, social security charges and similar contributions (B)	Total (A) + (B)
Andreas Hürlimann [1, 5, 6]	310	27	**337**
Ueli Wampfler [2]	120	11	**131**
Ulrich Jakob Looser [3, 4]	140	13	**153**
Ilan Cohen [a]	100	7	**107**
Werner C. Weber [7]	100	9	**109**
François Gabella [7]	100	9	**109**
Total	**870**	**76**	**946**

2020/21

In CHF thousands	Annual fees (A)	Taxes, social security charges and similar contributions (B)	Total (A) + (B)
Andreas Hürlimann [1, 5, 6]	310	27	**337**
Ueli Wampfler [2]	120	11	**131**
Ulrich Jakob Looser [3, 4]	140	13	**153**
Ilan Cohen [7, a]	100	9	**109**
Werner C. Weber [7]	100	9	**109**
François Gabella [7]	100	9	**109**
Total	**870**	**78**	**948**

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

2. Executive Management

2.1 General principles of compensation for members of Executive Management

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

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

Compensation element	Instrument	Purpose	Drivers	Range and cap	Shareholder approval
Base salary	Monthly cash payments	Pay for the function	Scope and responsibilities, profile and competencies	N/A	Prospective maximum amount (October – September)
Short-term incentive	Annual cash payment	Pay for annual performance	Business and individual performance throughout the financial year	0% – 139% of target amount	Retrospective
Long-term incentive	Annual cash payment	Participation in sustainable company success, alignment with Shareholder interests	Achieved value creation over three consecutive financial years	0 % – 200 % of target amount	Prospective maximum amount for payout three years later
Non-wage compensation	Pension contributions	Protect against risks plus retirement and dependents' coverage	Local legislation and market practice	N/A	

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

2.1.1 Base salary of Executive Management

Base salaries are paid monthly as fixed cash amounts.

2.1.2 Variable compensation of Executive Management

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

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

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

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

For the Executive Management, the minimum payout of the short-term incentive is 0% of the target amount and the weighted maximum payout is 139%. The target amount of the short-term incentive represents between 16% and 24% of the total target compensation.

The short-term incentive payout is presented for retrospective approval to the Shareholders along with the Annual Report and the financial statements of the same financial year at the Annual General Meeting 2022 prior to being paid out.

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

The long-term incentive is defined as an annual target amount and is based on the performance of LEM evaluated over a period of three consecutive financial years (2019/20 – 2021/22). The performance criterion is the cumulated Economic Value Added (EVA) over these three financial years. The Board of Directors defines the EVA objective at the beginning of year one and the evaluation of the performance takes place at the end of year three. Once the forward-looking EVA objective is defined, this EVA objective remains unchanged over the three-year period.

For the Executive Management, the minimum payout of the long-term incentive is 0% of the target amount and the maximum payout is 200%. The target amount of the long-term incentive represents between 11% and 20% of the total target compensation.

For the long-term incentive cycle 2019/20 to 2021/22, the maximum amount approved prospectively by the Shareholders at the Annual General Meeting in 2019 is CHF 1’000’000 for payout in 2022.

2.1.3 Non-wage compensation of Executive Management

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

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

2.2 Remuneration of Executive Management

2021/22

In CHF thousands	Base salary	Short-term incentive	Long-term incentive	Company's contribution to pension fund	Total compensation	Company's contribution to social security charges
Frank Rehfeld, CEO	500	328	295	51	1'174	117
Executive Management (excl. CEO)	1'302	589	533	129	2'553	255
Total	**1'802**	**917**	**828**	**180**	**3'727**	**372**

2020/21

In CHF thousands	Base salary[2]	Short-term incentive	Long-term incentive	Company's contribution to pension fund	Total compensation	Company's contribution to social security charges
Frank Rehfeld, CEO	525	308	226	48	1'107	106
Executive management (excl. CEO)[1]	1'165	587	314	118	2'182	207
Total	**1'690**	**895**	**540**	**166**	**3'289**	**313**

[1] including CHRO (pro-rated 6.3 months)

[2] Exceptional payments to compensate for unused vacation entitlements during the Covid 19 Pandemic

The amounts are shown as follows:
- Base salary: CHF 1'802'000 as paid out in the reporting period.
- Short-term incentive 2021/22: CHF 917'000 as proposed to the Annual General Meeting on 30 June 2022 for payout in July 2022.
- Long-term incentive: CHF 828'000 as accrued for Long-Term incentive 2021/22.
- Pension fund contributions: CHF 180'000 as accrued for or paid during the reporting period.
- Company's contributions to social security charges: CHF 372'000 as accrued for or paid during the reporting period.

Amounts approved by previous Annual General Meetings related to the period reported above:
- Maximum amount base salary (for the period from 1 October 2020 to 30 September 2021): CHF 1'830'000
- Maximum amount base salary (for the period from 1 October 2021 to 30 September 2022): CHF 2'600'000
- Short-term incentive amount for 2020/21 for payment in 2021: CHF 984'332
- Maximum amount long-term incentive 2019/20 to 2021/22 for payment in 2022: CHF 1'000'000
- Pension fund contribution and company contribution to social security charges as paid out or accrued for in the reporting period are included in the above amounts.

The overall variable remuneration paid out for 2021/22 to the Executive Management ranged from 37% to 53% of the total compensation.

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

Our Articles of Incorporation do not provide the basis to grant loans to current or former members of the Board of Directors, the Executive Management or to any related party. Therefore, no loans have been granted in the financial years 2020/21 and 2021/22 or in any previous year.

Outlook for financial year 2022/23 and onwards

During 2021/22, the NCC has conducted a fundamental review of LEM's long-term incentive with the goal of further strengthening

- the link between pay and performance by adding an external perspective to the current internally focused view on company value creation;
- the loyalty of key employees to LEM by giving them the opportunity to directly participate in LEM's sustainable success via an equitybased plan; and
- the alignment of interests with shareholders.

As of 2022/23, the Board of Directors has decided to replace the current cash-based long-term incentive of LEM's Executive Management by a share-based Performance Share Unit (PSU) plan.

Going forward, members of LEM's Executive Management will receive an annual PSU award which vests in LEM shares upon completion of a three-year plan cycle. The number of shares obtained per PSU can thereby vary between 0% and 200% of the award, subject to continuous employment and depending on the achievement of pre-agreed performance conditions. Further, forfeiture rules in case of an exit and the current clawback regulations will continue to apply. The LEM shares for the purposes of this new sharebased PSU plan will be acquired on the market. This will not dilute existing shareholders' interests in the company.

The performance conditions will include:

- **EVA:** to account for an internal view on value creation;
- **Absolute TSR:** to link the overall compensation directly to the absolute value created by LEM for its shareholders; and
- **Relative TSR:** to strengthen the appreciation of a participant's contribution to the company's success based on LEM'sperformance compared to the market.

The targets for these performance conditions will be proposed by the NCC and ultimately approved by the Board of Directors on an annual basis, following a stringent target setting process.

More details on the underlying functionality of the plan will be disclosed in the Compensation Report 2022/23 following the first grant under this plan, which is anticipated to take place in 2022.

Further, as of 2022/23, each member of the Executive Management will be required to build up an investment in LEM shares worth the equivalent of 150% of the annual base salary for the CEO, 140% for the CFO, and 80% for other members of the Executive Management.

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

Auditor’s report

EY
Building a better working world

Report of the statutory auditor on the compensation report

We have audited the compensation report of LEM Holding SA for the year ended 31 March 2022. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited” contained in the note 1.2 on page 55 and on note 2.2 on page 58 of the compensation report.

Board of Directors’ responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor’s responsibility

Our responsibility is to express an opinion on the compensation 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 compensation 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 compensation 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 compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation 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 compensation report for the year ended 31 March 2022 of LEM Holding SA complies with Swiss law and articles 14–16 of the Ordinance.

To the General Meeting of LEM Holding SA, Meyrin
Geneva, 18 May 2022

Ernst & Young Ltd

Daniel Zaugg	**Yevgenii Garnaga**
Licensed audit expert	
(Auditor in charge)	

LEM HOLDING SA

Balance sheet
(before distribution of earnings)

Assets

In CHF thousands	Notes	31.3.2022	31.3.2021
Current assets			
Cash and cash equivalents		1’287	3’315
Loans to affiliated companies	4	398’056	98’897
Current assets from affiliated companies		2’695	1’912
Other current assets		94	57
Other current assets from affiliated companies		0	55’368
Total current assets		**402’132**	**159’549**
Noncurrent assets			
Investments in affiliated companies	1	37’550	41’930
Total noncurrent assets		**37’550**	**41’930**
Total assets		**439’683**	**201’480**

Liabilities and equity

In CHF thousands	Notes	31.3.2022	31.3.2021
Current liabilities			
Current financial liabilities		40’650	24’000
Loans from affiliated companies	4	443	48’521
Current liabilities from affiliated companies		78	77
Other current liabilities		2’222	3’197
Total current liabilities		**43’393**	**75’796**
Equity			
Share capital	2	570	570
Legal reserves		285	285
Free reserves – balance carried forward		78’105	68’465
– profit for the year		318’308	57’520
Treasury shares	3	(977)	(1’156)
Total equity		**396’290**	**125’684**
Total liabilities and equity		**439’683**	**201’480**

Income statement

Income

In CHF thousands	Notes	2021/22	2020/21
Dividend from affiliated companies	5	321’671	54’544
Interest income from affiliated companies		4’447	2’768
Foreign exchange gain	6	1’719	2’075
Other financial income		53	442
Other income from affiliated companies		2’288	30’906
Total income		**330’178**	**90’735**

Expense

In CHF thousands	Notes	2021/22	2020/21
Administration and other expenses		(4’924)	(4’400)
Participations’ impairment	1	(4’380)	(26’260)
Financial expense		(247)	(256)
Foreign exchange loss	6	(2’208)	(1’798)
Total expense		**(11’760)**	**(32’714)**
Profit before taxes		**318’419**	**58’022**
Income taxes	7	(111)	(501)
Net profit for the year		**318’308**	**57’520**

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

LEM HOLDING SA does and did not have any employees.

1. Investments in affiliated companies

In CHF thousands	31.3.2022	31.3.2021
Historical cost minus impairment	37’550	41’930
Total	**37’550**	**41’930**

Last year, in the context of Covid-19 uncertainty, some participations were impaired (for a total of CHF 26.3m). This year, with LEM Intellectual Property SA under liquidation, the participation was impaired by CHF 4’4m.

2. Share capital

	Number of shares	Par value per share in CHF	Capital in CHF thousands
Opening capital 1.4.2021	**1’140’000**	**0.50**	**570**
Change of capital	0		0
Closing capital 31.3.2022	**1’140’000**	**0.50**	**570**

3. Treasury shares

	Number	Price per share in CHF			Value in CHF thousands
		High	Average	Low	
Value 1.4.2020	**556**				**581**
Purchases at cost	7’846	1’940.38	1’595.19	1’002.10	12’516
Sales at cost	(7’794)	1’970.22	1’532.01	1’011.32	(11’940)
Value 31.3.2021	**608**				**1’156**
Purchases at cost	6’936	2’670.00	2’112.59	1’634.18	14’653
Sales at cost	(7’095)	2’670.00	2’090.42	1’657.40	(14’832)
Value 31.3.2022	**449**				**977**

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

4. Loans from/to affiliated companies

LEM Intellectual Property SA being under liquidation per 31 March 2022, all assets and liabilities were transferred to LEM HOLDING SA. As a result, LEM HOLDING SA took over LEM Intellectual Property SA's loan to LEM International SA amounting to CHF 287m and reimbursed its debt to LEM Intellectual Property SA by CHF 48m.

5. Dividend from affiliated companies

In 2021/22, the dividend from affiliated companies amounts to CHF 321.7m coming mainly from LEM Intellectual Property SA.

6. Exchange effect

In CHF thousands	2021/22	2020/21
Exchange gains/(losses)	(1'270)	764
Fair value revaluation on derivatives [1]	837	(1'133)
Gains/(losses) on derivatives [1]	(57)	647
Exchange effect	**(489)**	**277**

[1] Position includes cost of derivative hedging.

7. Income taxes

In CHF thousands	2021/22	2020/21
Current taxes	(383)	(501)
Adjustments of tax provisions of previous periods *	271	0
Total	**(111)**	**(501)**

* From fiscal year 2018/19

8. Significant shareholders according to article 663c of the Swiss Code of Obligations

On 31 March 2022, the following shareholders held 3% or more of the share capital and voting rights:

In number of shares, percent of shareholding	31.3.2022		31.3.2021	
	Shares	In%	Shares	In%
Werner O. Weber and Ueli Wampfler, in Zollikon/Wollerau, Switzerland, through WEMACO Invest AG and Voltano AG in Cham, Switzerland	584'700	51.3 %	582'600	51.1 %
Ruth Wertheimer, in Kfar Shmaryahu, Israel, through 7-Industries Holding B.V., in Amsterdam, Netherlands	34'381	3.0 %	36'381	3.2 %
Capital Group Companies Ltd., Los Angeles, USA	n.a.	3 %–5 %[1]	n.a.	3 %–5 %[1]
J. Safra Sarasin Investmentfonds AG, Basel, Switzerland	36'550	3.2 %	36'250	3.2 %

[1] Capital Group disclosed a 3.02% stake as of 31 August 2020, but did not report the exact number of LEM shares per 31 March 2021 and 31 March 2022

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

In CHF thousands	31.3.2022	31.3.2021
Amount of guarantees issued	1'855	1'814

10. Shareholdings

Shareholdings of nonexecutive Directors

	31.3. 2022 Number of shares held	31.3.2021 Number of shares held
Andreas Hürlimann	1'001	1'001
François Gabella	600	600
Ilan Cohen	300	300
Ueli Wampfler	72'700	70'600
Ulrich Jakob Looser	300	100
Werner C. Weber	0	0
Total	**74'901**	**72'601**

Shareholdings of Executive Management

	31.3. 2022 Number of shares held	31.3.2021 Number of shares held
Frank Rehfeld, CEO	0	0
Andrea Borla, CFO	0	0
Rodolphe Boschet, CHRO	0	0
Rebecca Cullinan, SVP Industry	0	0
Rainer Bos, SVP Automotive	0	0
Total	**0**	**0**

Proposed appropriation of available earnings

In CHF thousands	31.3.2022	31.3.2021
Balance brought forward from previous year	**78’105**	**68’465**
Treasury shares from previous year	(1’156)	(581)
Variation of treasury shares	179	(575)
Net profit for the year	318’308	57’520
Total available earnings	**395’436**	**124’829**
Proposal of the Board of Directors		
Ordinary dividend	(57’000)	(47’880)
Balance to be carried forward	**338’436**	**76’949**

The Board of Directors proposes the distribution of an ordinary dividend of CHF 50 per share. Net of 35% withholding tax, this is an ordinary cash dividend of CHF 32.5 per share.

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

Shares held by LEM HOLDING SA or any of its subsidiaries are not entitled to dividends.

Auditor’s report

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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 62 to 67), for the year ended 31 March 2022.

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 2022 comply with Swiss law and the company’s articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

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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 para. 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.

To the General Meeting of LEM Holding SA, Meyrin
Geneva, 18 May 2022

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Yevgenii Garnaga

Group subsidiaries

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

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Concept and text
LEM
Cabinet Privé de Conseils SA, Geneva
Process AG, Zurich

Design
Process AG, Zurich

Photos
Mara Truog, Zurich

Printing
Druckprodukt, Zurich

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