Annual Report
2013/14

At the heart of power electronics

LEM

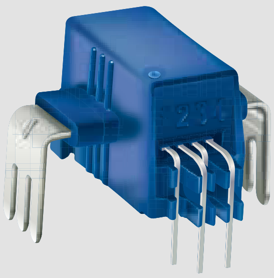
Sewing Machine/Embroidery Machine

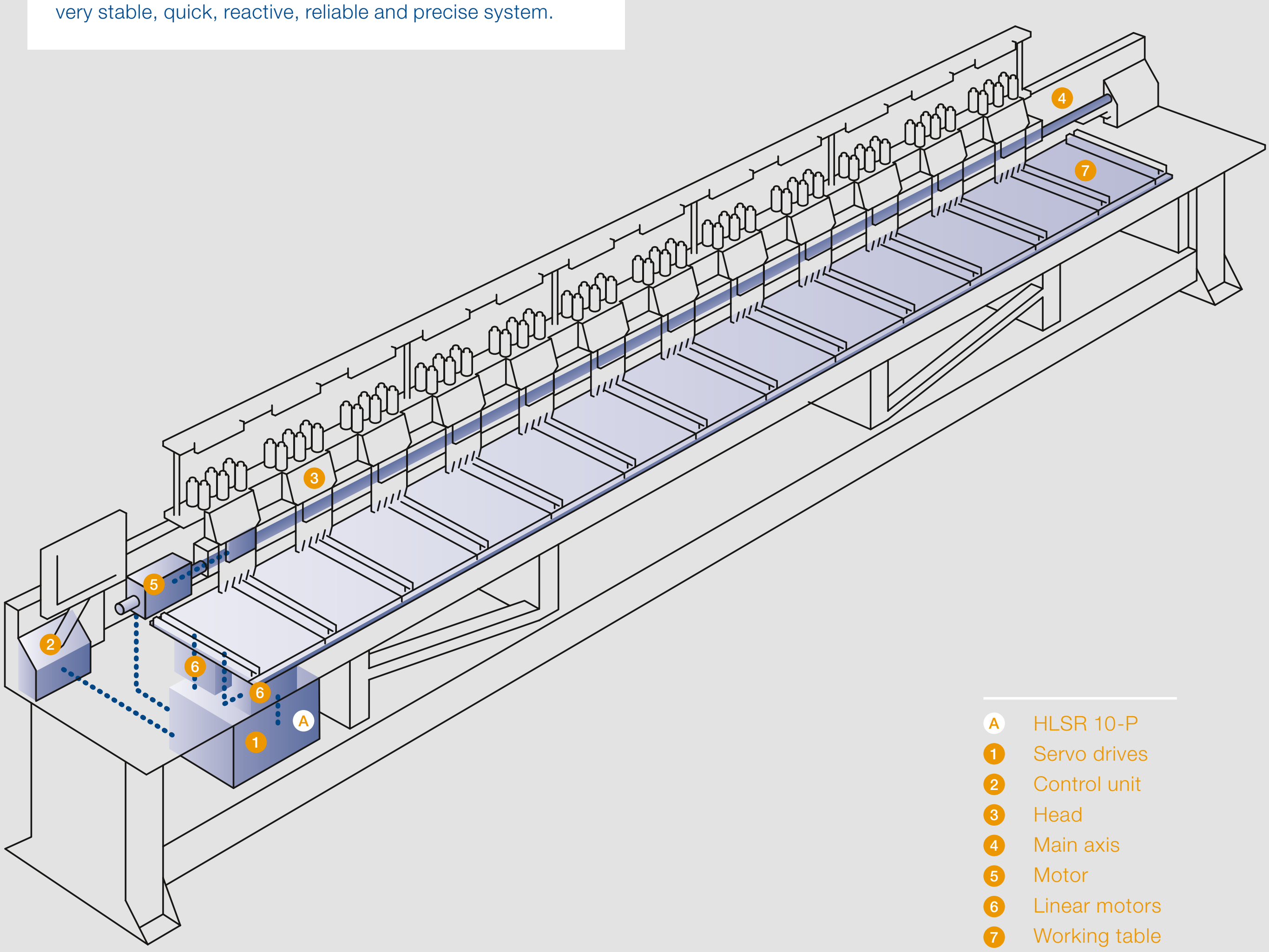
Industrial sewing/embroidery machines are at the leading edge of the technology always providing improvements for fast dynamic responding (execution quickness), sewing with high accuracy and generating high-quality final products. Full servo control allows for such speed, precision and innovation.

A sewing/embroidery machine is formed of multiple heads (3) located above a working table (7). A needle in each head is sliding up and down to reach a hook at a lower part vertically opposite to the needle. One servo drive (1) controls the motor (5) which is providing the main axis (4) rotation to the needles. The accuracy and the speed of the table movements, as well as the correct, accurate and regulated rotation speed of the main axis for the needles are directly linked to the currents provided to the motor through a servo drive.

The working table (7) is moving in horizontal X and Y directions thanks to linear motors (6) controlled by two position servo drives (1). These three servo drives realize the full control of the sewing machine. Current transducers (A) are used in each servo drive to measure two of its three phase output AC currents. Their accuracy, high performance, high temperature working environment, low temperature drift contribute to a very stable, quick, reactive, reliable and precise system.

HLSR 10-P





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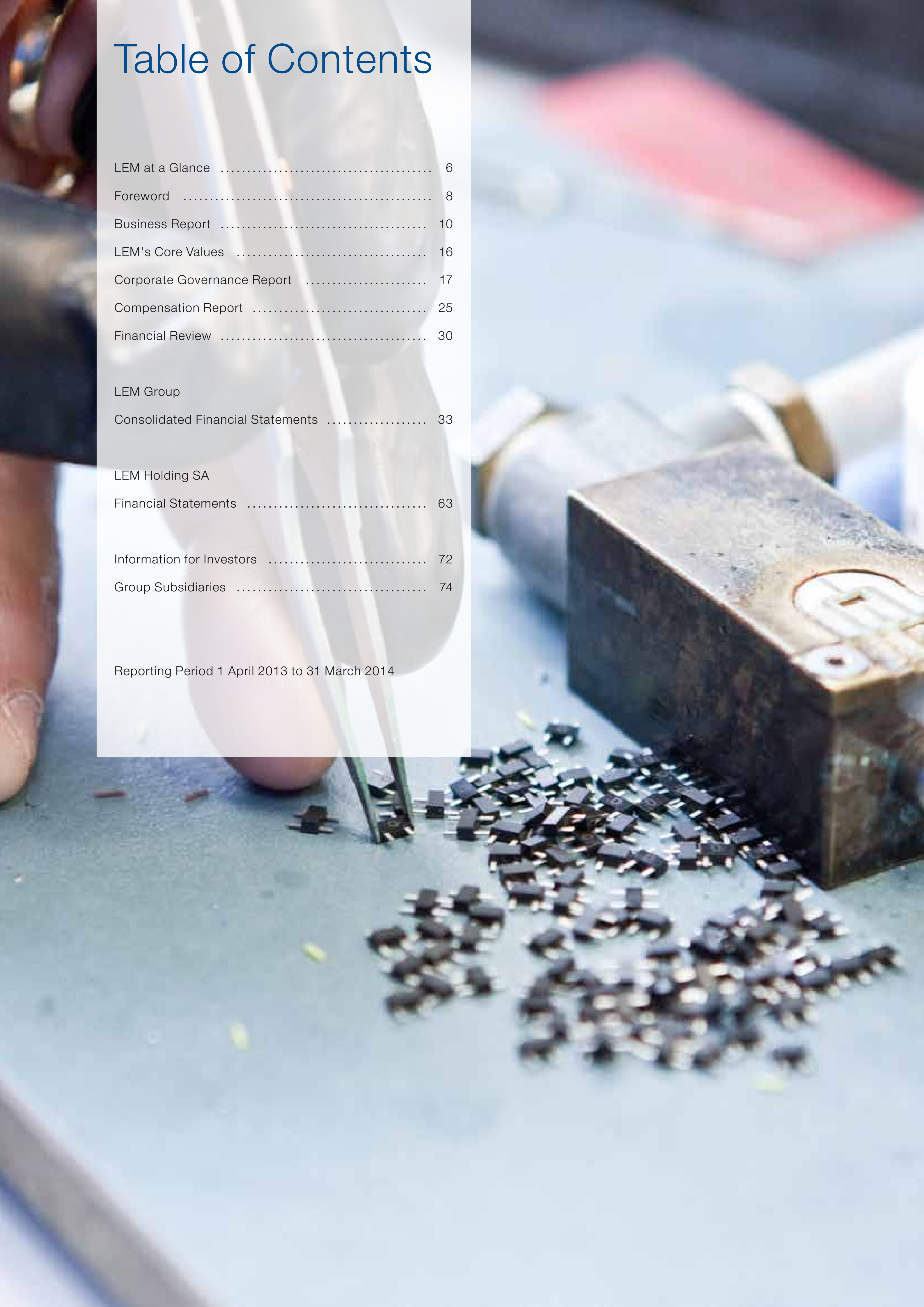
Reporting Period 1 April 2013 to 31 March 2014



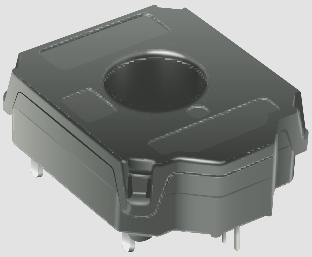
Formula 1 Energy Recovery System

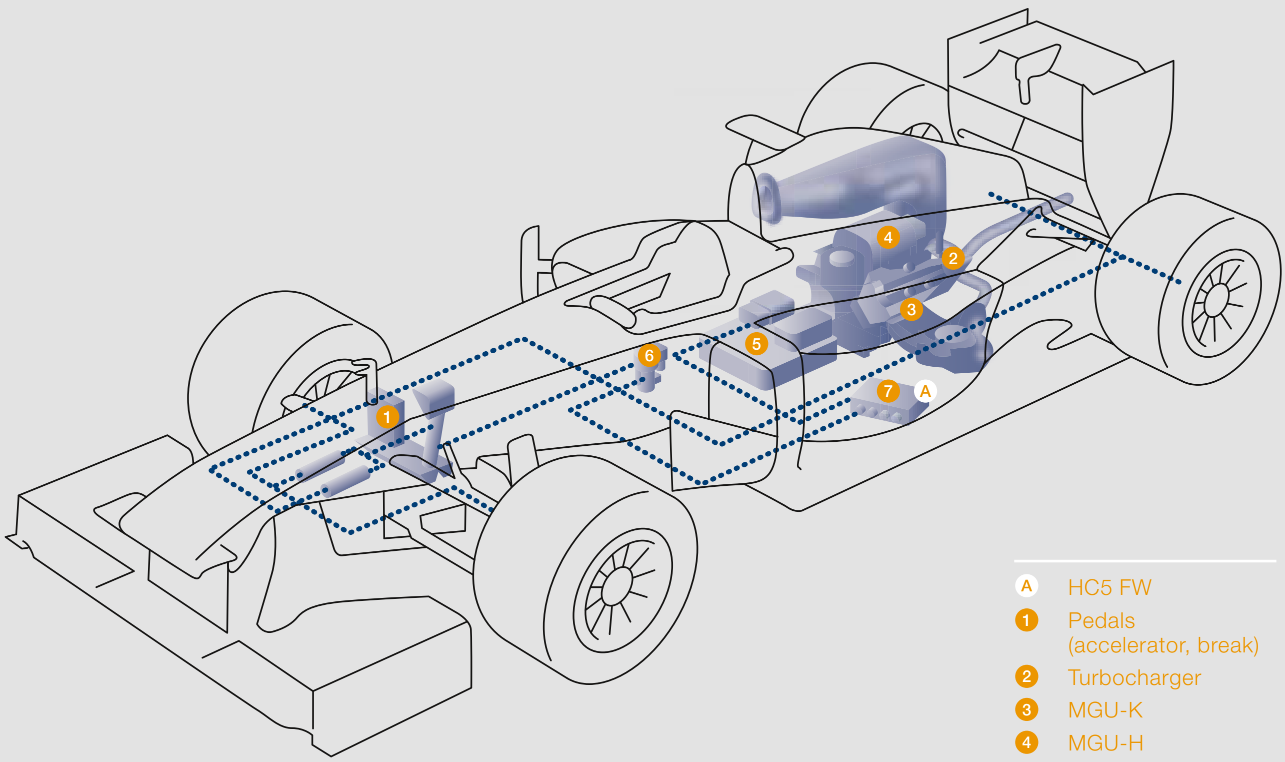
In the interest of reducing fuel consumption by up to 35%, the FIA has imposed significant changes to the F1 cars for the 2014 season. Changes include aerodynamic limitations, new tires, and new gearbox designs, along with new engine specifications and a revised energy recovery system (ERS) to replace the KERS system of previous years.

Engine specifications impose a smaller, 440 kW turbocharged engine combined with an ERS capable of providing an additional 120 kW of power for over 30 seconds per lap. The ERS uses two distinct energy sources to provide the extra power: kinetic energy from braking, and thermal energy from the exhaust gases. In the first case, energy from deceleration of the car is converted into electricity via an electric generator (MGU-K). In the second case, heat energy is extracted from the engine exhaust gases via a turbocharger, and also converted into electric energy (MGU-H). The electricity from both these sources is then fed into a battery and controlled by the ERS control unit. The ERS provides about 30% of the total engine power, making it a critical element of the car's performance.

LEM's HC5 FW family of automotive current transducers measure the electric currents generated by each source, and allow the control unit to make the best decision of how and where to direct the available power.

HC5 FW





LEM at a Glance

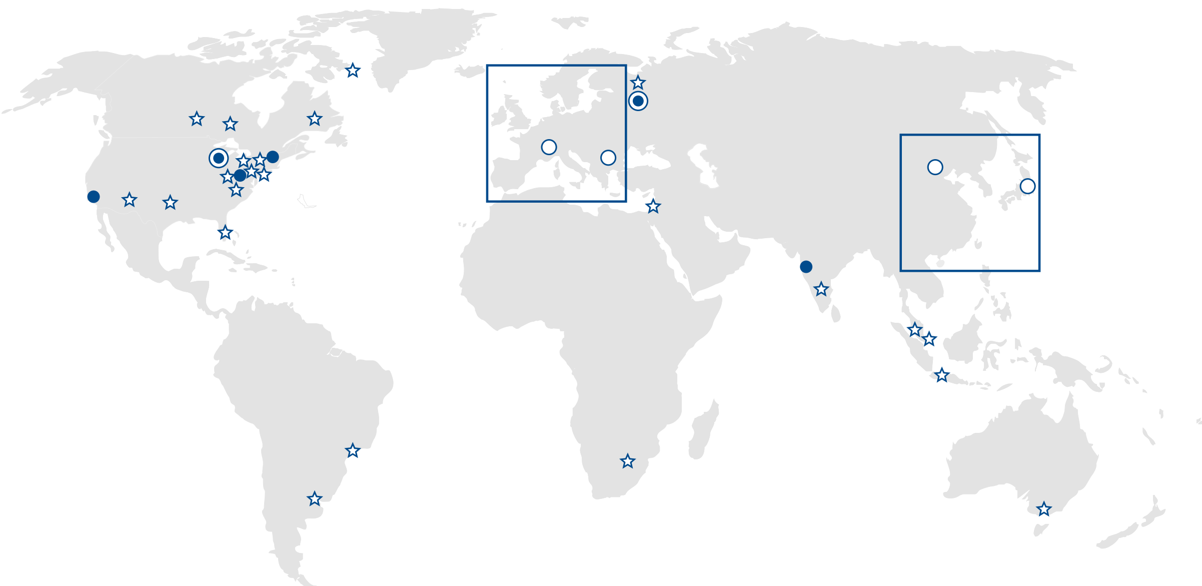
LEM – At the heart of power electronics

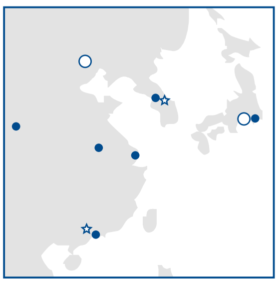
LEM is a focused manufacturer and a global market leader. Its core products, transducers for measuring electrical parameters like current and voltage, are used in a broad range of applications. Although these devices are not visible to the outside world, they are vital for application functionality and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

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

Worldwide presence

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





■ **LEM Holding SA, Fribourg, Switzerland**

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

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

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

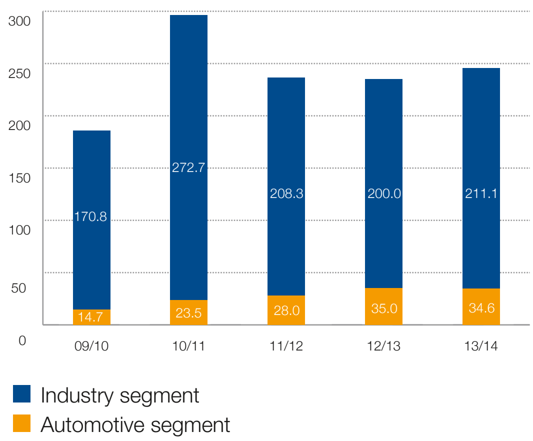
☆ **Agents/Distributors**

Key figures 2009/10 to 2013/14

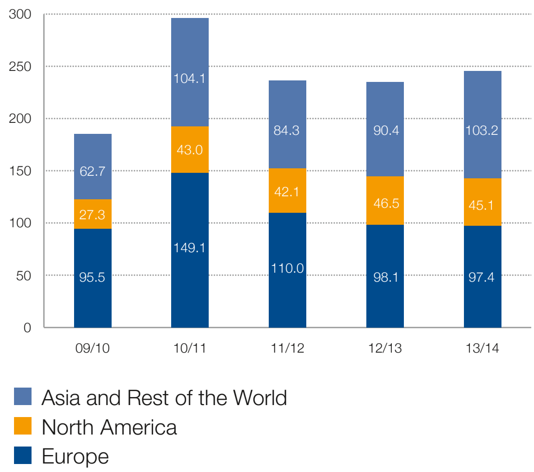
In CHF millions, %	2009/10	2010/11	2011/12	2012/13*	2013/14
Orders received	216.6	336.9	182.9	230.6	246.4
Book-to-bill ratio	1.17	1.14	0.77	0.98	1.00
Sales	185.5	296.2	236.3	235.0	245.6
Gross profit	80.4	126.3	96.5	98.6	115.4
In % of sales	*43.4%*	*42.6%*	*40.8%*	*41.9%*	*47.0%*
Operational EBIT	*25.8*	*60.4*	*34.2*	*40.8*	*55.7*
In % of sales	*13.9%*	*20.4%*	*14.5%*	*17.4%*	*22.7%*
Net profit for the year	10.5	39.6	28.5	32.4	45.6
EPS basic (CHF)	9.20	34.69	25.11	28.48	40.09
Dividend per share (CHF)	20.00	40.00	25.00	30.00	40.00**
Operating cash flow	26.3	30.0	46.7	46.2	40.6
Investing cash flow	(13.3)	(9.4)	(9.1)	(10.4)	(8.7)
In CHF millions, %	**31.3.10**	**31.3.11**	**31.3.12**	**31.3.13**	**31.3.14**
Net financial assets/(liabilities)	29.8	26.6	18.1	27.6	24.6
Shareholders' equity	83.4	96.9	79.6	84.0	94.2
Equity ratio (in % assets)	62.9%	59.8%	60.0%	61.9%	65.1%
Market capitalization	391.0	655.5	563.7	671.5	801.4
Employees (FTEs)	1'018	1'316	1'136	1'137	1'241

* Restatement following IAS 19R application (pensions)
** Proposal of the Board of Directors to the Ordinary Shareholders' Meeting on 26 June 2014

Sales per segment
In CHF millions



Regional sales breakdown
In CHF millions



Foreword

Dear Shareholders,

We are pleased to present LEM's 2013/14 results. LEM delivered strong results in a volatile environment and reached major operational milestones in shaping the company's future. We are able to report record highs for some key performance indicators, including EBIT margin and net profit for the year.

While achieving strong financial results, we continued to invest in the company's growth. Like last year, we launched eight new products and invested in new proprietary core building blocks of technology that will strengthen our unique product portfolio and accelerate the development of new products. We established our new site in Sofia, Bulgaria, in order to diversify LEM's cost-competitive production and to increase capacity near our European customers. At the same time, we improved the natural hedge of our operations by better matching currencies of sales and cost.

Attractive yet competitive markets

We started the year with two strong quarters continuing the positive sales trend of the previous year. In Q3 we recorded a seasonal decrease comparable to previous years and a rebound of sales in Q4.

In the second half of 2013/14, we saw signs of economic recovery with divergent regional developments. Nevertheless, the economic environment has remained fragile. In our Industry customers' businesses we have generally seen low growth. In the Automotive market, global production rose by 4% to 87 million vehicles in 2013.

The trends of the past years remained unchanged: our markets were exposed to constant price and competitive pressures; customers kept low stock levels and issued orders with very short lead times. This demands high flexibility from us. We remain alert.

Investment for the future

Our strategic initiatives are on track. We further developed our operational excellence in the areas of quality and productivity. With our record level of product launches, we remain the most innovative actor in our market. The new products not only allow us to maintain our margin target despite constant price pressure, they also support our mission to maintain or even extend our market share in the Industry businesses and to penetrate new Automotive markets. Through our new site in Bulgaria, we have increased capacity at globally competitive conditions. Our new Bulgarian site operated at our high group standards in terms of quality and productivity, only eight months after the launch decision. Following our 2012/13 worldwide employee survey, we invested in specific management trainings, targeted to support our middle managers group-wide in dealing with the fast changing and increasingly demanding work place.

In the financial year 2014/15 we will ramp up production in Sofia. To manage cost, we will increase the share of production and sourcing in cost-competitive countries. We will execute on our product road map by launching a high number of new products to support our growth and continued market leadership.

High level of profitability

Sales reached CHF 245.6 million, an increase of 4.5% compared with the previous year and in line with our expectations. The Industry segment contributed to the growth while sales in the Automotive segment remained slightly below last year's level. At constant exchange rates, Group sales increased by 7.1%. Bookings amounted to CHF 246.4 million, an increase of 6.9% compared with the previous year. The full year book-to-bill ratio reached 1.0, compared with 0.98 for the previous year. EBIT reached CHF 55.7 million, compared with CHF 40.8 million in the previous year. This resulted in an EBIT margin of 22.7%, a new record for LEM. Net profit for the year amounted to CHF 45.6 million, the highest ever.

Dividend proposal to the annual shareholders' meeting

The confidence in our financial strength and our outlook allow us to apply our attractive dividend policy, which aims to distribute significantly more than 50% of the consolidated net profit to the shareholders. As a result, the Board of Directors will propose to the annual shareholders' meeting on 26 June 2014 the payment of an ordinary dividend of CHF 40 per share, an increase of CHF 10 per share compared to the previous year. The payment corresponds to a payout ratio of 99.8%.

Corporate Governance changes

The ordinance of the Swiss Federal Council “Against Excessive Compensation in Public Corporations” implements the key elements of the “Minder Initiative,” a constitutional amendment approved by the Swiss voters in 2013. The ordinance applies to all publicly listed Swiss companies and came into effect on 1 January 2014, subject to transitional provisions. LEM will be fully compliant with the new regulation by implementing pragmatic solutions, which consider your interest as a shareholder.

Our lean Board of Directors and management structure have proven successful and reflect that LEM is a medium-sized company. To be globally competitive also in the future we want to remain an attractive employer for senior executives as well as for all employees.

The Board of Directors has developed a proposal encompassing several changes to LEM's Articles of Incorporation in order to meet the requirements of this ordinance. This proposal is submitted to the shareholders for approval at the forthcoming annual shareholders' meeting on 26 June 2014 in Fribourg, Switzerland. The proposal as well as documents explaining the changes in detail are available on our website.

Thank you

We thank all our employees. Their professional commitment and hard work are the foundation for LEM's lasting success. Our thanks also go out to our customers for their trust in our products and services as well as to our shareholders for their sustained financial commitment.

Andreas Hürlimann
Chairman of the Board of Directors

François Gabella
Chief Executive Officer

Business Report

At the start of the year, the economic environment was fragile but stabilized in the second half of 2013/14. Global activity picked up and the financial conditions in advanced economies have eased. Despite slowing growth in China, business activity remained robust there. We observe continued relocation of several of our target industries from Europe and North America to China. Economic recovery in the U.S. continued slowly. The regional differences had a direct impact on our performance. Our sales grew strongest in China while the other major regions remained stable. The devaluation of the Japanese yen negatively impacted our sales growth in Japan. Still, we look back on a robust sales performance in financial year 2013/14.

In this challenging environment we continued to leverage our competitive strengths. We are the most innovative actor in our industry with investments of CHF 14.4 million in R&D and the launch of eight new products. Recently launched products have seen promising market acceptance. In some product segments, our product range is unique. Thanks to strict cost controls and the ongoing shift of manufacturing to low-cost sites, we were able to increase our operating margins. We have increased and diversified our cost-competitive production capacities through the launch of our new site in Sofia.

Sales growth and productivity increase

In financial year 2013/14, sales totaled CHF 245.6 million, representing an increase of 4.5% or CHF 10.7 million compared with the previous year. Exchange rate fluctuations, mainly the depreciation of the U.S. dollar and the Japanese yen, had a negative impact. At constant exchange rates, Group sales increased by 7.1%.

Key figures 2013/14

In CHF millions	Q1	Q2	Q3	Q4	Total
Orders received	65.1	59.3	58.7	63.5	246.4
Sales	61.8	65.1	57.6	61.1	245.6
Book-to-bill	1.05	0.91	1.02	1.04	1.00
EBIT	13.3	17.0	11.9	13.6	55.7
Net profit	9.8	14.8	8.6	12.5	45.6

China extended its position as the single biggest market for LEM with the highest growth rate of all countries. Compared with financial year 2012/13, sales in China increased by 32% and represented 23% of total sales, up from 18%. The other regions stagnated, with sales in Europe decreasing by 1%, in North America by 3% and in Asia excluding China by 2%. The share of total sales in Europe decreased from 42 to 40% and the share of total sales in North America decreased from 20 to 18%.

Orders received increased by 6.9% to CHF 246.4 million in financial year 2013/14. For the full year, the book-to-bill ratio was 1.0.

In financial year 2013/14, we improved the gross margin from 41.9 to 47.0%. Our ongoing focus on raw material sourcing, internal productivity and shift of production to low-cost sites allowed us to more than compensate current price pressures.

Sales, general and administrative spending (SG&A) increased by 5.2% to CHF 45.4 million. SG&A as a percentage of sales remained stable at 18.5%. Research & development expenses (R&D) decreased by 1.9% to CHF 14.4 million. R&D as a percentage of sales decreased slightly to 5.9%, still above the long term average of 5.5% of sales.

EBIT increased from CHF 40.8 million by 36.5% to CHF 55.7 million in financial year 2013/14. Our EBIT margin in financial year 2013/14 was at 22.7%, up from 17.4% on the previous year and above the company's EBIT margin target range of 15 to 20%. This record EBIT margin was attained including the ramp up cost of CHF 2 million for the new site in Sofia. Net profit for the year was CHF 45.6 million (+40.9%).

Our balance sheet remains strong. As per 31 March 2014, total assets increased to CHF 144.7 million. Shareholders' equity increased to CHF 94.2 million, representing an equity ratio of 65.1% (61.9% as at 31 March 2013).

Investments in fixed assets were at CHF 7.3 million. The launch of the new site in Sofia only required facility investments since production lines were transferred to the new site. Cash flow from operating activities in financial year 2013/14 was CHF 40.6 million (-12.1%) and free cash flow was CHF 31.9 million (-11.0%).

Industry segment

Strong growth in China and the improving economic situation towards the end of financial year 2013/14 were the driving forces behind the Industry segment's performance. Sales increased by 5.6% to CHF 211.1 million in financial year 2013/14. At constant exchange rates, sales increased by 7.9%. China was the biggest single country representing 23% of Industry sales and grew by 34% while sales in Asia excluding China grew by 2%. Sales in Europe and North America decreased by 1% and 5% respectively. Europe remained the most important region, accounting for 45% of sales, followed by Asia with 41% of sales. North America accounted for 13% of total sales in financial year 2013/14. The EBIT margin reached a record 24.1% compared to 18.2% in the previous year. The strong improvement was the result of efficiency gains in production, volume leverage, a favorable product mix and the faster-than-expected ramp up of recently launched products.

Global activity strengthened in the second half of the year, driven by a recovery in the advanced economies. Activity in the emerging markets slowed. The trends of the past years in our markets continued well into financial year 2013/14: we observed the continuation of the transfer of certain target industries, mainly solar and medical applications, from North America and Europe to Asia as well as an ongoing consolidation with fewer and stronger players. There is little change in our competitive landscape with the number of direct competitors remaining stable and market size growing with global GDP.

Overcapacity in the transducer market continued to keep the competitive pressure high. In this context, we have continuously and systematically increased our market share by expanding our existing customer base and simultaneously developing adjacent businesses in order to extend our addressable market. Again this year we have launched a series of new products, which will allow us to extend our technological lead. In our sales organization we are focusing on productivity by training our Chinese sales team. In addition, we have set up representation in Korea.

Sales in the drives & welding business increased by 10% compared to the previous year. Market growth in China facilitated the results. However, Europe and North America also contributed to sales performance. LEM's market share remained stable.

The renewable energies & power supplies business benefitted from strong investments in renewable energies in China. Business in Europe and North America is constantly decreasing due to the decreasing solar installations in these regions and to the relocation of the solar industry to China. Wind and uninterrupted power supplies (UPS) applications performed strongly. Total sales increased by 6% compared to the previous year. We won some major projects in smart grid applications, where we expect to increasingly benefit in the coming years.

Sales in the traction business decreased by 1%. Contract wins for new projects in India, the energy-metering application in Europe and good sales performance in China nearly compensated the slowing performance in Europe due to stagnating rail investments there.

Sales in the high precision business decreased by 10% compared with last year. The medical applications slowed down, even taking new medical projects in Europe and North America into account. The test & measurement applications have recorded decreasing investments towards the end of the financial year.

In financial year 2014/15, we intend to increase marketing activity globally in order to win additional market share in existing applications and target emerging applications such as smart grid. We will continue to launch new, innovative products. The smooth transfer of production lines to our new site in Sofia will be our main challenge.

Automotive segment

Sales in the Automotive segment reached CHF 34.6 million in financial year 2013/14, a decrease of 1.2% compared to the previous year. At constant exchange rate, sales grew by 2.9%. The disappointing performance is the result of below-expectations growth in the green cars market, delayed launches of new platforms and slow growth of vehicle production in Europe and North America. Segment sales in North America were stable (+0%) while China grew by 17%. Sales in Europe grew by 3%. Our regional split remained largely unchanged. North America was the most important region for us with a share of 52%. Asia accounted for 39% and Europe for 9% of total sales. Similar to the Industry segment, China is becoming increasingly important, representing 20% of sales. EBIT reached CHF 4.8 million in financial year 2013/14, an increase of 9.7% compared to the previous year. The EBIT margin was 14.0% compared to 12.7% in financial year 2012/13.

The automotive industry set another production volume record in 2013. Globally, 87.3 million vehicles have been produced in 2013, reflecting an increase of 3.6% compared with 2012. However, growth pattern varied between the major regions. Activity was flat in Europe (-0.3%), decreasing in Japan (-3.1%) and growing in North America (+4.3%). Output in China grew by 14.8% to over 22 million vehicles. Production of green cars stagnated as they are still more expensive than conventional cars. We are observing that large car manufacturers have given high priority to investments in efficiency increases for conventional cars, i.e. internal combustion engine optimization, and downsizing. This includes investment in sophisticated start/stop-applications. For the foreseeable future, conventional cars will remain the dominant technology, while hybrid vehicles are expected to be the first alternative.

In financial year 2013/14, we developed our sales organization by increasing sales and technical support resources in our main markets. This will allow us to improve relationships with customers during the development and production phase of new platforms. In R&D we set the focus on developing smaller products that are easier to implement while reducing total cost for our customers.

In the conventional cars business, our sales grew by 4% compared with financial year 2012/13. We achieved this result thanks to solid demand for our battery management solution. The start/stop application was stable. We recorded growth in the U.S., China and Japan.

The green cars business suffered from the general weak trend in this market segment. In financial year 2013/14, our sales decreased by 19% compared with the previous year. We were disappointed by the trend in North America, but recorded considerable growth with hybrid applications in Europe.

In financial year 2014/15, we will increase investments in market presence and R&D. We are convinced that the green cars business has great potential for LEM and remains a priority for the company.

Strategy implementation

We regularly run market surveys that allow us to better gauge customer needs, and identify new markets and technologies. These findings support us in implementing our key strategic initiatives. In this reporting year we conducted a world-wide technology survey to identify and validate promising new technologies for the next innovation cycle:

– Increase technological leadership

We continue to renew our product portfolio to offer increased performance, new functions and reduced cost for our customers. At the same time, we design products for the most efficient assembly at our sites. Miniaturization and standardization are the core trends in product development. Our goal is to reduce the complexity of product design, supply chain and manufacturing.

In financial year 2013/14, we developed a new ASIC as a building block for future products that will allow for more efficient product development going forward. We have launched eight new products, six for industry applications and two for automotive applications. For smart grid applications, we have launched the TOP 90-S, a split-core current sensor for easy mounting, and the RT 500, a product using Rogowski coil measurement technology with high external field immunity. The RT 500 will provide accurate measurement for activities such as billing services while the TOP 90-S is targeted to be used in industrial smart grid management applications. The new ITL1200 is a high-precision transducer for a new generation of MRI (Magnetic Resonance Imaging) devices, measuring higher currents at constant performance. The new HO xx-P for industrial applications offers new functions and a large hole for cable, PCB-mounting design and contactless measurement. The DVL Voltage has a robust design for harsh environments in traction applications. It offers new technology for digital isolation and improved sensitivity to magnetic fields. The customer-specific transducer HFWS 125 is very small for the current being measured. It communicates through the microcontroller and the serial interface. For green cars applications, we launched the HC5FW, an open loop transducer for inverters, starter generators and converters, offering improved performance at lower price. The open loop transducer DHAB V2 offers cost-efficient management of lithium batteries for electric and hybrid vehicles.

We are developing our network of partnerships with universities, research institutes and associations. We became a member of Electrosuisse in order to participate in international standard setting and started collaborating with the European Center for Power Electronics, which will define a European power electronics "R&D road map to 2025."

Going forward we will keep up the high pace of product launches. To this end, we intend to increase resources and our R&D spend, and increase investments in machinery and tooling.

– Increase efficiency of operations

In October 2013 we inaugurated our fourth production site in Sofia, Bulgaria. This is a major milestone for us. The site not only diversifies our cost-competitive production capacities but will also facilitate a major part of LEM's future growth. This European site will allow us to transfer production at an earlier phase than before, and to build up complementary industrialization and development competencies near our Swiss headquarter.

After the first six months of operations, we are very pleased that the ramp up of production is on track and that we have obtained delivery approvals from customers for the new site. Product quality, productivity and service level are on par with all other sites.

– Increase production flexibility

Our customers' preference for short-term orders remained a key challenge. We have achieved a high level of flexibility as evidenced by our high service level to customers. Compared to financial year 2012/13 we have further improved our OTD (on time delivery) ratios. The introduction of a new forecasting system will allow further progress. With our differentiated approach in the supply chain model, we are able to accommodate the specific characteristics of individual customers.

Responsibility

Like every year, we have renewed ISO 9000, ISO 14001 and ISO TS certifications for our production sites. For the first time, LEM Bulgaria was part of the certification renewal process. In financial year 2013/14, we introduced a new Code of Conduct that is applicable group wide. We will also ask our business partners and suppliers to comply with these standards.

In financial year 2013/14, we made investments to reduce our ecological footprint. We replaced company cars with hybrid or electric vehicles whenever possible. We installed a water recycling system in Geneva for water used in the cooling system for thermal tests, reducing water consumption by 80%. In China we replaced the traditional incandescent lighting system with new LED or fluorescent lights, reducing electricity consumption by 8%. In Sofia we leased a building with solar panels on the roof with a capacity of 330 kW. Today the solar installation covers the plant's entire electricity needs. When in full operation, the solar installation is expected to cover about one third of the electricity consumption. In addition we improved the insulation of the building.

Employee engagement

Based on the last year's survey, we designed tailor-made training programs for members of middle management. Our focus was to support middle management in coping with the increasingly challenging pace of change in a global organization like ours. Otherwise our training initiatives focused on specific skills in technologies, materials and processes.

Throughout the year we received employee feedback on motivation and satisfaction levels. We found that the three main reasons to work for LEM are work content, work climate and performance recognition.

As at 31 March 2014 LEM counted 1'241 employees (FTEs) with 25 nationalities in 16 countries. The share of women/men was 51%/49% compared with 53%/48% one year ago. Diversity and equality are key elements of our corporate culture.

Outlook

The economic perspective have improved. We expect a modest pick up in Europe and North America while performance in China should remain robust. We believe that we are well positioned to capitalize on an improving economic environment in our Industry segment. Our new products will provide additional tailwind. Still, competition remains fierce with overcapacities and price pressure prevalent in most market segments. The Automotive segment is expected to resume growth, backed by growing global vehicle production and market share gains in the green cars business.

Roller Coaster

Modern roller coasters use less and less traditional chain lift. The ride is maintained by gravity.

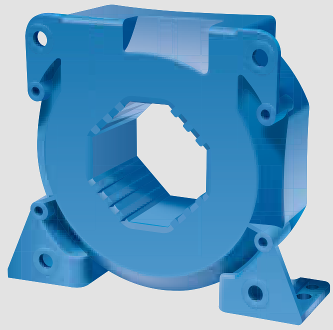
The initial acceleration energy is provided via one or several linear motors, catapults, or other mechanisms replacing hydraulic or pneumatic power. These latest technologies create faster and more action-packed rides.

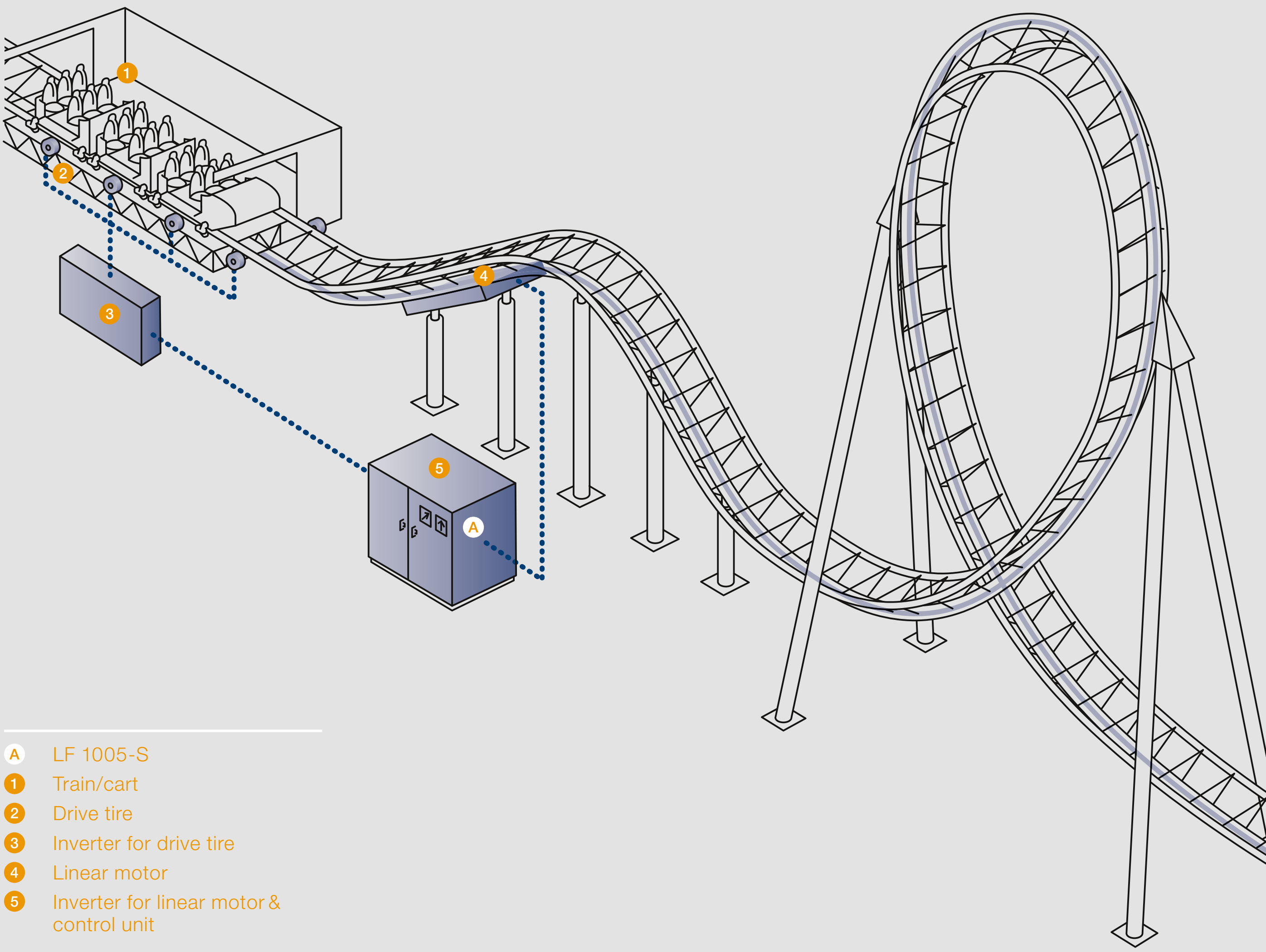
From departure, the train (1) is moved slowly by drive tires (2) with inverters (3) along the line to the acceleration area where linear motors (4) are used. In case of linear motors (4) the propulsion of the carts along the track at various stages is managed using electromagnetic fields (electromagnets) that require high currents.

A linear motor has unrolled stator (fixed part) and rotor (moving part). The stator of the motor is the train track (some sections) and the rotor is basically the cart. The current is provided to the motor, which propels the carts (1). This method contributes to a better control of overall ride performance and to reach high speed in a short time.

These electrical linear motors enable the various torques and accelerations in time and duration. The motors are controlled by electrical drives (5) via the currents supplied. The current transducers (A) give the feedback to the control loop in order to ensure the right accelerations independently of the load and friction of the train.

LF 1005-S





A LF 1005-S
1 Train/cart
2 Drive tire
3 Inverter for drive tire
4 Linear motor
5 Inverter for linear motor & control unit

LEM's Core Values

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

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

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

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

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

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

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

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

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

Corporate Governance Report

The following information complies with the Corporate Governance Directive of the SIX Swiss Exchange (SIX) and the disclosure rules of the Swiss Code of Obligations. In order to enhance the clarity of this chapter, reference is made to other parts of the Annual Report and our website (www.lem.com). Key elements are contained in the Articles of Incorporation revised 28 June 2012.

1 Group structure and shareholders

Group structure

LEM Holding SA is domiciled at Avenue Beauregard 1, CH-1700 Fribourg. LEM's registered shares are listed on the main segment of the SIX Swiss Exchange (LEHN, security no. 2 242 762; ISIN 0022427626). On 31 March 2014, the market capitalization was CHF 801 million.

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

Significant shareholders

On 31 March 2014, the following shareholders held 3% or more of the share capital and voting rights:

In number of shares/options, per cent of shareholding	31.3.2014				31.3.2013			
	Shares	Options	Position	In %	Shares	Options	Position	In %
Werner O. Weber and Ueli Wampfler, in Zollikon/Wollerau, Switzerland, through WEMACO Invest AG and Swisa Holding AG, in Zug/Cham, Switzerland	403'500	100'000	503'500	44.2%	398'500	50'000	448'000	39.3%
Ruth Wertheimer, in Kfar, Israel, through 7-Industries Holding B.V., in Amsterdam, Netherlands	141'581	N/N	141'581	12.4%	144'581	N/N	144'581	12.7%
Montanaro Asset Management Ltd, in London, United Kingdom	85'608	N/N	85'608	7.5%	69'071	N/N	69'071	6.1%
Sarasin Investmentfonds AG, in Basel, Switzerland	80'979	N/N	80'979	7.1%	90'320	N/N	101'044	7.9%
Erwin Studer and Joraem de Chavonay, in Zollikon/Zug, Switzerland	94'000	(100'000)	(6'000)	(0.5%)	97'000	N/N	89'500	4.1%
Amerprise Financial Inc., in Minneapolis, USA, through Threadneedle Asset Management Ltd, in London, United Kingdom	N/A	N/N	N/A	<3%	38'216	N/N	56'777	3.4%
Total shareholders < 3%	**334'332**	**N/N**	**334'332**	**29.3%**	**302'812**	**N/N**	**302'812**	**26.6%**
Total	**1'140'000**	**0**	**1'140'000**	**100.0%**	**1'140'000**	**0**	**1'140'000**	**100.0%**

N/N = none notified; N/A = not applicable

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

Cross-shareholdings

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

2 Capital structure

Capital and shares

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

On 31 March 2014, LEM Holding SA held 1'084 treasury shares.

Authorized and conditional capital

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

3 The Board of Directors

Election, terms of office and cross-involvement

The Board of Directors is comprised of at least three members who are individually elected at the ordinary shareholders' meeting for a mandate of one year, which is renewable up to an age limit of 70. The Board constitutes itself and the Chairman is nominated by the Board.

At the ordinary shareholders' meeting on 27 June 2013, Ilan Cohen, Andreas Hürlimann, Peter Rutishauser and Ueli Wampfler were reelected as members of the Board of Directors. Norbert Hess was newly elected as member of the Board of Directors. Andreas Hürlimann was named as Chairman of the Board; Peter Rutishauser maintained the Vice Chairmanship. All members of the Board are nonexecutive and have at no time been part of the executive management of LEM. Furthermore, they have no significant business connections with LEM Group.

The Board of Directors was comprised of the following members as of 31 March 2014:

Andreas Hürlimann

Nationality Swiss

Born in 1964

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

Entry 2011

Professional background

Since 2011, Independent board professional and entrepreneur

2005 – 2010, Managing Director, Spencer Stuart, Zürich

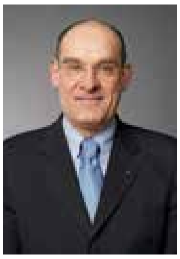
1999 – 2005, Global Director of Industry Practices and Member of the Executive Board, Arthur D. Little Inc., London and Paris

1990 – 1999, International Marketing and Sales Management roles with Siemens Schweiz AG, ABB Kraftwerke AG and Oerlikon Aerospace Inc., Zürich, Baden, Montreal

Other notable activities

- None

Education M. Sc. Electrical Engineering, ETH Zürich



Peter Rutishauser

Nationality Swiss

Born in 1956

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

Entry 2003

Professional background

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

Other notable activities

- Delegate of the Board of Directors, Equatis AG, Zürich
- Member of the Board of Directors, Pavatex AG, Fribourg

Education Dr. sc. nat., ETH/Lic. oec., HSG

Ilan Cohen

Nationality Israeli

Born in 1956

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

Entry 2010

Professional background

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

2008 – 2009, General Manager, Kollmorgen Industrial & Commercial Engineered Solutions Ltd. (Danaher Group)

1997 – 2008, President and CEO, Kollmorgen Servotronix Ltd.

1987, Founder, Servotronix Ltd.

1983 – 1990, Associate professor, University of Tel Aviv, Israel

Other notable activities

- Board member, Servotronix Motion Control Ltd., Israel
- Chairman, Negba network of houses of hope for children at risk, Israel

Education

Ph. D. Control System, Ecole Polytechnique de Bruxelles, Belgium

MSEE, CALTECH Pasadena, USA

M. Sc. and BSEE Electro-mechanical engineer, Ecole Polytechnique de Bruxelles, Belgium

Norbert Hess

Nationality German

Born in 1960

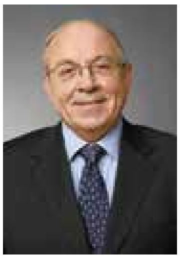
Position Member of the Board of Directors, Member of the Audit & Risk Committee

Entry 2013

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

Other notable activities
- None

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



Ueli Wampfler

Nationality Swiss

Born in 1950

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

Entry 2007

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

Other notable activities
- Chairman of the Board of Directors, Swisa Holding AG, Cham (Swisa Group); Mercedes-Benz Automobil AG, Schlieren; Merbag Immobilien AG, Schlieren; Remi Finanz- und Verwaltungs AG, St. Gallen
- Member of the Board of Directors, Caspar Finanz AG, Zug (Traco Power Group); Merbag Holding AG, Cham; Rebew AG, Zürich

Education Lic. oec., University of Zürich/Certified auditor

Internal organizational structure

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

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

Definition of areas of responsibility

The Board of Directors delegates the management of the company to the CEO to the fullest extent permitted by the Swiss Code of Obligations. The Board of Directors reviews and assesses at least on an annual basis and takes decisions in the following areas:
- review and approval of the strategy, business plan, annual business objectives and budget for the LEM Group;
- approval of creation/closing of any subsidiary and purchase/sale of any interest in any company or entry into any merger or joint venture agreement;
- appointment/dismissal of the Executive Management;
- monitoring the ethical and legal behavior of LEM;
- review of human resources management, including co-worker satisfaction and management development and legal, intellectual property, social and environmental aspects.

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

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

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

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

Business risk management

In compliance with article 663b of the Swiss Code of Obligations, LEM is using a standardized procedure to analyze its business risks. LEM's risk management covers all types of risk: financial, operational and strategic – including the external business environment, compliance and reputational aspects.

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

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

Internal control system

In compliance with article 728 a/b of the Swiss Code of Obligations, LEM has put in place an internal control system.

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

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

Committees

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

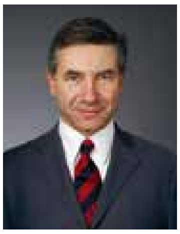
- The primary objective of the Audit & Risk Committee (ARC) is to provide the Board of Directors with effective support in financial matters, in particular the selection and supervision of the external auditor, assessment of the effectiveness, compliance and clarity of the Group financial reporting and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

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

4 Executive Management

The Executive Management was comprised of the following members as of 31 March 2014:



François Gabella

Nationality Swiss

Born in 1958

Function CEO LEM Group

With LEM since 2010

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

Education M. Sc. Microtechnics EPFL, MBA IMD

Julius Renk

Nationality German

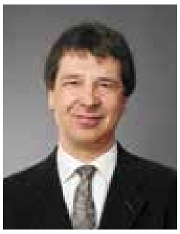
Born in 1970

Function CFO

With LEM since 2009

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

Education Lic. oec. HSG, CEMS Master in International Management



Luc Colombel

Nationality French

Born in 1959

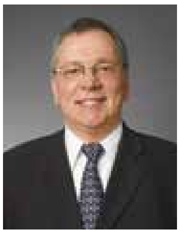
Function Vice President, Automotive

With LEM since 1996

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

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

Education Engineer ESIGELEC



Hans-Dieter Huber

Nationality German

Born in 1959

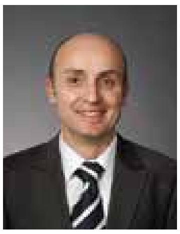
Function Vice President, Industry

With LEM since 1995

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

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

Education Graduate Electrical Engineer, Berufsakademie Mannheim



Jean-Marc Peccoux

Nationality French

Born in 1966

Function Vice President, R&D and IP

With LEM since 2001

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

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

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

Simon Siggen

Nationality Swiss

Born in 1967

Function Vice President, Operations

With LEM since 2002

Previous functions
2002 – 2005, Operations Manager Geneva site

Previous companies and positions
- Business Segment Director, Leclanché

Education Engineer EPFL, Master in Logistics EPFL

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.

Management contracts

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

5 Compensation and shareholdings

Please refer to the section "Compensation Report" following on page 25.

6 Shareholders' participation rights

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

Voting rights and representation restrictions and inscription in the share register

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

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

Statutory quorums

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

Convocation of the general meeting of shareholders

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

7 Change of control and defensive measures

Opting-out clause

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

Clauses of changes of control

There is no particular clause in the Articles of Incorporation for changes of control. If dismissed in the case of a change of control of the company, one member of the Executive Management will receive additional severance payments equal to 6 months remuneration.

8 Auditors

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

Ernst & Young charged the following fees for professional services rendered for the 12-month period ending 31 March 2014:

Type of service

In CHF thousands	2013/14
Audit services	319
Tax services	10
Total	**329**

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

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

During 2013/14 Ernst & Young attended two regular ARC meetings.

9 Information policy

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

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

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

10 Key changes expected in 2014

The Ordinance against Excessive Compensation with respect to Listed Stock Corporations was published on 20 November 2013. The Ordinance entered into force on 1 January 2014, subject to transitional provisions, and applies until the Swiss Federal Parliament legislates. LEM implements the requirements in accordance with the timeline specified in the Ordinance and will comply earlier than required where practical.

Compensation Report

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

In brief:

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

- Compensation of the Board of Directors
  The compensation of the Board of Directors consists exclusively of a fixed fee paid in cash. There is no additional variable compensation. The total compensation for the Chairman and the members of the Board of Directors depends on the amount of responsibility and all work related to the Board of Directors membership such as Committee activity.

- Compensation of the Executive Management
  In order to encourage and reward results that contribute to the sustainable long-term success of LEM, the total compensation of the Executive Management consists of three elements: base salary, bonus according to the LEM incentive system (LIS) and nonwage compensation. The target-setting process for the LIS is carried out on an annual basis and includes quantitative and qualitative performance criteria, such as financial results of LEM.

- Changes to the compensation policies
  In 2013/14 we have formally adjusted the policies in order to increase understandability and enhance communication with Management and employees.

  At the next ordinary shareholders' meeting, shareholders will be asked to approve proposed changes to the Articles of Incorporation in order to comply with the “Ordinance against Excessive Compensation in Public Corporations.” The proposal is available on our website, as well as documents explaining the changes in detail.

1 Board of Directors

1.1 General principles for compensation of nonexecutive Directors

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

1.2 Remuneration of nonexecutive Directors

The Board of Directors has decided to adopt a remuneration scheme with a fixed fee paid in cash in the amount of CHF 200'000 for the Chairman, CHF 100'000 for the Vice Chairman and CHF 80'000 for each member. Committee activity will be compensated with CHF 40'000 for the Committee's chairman and with CHF 20'000 for its members.

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

2013/14

In CHF thousands	Annual salary	Additional fees
Andreas Hürlimann[1, 6, 7]	260	15
Peter Rutishauser[2, 5, 8]	160	15
Ilan Cohen[8]	100	0
Norbert Hess[4]	100	0
Ueli Wampfler[3]	120	0
Total	**740**	**30**

2012/13

In CHF thousands	Annual salary	Additional fees
Felix Bagdasarjanz[1]	200	0
Ilan Cohen[4]	100	20
Andreas Hürlimann	80	95
Anton Lauber[6]	100	0
Peter Rutishauser[2, 5]	150	15
Ueli Wampfler[3]	110	0
Total	**740**	**130**

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

Compensation of former members

In financial year 2013/14, no compensation was paid to former members of the Board of Directors.

1.3 Shareholdings of nonexecutive Directors

	31.3.2014		31.3.2013	
In number of shares/options	Number of shares held	Number of options held	Number of shares held	Number of options held
Board of Directors				
Andreas Hürlimann	724	0	505	0
Peter Rutishauser	2'606	0	2'606	0
Ilan Cohen	140	0	140	0
Norbert Hess	0	0	N/A	N/A
Ueli Wampfler	30'500	30'000	28'000	10'000
Felix Bagdasarjanz	N/A	N/A	1'736	0
Anton Lauber	N/A	N/A	424	0
Total	**33'970**	**30'000**	**33'411**	**10'000**

Ueli Wampfler has acquired 30'000 options on LEM shares from the shareholder group Studer/Chavonay.

2 Executive Management

2.1 General principles for compensation of Executive Management

Remunerations for the Executive Management are approved by the Board of Directors upon recommendation by the CEO and the NCC. The remuneration of the CEO is proposed by the Chairman for approval by the Board of Directors. The remuneration of the Executive Management is reviewed on an annual basis. The total annual compensation is part of the manager's contract.

The total compensation for the Executive Management consists of three elements:
1. Base salary
2. Bonus according to the LEM Incentive System (LIS)
   LIS part 1: short-term bonus related to the individual's function and responsibility
   LIS part 2: long-term bonus related to the financial performance of LEM Group
3. Nonwage compensation

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

2.1.1 Base salary of Executive Management

Base salaries are fixed amounts of cash paid monthly.

2.1.2 Bonus of Executive Management

LEM Incentive System

The target-setting process for the LEM Incentive System (LIS) is part of the LEM performance management and is carried out on an annual basis. All bonus payments are made in cash and after the finalization of the respective year-end closing based on the annual accounts and the personal performance review. Objectives and performance evaluation are prepared by the Chairman of the Board of Directors for the CEO, by the Audit & Risk Committee (ARC) for the CFO and by the NCC for other Executive Managers. The final approval is given by the Board of Directors.

LIS part 1: short-term bonus related to the individual's function and responsibility

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

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

In order to guarantee consistency of the target-setting process within LEM group, the key objectives for the financial year will be defined by the CEO together with Executive Management at the beginning of each business year.

LIS part 2: long-term bonus related to the financial performance of LEM group

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

The new forward-looking EVA objective is approved annually by the Board of Directors based on a proposal by the NCC and following the annual closing. The proposal of the new objective has to be presented in the context of the historical performance and the respective three-year financial plan of LEM.

The maximum value of the annual long-term bonus related to LIS part 2 amounts to 25% of the base salary for the Executive Management, 20% for the CFO and 40% for the CEO.

The calculation of the LIS part 2 shows a 34% attribution for financial year 2013/14. Given LEM's record performance in financial year 2013/14, the Board of Directors increased the amount and awarded a discretionary 44% to Management, bringing the total LIS part II attribution to 88%.

2.1.3 Nonwage compensation of Executive Management

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

Executive Management benefits from the Swiss pension plan, a defined contribution plan that provides retirement benefits and risk insurance for death and disability. Under IFRS, this plan is considered as a defined benefit plan. The insured salary is based on LPP Swiss law and is without limitation on the amount. The pension fund is funded by contributions from the company and the insured employees. The average contribution ratio is 43% by the employee and 57% by the company.

2.2 Remuneration of Executive Management

2013/14

In CHF thousands	Annual salary compen-sation	Annual bonus compensation[1]	Company's contribution to pension fund	Total compensation
François Gabella, CEO	480	414	59	953
Executive Management (excl. CEO)	1'257	697	113	2'067
Total Executive Management	**1'737**	**1'110**	**173**	**3'020**

2012/13

In CHF thousands	Annual salary compen-sation	Annual bonus compensation[1]	Company's contribution to pension fund	Total compensation
François Gabella, CEO	450	329	49	828
Executive Management (excl. CEO)	1'248	583	112	1'943
Total Executive Management	**1'698**	**912**	**161**	**2'770**

[1] The annual bonus compensation is shown with the accrual for the performance of the corresponding year, to be paid out in the following year. All other elements are shown as paid out.

Compensation of former members

In financial year 2013/14, no compensation was paid to former members of the Executive Management.

2.3 Shareholdings of Executive Management

Executive Management	31.3.2014		31.3.2013	
In number of shares/options	Number of shares held	Number of options held	Number of shares held	Number of options held
François Gabella, CEO	150	0	360	0
Julius Renk, CFO	140	0	40	0
Luc Colombel, Vice President, Automotive	2'100	0	2'100	0
Hans-Dieter Huber, Vice President, Industry	1'265	0	1'265	0
Jean-Marc Peccoux, Vice President, R&D and IP	1'500	0	1'500	0
Simon Siggen, Vice President, Operations	1'100	0	1'100	0
Total	**6'255**	**0**	**6'365**	**0**

As per 10 April 2014, the CEO holds 400 shares of LEM Holding SA.

Hybrid Loader

A hybrid loader boosts fuel economy by up to 25% and increases the system performance.

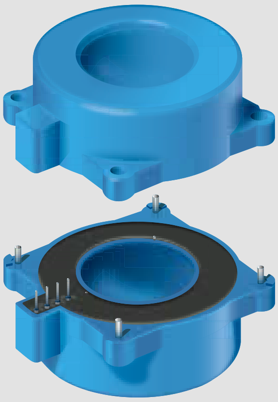
The special internal combustion engine (1) drives an AC generator (2) and hydraulic pumps for the bucket moves. The generator converts the engine's mechanical energy into electrical energy, which is converted by the inverter (drive) (3) to supply the electrical motor (4) to drive the transmission (5) and the wheels. The drive also inverts the main battery voltage into an AC voltage applied to the electrical motor and manages the electrical motor consumption based on the operator requirements. The energy may come either from the generator or the battery.

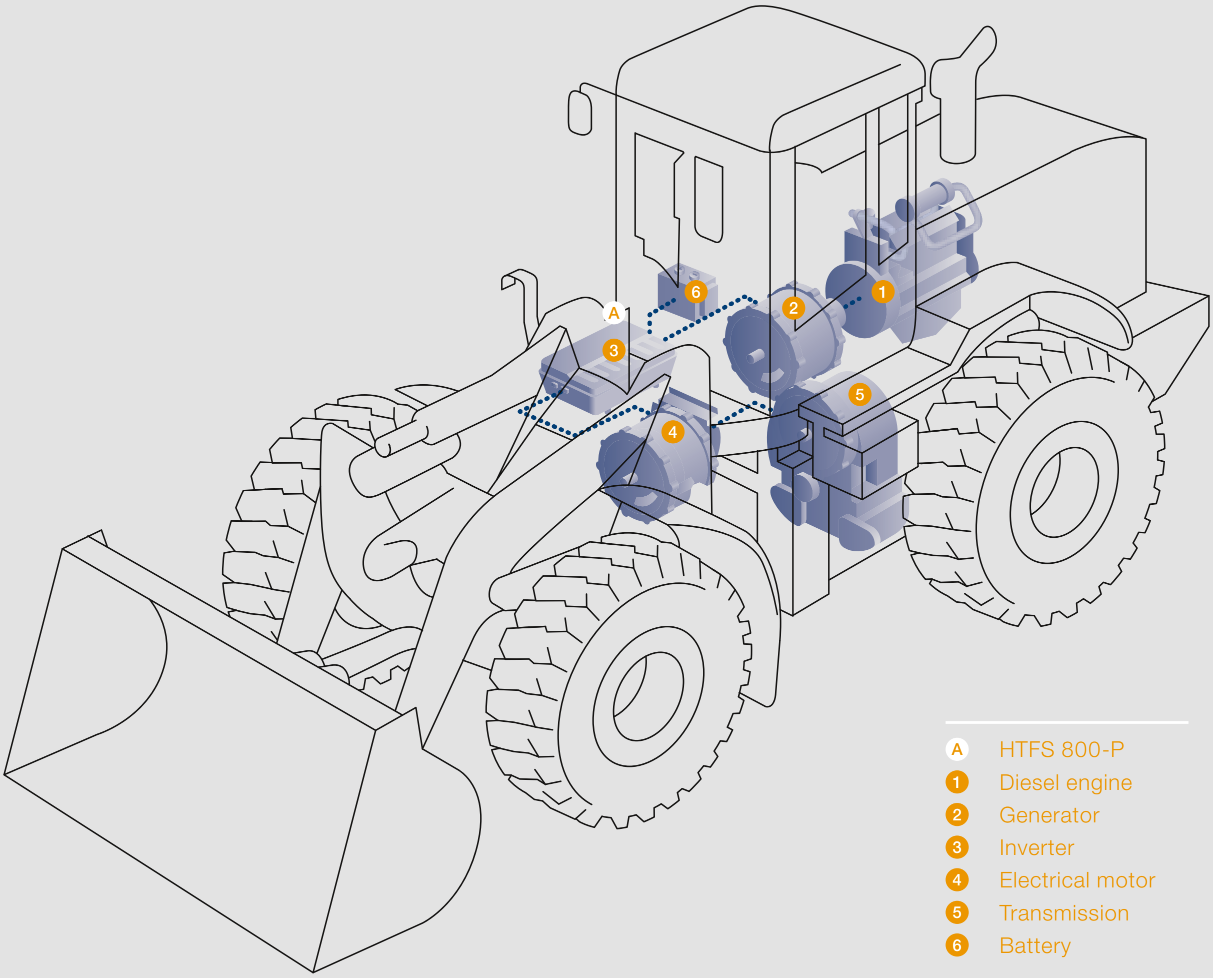
The hybrid electric drive recaptures energy when the operator lets off the accelerator. This reduces the load to the engine reducing fuel consumption at the same time. In addition, this technology is less than half as loud as a conventional loader, both inside and outside the cab.

In the regenerative front end, the motor generates energy, which is converted to a DC voltage necessary to charge the battery cells (6).

The currents are measured with current transducers (A) to control the inverter. The accuracy of the current measurements allows to maximize the motor torque and overall motor efficiency. The transducers also enable the control system to sense overcurrent situations signaling a potential defect.

HTFS 800-P





A HTFS 800-P
1 Diesel engine
2 Generator
3 Inverter
4 Electrical motor
5 Transmission
6 Battery

Financial Review

Highlights

- At CHF 45.6 million, LEM shows the best net profit for the year in its history (18.6% of sales)
- All-time high operational profitability at 22.7% on 245.6 million sales
- Low tax rate of 16.0%
- Strong free cash flow of CHF 31.9 million
- Increase in inventories of CHF 4.9 million to facilitate on-time deliveries
- Proposed dividend pay-out of CHF 45.6 million, corresponding to 99.8% of net earnings for 2013/14

In CHF thousands, %	2009/10	2010/11	2011/12*	2012/13**	2013/14
Sales	**185'512**	**296'203**	**236'334**	**234'953**	**245'638**
Sales growth LEM Group	(5.7%)	59.7%	(20.2%)	(0.6%)	4.5%
Sales growth Industry	(6.1%)	59.7%	(23.6%)	(4.0%)	5.5%
Sales growth Automotive	(1.0%)	59.8%	19.1%	24.8%	(1.2%)
Gross margin	**80'436**	**126'299**	**92'299**	**98'557**	**115'371**
Gross margin in % of sales	**43.4%**	**42.6%**	**39.1%**	**41.9%**	**47.0%**
Sales, General and Administration expense	(43'088)	(51'855)	(44'716)	(43'008)	(45'202)
SG&A in % of sales	(23.2%)	(17.5%)	(18.9%)	(18.3%)	(18.4%)
R&D expense	(11'542)	(14'031)	(13'412)	(14'722)	(14'441)
R&D in % of sales	(6.2%)	(4.7%)	(5.7%)	(6.3%)	(5.9%)
Operational EBIT	**25'806**	**60'413**	**34'171**	**40'828**	**55'728**
Operational EBIT growth	(11.7%)	134.1%	(43.4%)	19.5%	36.5%
Operational EBIT in % of sales	13.9%	20.4%	14.5%	17.4%	22.7%
Operational EBIT as % of sales Industry	15.7%	21.1%	14.3%	18.2%	24.1%
Operational EBIT as % of sales Automotive	(6.9%)	12.0%	15.4%	12.6%	14.0%
Additional stock option plan costs/income	(8'285)	(5'426)	315	0	0
EBIT	**17'521**	**54'987**	**34'486**	**40'828**	**55'728**
Financial result	(1'355)	(4'622)	(1'962)	(1'514)	(1'379)
Income tax	(5'635)	(10'722)	(4'037)	(6'914)	(8'709)
Effective tax rate	(34.9%)	(21.3%)	(12.4%)	(17.6%)	(16.0%)
Net profit for the year	**10'532**	**39'643**	**28'487**	**32'400**	**45'641**
Net profit growth	(56.0%)	276.4%	(28.1%)	13.7%	40.9%
Net profit in % of sales	5.7%	13.4%	12.1%	13.8%	18.6%

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

Sales

LEM's sales increased by 4.5% to CHF 245.6 million in financial year 2013/14. At constant exchange rates, sales increased by 7.1%. The unfavorable currency impact stems from the depreciation of the Japanese yen and the U.S. dollar against the Swiss franc, on a yearly average.

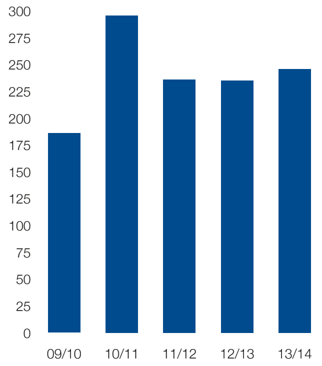
Operational profitability

The gross margin increased 5.1 percentage points to 47.0%. The main reasons for this development are continued operating savings in cost of goods sold. In financial year 2012/13 the gross margin included a restructuring charge of CHF 1.8 million linked to the relocation of production lines to Bulgaria. Most of the provision has been used in financial year 2013/14 (CHF 1.3 million); the outstanding amount in the balance sheet of CHF 0.5 million is expected to be used in financial year 2014/15.

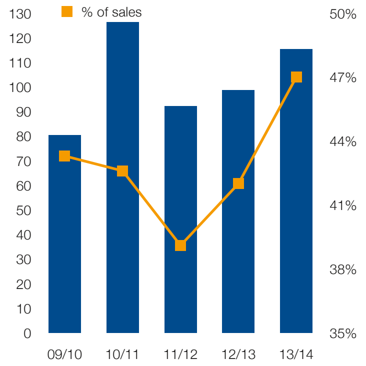
Our pension fund has decided to decrease the pension conversion ratio in the future, generating a positive one-off impact of CHF 1.3 million on EBIT.

The EBIT margin was at an all-time high at 22.7%. We achieved this result thanks to a strong market position, continued operational excellence and low-cost manufacturing.

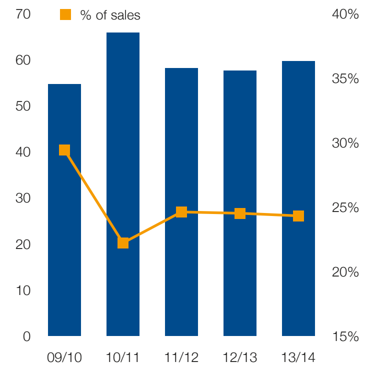
Net sales
In CHF millions



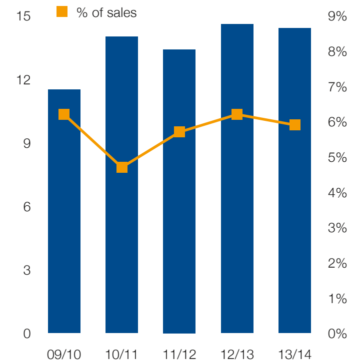
Gross margin
In CHF millions



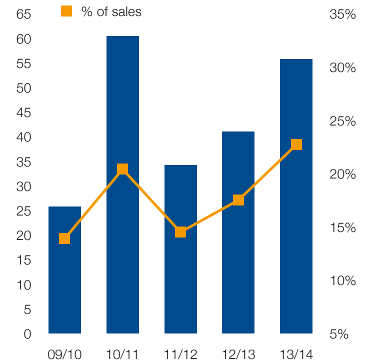
Operating expenses (incl. R&D exp.)
In CHF millions



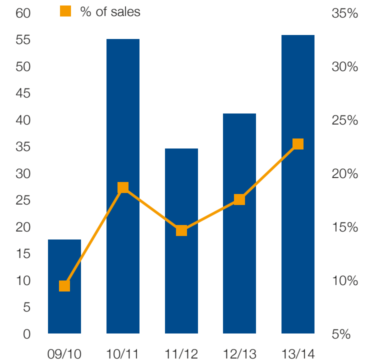
R&D expenses
In CHF millions



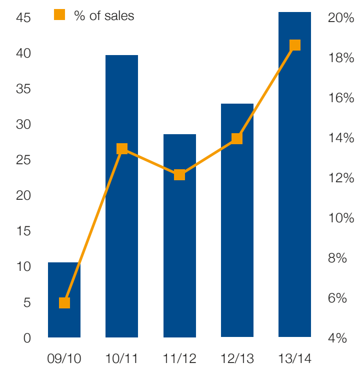
Operational EBIT
In CHF millions



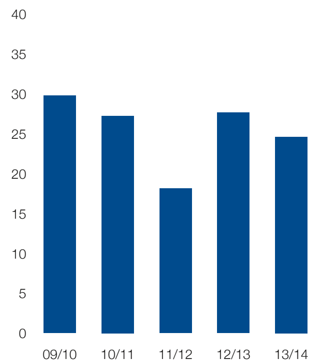
EBIT
In CHF millions



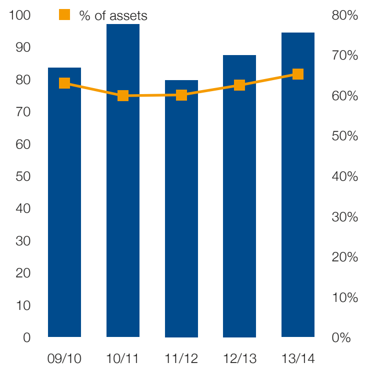
Net earnings
In CHF millions



Net financial assets
In CHF millions



Equity and equity ratio
In CHF millions



Taxes

LEM has taken the strategic decision not to increase its R&D activities at LEM China. As a consequence LEM considers that it will not fulfill the conditions for the High and New Technology Enterprise (HNTE) status in 2014. This has generated a negative impact of (0.6) percentage points (for one quarter of the financial year) on the expected tax rate. On the other hand, this has generated a one-off positive impact of 2.9 percentage points through a revaluation of the deferred tax assets. Even taking into account these last developments in China, LEM recorded a substantial reduction of the effective tax rate over the last five years.

Net profit for the year

Net profit for the year was CHF 45.6 million, 40.9% higher than last year. Net profit represented 18.6% of sales, an all-time high for LEM. This even outperforms the financial year 2010/11 when sales amounted to CHF 296.2 million and net profit for the year was CHF 39.6 million.

In CHF thousands, %	31.3.2010	31.3.2011	31.3.2012*	31.3.2013**	31.3.2014
Balance Sheet analysis					
Net working capital	23'998	39'391	29'073	23'183	38'707
Fixed assets	35'719	37'508	37'683	36'771	37'803
Noncurrent liabilities	(6'092)	(6'599)	(5'316)	(3'534)	(6'887)
Net operating assets	**53'624**	**70'300**	**61'440**	**56'420**	**69'622**
Net cash/(debt)	29'754	26'613	18'121	27'629	24'581
Equity	**83'379**	**96'913**	**79'561**	**84'049**	**94'203**
Equity ratio	62.9%	59.8%	60.0%	61.9%	65.1%
DSO – Days of Sales Outstanding	75	66	58	60	65
DIO – Days of Inventory Outstanding	76	73	67	63	80
DPO – Days of Payables Outstanding	76	59	41	41	49

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

Balance sheet

In financial year 2013/14, LEM has increased its net working capital by CHF 15.5 million from a somehow overoptimized 2012/13 net working capital of CHF 23.2 million to a more sustainable CHF 38.7 million. The development can mainly be explained by the increase of inventories by CHF 4.9 million in order to be able to better react to short-term demand and the income tax payable decrease of CHF 4.7 million.
Net financial assets (cash minus financial liabilities) decreased from CHF 27.6 million to CHF 24.6 million. On 31 March 2014, LEM had no interest-bearing financial liabilities.
The balance sheet has further strengthened and presents an equity ratio of 65.1% (prior year 61.9%).

Cash flow

Free cash flow of CHF 31.9 million slightly decreased compared to prior year (CHF 35.8 million), given the net working capital developments.

Dividend

The proposed dividend of CHF 40 per share compares to an earnings per share of CHF 40.09 and represents a payout ratio of 99.8%. It is CHF 10 higher than last year and expresses the confidence in LEM's financial strength.

LEM Group

Consolidated Financial Statements

Consolidated Statement of Financial Position

Assets In CHF thousands	Notes	31.3.2014	31.3.2013*	01.4.2012*
Current assets				
Cash and cash equivalents		24'581	27'629	21'121
Accounts receivable	4	48'290	43'080	42'140
Inventories	5	28'495	23'619	26'605
Income tax receivable		802	1'264	2'009
Other current assets	6, 21	4'704	3'521	2'956
Total current assets		**106'872**	**99'113**	**94'831**
Noncurrent assets				
Deferred tax assets	18	4'103	3'828	3'696
Property, plant and equipment	7	25'180	25'373	24'173
Intangible assets	8	5'755	5'900	6'657
Other noncurrent assets	9, 21	2'765	1'669	495
Total noncurrent assets		**37'803**	**36'771**	**35'021**
Total assets		**144'675**	**135'884**	**129'852**

Liabilities and equity In CHF thousands	Notes	31.3.2014	31.3.2013*	01.4.2012*
Current liabilities				
Accounts payable	10	19'483	17'038	17'863
Accrued expenses		16'133	14'900	14'855
Income tax payable		6'579	11'319	8'244
Current provisions	11	1'070	3'668	3'043
Current financial liabilities	24			3'000
Other current liabilities	12	319	1'377	632
Total current liabilities		**43'584**	**48'301**	**47'637**
Noncurrent liabilities				
Noncurrent provisions	11	2'886	1'250	457
Deferred tax liabilities	18	3'607	1'671	3'614
Other noncurrent liabilities	12, 21	394	613	1'644
Total noncurrent liabilities		**6'887**	**3'534**	**5'715**
Total liabilities		**50'471**	**51'835**	**53'352**
Equity				
Share capital	13	570	570	570
Treasury shares	13	(745)	(765)	(1'984)
Reserves	13	9'298	12'250	11'425
Retained earnings		85'081	71'993	66'489
Total equity		**94'203**	**84'049**	**76'500**
Total liabilities and equity		**144'675**	**135'884**	**129'852**

* Restatement following IAS 19R application (pensions)

Consolidated Income Statement

In CHF thousands	Notes	April to March 2013/14	2012/13*
Sales		245'638	234'953
Cost of goods sold	14	(130'267)	(136'396)
Gross margin		**115'371**	**98'557**
Sales expense	14	(24'526)	(22'389)
Administration expense	14	(20'881)	(20'762)
Research & development expense	14	(14'441)	(14'722)
Other expense		(64)	(153)
Other income		270	296
Operating profit		**55'728**	**40'828**
Financial expense	15	(121)	(126)
Financial income	16	133	96
Exchange effect	17	(1'390)	(1'484)
Profit before taxes		**54'350**	**39'314**
Income taxes	18	(8'709)	(6'914)
Net profit for the year		**45'641**	**32'400**

* Restatement following IAS 19R application (pensions)

The results of both years are derived from continuing operations.

Earnings per share, in CHF			
Basic & diluted earnings per share	19	40.09	28.48

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

Consolidated Statement of Comprehensive Income

In CHF thousands	Notes	April to March 2013/14	2012/13*
Net profit for the period recognized in the income statement		**45'641**	**32'400**
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Currency translation difference		(2'933)	2'045
Total other comprehensive income to be reclassified to profit and loss in subsequent periods		**(2'933)**	**2'045**
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Remeasurement gains/(losses) on defined benefit plans	21	1'886	(147)
Income tax	18	(421)	145
Total other comprehensive income not to be reclassified to profit and loss in subsequent periods		**1'465**	**(2)**
Other comprehensive income/(loss) for the period, net of tax		**(1'468)**	**2'042**
Total comprehensive income for the period		**44'173**	**34'442**
Attributable to shareholders		44'173	34'442

* Restatement following IAS 19R application (pensions)

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 2012		**570**	**(1'984)**	**13'927**	**(2'502)**	**69'550**	**79'561**
IAS 19R adjustment	2.2					(3'061)	(3'061)
1 April 2012*		**570**	**(1'984)**	**13'927**	**(2'502)**	**66'489**	**76'500**
Net profit of the year						32'400	32'400
Other comprehensive income/(loss)	13, 21				2'045	(2)	2'042
Total comprehensive income					*2'045*	*32'398*	*34'442*
Dividends paid	13					(28'374)	(28'374)
Movement in treasury shares			1'219	(1'219)		1'480	1'480
31 March 2013 / 1 April 2013*		**570**	**(765)**	**12'708**	**(457)**	**71'993**	**84'049**
Net profit of the year						45'641	45'641
Other comprehensive income/(loss)	13, 21				(2'933)	1'465	(1'468)
Total comprehensive income					*(2'933)*	*47'106*	*44'173*
Dividends paid	13					(34'157)	(34'157)
Movement in treasury shares	13		19	(19)		138	138
31 March 2014		**570**	**(745)**	**12'688**	**(3'390)**	**85'081**	**94'203**

* Restatement following IAS 19R application (pensions)

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

Consolidated Cash Flow Statement

In CHF thousands	Notes	April to March 2013/14	2012/13*
Cash flow from operating activities			
Profit before taxes		54'350	39'314
Adjustment for noncash items and taxes paid			
– Net financial result		14	26
– Derivative financial instruments revaluation		(1'591)	1'302
– Depreciation and amortization		7'523	7'664
– Impairment loss		0	374
– Gain/loss on disposal of fixed assets		220	189
– Increase (+)/decrease (-) of provisions and allowances		179	1'203
– Movement in pension		287	8
Interest received		30	52
Interest paid		(44)	(53)
Taxes paid		(11'684)	(5'638)
Cash flow before changes in net working capital		**49'283**	**44'441**
Change in inventory		(5'264)	4'199
Change in accounts receivable and other current assets		(8'156)	(296)
Change in payables and other current liabilities		4'733	(2'153)
Cash flow from changes in net working capital		**(8'687)**	**1'750**
Cash flow from operating activities		**40'596**	**46'191**
Cash flow from investing activities			
Investment in fixed assets	7	(7'275)	(7'180)
Investment in intangible assets	8	(1'538)	(764)
Increase (-)/decrease (+) in other assets		77	(2'466)
Cash flow from investing activities		**(8'735)**	**(10'410)**
Cash flow from financing activities			
Treasury shares acquired (-)/divested (+)	13	138	1'480
Dividends paid to the shareholders of LEM Holding SA	13	(34'157)	(28'374)
Increase (+)/decrease (-) in financial liabilities			(3'000)
Cash flow from financing activities		**(34'019)**	**(29'894)**
Change in cash and cash equivalents		**(2'158)**	**5'887**
Cash and cash equivalents at the beginning of the period		**27'629**	**21'121**
Exchange effect on cash and cash equivalents		(890)	621
Cash and cash equivalents at the end of the period		**24'581**	**27'629**

* Restatement following IAS 19R application (pensions)

Notes to the Consolidated Financial Statements

1 General information

LEM Group (the Group) is a market leader in providing innovative and high-quality solutions for measuring electrical parameters. Its core products – current and voltage transducers – are used in a broad range of applications in drives & welding, renewable energies and power supplies, traction, high-precision, conventional and green cars businesses. The Group has operations in thirteen countries and employs 1'241 people per 31 March 2014. The parent company of LEM Group is LEM Holding SA (the Company), which is a limited company incorporated in Switzerland.
The financial year ends on 31 March (the year). The registered office is as follows: Avenue Beauregard 1, CH-1700 Fribourg. The Company has been listed on the SIX Swiss Exchange since 1986.
The Board of Directors approved the consolidated financial statements on 16 May 2014.

2 Significant accounting principles

2.1 Basis of preparation

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

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

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

New standards in 2013/14

In 2013/14, LEM Group introduced the following revised standards and interpretations:

Standard or interpretation	Title	Effective date	Impact
IAS 1	Presentation of Items of Other Comprehensive Income – Amendments	1 July 2012	Immaterial
IAS 19	Employee Benefits – Revised	1 January 2013	See below
IAS 27	Separate Financial Statements – Revised	1 January 2013	N/A
IAS 28	Investments in Associates and Joint Ventures – Revised	1 January 2013	N/A
IAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36	1 January 2014	Immaterial
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments	1 January 2013	Immaterial
IFRS 10	Consolidated Financial Statements	1 January 2013	Immaterial
IFRS 11	Joint Arrangements	1 January 2013	N/A
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013	N/A
IFRS 13	Fair Value Measurement	1 January 2013	Immaterial
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	N/A
Amendments	Annual Improvements to IFRS – 2009-2011 Cycle	1 January 2013	Immaterial

Impact of IAS 19 Revised

The adoption of IAS 19R – Employee benefits (revised) had significant impacts on LEM Group consolidated financial statements:

- Elimination of the corridor approach: the recognition of actuarial gains and losses are recognized immediately in other comprehensive income.
- Calculation of pension costs: the net interest on the net defined benefit liability (asset) replaces the actual return on plan assets from one side and the calculation of the interest expense on defined benefit obligation on the other side. It is now presented in the financial result instead of included in the operating profit.
- Risk sharing: the increased employee contributions based on the age of the employees are now taken into account in the defined benefit obligation calculation.

This adoption led to the restatement of prior periods according to IAS 8.

The new principles are detailed in note 2.15.

The impacts on the set of consolidated financial statements are the following:

Consolidated Income Statement for the year ended 31 March 2013

In CHF thousands	FY 2012/13 Recorded	Pension adjustments	FY 2012/13 Restated
Cost of goods sold	(136'309)	(86)	(136'396)
Sales expense	(22'355)	(34)	(22'389)
Administration expense	(20'720)	(42)	(20'762)
Research & development expense	(14'676)	(45)	(14'722)
Operating profit	**41'036**	**(208)**	**40'828**
Financial expenses	(101)	(25)	(126)
Profit before taxes	**39'547**	**(233)**	**39'314**
Income taxes	(6'931)	17	(6'914)
Net profit for the year	**32'616**	**(216)**	**32'400**
Basic and diluted earnings per share	28.67	(0.19)	28.48

Consolidated Statement of Comprehensive Income for the year ended 31 March 2013

In CHF thousands	FY 2012/13 Recorded	Pension adjustments	FY 2012/13 Restated
Net profit for the year	**32'616**	**(216)**	**32'400**
Remeasurements employee benefits	0	(147)	(147)
Taxes on other comprehensive income	0	145	145
Currency translation difference	2'045	0	2'045
Total comprehensive income for the year	**34'661**	**(217)**	**34'442**

Consolidated Statement of Financial Position as at 1 April 2012

In CHF thousands	31.3.2012 Published	Pension adjustments	1.4.2012 Restated
Assets			
Other noncurrent assets\Pension assets – Noncurrent	3'368	(2'873)	495
Deferred tax assets	3'485	211	3'696
Liabilities			
Other noncurrent liabilities\Pension liabilities	642	1'002	1'644
Deferred tax liabilities	4'217	(603)	3'614
Equity			
Retained earnings	69'550	(3'061)	66'489

Consolidated Statement of Financial Position as at 31 March 2013

In CHF thousands	31.3.2013 Published	Pension adjustments	31.3.2013 Restated
Assets			
Other noncurrent assets\Pension assets – Noncurrent	5'924	(4'255)	1'669
Liabilities			
Deferred tax liabilities	2'647	(976)	1'671
Equity			
Retained earnings	75'272	(3'279)	71'993

Consolidated Statement of Changes in Equity at 31 March 2013

In CHF thousands	FY 2012/13 Recorded	Pension adjustments	FY 2012/13 Restated
1 April 2012	**79'561**	**(3'061)**	**76'500**
Net profit of the period	32'616	(216)	32'400
Other comprehensive income	2'045	(2)	2'042
Total comprehensive income	*34'661*	*(217)*	*34'442*
31 March 2013	**87'328**	**(3'278)**	**84'049**

Consolidated Cash Flow Statement at 31 March 2013

In CHF thousands	FY 2012/13 Recorded	Pension adjustments	FY 2012/13 Restated
Profit before taxes	39'547	(233)	39'314
Adjustment for non-cash items and taxes paid	4'894	233	5'126
Cash flow from operating activities	**46'191**	**0**	**46'191**

Impact of IAS 36 early adoption

The Group has adopted before the effective date the amendment to IAS 36 – Impairment of Assets. This did not result in any changes in the disclosure.

Future standards

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

Standard or interpretation	Title	Effective date
IAS 19	Employee Benefits – Amendments (Defined Benefit Plans: Employee Contributions)	1 July 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities – Amendments	1 January 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39	1 January 2014
IFRS 9	Financial Instruments – Classification and Measurement	Not before January 2017
Amendments to IFRS 7 and IFRS 9	Mandatory Effective Date and Transition Disclosures	1 January 2015
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities	1 January 2014
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRIC 21	Levies	1 January 2014
Amendments	Annual Improvements to IFRS – 2010-2012 Cycle	1 July 2014
Amendments	Annual Improvements to IFRS – 2011-2013 Cycle	1 July 2014

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

2.3 Summary of critical accounting estimates and judgments

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

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

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

Provisions

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

Income and other taxes
The Group operates in multiple jurisdictions with complex legal and tax regulatory environments. Some of these positions are inherently uncertain and include those relating to transfer pricing matters and the interpretation of income tax laws applied to complex transactions. The Group periodically reassesses its tax positions. Changes to the financial statement recognition, measurement, and disclosure of tax positions are based on management's best judgment given any changes in the facts, circumstances, information available and applicable tax laws.

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

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

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

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

Associates
Investments in associated undertakings are accounted for using the equity method. These are undertakings over which the Group exercises significant influence, but which it does not control.
No associated undertakings exist as per 31 March 2014 and 31 March 2013.

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

Foreign currency translation
All assets and liabilities in the balance sheets of subsidiaries that are denominated in the respective functional currencies are translated into Swiss francs at the year-end exchange rate. Items in the income statement and cash flow statement are translated at the average exchange rate for the year. The resulting translation differences are recognized in other comprehensive income. When a company is sold, the cumulative translation differences recognized in other comprehensive income are transferred to the income statement.
The following table summarizes the principal exchange rates that have been used in the translation process.

Currency	Income statement of 2013/14 Average rate in CHF	Income statement of 2012/13 Average rate in CHF	Balance sheet 31.3.2014 Year-end rate in CHF	Balance sheet 31.3.2013 Year-end rate in CHF
BGN	0.629	0.626	0.623	0.621
CNY	0.149	0.149	0.143	0.151
DKK	0.165	0.162	0.163	0.163
EUR	1.230	1.210	1.219	1.216
GBP	1.458	1.486	1.474	1.442
JPY	0.0092	0.0114	0.0086	0.0101
RUB	0.028	0.030	0.025	0.031
USD	0.918	0.940	0.885	0.949

Foreign currency transactions

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

2.6 Cash and cash equivalents

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

2.7 Inventories

Inventories are stated at the lower of cost or net realizable value. The first-in, first-out (FIFO) method is applied. The cost of finished goods and work in process comprise raw materials, direct labor costs and other costs that can be directly allocated, such as production overhead expenditures. Financing costs are not included in inventories. Provisions are established when:

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

2.8 Property, plant and equipment

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

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

Repairs and renewals are charged to the income statement when the expense is incurred. Subsequent expenditure on an item of property, plant and equipment is capitalized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2.9 Intangible assets

Goodwill

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

Research & development

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

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

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

Other intangible assets

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

2.10 Impairment of tangible fixed assets and intangible assets

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

2.11 Financial assets

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

Initial recognition and measurement

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification:

- financial assets at fair value through profit and loss (refer to note 2.12);
- loans and receivables which are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment.

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

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

2.12 Derivative financial instruments

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

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

2.13 Financial liabilities

Financial liabilities comprise bank loans, payables, accrued expenses and derivative financial instruments at the end of the period.
All financial liabilities are recognised initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.
Financial liabilities that are due within 12 months after the balance sheet date are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability until more than 12 months after the balance sheet date.

2.14 Leases

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

2.15 Employee benefits

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

Defined benefit plan

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

Defined contribution plan

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

LEM Incentive System

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

2.16 Provisions and contingent liabilities

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

Warranty and customer claims

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

Litigations and consumption taxes

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

Restructuring

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

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

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

Contingent liabilities

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

2.17 Share capital

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

Treasury shares

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

2.18 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from the sale of products comprises all revenues that are derived from sales of products to third parties after deduction of price rebates and value-added tax. Revenues from the sale of products are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the products.

2.19 Income taxes and deferred taxation

Income taxes

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

Deferred taxation

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

3 Segment information

Business segment information

In CHF thousands	Industry 2013/14	Industry 2012/13*	Automotive 2013/14	Automotive 2012/13*	LEM Group 2013/14	LEM Group 2012/13*
Income statement						
Sales	211'065	199'967	34'573	34'986	245'638	234'953
EBITDA	57'052	43'206	6'200	5'660	63'252	48'866
Operating profit	50'888	36'414	4'840	4'414	55'728	40'828
Net financial expenses					(1'379)	(1'514)
Taxes					(8'709)	(6'914)
Net profit for the year					45'641	32'400
Depreciation and amortization:						
Tangible assets	4'931	5'209	1'320	1'121	6'251	6'330
Intangible assets	1'233	1'329	39	5	1'272	1'334
Impairment loss	0	254	0	120	0	374
Total	**6'164**	**6'792**	**1'360**	**1'246**	**7'523**	**8'038**
Balance sheet						
Segment assets	87'806	80'430	14'393	13'006	102'199	93'435
Unallocated assets					42'475	42'448
Of which cash and cash equivalents					*24'581*	*27'629*
Of which other unallocated assets					*17'894*	*14'819*
Total assets	**87'806**	**80'430**	**14'393**	**13'006**	**144'675**	**135'884**
Segment liabilities	24'732	24'808	3'700	3'608	28'432	28'416
Unallocated liabilities					*22'039*	*23'419*
Of which income tax payable					*6'579*	*11'319*
Of which deferred withholding tax liabilities					*2'723*	*1'703*
Of which other unallocated liabilities					*12'737*	*10'397*
Total liabilities	**24'732**	**24'808**	**3'700**	**3'608**	**50'471**	**51'835**
Capital expenditures:						
Tangible assets	5'667	4'459	1'607	2'722	7'275	7'180
Intangible assets	1'322	764	216	0	1'538	764
Total assets	**6'989**	**5'223**	**1'824**	**2'722**	**8'813**	**7'944**

* Restatement following IAS 19R application (pensions).

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.

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

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

Geographical information

In CHF thousands	China 2013/14	China 2012/13	USA 2013/14	USA 2012/13	Germany 2013/14	Germany 2012/13	Japan 2013/14	Japan 2012/13	Italy 2013/14	Italy 2012/13	Switzerland 2013/14	Switzerland 2012/13*	Rest of the world 2013/14	Rest of the world 2012/13	LEM Group 2013/14	LEM Group 2012/13*
Sales	56'428	42'763	42'973	44'317	35'662	36'044	24'813	24'092	13'790	14'964	3'519	4'253	68'452	68'520	245'638	234'953
Noncurrent assets**	11'804	12'345					4'445	4'725			11'653	13'743	3'032	460	30'935	31'274

* Restatement following IAS 19R application (pensions).
** Non current assets according to IFRS 8 requirements (property, plant and equipment and intangible assets).

Sales are reported as per place of transaction. As a consequence of China's economic growth and LEM's share in this market, China has become the Group's most important sales territory.

4 Accounts receivable

In CHF thousands	31.3.2014	31.3.2013
Accounts receivable – trade	45'373	39'790
Allowance for doubtful accounts	(1'314)	(1'066)
Total accounts receivable – trade	44'059	38'724
Other receivables	4'232	4'356
Total	**48'290**	**43'080**

Movements of allowance for doubtful accounts

In CHF thousands	2013/14	2012/13
Opening position	**1'066**	**1'711**
Additions charged/(reversals credited) to income statement	392	(560)
Amounts written off	(101)	(107)
Foreign exchange effect	(43)	22
Total	**1'314**	**1'066**

Aging analysis of accounts receivable

In CHF thousands	Not due	<30 days	31–90 days	91–180 days	>180 days	Total
31 March 2013						
Accounts receivable – trade	30'117	5'758	2'616	508	792	39'790
Allowance for doubtful accounts			(151)	(115)	(800)	(1'066)
Other receivables	3'985	73	275	5	18	4'356
Total	**34'102**	**5'831**	**2'740**	**398**	**10**	**43'080**
31 March 2014						
Accounts receivable – trade	32'511	6'092	3'730	2'074	965	45'373
Allowance for doubtful accounts	0	(0)	(244)	(433)	(637)	(1'314)
Other receivables	2'345	414	568	810	94	4'232
Total	**34'856**	**6'507**	**4'055**	**2'451**	**422**	**48'290**

The increase in receivables is mainly linked to the increase in sales, the days of sales outstanding ratio remains fairly stable compared to the year 2012/13.

The allowance for doubtful accounts is computed as a percentage of aged balances plus an assessment of individual recoverability. In 2013/14, no receivables have been individually impaired.

5 Inventories

In CHF thousands	31.3.2014	31.3.2013
Raw material	12'185	10'931
Work in progress	1'451	1'374
Finished goods and goods for resale	14'859	11'314
Total	**28'495**	**23'619**

The increase in inventories is related to the Group's intention to increase stock in order to facilitate on-time deliveries.

Above total inventories include provisions of CHF 2'934 thousand (2012/13 CHF 4'082 thousand).

6 Other current assets

In CHF thousands	31.3.2014	31.3.2013
Advances to suppliers	530	490
Prepayments and accrued income	1'386	1'135
Derivative financial instruments	455	0
Pension current assets	2'278	1'887
Other current assets	55	10
Total	**4'704**	**3'521**

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

7 Property, plant and equipment

In CHF thousands	Land and buildings	Machinery and equipment	Total
Net book value 1 April 2012	**197**	**23'976**	**24'173**
Foreign exchange effect	(12)	926	914
Investment	0	7'180	7'180
Disposal	0	(189)	(189)
Impairment gain / (loss)	0	(374)	(374)
Depreciation charge for the year	(19)	(6'311)	(6'330)
Net book value 31 March 2013	**165**	**25'209**	**25'373**
At cost of acquisition	409	74'280	74'689
Accumulated depreciation	(244)	(49'072)	(49'315)
Net book value 31 March 2013	**165**	**25'209**	**25'373**
Net book value 1 April 2013	**165**	**25'209**	**25'373**
Foreign exchange effect	(23)	(1'151)	(1'174)
Investment		7'275	7'275
Disposal		(42)	(42)
Depreciation charge for the year	(15)	(6'236)	(6'251)
Net book value 31 March 2014	**126**	**25'054**	**25'180**
At cost of acquisition	348	77'782	78'130
Accumulated depreciation	(222)	(52'728)	(52'950)
Net book value 31 March 2014	**126**	**25'054**	**25'180**

8 Intangible assets

In CHF thousands	Goodwill	Patents	Other intangible assets	Total
Net book value 1 April 2012	**3'568**	**2'312**	**777**	**6'657**
Foreign exchange effect	(186)	0	0	(186)
Investment	0	0	764	764
Other movements	(32)	0	32	0
Amortization charge for the year	0	(992)	(343)	(1'335)
Net book value 31 March 2013	**3'350**	**1'320**	**1'230**	**5'900**
At cost of acquisition	5'064	4'950	4'963	14'977
Accumulated amortization	(1'714)	(3'630)	(3'733)	(9'077)
Net book value 31 March 2013	**3'350**	**1'320**	**1'230**	**5'900**
Net book value 1 April 2013	**3'350**	**1'320**	**1'230**	**5'900**
Foreign exchange effect	(214)	0	(20)	(234)
Investment	0	0	1'538	1'538
Disposal	0	0	(178)	(178)
Amortization charge for the year	0	(990)	(282)	(1'272)
Net book value 31 March 2014	**3'136**	**330**	**2'289**	**5'755**
At cost of acquisition	4'784	4'950	5'657	15'391
Accumulated amortization	(1'648)	(4'620)	(3'368)	(9'636)
Net book value 31 March 2014	**3'136**	**330**	**2'289**	**5'755**

The increase in the intangible assets is mainly explained by the capitalization of costs related to the implementation of a new ERP.

The entire goodwill of LEM Group is from the acquisition of NANA in 2000/01 and is allocated to the cash-generating unit LEM Japan KK. The goodwill relates to the Industry segment. The recoverable amount has been determined based on value-in-use calculations. These calculations use cash flow projections of five years based on financial business plans and budgets approved by management. The projections include assumptions concerning revenue growth and expected operating costs. Revenue growth is projected at 1% and operating costs were estimated based on the experience of management. The pretax discount rate used within these cash flow calculations is 9.0% (2012/13 10.5%) and is based on the weighted average cost of capital of a peer group. The carrying value of the cash-generating unit including goodwill was compared to the value in use and no impairment was found for the year ended 31 March 2014.

9 Other noncurrent assets

In CHF thousands	31.3.2014	31.3.2013*
Pension noncurrent assets	2'139	931
Other noncurrent assets	626	738
Total	**2'765**	**1'669**

* Restatement following IAS 19R application (pensions).

10 Accounts payable

In CHF thousands	31.3.2014	31.3.2013
Total accounts payable – trade	17'470	15'172
Other payables	2'013	1'865
Total	**19'483**	**17'038**

The increase in payables is mainly linked to the higher activity, the days of payables outstanding ratio remains fairly stable compared to the year 2012/13.

11 Provisions

In CHF thousands	Warranty and customer claims	Litigations and consumption taxes	Restructuring	Total
Balance 1 April 2012	**3'047**	**N/S**	**453**	**3'500**
Additional provisions	1'035		1'930	2'965
Unused amounts reversed	(292)		(80)	(372)
Utilized during the year	(853)		(372)	(1'225)
Foreign exchange effect	150		(101)	49
Balance 31 March 2013	**3'087**		**1'830**	**4'917**
Of which current				*3'668*
Of which noncurrent				*1'250*
Balance 1 April 2013	**3'087**		**1'830**	**4'917**
Additional provisions	1'434	868	538	2'841
Unused amounts reversed	(1'663)		(438)	(2'101)
Utilized during the year	(259)	(5)	(1'256)	(1'520)
Foreign exchange effect	(75)	(9)	(96)	(179)
Other movements	(55)	55		0
Balance 31 March 2014	**2'468**	**910**	**579**	**3'957**
Of which current				*1'070*
Of which noncurrent				*2'886*

Warranty and customer claims

Provisions for warranty and customer claims cover expected warranty claims which are not covered by insurances. The provisions have been estimated based on past experience and the risk assessment of management. The warranty provision is expected to be used over the next five years.

Litigations and consumption taxes

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

Transfer of activity

During 2012/13, LEM had announced the launch of a new production plant in Sofia, Bulgaria. As a continuation of a strategy initiated in 2004, LEM continues to relocate production lines from the plants in Machida, Japan, and Geneva, Switzerland, to low-cost countries. Over the next years, the operations in Japan will be significantly reduced and concentrate on the local Japanese market. In Switzerland, the operations will be progressively reduced and focused on high-complexity/high-precision products for worldwide markets. In parallel, LEM's site in Switzerland will be reinforced with continued investment in R&D and marketing.
A CHF 1'930 thousand provision had been charged to the income statement at 31.3.2013 in relation with the above-mentioned relocations of activity. After foreign exchange effect, the provision position amounted to CHF 1'830 thousand at 31.3.2013.
During 2013/14, LEM transferred a part of the production lines from Geneva, Switzerland, and from Machida, Japan, to Sofia, Bulgaria, and used most of the before-mentioned provisions. The provision position amounts to CHF 579 thousand at 31.3.2014.

12 Other liabilities

In CHF thousands	31.3.2014	31.3.2013
Post-employment benefit plans	370	456
Derivative financial instruments	0	1'115
Other liabilities	342	419
Total	**712**	**1'991**
Of which current	*319*	*1'377*
Of which noncurrent	*394*	*613*

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

13 Equity

Share capital

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

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

Movement of treasury shares

In number of shares, in CHF	Number of shares	Average purchase price	Total in CHF thousands
Balance 1 April 2012	**4'588**	**432.39**	**1'984**
Movement	(3'272)	372.63	(1'219)
Balance 31 March 2013	**1'316**	**581.00**	**765**
Ordinary dividend per share	30.00		
Extraordinary dividend per share	0.00		
Balance 1 April 2013	**1'316**	**581.00**	**765**
Movement	(232)	83.96	(19)
Balance 31 March 2014	**1'084**	**687.38**	**745**
Ordinary dividend per share	40.00		
Extraordinary dividend per share	0.00		

Per 31.3.2013, the Group held 1'316 remaining treasury shares. During the year 2013/14, LEM divested 232 treasury shares for a total amount of CHF 163 thousand, in the frame of its market-making contract (2012/13 market-making acquisition of 147 shares for CHF 87 thousand, minus sales of 3'419 shares from LEM's own account for CHF 1'619 thousand).

The dividend to be paid will be proposed by the Board of Directors to the shareholders of the Group at the ordinary shareholders' meeting 26 June 2014. The expected payout for dividends amounts to CHF 45'557 thousand.

14 Staff cost

In CHF thousands	2013/14	2012/13*
Production	(22'455)	(23'469)
Sales	(15'246)	(14'946)
Administration	(10'926)	(11'029)
Research & development	(9'811)	(9'837)
Total	**(58'438)**	**(59'281)**
Salaries and wages	(40'712)	(41'036)
Other personnel costs	(15'519)	(15'105)
Temporary employee costs	(2'207)	(3'139)
Total	**(58'438)**	**(59'281)**

* Restatement following IAS 19R application (pensions).

Number of employees at the end of the financial year

In full-time equivalents (FTEs)	31.3.2014	31.3.2013
Permanent employees	1'144	1'038
Temporary employees	86	87
Apprentices	12	12
Total	**1'241**	**1'137**

Despite the increase in employees of 9.1% between 31.3.2013 and 31.3.2014, the staff cost remained fairly stable as a consequence of LEM Group's strategy to relocate of production lines from Machida, Japan, and Geneva, Switzerland, to low-costs countries. Staff cost in Switzerland in 2013/14 have also been impacted by IAS 19 calculation for a positive amount of CHF 1'246 thousand (income). The reduction of pension cost is mainly linked to the change in the pension conversion ratio.

Other personnel costs comprise the expenses for defined contribution plans of CHF 258 thousand (2012/13 CHF 298 thousand). See accounting policies 2.15 Employee benefits, 2.16 Provisions and contingent liabilities.

15 Financial expense

In CHF thousands	31.3.2014	31.3.2013*
Interest expenses	(44)	(78)
Other financial expenses	(77)	(48)
Total	**(121)**	**(126)**

* Restatement following IAS 19R application (pensions).

16 Financial income

In CHF thousands	31.3.2014	31.3.2013
Interest income on cash	133	96
Total	**133**	**96**

17 Exchange effect

In CHF thousands	31.3.2014	31.3.2013
Exchange gains/(losses)	(1'922)	148
Fair value revaluation on derivatives	1'591	(1'302)
Gains/(losses) on derivative[1]	(1'060)	(330)
Total	**(1'390)**	**(1'484)**

[1] Position includes cost of derivative hedging

The exchange effect is mainly driven by JPY, USD and CNY devaluation in 2012/13 and 2013/14.

18 Income taxes, deferred tax assets and liabilities

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

LEM has taken the decision to repatriate all available dividends from its subsidiaries in the foreseeable future. Unrecoverable withholding taxes are considered part of the expected tax rate. Deferred income tax liabilities have been established for unrecoverable withholding taxes that would be payable on the unremitted earnings of foreign subsidiaries. Given that the new treaty between China and Switzerland reducing the withholding tax rate from 10% to 5% has not yet been formally enacted, the Group has taken the applicable rate at the end of the fiscal year 2013/14 of 10% to estimate the deferred tax liabilities.

Following its qualification as High/New Technology Enterprise (HNTE) in China, LEM China enjoyed reduced income tax rates from 2011 to 2013. As per 31.3.2014, the confirmation for 2012 and 2013 is still under consideration by the Chinese tax authorities. On the basis of the existing documentation, management considers that the chance of obtaining the confirmation for 2012 and 2013 is significantly higher than the risk of losing the HNTE status.
Following the strategic decision to not further increase the R&D expenses in LEM China, the Group considers that LEM China will not fulfill the conditions for the HNTE status in 2014. LEM China has therefore been reported with the standard 25% tax rate for the period starting 1 January 2014.

In CHF thousands	2013/14	2012/13*
Current income taxes	(7'795)	(8'958)
Deferred taxes relating to the origination and reversal of temporary differences	(2'581)	1'863
Deferred tax income resulting from changes in tax rates	1'568	0
Adjustment recognized in the period for current tax of prior year	100	181
Total	**(8'709)**	**(6'914)**

* Restatement following IAS 19R application (pensions).

The tax (expense)/income relating to components of other comprehensive income amount to CHF (421) thousand for the year 2013/14 (CHF 145 thousand in 2012/13).

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

In %	2013/14	2012/13*
Group's average expected income tax rate	16.8	15.5
Group's average expected withholding tax rate	2.0	2.3
Group's average expected tax rate	**18.8**	**17.8**
Tax effect of		
– permanent differences	0.1	0.2
– effect of changes in tax rates on deferred taxes	(2.9)	0.1
– adjustment in respect of previous periods' income tax	(0.1)	(0.4)
– recognition of previously unrecorded tax losses	0.0	0.0
– other differences	0.1	(0.2)
Group's effective tax rate	**16.0**	**17.5**

* Restatement following IAS 19R application (pensions).

The increase in the expected tax rate is mainly due to the change in LEM China's tax rate as mentioned above. This change has had a positive impact on the effective tax rate of 2.9% linked to the revaluation of the deferred tax assets position from 15% to 25% which can explain the decrease in effective tax rate compared to 2012/13.

Deferred tax assets and liabilities

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

In CHF thousands	31.3.2014	31.3.2013*
Assets	**2'069**	**2'573**
– Accounts receivable	(118)	(278)
– Inventories	636	1'157
– Property, plant and equipment	1'838	1'172
– Intangible assets	797	1'043
– Other financial assets	(1'062)	(749)
– Other assets	(22)	228
Liabilities	**(1'573)**	**(416)**
– Provisions	443	641
– Others	707	646
– Withholding tax on dividends	(2'723)	(1'703)
Total	**496**	**2'157**
The balance sheet contains the following:		
– Deferred tax assets	4'103	3'828
– Deferred tax liabilities	(3'607)	(1'671)
Net assets / (liabilities)	**496**	**2'157**

* Restatement following IAS 19R application (pensions).

There were no unrecorded losses carried forward at 31.3.2014 nor at 31.3.2013.

19 Earnings per share

	2013/14	2012/13*
Basic and diluted earnings per share		
Net profit for the year attributable to LEM shareholders – in CHF thousands	45'641	32'400
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	1'438	2'520
Weighted average number of shares outstanding	1'138'562	1'137'480
Earnings per share – basic and diluted in CHF	40.09	28.48

* Restatement following IAS 19R application (pensions).

20 Related parties

Related parties are the Board of Directors and the Executive Managers as defined in the Corporate Governance guidelines. The compensation to the Board of Directors is paid as a fixed fee in cash. The compensation for the Executive Management includes base salary, a performance-related bonus (LIS), bonus and post-employment benefits. In 2012/13 and 2013/14, no termination benefits have been paid. The base salary is the employee's compensation before deduction of the employee's social security contributions. Bonus payments are effected in cash.

Compensation of the Board of Directors In CHF thousands	2013/14	2012/13
Base salary	(740)	(740)
Additional fees	(30)	(130)
Total	**(770)**	**(870)**

Compensation of the Executive Management In CHF thousands	2013/14	2012/13
Base salary	(1'737)	(1'698)
Bonus	(1'110)	(912)
Post-employment benefits	(173)	(161)
Total	**(3'020)**	**(2'770)**

For details on the compensation of the Board of Directors and of the Executive Management, please refer to note 11 in the notes to the financial statements of LEM Holding SA. Also, see accounting policies 2.15 Employee benefits and note 2.16 Provisions and contingent liabilities.

21 Retirement benefit obligations

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

This foundation is a separate legal entity which is not part of the Group. It is managed by a board having equal representation of employees and employers of the affiliated companies. It is supervised by the supervisory authority and complies with the requirements of Swiss pension law. According to Swiss law, the pension plan is considered as a defined contribution plan whereas it is considered as a defined benefit plan under IAS 19 due to the various benefit guarantees included in the laws.

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

The assets of the foundation are invested into a diversified portfolio. Death in service and disability benefits are insured with an insurance company. The pension plan does not expose the affiliated companies to any additional unusual risks. During 2013/14, the conversion rate of the savings account into pension at retirement was changed. No curtailments or settlements occurred in 2013/14.

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

In CHF thousands	31.3.2014	31.3.2013*
Fair value of plan assets at year-end	37'173	35'711
Defined benefit obligations at year-end	32'755	32'893
Funded status (net assets/(liabilities) in the balance sheet)	**4'417**	**2'818**

* Restatement following IAS 19R application (pensions).

LEM expects to contribute CHF 2'114 thousand to its defined benefit plan in 2014/15.

21.1 Cost of defined benefit plans

Cost of defined benefit plans In CHF thousands	31.3.2014	31.3.2013*
Current service cost	2'207	1'826
Past service (income)	(1'329)	0
Net interest (income) / cost	(56)	25
Total pension expenses recorded in consolidated income statement	**821**	**1'851**

* Restatement following IAS 19R application (pensions).

Costs related to the pension plan were charged to the different functional departments based on salary costs.
In 2013/14, the past service cost is coming from the change in the conversion rate.

21.2 Remeasurements of employee benefits

Remeasurements of employee benefits

In CHF thousands	31.3.2014	31.3.2013*
Experience adjustments on defined benefit obligation	1'259	1'027
Return on plan assets excluding interest	(3'145)	(879)
Total remeasurements recorded in other comprehensive income	**(1'886)**	**147**

* Restatement following IAS 19R application (pensions).

21.3 Change in fair value of plan assets

Changes in the fair value of plan assets

In CHF thousands	31.3.2014	31.3.2013*
Fair value of plan assets per beginning of year	**35'711**	**32'329**
Return on plan assets excluding interest income	3'145	879
Interest income on plan assets	714	808
Employer's contribution	534	5'818
Employees' contribution	1'582	1'333
Benefits paid	(4'514)	(1'645)
Settlement of pensioners	0	(3'812)
Fair value of plan assets per end of year	**37'173**	**35'711**

* Restatement following IAS 19R application (pensions).

21.4 Change in present value of defined benefit obligation

Changes in present value of defined benefit obligation

In CHF thousands	31.3.2014	31.3.2013*
Defined benefit obligation per beginning of year	**32'893**	**33'331**
Current service cost	2'207	1'826
Employees' contributions	1'582	1'333
Interest cost	658	833
Experience adjustments on obligation	1'259	1'027
Benefits paid	(4'514)	(1'645)
Plan amendment	(1'329)	0
Settlement of pensioners	0	(3'812)
Defined benefit obligation per end of year	**32'755**	**32'893**

* Restatement following IAS 19R application (pensions).

The weighted average duration of the Defined Benefit Obligation (DBO) at the end of the current fiscal year is 21 years.

21.5 Asset allocation of investments

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

In %	Long-term target	2013/14	2012/13
Equity securities	30.0%	34.1%	34.0%
Debt securities	36.0%	32.0%	30.0%
Real estate	20.0%	19.1%	23.0%
Cash and other investments	14.0%	14.8%	13.0%
	100.0%	**100.0%**	**100.0%**

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

Cash as well as most equity and debt securities have a quoted market price in an active market. Other assets including real estate and other investments do not have a quoted market price.

21.6 Actuarial assumptions

The principal actuarial assumptions used in the actuarial calculations include:

In %	2013/14	2012/13
Discount rate	2.00%	2.00%
Salary increases	1.50%	1.50%

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

Sensitivities of significant actuarial assumptions

The sensitivity analysis is based on reasonable possible changes as of the end of the year 2013/14. 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	2013/14
Discount rate	
Increase by 0.25%	(1'673)
Decrease by 0.25%	1'802
Salary increase rate	
Increase by 0.25%	146
Decrease by 0.25%	(146)

22 Operating lease commitments

Minimal lease payments are payable as follows:

In CHF thousands	31.3.2014	31.3.2013
Within one year	3'906	4'565
Between one and five years	14'960	20'016
Beyond five years	3'866	3'010
Total	**22'732**	**27'591**

In 2013/14 lease expenses amounted to CHF 5'061 thousand (2012/13 CHF 5'141 thousand).
Lease agreements exist for the business facilities used by the Group companies.
The agreements are classified as operating leases.
The leases have varying terms and renewal rights between one and fifteen years.

23 Contingent liabilities

The Group is from time to time impacted by changing political, legislative, fiscal and regulatory environments, including those relating to environmental protection. The frequency and effects on future operations and earnings are unpredictable and are only partly covered by insurances.
For the year 2012/13 and 2013/14, there is no contingent liability from a consolidated point of view.

24 Financial risk management objectives and policies

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

Financial assets

In CHF thousands	31.3.2014 Fair value	31.3.2013 Fair value	Loans and receivables	At fair value through profit and loss
Cash and cash equivalents	24'581	27'629	X	
Accounts receivable	48'290	43'080	X	
Derivative financial instruments – current	455	0		X
Other current financial assets	55	10	X	
Derivative financial instruments – noncurrent	21	0		X
Other noncurrent financial assets	605	738	X	
Total	**74'007**	**71'456**		

Financial liabilities

In CHF thousands	31.3.2014 Fair value	31.3.2013 Fair value	Loans and receivables	At fair value through profit and loss
Accounts payable	19'483	17'038	X	
Accrued expenses	16'133	14'900	X	
Derivative financial instruments – current	0	932		X
Other current financial liabilities	27	33	X	
Derivative financial instruments – noncurrent	0	153		X
Other noncurrent financial liabilities	394	460	X	
Total	**36'037**	**33'515**		

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

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

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.
The Group's financial assets at fair value amount to CHF 476 thousand per 31.3.2014 (financial liabilities of CHF 1'115 thousand per 31.3.2013), all classified under level 2.
During the two last reporting periods, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Foreign currency risk

The Group operates globally and is exposed to various foreign exchange risks primarily to the USD, EUR, JPY, CNY and GBP. The Group seeks to reduce those risks by optimizing its natural hedging (cash inflows and outflows in a specific currency should be in balance as far as possible).
The Group's policy states that 100% of LEM's net exposure for the main currencies EUR and USD is to be hedged on a rolling 12-month basis for EUR and in the coming 18 months for USD.
Currency risks also arise from translation differences that are not hedged by the Group when preparing the consolidated financial statements in CHF. The foreign exchange translation is excluded from the calculation of the sensitivity analysis for currency risk below.

Sensitivity analysis for currency risk

The sensitivity analysis is performed per 31.3.2014 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 ±496 thousand for a ±5% EUR rate change (CHF ±420 thousand per 31.3.2013), of CHF ±538 thousand for a ±5% USD rate change (CHF ±665 thousand per 31.3.2013) and of CHF ±541 thousand for a ±5% CNY rate change (CHF ±291 thousand per 31.3.2013). For other currencies, there is no significant impact. There is no significant impact on the Group's equity.

Credit risk

Credit risk is the risk that a financial loss occurs if a counterparty is unable or unwilling to fulfill its contractual payment obligation.
The Group trades with recognized and creditworthy parties. The accounts receivable are monitored on a monthly basis. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In case of a deterioration of the credit history, advance payments are required.
The Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 4. There are no significant concentrations of risk within the Group.
With respect to credit risk arising from the other financial assets in the Group, which comprises cash and cash equivalents, other current assets and certain derivative instruments, the Group's exposure to credit risks arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these positions.

Liquidity risk

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

Financial liabilities

In CHF thousands	31.3.2014 Fair value	Less than one year	Over one year	31.3.2013 Fair value	Less than one year	Over one year
Accounts payable	19'483	19'483	0	17'038	17'038	
Accrued expenses	16'133	16'133	0	14'900	14'900	
Derivative financial instruments – current	0			932	932	
Other current financial liabilities	27	27	0	33	33	
Derivative financial instruments – noncurrent	0			153		153
Other noncurrent financial liabilities	394	0	394	460		460
Total	**36'037**	**35'643**	**394**	**33'515**	**32'902**	**613**

Interest rate risk

The Group's exposure to the risk of changes in market interest rates with the current financial leverage is very low. Per 31.3.2014, there is no bank loan.

Capital management

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

25 Scope of consolidation

Full consolidation	Country	Currency	Share capital	Ownership
Europe				
LEM Belgium sprl-bvba	Belgium	EUR	60'000	100%
LEM Deutschland GmbH	Germany	EUR	75'000	100%
LEM France SARL	France	EUR	120'000	100%
LEM Holding SA	Switzerland	CHF	570'000	100%
LEM International SA	Switzerland	CHF	100'000	100%
LEM Intellectual Property SA	Switzerland	CHF	300'000	100%
LEM Switzerland SA	Switzerland	CHF	1'000'000	100%
LEM Bulgaria EOOD	Bulgaria	BGN	1'971'830	100%
LEM Russia Ltd	Russia	RUB	6'600'000	100%
LEM Management Services SARL	Switzerland	CHF	20'000	100%
North America				
LEM USA Inc.	USA	USD	150'000	100%
Asia				
LEM Electronics (China) Co. Ltd	China	CNY	53'153'194	100%
LEM Japan KK	Japan	JPY	16'000'000	100%

26 Changes in scope of consolidation

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

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

On 1 March 2013, the Group registered a new production plant in Sofia, Bulgaria. The goal of LEM Bulgaria is to diversify LEM's low-cost production and increase production capacity close to its European customers. At the same time, LEM improves the natural hedge of its operations by better matching currencies of sales and cost. The new plant, which is established in a leased property in Sofia, occupies 4'500 square meters of floor space. LEM has started the production in October 2013. End of March 2014, LEM Bulgaria number of employees is in line with the plan.

27 -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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of LEM Holding SA, which comprise the statement of financial position, income statement, cash flow statement, statement of comprehensive income, statement of changes in equity and notes (pages 35 to 61), for the year ended 31 March 2014.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

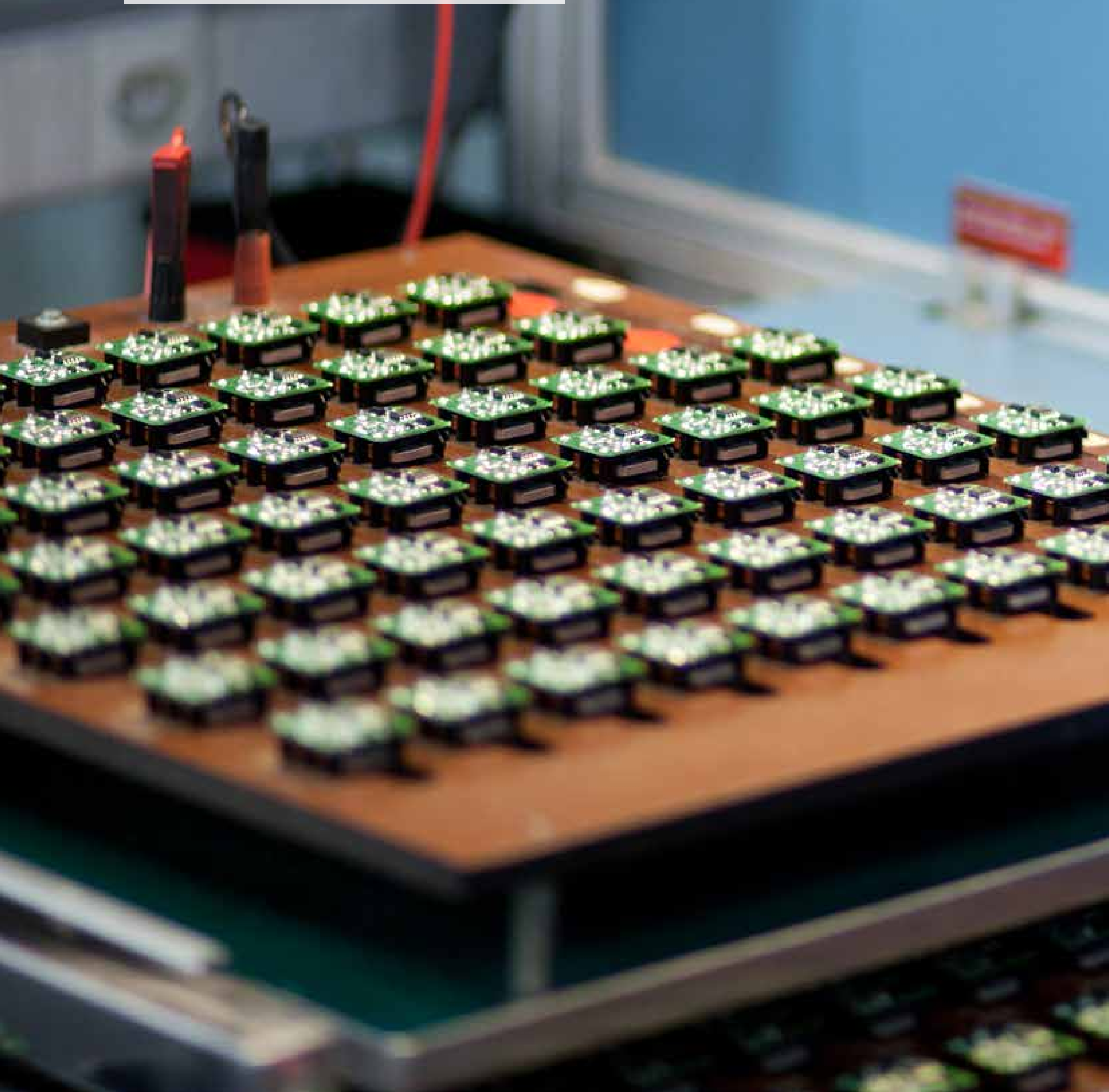
Lancy, 23 May 2014

Arthur Bergmann
Licensed audit expert
(Auditor in charge)

Laurent Bludzien
Licensed audit expert

LEM Holding SA

Financial Statements



Balance Sheet
(before distribution of earnings)

Assets In CHF thousands	Notes	31.3.2014	31.3.2013
Current assets			
Cash and cash equivalents		12'107	9'725
Group current assets	1	24'436	42'143
Treasury shares	2	745	765
Other current assets		685	133
Total current assets		**37'973**	**52'766**
Noncurrent assets			
Investments in subsidiaries	3	45'024	53'698
Total noncurrent assets		**45'024**	**53'698**
Total assets		**82'997**	**106'464**

Liabilities and Equity In CHF thousands	Notes	31.3.2014	31.3.2013
Current liabilities			
Group current liabilities	1	14'715	33'509
Other current liabilities		1'499	3'488
Total current liabilities		**16'214**	**36'997**
Other noncurrent liabilities		0	153
Total liabilities		**16'214**	**37'150**
Equity			
Share capital	4	570	570
General reserve		285	285
Reserve for treasury shares	2	745	765
Retained earnings		33'557	22'468
Net profit for the year		31'625	45'227
Total equity		**66'783**	**69'315**
Total liabilities and equity		**82'997**	**106'464**

Income Statement

Income

In CHF thousands	Notes	2013/14	2012/13
Financial income from Group dividend payments		31'285	45'612
Interest income from Group loans		814	825
Other financial income		2'215	492
Other Group income		4'984	4'947
Total income		**39'297**	**51'876**

Expense

In CHF thousands	Notes	2013/14	2012/13
Loss on investments in subsidiaries	3	(1'373)	0
Office, administration and personnel expense	5	(2'843)	(4'429)
Financial expense		(361)	(385)
Foreign exchange loss		(3'191)	(1'420)
Total expense		**(7'767)**	**(6'234)**
Profit before taxes		31'530	45'642
Income taxes	6	96	(415)
Net profit for the year		**31'625**	**45'227**

Notes to the Financial Statements

Principles for the establishment of the financial statements

The accompanying financial statements have been prepared in accordance with the requirements of the Swiss Code of Obligations. Regarding the inclusion of LEM Holding SA in the consolidated financial statements, the accounting and reporting principles described in the notes to the consolidated financial statements apply.

1 Group current assets and liabilities

In CHF thousands	31.3.2014	31.3.2013
Current intercompany loans receivable	23'939	34'809
Intercompany accounts receivable	497	7'334
Total	**24'436**	**42'143**
Current intercompany loans payable	14'621	33'370
Intercompany accounts payable	94	138
Total	**14'715**	**33'509**

The current intercompany loans receivable has decreased, mainly linked to an ameliorated invoicing process in LEM Switzerland which resulted in smaller financing needs from LEM Holding SA.
The current intercompany loans payable has decreased, mainly due to a capital reduction at LEM Intellectual Property.

2 Treasury shares

	Number of shares	Price per share in CHF	Value in CHF thousands
Value 1.4.2012	**4'588**	**432.39**	**1'984**
Change	(3'272)	372.62	(1'219)
Value 31.3.2013	**1'316**	**581.00**	**765**
Change	(232)	83.94	(19)
Value 31.3.2014	**1'084**	**687.38**	**745**

Per 31 March 2012, LEM Holding held 4'588 treasury shares. In the beginning of the year 2012/13, 3'419 treasury shares on LEM Holding's own account were sold for a total amount of CHF 1'619 thousand.
During the year 2012/13, LEM acquired 147 own shares for a total amount of CHF 87 thousand in the frame of its market-making contract.
The movements in treasury shares during 2012/13 caused an impact of CHF 1'219 thousand in retained earnings, of which CHF 1'442 thousand through LEM Holding's own account and CHF -223 thousand through market-making activities.
During the year 2013/14, LEM divested 232 own shares for a total amount of CHF 163 thousand in the frame of its market-making contract.
The movements in treasury shares during 2013/14 caused an impact of CHF -19 thousand in retained earnings through market-making activities.
Subsidiaries of LEM Holding SA did not own any shares of LEM Holding SA.
Treasury shares are valued at lower of cost or market value.

3 Investments in subsidiaries

In CHF thousands	31.3.2014	31.3.2013
Historical cost	45'024	53'698
Total	**45'024**	**53'698**

The decrease in investments in subsidiaries is mainly linked to a capital decrease in LEM Intellectual Property.
Refer also to note 25 Scope of consolidation of the consolidated financial statements.

4 Share capital

	Number of shares	Par Value per share in CHF	Capital in CHF thousands
Opening capital 1.4.2013	1'140'000	0.50	570
Change of capital	0		0
Closing capital 31.3.2014	**1'140'000**	**0.50**	**570**

5 Office, administration and personnel expense

In CHF thousands	2013/14	2012/13
Office and administration expense	(1'731)	(1'826)
Board member fees	(770)	(870)
Consulting fees	(108)	(59)
Withholding taxes on paid dividend repatriation	(99)	(1561)
Other withholding taxes not recoverable	(135)	(113)
Total	**(2'843)**	**(4'429)**

6 Income taxes

In CHF thousands	2013/14	2012/13
Current taxes	(192)	(395)
Adjustments of tax provisions of previous periods	288	(20)
Total	**96**	**(415)**

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

The following shareholders held 3% or more of the share capital and voting rights on 31 March 2014:

	31.3.2014			
All positions per 31.3.2014	Shares	Options	Position	In %
Werner O. Weber and Ueli Wampfler, in Zollikon/Wollerau, Switzerland, through WEMACO Invest AG and Swisa Holding AG, in Zug/Cham, Switzerland	403'500	100'000	503'500	44.2%
Ruth Wertheimer, in Kfar, Israel, through 7-Industries Holding B.V., in Amsterdam, Netherlands	141'581	N/N	141'581	12.4%
Montanaro Asset Management Ltd, London, United Kingdom	85'608	N/N	85'608	7.5%
Sarasin Investmentfonds AG, in Basel, Switzerland	80'979	N/N	80'979	7.1%
Erwin Studer and Joraem de Chavonay, in Zollikon/Zug, Switzerland	94'000	(100'000)	(6'000)	(0.5%)
Amerprise Financial Inc., in Minneapolis, USA, through Threadneedle Asset Management Ltd, in London, United Kingdom	N/A	N/N	N/A	<3%
Shareholders < 3%	334'332	N/N	334'332	29.3%
Total	**1'140'000**	**0**	**1'140'000**	**100.0%**

N/N = none notified; N/A = not applicable

8 Guarantees in favor of third parties on behalf of subsidiaries

In CHF thousands	31.3.2014	31.3.2013
Amount of guarantees issued	1'811	1'832

9 Remuneration of Board of Directors and Executive Management

9.1 Compensation of active members of the Board of Directors

The members of the Board of Directors do not participate in bonus schemes, nor pension funds. The annual salary compensation is therefore equal to the total compensation.

2013/14

In CHF thousands	Annual salary	Additional fees
Andreas Hürlimann[1, 6, 7]	260	15
Peter Rutishauser[2, 5, 8]	160	15
Ilan Cohen[8]	100	0
Norbert Hess[4]	100	0
Ueli Wampfler[3]	120	0
Total	**740**	**30**

2012/13

In CHF thousands	Annual salary	Additional fees
Felix Bagdasarjanz[1]	200	0
Peter Rutishauser[2, 5]	150	15
Ilan Cohen[4]	100	20
Andreas Hürlimann	80	95
Anton Lauber[6]	100	0
Ueli Wampfler[3]	110	0
Total	**740**	**130**

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

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

2013/14

In CHF thousands	Annual salary compensation	Annual bonus compensation [1]	Company's contribution to pension fund	Total compensation
François Gabella, CEO	480	414	59	953
Executive Management (excl. CEO)	1'257	687	113	2'067
Total compensation to Executive Management	**1'737**	**1'110**	**172**	**3'020**

2012/13

In CHF thousands	Annual salary compensation	Annual bonus compensation [1]	Company's contribution to pension fund	Total compensation
François Gabella, CEO	450	329	49	828
Executive Management (excl. CEO)	1'248	583	112	1'943
Total compensation to Executive Management	**1'698**	**912**	**161**	**2'770**

CEO François Gabella was the Executive Management member with the highest total compensation in 2012/13 and in 2013/14.

[1] The annual bonus compensation is shown with the corresponding accrual for the performance of the current year, to be paid out in the following year. All other elements are shown as paid out.

9.3 Shareholdings

Board of Directors	31.3.2014		31.3.2013	
In number of shares/options	Number of shares held	Number of options held	Number of shares held	Number of options held
Andreas Hürlimann	724	0	505	0
Peter Rutishauser	2'606	0	2'606	0
Ilan Cohen	140	0	140	0
Norbert Hess	0	0	N/A	N/A
Ueli Wampfler	30'500	30'000	28'000	10'000
Felix Bagdasarjanz	N/A	N/A	1'736	0
Anton Lauber	N/A	N/A	424	0
Total	**33'970**	**30'000**	**33'411**	**10'000**

Executive Management	31.3.2014		31.3.2013	
In number of shares/options	Number of shares held	Number of options held	Number of shares held	Number of options held
François Gabella, CEO	150	0	360	0
Julius Renk, CFO	140	0	40	0
Luc Colombel, VP, Automotive	2'100	0	2'100	0
Hans-Dieter Huber, VP, Industry	1'265	0	1'265	0
Jean-Marc Peccoux, VP, R&D and IP	1'500	0	1'500	0
Simon Siggen, VP, Operations	1'100	0	1'100	0
Total	**6'255**	**0**	**6'365**	**0**

As per 10 April 2014, the CEO holds 400 shares of LEM Holding SA.

10 Business risk management

The Group has a risk management system in place which allows for the prompt identification and analysis of risks as well as the initiation of an action plan.
In accordance with Article 663b of the Swiss Code of Obligations, a risk management report was prepared for the financial year 2013/14.
The Executive Management of the Group assesses the business risks within its standardized analysis procedure.
The Board of Directors of LEM Holding SA took note of the risk management report and approved both the procedure and the content thereof.
The organization, principles and reporting of risk management are described in detail in the Corporate Governance section 3 in this Annual Report.

Proposed Appropriation of Available Earnings

Appropriation of available earnings In CHF thousands		31.3.2014	31.3.2013
Balance brought forward from previous year		33'538	21'249
Variation of treasury shares		20	1'219
Net profit for the year		31'625	45'227
Total available earnings		**65'183**	**67'695**
Proposal of the Board of Directors:			
Ordinary dividend [1]		(45'557)	(34'157)
Balance to be carried forward		**19'626**	**33'538**

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

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

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

Auditor's Report

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of LEM Holding SA, which comprise the balance sheet, income statement and notes (pages 65 to 70), for the year ended 31 March 2014.

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 2014 comply with Swiss law and the company's Articles of Incorporation.

Report on other legal requirements

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

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

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

Lancy, 23 May 2014

Ernst & Young Ltd

Arthur Bergmann	Laurent Bludzien
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Information for Investors

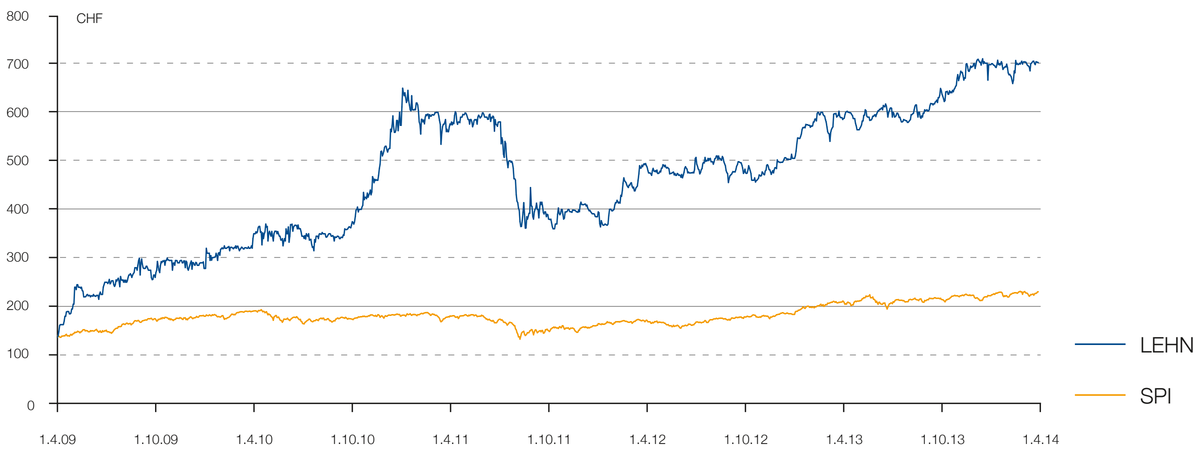
Number of registered shareholders	31.3.2014	31.3.2013
1-499	574	567
500-4'999	67	75
5'000-49'999	7	6
50'000 and more	7	6
Total	**655**	**654**

Shareholders by category

In %	31.3.2014	31.3.2013
Institutional shareholders	52.0	49.2
Private individuals	31.6	32.0
LEM employees, managers and board	3.5	3.6
Treasury shares	0.1	0.1
Non-registered shares	12.8	15.1
Total	**100.0**	**100.0**

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

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



Source: Datastream

Share information

In CHF	2013/14	2012/13
Number of shares	1'140'000	1'140'000
Year high[1]	712	604
Year low[1]	547	451
Year end[1]	703	589
Average daily trading volume (shares)[1]	369	493
Earnings per share	40.09	28.67
Ordinary dividend per share[2]	40	30
Market capitalization as per 31 March (In CHF millions)	801	671

[1] Source: SIX
[2] Proposal of the Board of Directors to the Ordinary Shareholders' Meeting

Financial calendar of the financial year 1 April 2014 to 31 March 2015

26 June 2014	Ordinary Shareholders' Meeting Université de Fribourg, bd. de Pérolles
1 July 2014	Dividend ex-date
4 July 2014	Dividend payment date
12 August 2014	First quarter results 2014/15
13 November 2014	Half-year results 2014/15
17 February 2015	Third quarter results 2014/15
4 June 2015	Year-end results 2014/15
25 June 2015	Ordinary Shareholders' Meeting
30 June 2015	Dividend ex-date
3 July 2015	Dividend payment date

Contact

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E-mail investor@lem.com

Group Subsidiaries

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

Europe

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Avenue Beauregard 1
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> Julius Renk

LEM Intellectual Property SA
Avenue Beauregard 1
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Images, Illustrations
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Enol Chen, Enol Studio
Jasmin Viertl

Printing
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