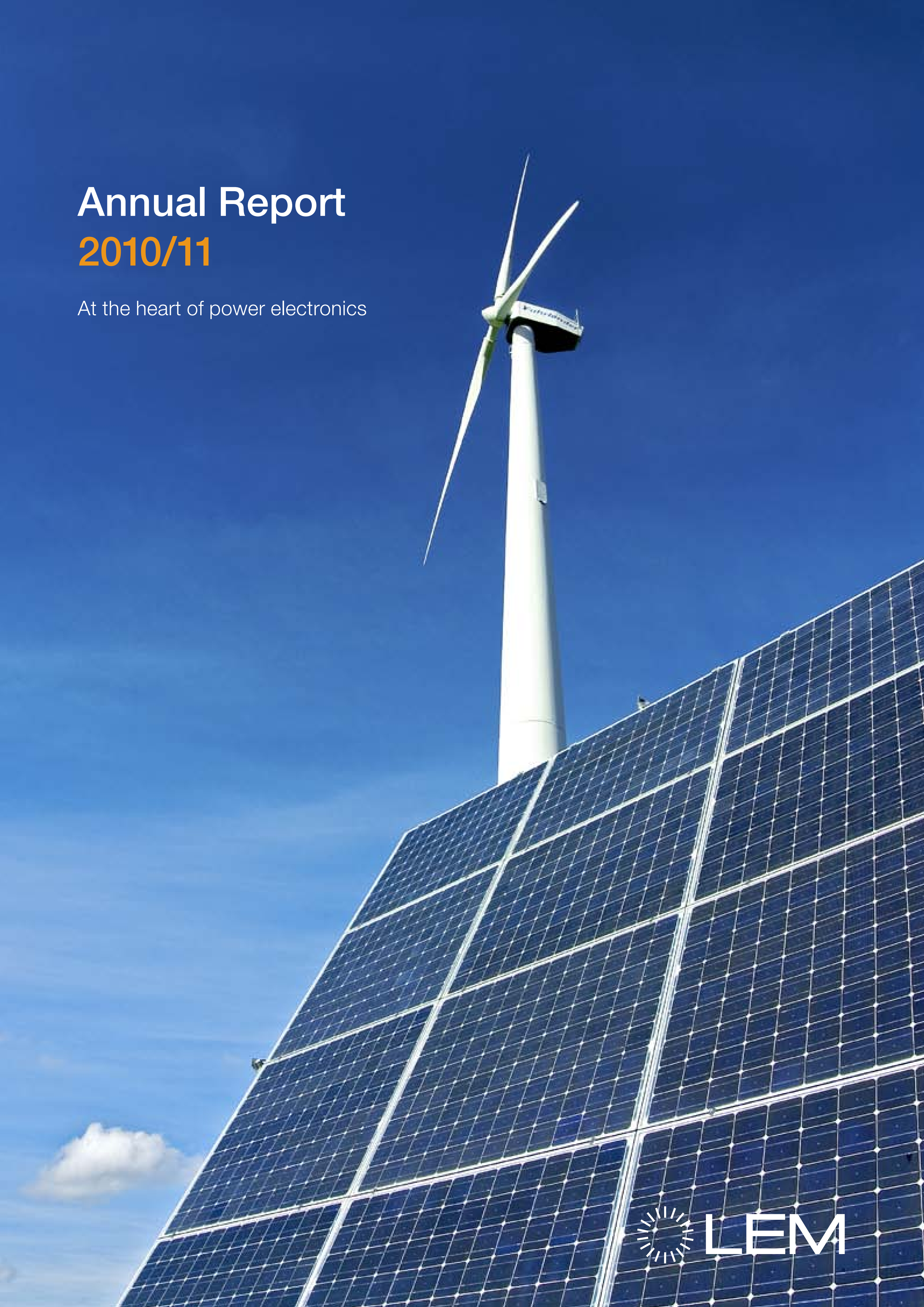
Annual Report
2010/11

At the heart of power electronics



LEM

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Period 1 April 2010, to 31 March 2011

LEM at a Glance

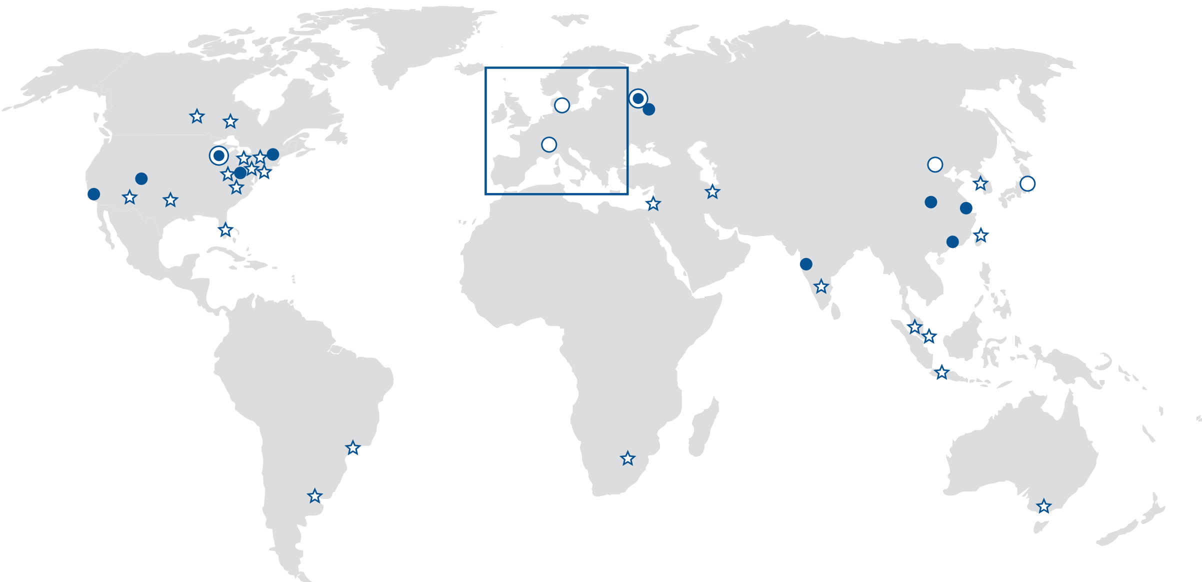
LEM – At the heart of power electronics

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. In addition, new opportunities have been developed in the automotive market for battery management and electrical motor controls for steering and braking systems. This evolution underscores the company's exceptional skills in adapting to rapidly changing industrial trends, such as miniaturization, higher performance levels and a greater degree of application, integration and complexity.

LEM has the strongest brand recognition in its markets. Its products – commonly called "LEMs" – are at the heart of many power electronics applications. LEM's strategy is to exploit the intrinsic strengths of its core business and develop opportunities in new markets with new applications. At the same time, LEM is committed to maintaining customer focus and operational excellence by running cost-effective and service-oriented production platforms. Profitable growth is a key objective.

Worldwide presence

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



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

◉ Adaptation Centers
Milwaukee, USA
Tver, Russia

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

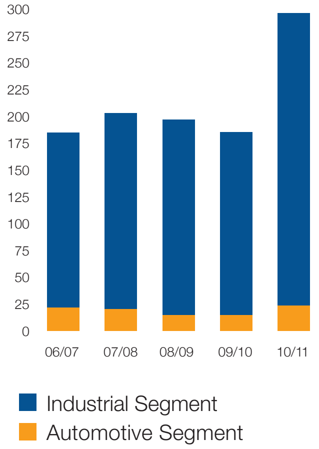
☆ Agents/Distributors

Key figures 2010/11

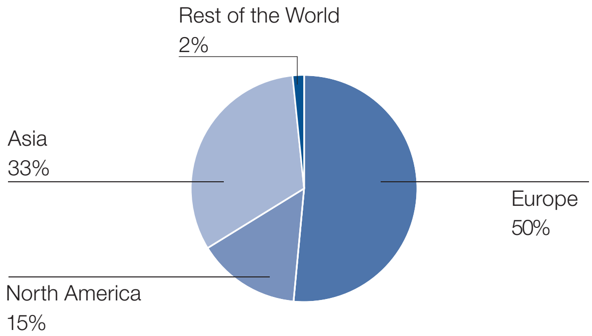
In CHF millions	2008/09	2009/10	2010/11
Sales	196.8	185.5	296.2
Operational EBIT	29.2	25.8	60.4
In % of sales	14.8%	13.9%	20.4%
EBIT	33.8	17.5	55.0
Net profit of the year	23.9	10.5	39.6
Shareholder's equity	83.5	83.4	96.9
Net financial assets (+) / liabilities (–)	27.9	29.8	26.6
Market capitalization (per 31 March)	172.4	391.0	655.5

Sales over 5 years per segment

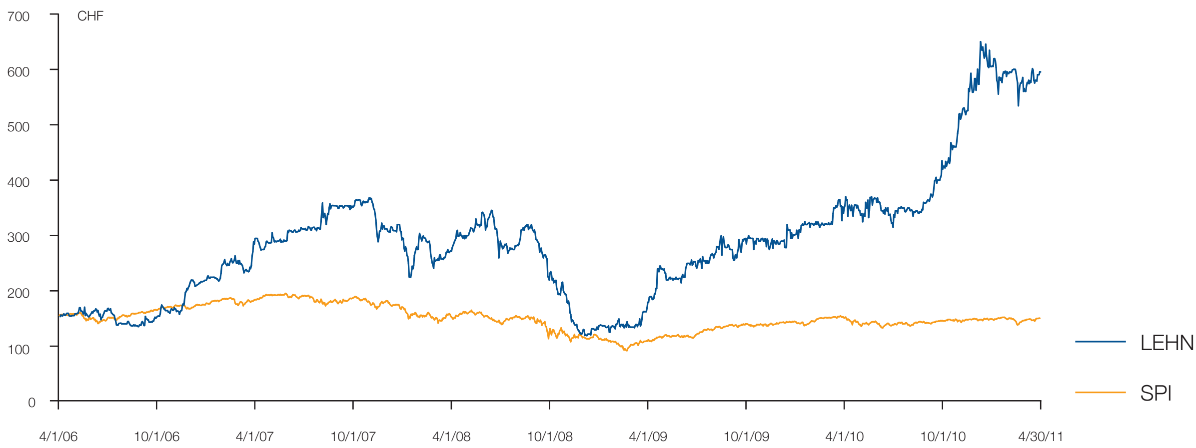
In CHF millions



Regional sales breakdown 2010/11



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



Source: Bloomberg

Foreword

Dear Shareholders,

LEM has recovered well from the financial crisis. Overall, we saw a new record year at LEM, driven by a substantial volume increase, the ambitious cost management program initiated during the financial crisis and our organizational changes.

We have benefitted from the general economic recovery that began in Q2 2009/10 as well as our leading market position. In the first two quarters of the financial year, we saw orders outperform expectations as a result of customers wanting to increase their stock and assure supply of LEM products in a tight market. This sudden demand increase initially challenged our capacity management. However, we reacted quickly by adapting our supply chain, strengthening our organization and investing in additional machine capacity. Sales were up by close to 80% in the first six months of the financial year compared to the prior year. According to our internal performance indicators, we successfully increased capacity while maintaining our uncompromising product and service quality levels.

In the last quarter of the financial year, our volume of incoming orders returned to normal levels. We closed the financial year with total sales of CHF 296.2 million, bookings of CHF 336.9 million and an operating EBIT of CHF 60.4 million. The improved tax structure had a positive impact on our profitability. Net profit for the year reached CHF 39.6 million.

Focus on developing our markets as a pure play company

We have benefitted from our strategic pillars: concentrating on the transducer market, lean organization and global reach. As the leading provider of critical current and voltage measuring components, we continue to develop our operations to benefit from the market trends that have boosted our business in the past: the increasing demand for energy (in particular renewable energy), the need for reliable energy, the focus on energy efficiency, and the constantly growing demand for mobility (especially in environmentally friendly means of transport).

In addition to growing in our strategic key markets, we plan to further strengthen our competitive edge in two ways: first, we intend to focus more intensely on innovation to improve product performance and to penetrate new markets with new solutions, and second, we will enhance our cost leadership through operational excellence, lean management and increased sourcing in low cost countries.

New business opportunities

Renewable energies have gained momentum on account of increased environmental consciousness and the growing concern about nuclear energy. We have acquired a strong market position in renewable applications.

The solar and wind sectors are making up an increasing share of our total sales, a trend that is expected to impact LEM's overall profile going forward. In renewable energies, however, we continue to anticipate increased market volatility, mainly due to changing government policies, particularly in the solar sector. In addition, we are well positioned in the green car market (hybrid electric and electric vehicles).

New CEO and extension of the Board

As of 1 July 2010 and following a smooth transition process, François Gabella succeeded Paul van Iseghem as the CEO of LEM. François Gabella's first challenge was to develop the organization in order to satisfy the fast growing market demand. To achieve this, we strengthened the management team. Jean-Marc Peccoux was appointed Vice President of R&D, while Luc Colombel has been fully dedicated to the Automotive Segment, reflecting its growing importance. Hans-Dieter Huber assumed responsibility for the entire Industrial Segment. The senior management team is completed with Julius Renk, CFO, and Simon Siggen, Vice President Operations.

We also expanded our Board of Directors during the past financial year with the arrival of Ilan Cohen, President and CEO of Servotronix Motion Systems Ltd. Ilan Cohen brings a wide range of experience in business management and innovation in power electronics to the Board.

Proposals to the Annual Shareholder's Meeting

We communicated a new, consistent dividend policy in February 2011, which will serve as a reliable guidance for shareholder return over the coming years. As a consequence of our strong balance sheet and the confident outlook for further profitable growth, LEM will target to return significantly more than 50% of the consolidated net profit for the year to our shareholders. Adopting this new policy, the Board of Directors proposes at the forthcoming Annual Shareholders Meeting on 1 July 2011 the payment of an ordinary dividend of CHF 40 per share.

The Board of Directors proposes to elect Andreas Hürlimann (M Sc EE ETH) as a new member. After more than ten years in industry, followed by several years as a managing partner at the global technology and management consulting firm Arthur D. Little as well as managing director at SpencerStuart board and executive talent advisory, Andreas Hürlimann works as an independent entrepreneur and advisor. Based on his experience and expertise in strategic leadership and talent management he will be able to make important contributions to the Board.

In September 2010, we launched a share buy-back program for up to CHF 15 million through a second trading line. LEM has successfully bought back 10'000 shares as part of this program for a total amount of CHF 4.0 million as of 31 March 2011. The Board of Directors decided to close the share buy-back program. The Board of Directors proposes to cancel the repurchased shares. Going forward the company will focus on the new dividend policy as a means to return funds to shareholders.

Thanks

LEM had a record year! This would not have been achievable without the commitment of LEM employees worldwide. We would like to thank all of them for their enthusiasm during this exciting year.

At the same time we express our deep empathy for all our employees and business partners in Japan who are going through a very difficult period.

Finally, our thanks go out to our customers for their enduring trust in our products and services as well as to our shareholders, who have shown steadfast support during this past year.

F. Bagdasarjanz

Felix Bagdasarjanz
Chairman of the Board of Directors

François Gabella
President and CEO

Business Report

The year continued on the very successful year-end 2009/10 and resulted in a new record year

Following the second quarter of 2009/10, which signaled the end of the crisis, the positive trend continued throughout seven consecutive growth quarters. Despite adverse foreign exchange effects, we are reporting a record result driven by a substantial volume increase combined with the aggressive cost management program we initiated during the financial crisis, which has proven to be effective.

LEM's capacity was initially challenged by the sudden demand increase. Despite supply shortages at the beginning of the financial year, we reacted quickly by adapting our supply chain, reinforcing our organization and adding new production capacities. As a result, our year-on-year output increased by almost 80% in the first six months of the financial year.

Due to the general shortage in the electronic components markets and the sudden recovery in market demand, our customers sought to increase their stocks and placed significant orders with longer lead times. This explains our high book-to-bill ratio in the first three quarters. There have been signs of market normalization since December 2010, which explains the lower volume of orders in the fourth quarter. Still, the year ended with a strong order book.

2010/11

In CHF millions	Q1	Q2	Q3	Q4	Total
Orders received	93.6	90.8	83.6	68.9	336.9
Sales	66.8	75.0	77.0	77.4	296.2
Book-to-bill	1.40	1.21	1.09	0.89	1.14
Operational EBIT	13.8	16.6	15.7	14.3	60.4
EBIT	13.4	16.5	11.1	14.0	55.0
Net profit	**8.2**	**11.6**	**7.5**	**12.3**	**39.6**

Sales jumped 59.7% to CHF 296.2 million compared to the previous year. With CHF 336.9 million in bookings (+55%), the book-to-bill-ratio was at 1.14, indicating strong, but stabilizing growth. As announced in the first half-year 2010/11 report, measures have been taken to strengthen the structure of our organization to manage current and future growth. Nevertheless, sales and general & administrative spending (SG&A) were kept tight, rising by only 20.6%. SG&A as a proportion of sales declined from 29.5% in 2009/10 to 22.2% in 2010/11.

LEM initiated an ambitious innovation strategy in the second quarter, which resulted in a 18% increase in R&D spending to 14.0 million.

Our efficient cost management combined with the growth momentum resulted in exceptional profitability. The gross margin reached 42.6% despite adverse foreign exchange rate effects. Operational EBIT grew even stronger than sales and reached CHF 60.4 million (+ 134%), giving proof to our operational leverage. Our operational EBIT margin increased to 20.4%, above our target range of 15 to 20%.

Additional stock option plan costs amounted to CHF 5.4 million, directly linked to the strong performance of the LEM share price from CHF 340 per share to CHF 570 per share. The effective Group tax rate was reduced from 34.9% to 21.3%. Net profit for the year was CHF 39.6 million (+276%).

The Industrial Segment

Sales in the Industrial Segment were CHF 272.7 million – a year-on-year increase of 60%. All markets with the exception of traction, which remained stable, grew strongly in 2010/11. Operational EBIT reached CHF 57.6 million, which is an increase of 115% compared to the previous year.

The *Industry market* experienced a very successful financial year. Sales increased by 75 % compared to the year before. The main drivers in the Industry market were electric motor drives and renewable energies. In electric motor drives, business in Europe was strong and we were especially successful in China and in India. In renewable applications, the solar sector is thriving, and we have experienced spectacular growth in Italy and Germany. Nevertheless, we have to bear in mind that solar is a volatile business since demand is affected by political factors such as feed-in tariffs. In the long term, we expect solid growth with China and the US to follow the dynamics in Europe. The wind sector is also strong.

The *Traction market* has been stable over the past year. We benefitted from our leading position in the growing Chinese market as several projects were delayed in Europe and the US due to budget cuts.

The *Energy and Automation market* experienced strong growth with sales increasing by 61% compared to last year. Typical products include transducers used in factory automation such as Wi-LEM, our wireless local energy meter product, and our battery monitoring product for standby industrial batteries used in critical applications.

The Automotive Segment

The 2010/11 financial year saw a turning point for the Automotive Segment. We reached a durable level of profitability mainly thanks to the 60% sales growth and to our improved cost base due to the transfer of production to China. The automotive organization has been strengthened and focused on the segment activities, on management and operative levels. In the conventional car battery management business, which still represents the majority of our automotive business, we expect further growth without major new investments, particularly in the US, but also in Asia and Europe. In the promising green car market (hybrid electric and electric — vehicles), the majority of future green car platforms visible at world car shows are designed with LEM transducers and we are ready to capture this growth opportunity.

The right strategy

Our business strategy and the four strategic drivers for our business proved their value again in 2010/11. And our target markets remain robust. The needs for:

- more energy, especially renewable energy
- reliable energy
- better energy efficiency
- more mobility, especially energy-friendly solutions

continue to drive our business. In addition, with growing concern about nuclear energy, pressure to save energy and to develop environmentally friendly alternatives will increase. With a share of roughly 50% of the transducer market, we intend to strengthen our leading position in critical currents and voltage measuring components worldwide.

Cost and capacity management

Demand has increased substantially as the economy has recovered in the wake of the financial crisis. Consequently, in 2010/11 we focused on growth and capacity as we had to adapt to a sharp increase in sales. Nevertheless, we continued to guarantee the same uncompromising product quality.

LEM's strength is its ability to react quickly to market demands. We absorbed the rise in orders by proactively managing our supply chain and increasing our capacity. We hired staff and invested in machinery. We also intensified our cooperation with our suppliers during this demanding period.

Our new manufacturing center in Beijing, which went online in 2009, proved to be a sound investment. China is our biggest production site and has absorbed the majority of our growth in the financial year. Also, China has become one of our most important markets with sales of CHF 50.5 million (+62%).

LEM has always maintained very high environmental standards and demands this same level of engagement from our suppliers. All of our production sites are ISO 14000 certified in order to reduce our environmental footprint.

Investments in Research and Development

LEM is the proven leader in the area of measuring current and voltage. Nevertheless we want to intensify our efforts to bring innovative products in terms of accuracy, reliability and cost competitiveness to the market. Also, we will continue to penetrate new applications where transducers have the potential to enhance system performance. We are working on a range of new products with good prospects. For example, in May 2011 LEM has launched the CTSR family of transducers, specifically designed to meet the latest safety standards issued for solar installations and inverters.

Employees

LEM's culture is based on achievement, innovation and the ability to drive change in a truly global organization. Rapid expansion of operations in China exemplifies how these commitments are being translated into concrete career advancement and development for local managers. We offer similar career opportunities in our worldwide sites.

The broad diversity of nationalities and cultures across our Group is a great asset, which not only drives our competitiveness but also brings us closer to our customers around the world.

Employee development

Number of employees at the end of the financial year	31.3.2011	31.3.2010
Full-time employees	1'215	970
Temporary employees	89	37
Apprentices	12	11
Total	**1'316**	**1'018**

In full-time equivalents (FTEs)

Situation of LEM Japan

The events in Japan came as a shock to the Group. Although none of our employees at our Machida factory were impacted physically by the earthquake, the tragic events affected us all on a personal level. We grieve with the families of the victims and our hearts go out to all of our colleagues, business partners and clients in Japan. We are deeply impressed by their calm and professional attitude during this trying time.

Neither our operations nor those of our main suppliers were directly affected in the immediate aftermath of the events. We expect further power supply and logistics disturbances in the coming months and have taken measures to mitigate them.

Outlook

The drivers that have made LEM successful will remain strong in 2011/12 and beyond. The lasting energy price increases and the recent nuclear accident will accelerate the demand for more efficient utilization of energy, with a greater portion thereof coming from renewable sources. With our broad product range and our global organization, LEM is optimally positioned to benefit from these long-term trends. We will therefore continue to reinforce our position by being innovative and by strengthening our cost leadership thanks to operational excellence, economies of scale and low-cost manufacturing. We will also continue to develop our flexibility in order to quickly adapt to market demand fluctuations.

We are confident that LEM's long-term growth will remain strong in future. However, following a spectacular growth of 60% in 2010/11, we expect the situation to slow down in early 2011/12 before growth resumes.

As currency fluctuations continue to impact our financial performance, we will also work on reducing our exposure by increasing our natural hedge as well as continuing to use financial instruments.

Windmills Modern onshore and offshore wind energy turbines drive a generator that converts the mechanical energy from the turning blades into electricity. LEM transducers contribute in two ways to improve safety and efficiency of wind turbines.

1. To ensure the generators work most efficiently, electric motors turn the nacelle and the rotor into the wind. In addition, an active power control system adjusts the rotor blades within their longitudinal axis. LEM's transducers in the power converters continuously measure the current in order to optimally position the turbine.

2. The electricity produced needs to be fed safely into the power grid, meaning it needs to be supplied with continuous power at a controlled frequency and voltage. LEM's current transducers enable optimal control and protection of the AC/DC (Alternating Current/Direct Current) converter to feed the power grid.

Values and Principles

LEM's core values and principles

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

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

There are six core values, each one guiding us throughout all our activities.

- We are customer driven
- We operate with integrity
- We value teamwork
- We commit
- We strive for excellence
- We lead innovation

We are customer driven

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

We operate with integrity

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

We value teamwork

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

We commit

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

We strive for excellence

No matter how good our products, services, 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.

Solar Inverters In solar panels, the generated electricity can be used for autonomous installations, remote from the distribution grid, which charge a battery. This is commonly referred to as an “off-grid system”. In contrast, the grid-connected system feeds energy back into the grid. In photovoltaic panels, transducers control the energy flow to the grid and are used for ensuring the safety of equipment and people.

Thousands of solar panels are required to build a solar plant, and the performance of the overall installation has to be monitored in order to maximize its efficiency. The inverter used for the conversion of the power to the grid will ensure a part of this efficiency by tracking if the Maximum Power Point (MMP) for the generated current and voltage is reached for the total installation.

In order to be the most efficient, the current has to be measured. This will allow adapting the parameters to adjust the Maximum Power Point for the generated current and voltage, but also to detect any defective solar panel.

Corporate Governance

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 1 October 2007.

1 Group structure and shareholders

Group structure

LEM Holding SA is domiciled at 8, chemin des Aulx in CH-1228 Plan-les-Ouates, Geneva. LEM's registered shares are listed on the main segment of the SIX Swiss Exchange (LEHN, security no. 2 242 762; ISIN 0022427626). On 31 March 2011, the market capitalization was CHF 655.5 million.

LEM Group is structured into the Industrial Segment and the Automotive Segment. Appropriate segment reporting pursuant to IFRS is contained on pages 38 of the notes to the consolidated financial statements. All companies in LEM Group are listed under "scope of consolidation" on page 53, 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 2011, the following shareholders held 3% or more of the share capital and voting rights:

Werner O. Weber und WEMACO Invest AG, in Zollikon / Zug, Switzerland	29.8%
Ruth Wertheimer, in Kfar, Israel, through 7-Industries Holding B.V., in Amsterdam, Netherlands	12.6%
Sarasin Investmentfonds AG, in Basel, Switzerland	8.4%
Erwin Studer and Joraem de Chavonay SA, in Zollikon / Zug, Switzerland	7.2%
Amerprise Financial Inc., in Minneapolis, US, through Threadneedle Asset Management Holding Ltd, in London, United Kingdom	5.2%
Montanaro Asset Management Ltd, London, United Kingdom	3.7%
Impax Asset Management Ltd, United Kingdom	3.2%

There are no known shareholder agreements between individual shareholders.

Cross-shareholdings

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

2 Capital structure

Capital and shares

The nominal value of the share capital of LEM Holding SA is CHF 575'000, which is divided into 1'150'000 fully paid-up registered shares with a par value of CHF 0.50 each. There are no shares with preferred voting rights. All shareholders are entitled to the same dividends.
Detailed information about the capital structure in the last three years is shown in LEM Holding statutory accounts on page 59.
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 2011, LEM Holding SA held 18'247 treasury shares, of which 10'000 shares are held in the frame work of the share buy-back with the perspective of cancellation.

Authorized and conditional capital

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

Information on the Performance Share Plan and the stock option plans is provided below under Section 5, "Compensations and Shareholdings", under the note "Stock options plans, Performance Share Plan" on page 47 and in the notes to the LEM Statutory Accounts on page 63.

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 25 June 2010, Felix Bagdasarjanz, Peter Rutishauser, Anton Lauber and Ueli Wampfler were reelected as members of the Board of Directors and Ilan Cohen was newly elected as member of the Board of Directors. Felix Bagdasarjanz maintained the Chairmanship. In November 2010 Peter Rutishauser was nominated by the Board of Directors to become its Vice Chairman. All members of the Board are non-executive and have at no time been part of the executive management of LEM. Furthermore, they have no significant business connections with the LEM Group.

The Board of Directors

Name	Nationality	Born in	Position	Entry	Committees
Felix Bagdasarjanz	Swiss	1945	Chairman	2002	Member NCC
Anton Lauber	Swiss	1951	Member	2004	Chairman NCC
Peter Rutishauser	Swiss	1956	Vice Chairman	2003	Chairman AC
Ueli Wampfler	Swiss	1950	Member	2007	Member AC
Ilan Cohen	Israeli	1956	Member	2010	–

AC = Audit Committee
NCC = Nomination and Compensation Committee

Members of the Board of Directors: education, professional background and other notable activities

(Absence of information on other notable activities indicates that there are none of relevance.)

Felix Bagdasarjanz

Education
Dr. of Electrical Engineering, ETH Zurich

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

Other notable activities
- Member of the Board of Schneeberger Holding AG, Roggwil/Bern
- Vice President Commission for Technology and Innovation, CTI, Funding Area President Engineering Sciences

Anton Lauber

Education
Certified Machinery Engineer, Technical University Brugg-Windisch
MBA studies at University of Applied Sciences, Lucerne
IMD and University of St. Gallen: Studies for top managers in SMEs

Professional background
Since 2009, Delegate of the Board and President Division Components / Schurter Group, Lucerne
Since 1998, Member of the Board of Directors of Schurter Holding AG, Lucerne, and its group companies
Since 1993, CEO and Delegate of the Board of Directors of Schurter AG, Lucerne
Until 1988, Managing Director of Generatorenfabrik ABB AG, Baden

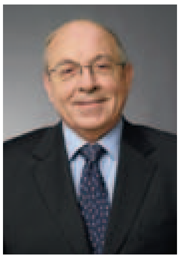
Other notable activities
- Vice Chairman of the Board of Directors of Bossard Holding AG, Zug
- Member of the Board of Directors of Beutler Nova AG, Gettnau, and Aquametro AG, Therwil
- President of the council of Hochschule Lucerne / University of Applied Sciences and Arts

Peter Rutishauser

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

Professional background
Since 1989, independent businessman

Other notable activities
- Delegate of the Board of Directors of Equatis AG, Zurich
- Member of the Board of Directors of Glatz AG, Frauenfeld; Pavatex AG, Fribourg, and Outlyne Sports AG, Landquart
- Chairman of the Board of Directors of Trisport AG, Hünenberg; Humanis AG, Zurich, and WUPA Holding AG, Frauenfeld

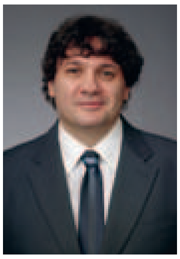


Ueli Wampfler

Education
Lic. oec., University of Zurich
Certified auditor

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

Other notable activities
- Member of the Boards of Directors of Swisa Holding AG, Cham; PH Partner Holding AG, Cham; Merbag Holding AG, Zug; Mercedes-Benz Automobil AG, Schlieren; Merbag Immobilien AG, Schlieren; Caspar Finanz AG, Zug (Traco Power Group); OFRAG Vertriebsgesellschaft, Lupfig; Fuchs-Movesa AG, Lupfig; Rebew AG, Zurich; Frigosuisse AG, Möhlin



Ilan Cohen

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

Professional background
Since 2010, President of Servotronix Motion System Ltd. and Servotronix Motion Control Ltd., Israel
2008–2009, General Manager of Kollmorgen Industrial & Commercial Engineered Solutions Ltd. (part of Danaher Group)
1997–2008, President and CEO of Kollmorgen Servotronix Ltd.
1987, Founder of Servotronix Ltd.
1982–1987, Fond National Recherche Scientifique, Belgium
1983–1990, Associate professor at University of Tel-Aviv, Israel

Other notable activities
- Board member of Servotronix Motion Control Ltd. and Servotronix Motion Systems Ltd., Teamar Ltd., Ginergia Invest Ltd. and GoalTime Ltd., Israel
- Led the establishment of Cleantech Incubator (2012) and Engineering School (2014) for IDC University, Israel

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, four full-day meetings and one half-day meeting were held. Additionally, several ad hoc conference calls took place during the year. The meetings usually take place at the company's headquarters. The Chairman, after consultation with the CEO, determines the agenda for the Board meetings. The members of the Board of Directors can ask for additional items to be included. The Board members receive supporting documents beforehand which allows for a good 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 issues, other members of Senior Management participate in the meetings in order to respond to specific questions. Decisions can be taken by the Board if at least half of the Directors are present, and a simple majority of them is sufficient. In the event of deadlock, the Chairman has the casting vote. Minutes of the meetings including decisions taken are prepared by the outside Secretary of the Board and distributed to the members of the Board, the CEO and the CFO.

The Board of Directors reflects, in its working procedures, the efficiency and effectiveness of the teamwork as well as its interaction with the management of the company on a regular basis. Regular feedbacksessions 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.
- Appointing/dismissing of the Senior Management.
- Monitoring the ethical and legal behavior of LEM.
- Reviewing of human resources management, especially co worker satisfaction and management development and legal, intellectual property, social 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 Senior Management to perform its supervisory duty and to make the necessary decisions.
The Board of Directors obtains the information required to perform its duties through several means:
- The Board of Directors receives monthly and quarterly reports on the current development of the business.
- Informal meetings and teleconferences are held as required between the Chairman and the CEO as well as between the Chairman and individual members of the Board.
- The Committees meet at regular intervals and exchange detailed information with the Management.

- The Board receives detailed information to each agenda item one week before the board meeting.
- At least once a year a session is held in the Board meeting including all Senior Managers.

Business risk management

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

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

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

Internal control system

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

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

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

Committees

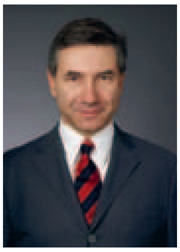
Two standing committees support the Board of Directors. They are comprised of two non-executive and independent members of the Board of Directors. They meet whenever necessary but at least twice a year.

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

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

4 Senior Management

The Senior Management was comprised of the following members as of 31 March 2011:



François Gabella

Nationality Swiss

Born in 1958

Education MsC Microtechnics EPFL, Executive MBA IMD

Function President and CEO LEM Group

With LEM since 2010

Previous companies and positions
- Tesa SA, CEO
- Areva, SVP
- ABB Power Transformers, Business Area Manager

Julius Renk

Nationality German

Born in 1970

Education Lic. oec., HSG, CEMS Master in Int'l Management

Function CFO

With LEM since 2009

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

Hans-Dieter Huber

Nationality German

Born in 1959

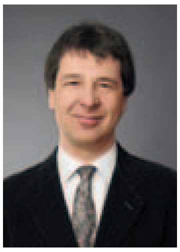
Education Engineer Berufsakademie Mannheim

Function Vice President, Industrial

With LEM since 1995

Previous functions Business Development Manager

Previous companies and positions
- ABB Drives Germany R&D Team Manager



Luc Colombel

Nationality French

Born in 1959

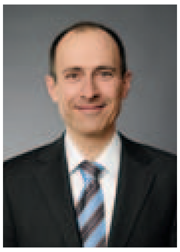
Education Engineer ESILEC

Function Vice President, Automotive

With LEM since 1996

Previous functions Business Development Manager

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



Simon Siggen

Nationality Swiss

Born in 1967

Education Engineer EPFL, Master in Logistics

Function Vice President, Operations

With LEM since 2002

Previous functions Operations Manager

Previous companies and positions
- Leclanché, Business segment Director

Jean-Marc Peccoux

Nationality French

Born in 1966

Education Engineer ENSAM, Master of Economics University of Besançon

Function Vice President, R&D

With LEM since 2002

Previous functions Corporate Quality Manager

Previous companies and positions
- Valeo, Quality Director, R&D Program Manager
- Schlumberger, R&D Project Manager

Green cars In green cars' (hybrid electric and electric cars) motor drives, LEM measures the current of the battery pack to ensure the battery pack's reliability and performance. LEM's products are considered to be the reference in this growing market thanks to the family of products, which were developed during the past years.

Ten years ago LEM started to develop a new generation of products that are now designed-in into green cars to be launched from 2012. LEM's transducers help to improve considerably the performance of the battery management – i.e. the capacity of battery charge and the weight of battery – and thus of the vehicles while reducing the cost of the energy storage.

Today, battery management cost in a hybrid vehicle is the major cause for the higher cost of these cars compared to a traditional vehicle. This explains why car manufacturers invest in the new generation of products designed to reduce cost.

The CEO François Gabella is Member of the Board of Directors of Cicor SA, Boudry. None of the other members of the Senior Management have other activities in governing or supervisory bodies, any official functions or political posts nor any permanent management functions for important Swiss and foreign interest groups.

Management contracts

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

5 Compensation and shareholdings

5.1 Board of Directors

General principles for compensation of non-executive directors

Compensation for the Board of Directors is approved by the Board of Directors based on recommendations by the Nomination & Compensation Committee (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 non-executive member of the Board of Directors and all work related to the Board of Directors membership. There will be no additional variable compensation nor any participation in an equity-based compensation plan. Each member of the Bord 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 shall reach a value of approximately three annual fixed compensations. Trading with LEM shares has to respect the insider regulation of LEM.

Discontinued plans

In April 2006 and in April 2007 the Board of Directors issued the stock option plans SOP 5 and SOP 6 for the senior management and including the non-executive directors. In May 2008 the Board of Directors decided to discontinue the participation of non-executive directors in any equity-based compensation plan. SOP 5 has expired on 31 March 2011; SOP 6 will expire on 31 March 2012.

Remuneration of non-executive directors

The Board of Directors has decided to adopt a remuneration scheme with a fixed fee paid in cash in the amount of CHF 180'000 for the Chairman, CHF 120'000 for the Vice Chairman and CHF 80'000 for a member. Committee activity will be compensated with CHF 30'000 for the Committee's chairman and with CHF 20'000 for its members. In financial year 2010/11, no compensation was paid to former members of the Board of Directors.

For more details on financial compensation, see note 20 "Stock option plans, Performance Share Plan" on page 47 and the notes of LEM Holding Statutory Accounts on page 63.

5.2 Senior Management

General principles for compensation of Senior Management

Remunerations for the Senior Management are approved by the Board of Directors based on recommendations by the CEO and the Nomination and Compensation Committee. The remuneration of the CEO is proposed by the Chairman for approval by the Board of Directors. The remuneration of the Senior Management is reviewed on an annual basis.

The total compensation for the Senior Management consists of three elements:

1. Base salary
2. Bonus according to the LEM Incentive System (LIS)
3. Nonwage compensation

The total annual compensation is part of the manager's contract and does not contain any discretional elements. 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.

Base salary of Senior Management

LEM's base salary orients itself around a mid-point of available and comparable benchmark data of industrial companies with a plus and minus band of 20%. In case that available benchmark data allow for a comparison of total remuneration (base salary plus bonus) the comparison around a mid-point is made assuming a value of half of the maximum bonus according to our target-setting philosophy. Base salaries are fixed amounts of cash paid monthly. We review base salaries annually to ensure they remain competitive, comparing them with the benchmark data. The benchmark data is taken from Mercer Compensation Data Base.

Bonus of Senior Management: LEM Incentive System

The LEM Incentive System (LIS) consists of two parts:

- LIS part 1: performance related to the individual's function and responsibility
- LIS part 2: performance related to financial results of LEM group

For the LIS part 1, annual objectives are agreed between the manager and his superior at the beginning of each business year and a final review is performed at the end of the year. The objectives as well as the performance evaluation are approved by the next level superior. The final approval is given by the Nomination and Compensation Committee (NCC) of the Board of Directors, in the case of the CFO by the Audit Committee (AC). Objectives and performance evaluation of the CEO are agreed between the CEO and the Chairman of the Board of Directors and they are approved by the Board of Directors. The maximum value of the annual bonus related to LIS part 1 is 35% of the base salary for the Senior Management, 30% for the CFO and 60% for the CEO.

Typical categories for objectives include:
- Personal performance criteria including personal development
- Project-related objectives and milestones
- Objectives related to the process and team performance
- Objectives related to quality
- Objectives related to people and team development
- Objectives related to stakeholder satisfaction
- Financial objectives

The number of selected objectives per annum shall be limited in order to keep a focus on the key challenges of the year. At the same time, the number of objectives has to be large enough in order to allow the manager to reach a fair level of bonus rewarding his efforts 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 metric 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. The point of 50% bonus shall be set at the level of an ambitious but achievable objective.

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

The LIS part 2 is an annual bonus 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 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-year. Every year, the new three-year objective for the cumulated EVA is defined and kept unchanged over the respective three-year period. The bonus payment takes place every year based on the comparison between the EVA objective defined three-year before and the performance achieved at the end of the three-year 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, the actual three-year financial plan of LEM and the shareholders' expectations expressed in the share price development.

The maximum value of the annual bonus related to LIS part 2 is 25% of the base salary for the Senior Management, 20% for the CFO and 40% for the CEO.

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

Nonwage compensation of Senior Management

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

5.3 Pensions and health care plans

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

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

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

LEM in Switzerland

The LEM pension plan operates 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 for the employee is 40% and 60% for the company. You can find more information in the notes under retirement benefit obligations.

LEM does not provide health care benefits to its employees in Switzerland.

LEM in China

The pension plan is a government plan. Both the company and the employee pay a certain percentage of a fixed amount for the insurance each month.

The health care plan is both government and company funded.

LEM in Japan

Only the government plan prevails.

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

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

LEM in Germany

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

5.4 Discontinued plans

During May 2009, the Board of Directors decided not to issue further equity- or option-based compensation plans. For the financial year 2010/11 two option and one share participation plans were still outstanding. One of the outstanding option plans and the share participation plan has been closed 31 March 2011; the second outstanding option plan will be closed 31 March 2012.

For more information on the previous Performance Share Plan and on the previous Stock option plans, see note 20 “Stock option plans, Performance Share Plan“ on page 47 and the notes of LEM Holding Statutory Accounts on page 63. For more details on financial compensation, see note 20 “Stock option plans, Performance Share Plan“ on page 47 and the notes of LEM Holding Statutory Accounts on page 63.

Compensation of former members

In financial year 2010/11, a compensation of CHF 1’660 thousand was paid to two former members of the Senior Management.

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

Statutory quorums

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

Convocation of the 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, on the day determined by the Board of Directors, is registered as a shareholder has the right to attend and vote at the Shareholders’ Meeting.

Agenda

According to Article 10 of the Articles of Incorporation, one or several shareholders who collectively hold 10% of the share capital can call for a 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 33 1/3 % of the voting rights.

Clauses of changes of control

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

8 Auditors

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

Ernst & Young charged the following fees for professional services rendered for the 12-month period ending 31 March 2011:

Type of service

In CHF thousands	2010/11
Audit services	416
Tax services	741
Other services	5
Total	**1'162**

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

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

During 2010/11 Ernst & Young attended three regular Audit Committee meetings.

9 Information policy

LEM informs its shareholders on the business status and its results on a quarterly basis. After the first six months a half-year report is published. This report, as well as the Annual Report, is distributed to all shareholders inscribed in the share register and made publicly available on its website www.lem.com. Once a year, LEM holds a presentation for the media and financial analysts. Internal processes 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 (e.g., the Articles of Incorporation, interim and annual reports, investor presentations, as well as important dates) is available.

Contact for investors and media:
Julius Renk, CFO
8, chemin des Aulx
CH-1228 Plan-les-Ouates
or send an e-mail to investor@lem.com
(phone +41 22 706 12 30).

Financial Results

Financial Results

Sales

LEM sales increased by 59.7% to CHF 296.2 million in 2010/11. There was an unfavorable foreign currency impact of 10.4% in 2010/11. At constant exchange rates the sales increase would have been 70.1%. The currency impact stems mainly from the unfavorable EUR and USD development during the year.

Gross margin

The gross margin decreased by 0.8 percentage points to 42.6%. The main reason for this is the unfavorable foreign currency impact mainly from EUR and USD.

Operating expenses

The operating expenses (including R&D) of CHF 65.9 million increased by 20.6% compared to the previous year which is mainly due to increase in activity. Indeed, as a percentage of sales, the ratio decreased from 29.5% to 22.2%.
The R&D expenses increased by 21.6% in 2010/11 to CHF 14.0 million (prior year CHF 11.5 million). R&D cost as a percentage of sales decreased from 6.2% last year to 4.7% for the current fiscal year.

The valuation of the liabilities for stock option plans (SOP) at the share price of CHF 570 on 31 March 2011 (prior year CHF 340) and the exercises of stock options at a higher average price led to additional SOP costs below operational EBIT of CHF 5.4 million (CHF 8.3 million in 2009/10).

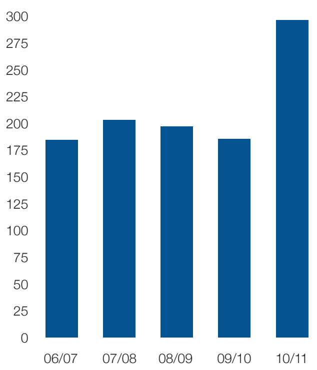
		April to March
In CHF thousands	2010/11	2009/10
Sales	296'203	185'512
Cost of goods sold	(169'904)	(105'076)
Gross margin	**126'299**	**80'436**
Sales expense	(23'406)	(19'757)
Administration expense	(28'842)	(23'583)
Research & development expense	(14'031)	(11'542)
Other expense	(319)	(252)
Other income	712	504
Operational EBIT	**60'413**	**25'807**
Additional SOP costs/income	(5'426)	(8'285)
EBIT	**54'987**	**17'522**
Financial expense	(475)	(419)
Financial income	116	372
Foreign exchange effect	(4'263)	(1'308)
Profit before taxes	**50'365**	**16'167**
Income taxes	(10'722)	(5'635)
Net profit of the period	**39'643**	**10'532**
Attributable to :		
LEM shareholders	39'592	10'475
Non-controlling interests	51	57
Net profit	**39'643**	**10'532**

Operational EBIT and EBIT

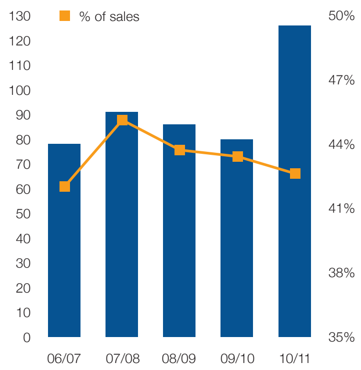
The operational EBIT (before additional SOP cost) increased by 134.1% to CHF 60.4 million (prior year CHF 25.8 million).

Taking into account the additional SOP cost in 2009/10 and 2010/11, the EBIT is 3.1 times higher than last year at CHF 55.0 million against CHF 17.5 million last year.

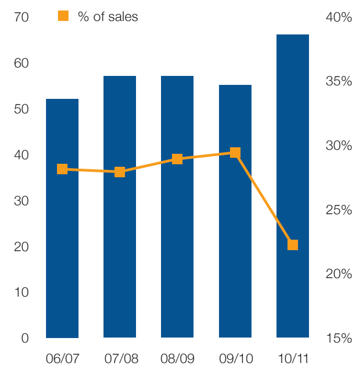
Net sales
In CHF millions



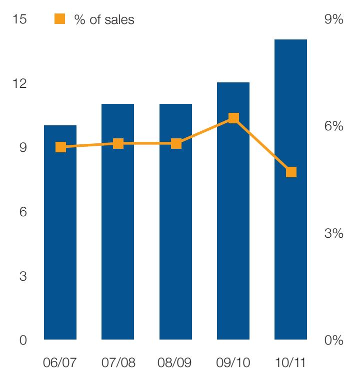
Gross margin
In CHF millions



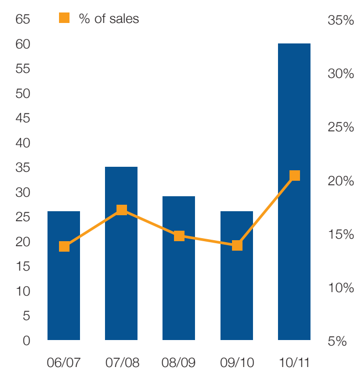
Operating expenses (incl. R&D exp.)
In CHF millions



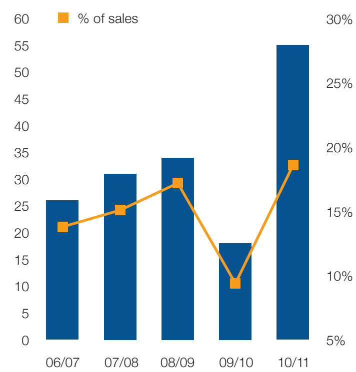
R&D expenses
In CHF millions



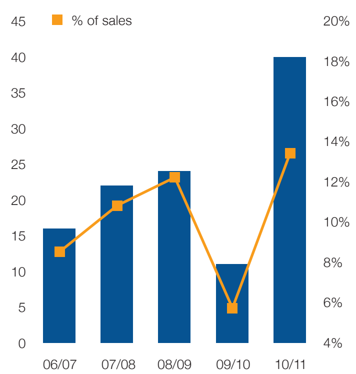
Operational EBIT
In CHF millions



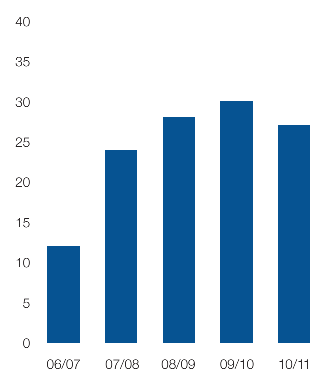
EBIT
In CHF millions



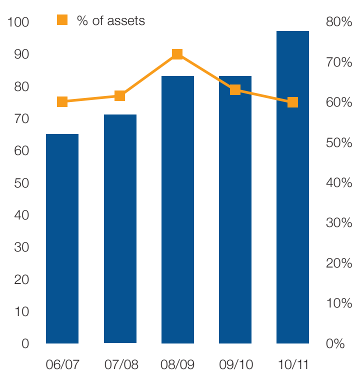
Net earnings
In CHF millions



Net financial assets
In CHF millions



Equity and equity ratio
In CHF millions



Financial expenses

The net financial expenses increased from CHF 1.4 million to CHF 4.6 million in 2010/11 mainly driven by the unfavorable impact of foreign exchange rates.

Taxes

The tax rate decreased from 34.9% (31.9% excluding withholding tax for prior years) to 21.3% in 2010/11, linked to a better structure of the result.

Net profit for the year

Net profit for the year is 3.8 times higher than last year resulting in CHF 39.6 million.

Balance sheet

LEM maintained its net working capital (current assets – current liabilities – net cash) in % of sales at 13.3% against 12.9% last year.

The net financial assets (cash – financial liabilities) decreased from CHF CHF 29.8 million to 26.5 million. On 31 March 2011, LEM had no significant interest bearing financial liabilities.

The balance sheet remains healthy with an equity ratio of 60% (prior year 63%).

Cash flow

The cash flow before changes in net working capital reached CHF 51.5 million in 2010/11. CHF 21.4 million have been invested in the net working capital to sustain the business growth. The free cash flow increased by CHF 7.7 million compared to last year at CHF 20.7 million and nearly came back to 2008/09 level.

LEM Group

Consolidated Statement of Financial Position

Assets In CHF thousands	Notes	31.3.2011	31.3.2010
Current assets			
Cash and cash equivalents	4	27’231	29’756
Accounts receivable	1	60’026	43’454
Inventories	2	34’187	21’744
Income Tax receivable		1’310	
Other current assets	3	1’717	1’989
Total current assets		**124’471**	**96’943**
Non-current assets			
Deferred tax assets	16	1’919	662
Property, plant and equipment	5	25’612	23’665
Intangible assets	6	7’796	9’697
Other non-current assets	7, 21	2’181	1’695
Total non-current assets		**37’508**	**35’719**
Total assets		**161’979**	**132’662**

Liabilities and equity In CHF thousands	Notes	31.3.2011	31.3.2010
Current liabilities			
Accounts payable	8	29’617	23’416
Accrued expenses and deferred income		16’295	10’077
Current income tax payable		7’560	2’033
Current provisions	9	1’556	328
Current financial liabilities	4	618	2
Other current liabilities	10	2’821	7’335
Total current liabilities		**58’467**	**43’191**
Non-current liabilities			
Non-current provisions	9	969	1’729
Deferred tax liabilities	17	5’541	4’261
Other non-current liabilities	10	89	102
Total non-current liabilities		**6’599**	**6’092**
Total liabilities		**65’066**	**49’283**
Equity			
Share capital	11	575	575
Treasury shares and derivative instruments on treasury shares		(7’091)	(3’387)
Reserves	11	17’914	21’448
Retained earnings		85’515	64’529
Equity attributable to equity holders of the parent		**96’913**	**83’165**
Non-controlling interests	12		214
Total equity		**96’913**	**83’379**
Total liabilities and equity		**161’979**	**132’662**

Consolidated Income Statement

In CHF thousands	Notes	April to March 2010/11	2009/10
Sales		296'203	185'512
Cost of goods sold	13	(169'904)	(105'076)
Gross margin		**126'299**	**80'436**
Sales expense	13	(23'966)	(20'902)
Administration expense	13	(33'334)	(30'077)
Research & development expense	13	(14'405)	(12'188)
Other expense		(319)	(252)
Other income		712	504
Operating profit		**54'987**	**17'522**
Financial expense	14	(475)	(419)
Financial income	15	116	372
Exchange effect	16	(4'263)	(1'308)
Profit before taxes		**50'365**	**16'167**
Income taxes	17	(10'722)	(5'635)
Net profit for the year		**39'643**	**10'532**
Attributable to:			
LEM shareholders		39'592	10'475
Non-controlling interests		51	57
Net profit for the year		**39'643**	**10'532**

The results of both years are derived from continuing operations.

Earnings per share, in CHF			
Basic earnings per share	18	34.69	9.2
Diluted earnings per share	18	34.51	9.2

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

Consolidated Statement of Comprehensive Income

In CHF thousands	April to March 2010/11	2009/10
Net profit for the period recognized in the income statement	**39'643**	**10'532**
Currency translation difference	(4'158)	(1'972)
Unrealized gain on derivatives designated as cash flow hedges	(7)	9
Fair value adjustments on cash flow hedges		
Other comprehensive income of the period		
Total comprehensive income for the period	**35'478**	**8'569**
Attributable to shareholders	35'427	8'502
Attributable to non-controlling interests	51	67

Consolidated Statement of Changes in Equity

Attributable to equity holder of the company

In CHF thousands	Share capital	Capital reserve	Reserve for treasury shares	Treasury shares	Fair value reserve	Share plan	Translation reserve	Retained earnings	Non-controlling interests	Total equity
1 April 2009	575	13'407	5'627	(5'627)	(2)	423	3'464	65'430	195	**83'492**
Total comprehensive income					9		(1'982)	10'475	67	8'569
Changes in capital										0
Dividends paid								(11'376)		(11'376)
Dividends paid to non-controlling interests									(48)	(48)
Performance share plan						502				502
Movement in treasury shares		2'240	(2'240)	2'240						2'240
Movement in derivative instruments on treasury shares				0						0
31 March 2010	575	15'647	3'387	(3'387)	7	925	1'482	64'529	214	**83'379**
1 April 2010	575	15'647	3'387	(3'387)	7	925	1'482	64'529	214	**83'379**
Total comprehensive income					(7)		(4'158)	39'592	51	35'478
Changes in capital										0
Dividends paid								(22'895)		(22'895)
Dividends paid to non-controlling interests									(50)	(50)
Changes in non-controlling interests								18	(215)	(197)
Performance share plan						631				631
Movement in treasury shares		(5'456)	5'456	(5'456)						(5'456)
Movement in derivative instruments on treasury shares		1'752	(1'752)	1'752				4'271		6'023
31 March 2011	575	11'943	7'091	(7'091)	0	1'556	(2'676)	85'515	0	**96'913**

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	2010/11	2009/10
		April to March
Cash flow from operating activities		
Net profit of the year	39'643	10'532
Adjustment for non-cash items		
– Current income taxes	10'420	6'488
– Net financial result	107	46
– Derivative financial instruments revaluation	0	9
– Divestment of companies	0	0
– Fair value charges for share-based payments	6'052	9'423
– Depreciation and amortization	7'403	6'541
– Impairment loss	660	
– Increase (+) / decrease (–) of provisions and deferred taxes	3'397	(4'193)
– Movement in pension	(515)	
Interest received	116	223
Interest paid	(223)	(419)
Taxes paid	(6'140)	(9'433)
Payment for cash-settlement of options	(9'423)	(1'009)
Cash flow before changes in net working capital	**51'498**	**18'208**
Change in inventory	(16'600)	3'500
Change in accounts receivable and other current assets	(18'371)	(10'402)
Change in payables and other current liabilities	13'519	14'993
Cash flow from changes in net working capital	**(21'452)**	**8'091**
Cash flow from operating activities	**30'046**	**26'299**
Cash flow from investing activities		
Investment in fixed assets	(9'147)	(5'757)
Disposal of fixed assets and intangible assets	109	58
Acquisition of companies		(1'362)
Investment in intangible assets	(345)	(6'069)
Increase (–) / decrease (+) in other assets	0	(145)
Cash flow from investing activities	**(9'383)**	**(13'275)**
Cash flow from financing activities		
Acquisition of non-controlling interests	(197)	0
Treasury shares acquired (–) /divested (+)	(5'768)	2'290
Sale of derivative instrument on own shares	5'715	0
Dividends paid to the shareholders of LEM Holding SA	(22'895)	(11'376)
Dividends paid to non-controlling interests	(50)	(48)
Decrease (–) in financial liabilities	(13)	(1'438)
Cash flow from financing activities	**(23'209)**	**(10'572)**
Change in cash and cash equivalents	**(2'546)**	**2'452**
Cash and cash equivalents at the beginning of the period	**29'756**	**27'951**
Exchange effect on cash and cash equivalents	(597)	(647)
Cash and cash equivalents at the end of the period	**26'613**	**29'756**

Accounting Policies

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 industrial, traction, energy and automotive markets. The Group has operations in eleven countries and employs around 1'300 people. 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: 8, chemin des Aulx, CH-1228 Plan-les-Ouates/Geneva. The Company has been listed on the SIX Swiss Exchange since 1986.

The Board of Directors approved the consolidated financial statements on 17 May 2011.

2 Summary of significant accounting principles

2.1 Basis of preparation

The consolidated financial statements of LEM Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) and comply with Swiss law.

The consolidated financial statements have been prepared using the historical cost convention except that, as discussed in the accounting policies below, certain items like derivatives are recorded at fair value.

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

In 2010/11, LEM Group introduced the following revised standards and interpretations:

Standard or interpretation	Title	Effective date	Impact
IAS 27 revised	Consolidated and separate financial statement	1 July 2009	None
IAS 39 – IFRIC 9	Financial instruments: Recognition and measurement: Eligible hedged items and embedded derivatives	1 July 2009	None
IFRS 3 revised	Business combinations – revised	1 July 2009	None
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009	None
IFRS 1	Amendments to IFRS 1 – Additional exemptions for first-time adopters	1 January 2010	None
IFRS 2	Group cash-settled share-based payment transactions – Amendments	1 January 2010	None
IAS 32	Classification of rights issues	1 February 2010	None
Amendments	Annual improvement project	1 January 2010 unless otherwise stipulated	None

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

Standard or interpretation	Title	Effective date
IFRIC 19	Extinguishing liabilities with equity instruments	1 July 2010
IAS 24	Related-party disclosures	1 January 2011
IFRIC 14	Prepayments of a minimum funding requirement – Amendments	1 January 2011
IAS 12	Deferred tax, recovery of underlying assets	1 January 2012
IRFS 1	Severe hyperinflatation and removal of fixed dates for first-time adoptors	1 July 2011
IFRS 7	Transfers of financial assets	1 July 2011
IFRS 9	Financial instruments	1 January 2013
Amendments	Annual improvement project	1 July 2010 or 1 January 2011

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

2.3 Summary of critical accounting estimates and judgments

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

LEM Group is subject to income taxes in numerous jurisdictions. Judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business.

Employee benefits

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

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

Acquisitions are accounted for using the purchase method. Companies that are acquired or sold during the financial year are included in the Group financial statements up to the date of transfer of control. The costs of purchasing a company are determined as the sum of the fair value of the assets that are to be paid to the seller and the obligations that are entered into, or acquired, on the date of purchase, plus the cost that can be directly allocated. Identifiable acquired assets, liabilities and contingent liabilities are recognized at their 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 identificable 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 intermediate profits on inventories and fixed assets are eliminated.

Associates

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

No associated undertakings exist as per 31 March 2011 and 31 March 2010.

2.5 Foreign currencies

Functional and presentation currency

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

Foreign currency translation

All assets and liabilities in the balance sheets of subsidiaries that are denominated in the respective functional currencies are translated into Swiss francs at the year-end exchange rate. Items in the income statement and cash flow statement are translated at the average exchange rate for the year. The resulting translation differences are recognized in shareholders' equity. When a company is sold, the cumulative translation differences recognized in shareholders' equity are transferred to the income statement.

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

Currency	Income statement of 2010/11 Average rate in CHF	Income statement of 2009/10 Average rate in CHF	Balance sheet 31.3.2011 Year-end rate in CHF	Balance sheet 31.3.2010 Year-end rate in CHF
EUR	1.340	1.502	1.299	1.432
GBP	1.575	1.700	1.474	1.603
JPY	0.0118	0.0115	0.0111	0.0115
USD	1.014	1.064	0.917	1.064
RUB	0.034	0.035	0.032	0.036
CNY	0.151	0.156	0.140	0.156
DKK	0.180	0.202	0.174	0.192

Foreign currency transactions

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

2.6 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. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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. Provision for write-downs are established when there is an objective indication that the Group will not be able to sell the goods in due time.

2.8 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 tangible fixed assets is capitalized at cost only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2.9 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/associated undertaking at the date of acquisition. Goodwill on acquisitions is reported in the balance sheet as an intangible asset and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research and development

Research costs are written off as incurred. Development cost are capitalized as intangible assets only, if it is probable that future economic benefits will flow to the Group. 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 non-current interest rate.
Goodwill is tested for impairment annually (at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Impairment losses relating to goodwill cannot be reversed in future years.

2.11 Assets held for sale

LEM Group's assets are reclassified as held for sale when a sale within one year is highly probable and the assets are available for immediate sale in their present condition.
Non-current assets held for sale are reevaluated at the lower of fair value less cost to sell or the carrying amounts at the date they meet the held-for-sale criteria. Any resulting impairment loss is recognized in the income statement. In the two years under review there were no assets held for sale in LEM Group.

2.12 Financial assets

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

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

2.13 Derivative financial instruments

Derivative financial instruments are measured at fair value. Any gains and losses arising from changes in fair value on derivatives are taken directly to the income statement.
Derivative financial instruments are shown as part of other current assets and other current liabilities. In case the maturity is more than one year, derivative financial instruments are recognized under other non-current assets or other non-current financial liabilities.

For a derivative financial instrument to be recognized as a qualified hedging transaction, certain requirements regarding documentation, probability of occurrence, effectiveness and reliability of measurement, both of the hedging instrument and of the hedged underlying transaction, must be fulfilled. When the cash-flow-hedging transaction is maturing, the cumulative gains and losses previously recognized in shareholders' equity are included in the income statement of the period.

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

2.14 Financial liabilities

Financial liabilities comprise bank overdraft at the end of the period.
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.

2.15 Leases

Assets acquired under non-current finance leases are capitalized as part of the fixed assets. Lease assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
The associated obligations are included dependent on their maturity in current or non-current financial liabilities respectively. In the years under review LEM Group does not hold any finance lease.
Rentals payable under operating leases are charged to the income statement as incurred.

2.16 Employee benefits

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

Defined benefit plan

A qualified independent actuary values the funds on an annual basis. The obligation and costs of pension benefits are determined using the projected unit credit method. Past service costs are recognized on a straight-line basis over the average period until the amended benefit becomes vested. Gains or losses on the curtailment or settlement of pension benefits are recognized when the curtailment or settlement occurs. Actuarial gains or losses are amortized based on the expected average remaining working time of the participating employees, but only to the extent that the net cumulative unrecognized amounts exceed 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets at the end of the previous year. In accordance with IFRIC 14, any assets resulting from surpluses in defined benefit plans are limited to the value of the maximum future savings from reduced contributions. Liabilities are fully provisioned.

Defined contribution plan

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

Equity compensation plan

In May 2009, the Board of Directors decided not to issue any further equity programs (stock option plans or PSP). The company administrates the legacy programs until the expiry of the last plan (SOP 6) in March 2012.

LEM Group operates currently one remaining stock option plan (last year two) and a share-based plan.

Stock options were granted to the Board of Directors and managers. The option plans are cash-settled and the fair value of the options is linked to the share price development. Based on the share price at each quarter end the fair value of the options – based on the "Hull-White" option model – is calculated by an independent specialist. Based on these fair values the year-end value of options is adjusted.

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

Stock option plans

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

LEM Incentive System

The LEM Incentive System (LIS) consists of a part 1, which is related to the individual's performance, and a part 2, which is related to the 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 3 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.

2.17 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

Claims and litigations

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

Onerous contracts

The Group presently sees no need for provisions for onerous contracts.

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.

2.18 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. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in retained earnings.

2.19 Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position.

2.20 Revenue recognition

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

2.21 Income taxes and deferred taxation

Income taxes

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

Deferred taxation

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

Business segment information

In CHF thousands	Industrial 2010/11	Industrial 2009/10	Automotive 2010/11	Automotive 2009/10	LEM Group 2010/11	LEM Group 2009/10
Income statement						
Sales	272'659	170'780	23'544	14'732	296'203	185'512
EBITDA	59'607	24'900	3'443	(837)	63'050	24'063
Operating profit	52'694	19'367	2'293	(1'845)	54'987	17'522
Net financial expense					(4'622)	(1'355)
Taxes					(10'722)	(5'635)
Net profit for the year					39'643	10'532
Depreciation and amortization:						
Tangible assets	4'770	4'430	1'144	990	5'914	5'420
Intangible assets	1'483	1'103	6	18	1'489	1'121
Impairment loss	660	0	0	0	660	0
Goodwill impairment						
Total	**6'913**	**5'533**	**1'150**	**1'008**	**8'063**	**6'541**
Significant non-cash items						
(Increase) / decrease of liabilities for share-based payments	(4'883)	(8'481)	(543)	(942)	(5'426)	(9'423)
Balance sheet						
Segment assets	120'791	90'720	9'795	9'811	130'586	100'531
Unallocated assets					31'393	32'131
Of which cash and cash equivalents					*27'231*	*29'757*
Of which other unallocated assets					*4'162*	*2'374*
Total assets	**120'791**	**90'720**	**9'795**	**9'811**	**161'979**	**132'662**
Segment liabilities	48'106	40'543	1'657	2'538	49'763	43'081
Unallocated liabilities					15'303	6'202
Of which income tax payable					*7'560*	*2'033*
Of which deferred withholding tax liability					*3'186*	*2'681*
Of which other unallocated liabilities					*4'557*	*1'488*
Total liabilities	**48'106**	**40'543**	**1'657**	**2'538**	**65'066**	**49'283**
Capital expenditure:						
Tangible assets	8'899	5'192	249	565	9'148	5'757
Intangible assets	345	6'218	0	0	345	6'218
Total	**9'244**	**11'410**	**249**	**565**	**9'493**	**11'975**

Geographical information

In CHF thousands	Germany 2010/11	Germany 2009/10	China 2010/11	China 2009/10	USA 2010/11	USA 2009/10	Italy 2010/11	Italy 2009/10	Japan 2010/11	Japan 2009/10	Switzerland 2010/11	Switzerland 2009/10	Rest of the world 2010/11	Rest of the world 2009/10	LEM Group 2010/11	LEM Group 2009/10
Sales	56'584	38'997	50'486	31'207	41'483	26'044	29'902	10'884	26'912	14'851	9'827	4'516	81'009	59'013	296'203	185'512
Non-current assets			9'045	10'188					7'220	7'618	19'594	17'492	1'854	421	37'713	35'719

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

Unallocated assets correspond to cash, non-current financial receivables as well as deferred tax assets. Unallocated 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.

The depreciation and amortization charge for the Industrial segment at 31 March 2011, includes the impairment of a patent for CHF 660 thousand. Please refer to the Note 6. Intangible assets for more detail.

Notes to the Consolidated Financial Statements

1 Accounts receivable

In CHF thousands	31.3.2011	31.3.2010
Accounts receivable – trade	54’828	39’789
Allowance for doubtful accounts	(1’229)	(1’424)
Total accounts receivable – trade	53’599	38’365
Other receivables	6’427	5’089
Total	**60’026**	**43’454**

Movements of allowance for doubtful accounts

In CHF thousands	2010/11	2009/10
	1’424	1’716
Additions charged to income statement	333	76
Amounts written off	(472)	(338)
Foreign exchange effect	(56)	(30)
Change of scope	0	0
Total	**1’229**	**1’424**

Aging analysis of accounts receivable

In CHF thousands	Not due	< 30 days	31–90 days	91–180 days	>180 days	Total
31 March 2011						
Accounts receivable – trade	41’246	8’698	3’053	1’021	810	54’828
Allowance for doubtful accounts	(3)	0	(155)	(264)	(810)	(1’229)
Other receivables	6’223	204				6’427
Total	**47’466**	**8’902**	**2’898**	**757**	**0**	**60’026**
31 March 2010						
Accounts receivable – trade	26’427	9’816	1’993	367	1’186	39’789
Allowance for doubtful accounts	0	0	(155)	(169)	(1’100)	(1’424)
Other receivables	5’089	0	0	0	0	5’089
Total	**31’516**	**9’816**	**1’838**	**198**	**86**	**43’454**

The allowance for doubtful accounts is computed as a percentage of aged balances. No receivables have been individually impaired.

2 Inventories

In CHF thousands	31.3.2011	31.3.2010
Raw material	15’481	10’396
Work in progress	3’167	2’314
Finished goods and goods for resale	15’540	9’034
Total	**34’187**	**21’744**

Above total inventories include provisions for write-down of CHF 5’630 thousand (2009/10 CHF 2’585 thousand).

3 Other current assets

In CHF thousands	31.3.2011	31.3.2010
Advances to suppliers	681	684
Prepayments and accrued income	1'036	1'298
Derivative financial instruments	0	7
Total	**1'717**	**1'989**

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

4 Cash and cash equivalents

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following:

In CHF thousands	31.3.2011	31.3.2010
Cash and cash equivalents	27'231	29'756
Bank overdrafts	(618)	0
Total	**26'613**	**29'756**

5 Property, plant and equipment

In CHF thousands	Land and buildings	Machinery and equipment	Total
Net book value 1 April 2010	**330**	**23'335**	**23'665**
Foreign exchange effect	(11)	(1'185)	(1'196)
Change in scope of consolidation			0
Investment		9'147	9'147
Disposal		(90)	(90)
Impairment gain (loss)			0
Other movements			0
Depreciation charge for the year	(13)	(5'901)	(5'914)
Net book value 31 March 2011	**306**	**25'306**	**25'612**
At cost of acquisition	449	63'820	64'269
Accumulated depreciation	(143)	(38'514)	(38'657)
Net book value 31 March 2011	**306**	**25'306**	**25'612**
Net book value 1 April 2009	**351**	**23'220**	**23'571**
Foreign exchange effect	(8)	(537)	(545)
Change in scope of consolidation	0	335	335
Investment	0	5'757	5'757
Disposal	0	(33)	(33)
Impairment gain (loss)	0	0	0
Other movements	0	0	0
Depreciation charge for the year	(13)	(5'407)	(5'420)
Net book value 31 March 2010	**330**	**23'335**	**23'665**
At cost of acquisition	465	58'065	58'530
Accumulated depreciation	(135)	(34'730)	(34'865)
Net book value 31 March 2010	**330**	**23'335**	**23'665**

6 Intangible assets

In CHF thousands	Goodwill	Patents	Other intangible assets	Total
Net book value 1 April 2010	**3'667**	**5'154**	**876**	**9'697**
Foreign exchange effect	(66)	0	(12)	(78)
Change in scope of consolidation				0
Investment			345	345
Disposal			(19)	(19)
Impairment gain (loss)		(660)		(660)
Other movements				0
Amortization charge for the year		(1'192)	(297)	(1'489)
Net book value 31 March 2011	**3'601**	**3'302**	**893**	**7'796**
At cost of acquisition	5'329	4'952	4'101	14'382
Accumulated amortization	(1'728)	(1'650)	(3'208)	(6'586)
Net book value 31 March 2011	**3'601**	**3'302**	**893**	**7'796**
Net book value 1 April 2009	**3'717**	**0**	**968**	**4'685**
Foreign exchange effect	(50)	0	(9)	(59)
Change in scope of consolidation	0	0	0	0
Investment	0	5'940	278	6'218
Disposal	0	0	(26)	(26)
Other movements	0	0	0	0
Amortization charge for the year	0	(786)	(335)	(1'121)
Net book value 31 March 2010	**3'667**	**5'154**	**876**	**9'697**
At cost of acquisition	5'403	5'940	3'636	14'979
Accumulated amortization	(1'736)	(786)	(2'760)	(5'282)
Net book value 31 March 2010	**3'667**	**5'154**	**876**	**9'697**

In the financial years under review, development costs have been capitalized for CHF 158 thousand (CHF 0.00 at 31 March 2010).

The entire goodwill of the LEM Group is from the acquisition of NANA in 2000/01 and is allocated to the cash-generating unit LEM Japan KK. The goodwill relates to the Industrial business segment. The recoverable amount has been determined based on value in use calculations. These calculations use cash flow projections of 5 years based on financial business plans and budgets approved by management. The projections include assumptions concerning revenue growth and expected operating costs. Revenue growth is projected at 2% and operating costs were estimated based on the experience of management. The discount rate used within these cash flow calculations is 8% (2009/10 8%) 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 2011.

Two patents have been activated in the course of LEM Danfysik acquisition for a total amount of CHF 5'940 thousand. For one of them (gross value of CHF 990 thousand less CHF 330 thousand depreciation at the end of March 2011), we had plans to develop a product.

The majority of the amortization charge of the period is related to the depreciation of patents acquired during the course of LDK acquisition. These have been accounted for in R&D costs (including the impairment charge referred above). The depreciation charge for other intangible assets has been included in the sales and administration expenses.

7 Other non-current assets

In CHF thousands	31.3.2011	31.3.2010
Pension asset	2'115	1'493
Other non-current assets	66	202
Total	**2'181**	**1'695**

8 Accounts payable

In CHF thousands	31.3.2011	31.3.2010
Accounts payable – trade	27'275	21'869
Other payables	2'342	1'547
Total	**29'617**	**23'416**

9 Provisions

In CHF thousands	Employee and termination benefits	Claims and litigations	Restructuring	Total
Balance 1 April 2010	**1'353**	**704**	**(0)**	**2'057**
Additional provisions	16	2'236		2'252
Unused amounts reversed	(250)	(723)		(973)
Utilized during the year	(462)	(264)		(726)
Foreign exchange effect	(76)	(8)		(84)
Change of scope				0
Balance 31 March 2011	**581**	**1'945**	**(0)**	**2'526**
Of which current				*1'556*
Of which non-current				*969*
Balance 1 April 2009	**1'534**	**1'159**	**182**	**2'875**
Additional provisions	40	687		727
Unused amounts reversed	(172)	(390)	(94)	(656)
Utilized during the year	0	(867)	(86)	(953)
Foreign exchange effect	(49)	(14)	(2)	(65)
Change of scope		129	0	129
Balance 31 March 2010	**1'353**	**704**	**(0)**	**2'057**
Of which current				*328*
Of which non-current				*1'729*

Employee and termination benefits

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

Claims and litigations

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

10 Other liabilities

In CHF thousands	31.3.2011	31.3.2010
Stock option plans	1'612	6'255
Other liabilities	1'298	1'182
Total	**2'910**	**7'437**
Of which current	*2'821*	*7'335*
Of which non-current	*89*	*102*

Stock option plans

See accounting policies 2.16 Employee benefits, 2.17 Provisions and contingent liabilities and note 20 Stock option plans, Performance Share Plan.

11 Equity

Share capital

There is no authorized or conditional share capital outstanding. The nominal share capital of CHF 575'000 comprises 1'150'000 registered shares, each with a nominal value of CHF 0.50.
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.

On 4 July 2008, 12'400 shares of LEM Holding SA were purchased at a share price of CHF 312.50. In January 2010, 63 shares were granted to a retiring employee as a pro rata payout of the PSP. In February and March 2010, 7'105 shares were sold to employees at market value less CHF 15 discount per share with an average price of CHF 304.85. The treasury shares were booked out at historical cost and the difference to the selling price was booked to retained earnings.

On 31 March 2010, there were 5'232 shares remaining.

In July 2010, 600 PSP shares were pay out to a retiring former Senior Management member. In July and August 2010, 1'385 shares were sold to employees at market value less CHF 15 discount per share with an average price of CHF 326.73. The treasury shares were booked out at historical cost and the difference to the selling price was booked to retained earnings.

In view of disposing of the necessary shares potentially required under the PSP program, LEM had bought call options on own shares as shown in the table below. The 30'000 call options which were acquired were intended to be gross settled and they were therefore treated as equity instruments.

Terms of options

Transaction date	Number of options	Strike price	Premium paid	Exercise period
20.9.2008	15'000	360	61.7	1.3.2011–30.4.2013
20.9.2008	15'000	390	55.1	1.3.2012–30.4.2013

In March 2011, LEM exercised 5'000 call options at a CHF 360 price. The treasury shares acquired have been booked in reduction of the equity for a total amount of CHF 2'109'000 including the initial cost paid to acquire the options.

The remaining 25'000 call options on own shares have been sold in March 2011 for a total amount of CHF 5'715 thousand, which has generated a net impact of CHF 4'271 thousand in equity during the 2010/11 fiscal year.

On 1 September 2010, LEM has launched a share buy-back program which runs for one and a half years covering a volume of up to CHF 15 million on a second trading line. At 31 March 2011, 10'000 shares have been bought for a total amount of CHF 3'968 thousand. These shares are earmarked for cancellation. LEM has not bought back any additional shares since and has terminated its share buy-back program per 23 May 2011.

Movement of treasury shares

In CHF	Number of shares	Average purchase price	Total
Balance 1 April 2010	**5'232**	**312.50**	**1'635'000**
Movement	13'015	419.22	5'456'113
Balance 31 March 2011	**18'247**	**388.62**	**7'091'113**
Ordinary dividend per share	40.00		
Extraordinary dividend per share	0.00		

The dividend to be paid will be proposed by the Board of Directors to the shareholders of the Group at the ordinary Shareholders' Meeting 1 July 2011.

In CHF	Number of shares	Average purchase price	Total
Balance 1 April 2009	**12'400**	**312.50**	**3'875'000**
Movement	(7'168)	312.50	(2'240'000)
Balance 31 March 2010	**5'232**	**312.50**	**1'635'000**
Ordinary dividend per share	5.00		
Extraordinary dividend per share	15.00		

12 Non-controlling interests

In CHF thousands	31.3.2011	31.3.2010
Total	**0**	**214**

The amount at 31 March 2010 represented the non-controlling interests of 10% in TVELEM, held by local management.

On 28 September 2010, TVELEM acquired its own shares representing the outstanding 10% of ownership. The percentage of interest in TVELEM is now 100%. This increase in interest led to the recognition of CHF 18 thousand in equity (difference between amount paid and non-controlling interests value) per 31 March 2011.

13 Staff cost

In CHF thousands	2010/11	2009/10
Production	(24’617)	(16’786)
Sales	(12’569)	(11’519)
Administration	(13’830)	(11’131)
Research and development	(7’989)	(7’252)
Change in liability for stock option plans and performance share plan	(6’052)	(9’423)
Total	**(65’056)**	**(56’111)**
Salaries and wages	(39’123)	(33’806)
Other personnel costs	(13’998)	(11’769)
Temporary employee costs	(5’883)	(1’113)
Change in liability for stock option plans and performance share plan	(6’052)	(9’423)
Total	**(65’056)**	**(56’111)**

Employee benefit plan costs comprise the expenses for defined contribution plans of CHF 476 thousand (2009/10 CHF 645 thousand).
See accounting policies 2.16 Employee benefits, 2.17 Provisions and contingent liabilities and note 20 Stock option plans, Performance Share Plan.

Number of employees at the end of the financial year	31.3.2011	31.3.2010
Full-time employees	1’215	970
Temporary employees	89	37
Apprentices	12	11
Total	**1’316**	**1’018**

14 Financial expense

In CHF thousands	2010/11	2009/10
Interest expense	(223)	(283)
Other financial expense	(252)	(136)
Total	**(475)**	**(419)**

15 Financial income

In CHF thousands	2010/11	2009/10
Interest income on cash	116	223
Gain on bargain purchase	0	149
Total	**116**	**372**

16 Foreign exchange effect

In CHF thousands	2010/11	2009/10
Exchange losses	(4’664)	(1’406)
Fair value revaluation on derivatives	(15)	(1)
Gains and losses on derivatives [1]	416	99
Total	**(4’263)**	**(1’308)**

[1] Position includes cost of derivative hedging

17 Income taxes, deferred tax assets and liabilities

In CHF thousands	2010/11	2009/10
Current income taxes	(10’978)	(4’997)
Deferred income taxes	(302)	(638)
Previously unrecognized deferred tax asset used to reduce current tax expense	220	0
Previously unrecognized deferred tax asset used to reduce deferred tax expense	257	0
Adjustment recognized in the period for current tax of prior year	81	0
Total	**(10’722)**	**(5’635)**

Since the Group operates globally, it is liable for income taxes in various tax jurisdictions. Judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Differences between the final tax outcome and the amounts that were initially recorded impact the income and deferred taxes in the period in which such determinations are made. The Group calculates its expected average tax rate as a weighted average of the tax rates in the tax jurisdictions in which the Group operates.
The Group’s effective tax rate differs from the Group’s average expected tax rate as follows:

In %	2010/11	2009/10
Group’s average expected income tax rate	19.8	25.7
Group’s average expected withholding tax rate	1.0	6.2
Group’s average expected tax rate	**20.8**	**31.9**
Tax effect of		
_ expense not deductible for tax purposes	1.1	0.0
_ permanent differences	0.3	0.0
_ reduced taxes	0.0	0.0
_ withholding tax for results covering prior years	0.0	3.0
_ adjustment in respect of previous periods’ income tax	(0.2)	0.0
_ recognition of previously unrecorded tax losses	(0.9)	0.0
_ other differences	0.2	0.0
Group’s effective tax rate	**21.3**	**34.9**

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. At 31 March 2010, the liability for withholding taxes included a CHF 0.5 million increase covering results of prior years, corresponding to a 3.0% impact on the Group’s effective tax rate.

Deferred tax assets and liabilities

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

Deferred tax assets and liabilities

In CHF thousands	31.3.2011	31.3.2010
Deferred taxes have been calculated on the following balance sheet positions:		
Current assets	**(263)**	**470**
_ Accounts receivable	(252)	(346)
_ Inventories	(10)	(217)
_ Others	(1)	1'033
Non-current assets	**(1'062)**	**(949)**
_ Property, plant and equipment	(7)	(36)
_ Other financial assets	(434)	(305)
_ Intangible assets	(621)	(608)
Liabilities	**(2'297)**	**(3'120)**
_ Provisions	36	(496)
_ Stock options plans and Performance Share Plan	167	201
_ Others	686	(144)
_ Withholding tax on dividends	(3'186)	(2'681)
Total	**(3'622)**	**(3'599)**
The balance sheet contains the following		
Deferred tax assets	1'919	662
Deferred tax liabilities	(5'541)	(4'261)
Net liabilities	**(3'622)**	**(3'599)**

Unused tax loss carry-forwards not recognized in the balance sheet which expire

In CHF thousands	31.3.2011	31.3.2010
_ In the next 10 years	0	0
_ Until 2020	0	0
_ Without date of expiration	1'038	1'725
Total	**1'038**	**1'725**

18 Earnings per share

In CHF thousands	2010/11	2009/10
Basic earnings per share		
Net profit for the year attributable to LEM shareholders – In CHF thousands	39'592	10'475
Ordinary number of shares at the beginning of the year	1'150'000	1'150'000
Weighted average number of treasury shares	8'655	12'004
Weighted average number of shares outstanding	1'141'345	1'137'996
Earnings per share – basic in CHF	34.69	9.20

Diluted earnings per share

The employee stock option plans are cash-settled and the new performance share plan is funded with treasury shares. There is no authorized or conditional capital outstanding.

	2010/11	2009/10
Net profit for the year attributable to LEM shareholders – In CHF thousands	39'592	10'475
Weighted average number of shares outstanding	1'141'345	1'137'996
Performance share plan	5'964	4'030
Adjusted weighted average number of shares outstanding	1'147'309	1'142'026
Earnings per share – diluted in CHF	34.51	9.17

19 Related parties

Related parties are the Board of Directors and the Senior Management 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 Senior Management includes base salary, a performance related bonus (LIS), bonus and post employment benefits. In 2010/11, 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	2010/11	2009/10
Base salary	(640)	(440)
Additional fees	0	14
Change in liability for stock option plans	(39)	(877)
Total	**(679)**	**(1'303)**

Compensation of the Senior Management

In CHF thousands	2010/11	2009/10
Base salary	(1'473)	(1'351)
Bonus	(965)	(718)
Post employment benefits	(160)	(182)
Termination benefits	(443)	0
Change in liability for stock option plans and PSP	(2'538)	(4'507)
Total	**(5'579)**	**(6'758)**

For details on the compensation of the Board of Directors and of the Senior Management, please refer to note 9 in the notes to the financial statements of LEM Holding SA. Also, see accounting policies 2.16 Employee benefits, 2.17 Provisions and contingent liabilities and note 20 Stock option plans, Performance Share Plan.

20 Stock option plans, Performance Share Plan

2010/11	Grant Date	Number of options outstanding 1.4.2010	Number of options issued	Number of options cancelled	Number of options exercised	Number of options outstanding 31.3.2011	Exercise price in CHF	Fair value at grant in CHF	Fair value 31.3.2011 in CHF	Exercise period from	Exercise period until
SOP 5	1.4.2006	17'350	0	0	(17'350)	0	139.80	47.69	N/A	1.4.2009	31.3.2011
SOP 6	1.4.2007	23'444	0	0	(18'492)	4'952	240.52	64.92	325.63	1.4.2010	31.3.2012
	Total	**40'794**	**0**	**0**	**(35'842)**	**4'952**					

2009/10	Grant Date	Number of options outstanding 1.4.2009	Number of options issued	Number of options cancelled	Number of options exercised	Number of options outstanding 31.3.2010	Exercise price in CHF	Fair value at grant in CHF	Fair value 31.3.2010 in CHF	Exercise period from	Exercise period until
SOP 4	1.4.2005	14'013	0	0	(14'013)	0	77.18	24.86	N/A	1.4.2007	31.3.2015
SOP 5	1.4.2006	28'750	0	0	(11'400)	17'350	139.80	47.69	200.20	1.4.2009	31.3.2011
SOP 6	1.4.2007	23'444	0	0	0	23'444	240.52	64.92	118.85	1.4.2010	31.3.2012
	Total	**66'207**	**0**	**0**	**(25'413)**	**40'794**					

SOP 5

In April 2006 the Board of Directors issued the stock option plan SOP 5 for the management team and the non-executive Board of Directors.

The plan was equity-settled but has been changed to cash-settled as of 31 December 2007.

The plan gives the right to cash the countervalue of one share at the predetermined exercise price, which corresponds to the average share price of the fourth quarter 2005/06.

The number of stock options granted depended on the performance of the LEM share price compared to the SIX Index for Small- and Mid-Cap Companies in Switzerland for the financial year 2005/06.

The vesting period was three years. The details of the contractual terms of the option plan can be seen in the table above.

During the financial year 2009/10, 11’400 options were exercised. 17’350 options related to SOP 5 were still exercisable. The average share price for the exercised options was CHF 292.67.

During the financial year 2010/11, all 17’350 remaining options were exercised. The plan is closed. The average share price for the exercised options was CHF 510.46.

SOP 6

In April 2007 the Board of Directors issued the stock option plan SOP 6 for the management team and the non-executive Board of Directors.

The plan was equity-settled but has been changed to cash-settled as of 31 December 2007.

Each plan gives the right to cash the countervalue of one share at the predetermined exercise price, which corresponds to the average share price of the fourth quarter 2006/07.

The number of stock options granted depends on the performance of the LEM share price compared to the SIX Index for Small- and Mid-Cap Companies in Switzerland for the financial year 2006/07.

The vesting period is three years. The details of the contractual terms of the option plan can be seen in the table above.

During the financial year 2010/11, 18’492 options were exercised. At 31 March 2011, 4’952 options related to SOP 6 are still exercisable. The average share price for the exercised options was CHF 429.05.

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

	Parameters at grant		Parameters 31.3.2011	
in %	SOP 6	SOP 5	SOP 6	SOP 5
Expected volatility (based on historical volatility over last 5 years)	28.98	39.11	41.18	N/A
Risk-free interest rate	2.51	2.51	0.56	N/A
Dividend yield	2.90	2.35	2.40	N/A

Performance Share Plan (PSP)

On 27 June 2008, the Board of Directors decided to initiate a Performance Share Plan for members of the management, whereby the number of shares granted would depend on the achievement of certain targets during a vesting period.

The targets were determined by an Economic Value Added (EVA) model, which was expected to reflect the market growth of LEM.

At the same time, the Board of Directors approved an initial plan in favor of 30 members of management with a three-year vesting period and for which the multiple for the eventual payout may vary between 0.5 and 2.0. The PSP expenses have been recorded in the income statement straight-line over the three-year vesting period.

The expense was adjusted at every reporting date based on the expected number of shares that the participants would receive at the end.

Terms of PSP

	At grant	31.3.2011
m (multiple)	1.0	0.92
Number of shares expected to be issued	8’360	5’964
Vesting period	3 years	
Allocated to recipients	27.6.2008	
Fair value per unit (CHF)	303.50	570.00

As of 31 March 2011, based on a payout multiple (m = 0.92) and on the number of recipients, the company booked a provision of CHF 1’556 thousand, of which CHF 631 thousand was charged to the income statement in 2010/11 (prior year: CHF 502 thousand).

During May 2009, the Board of Directors decided not to issue further equity based compensation plans. The company administrates the legacy programs until the expiry of the last plan (SOP 6) in March 2012.

In view of this decision and in order to close the SOP 4 before the contractual term (March 2015), the Board has made an offer to the remaining SOP 4 option holders during 2009/10. In the course of this offer, 7'105 shares were sold to employees at market value less CHF 15 discount per share with an average price of CHF 304.85.

In July 2010, the Board has made a new offer to the remaining SOP 6 option holders in order to diminish the SOP 6 before the contractual term (March 2012). In the course of this offer, 1'385 shares were sold to employees at market value less CHF 15 discount per share with an average price of CHF 326.73. Under the present assumptions, the remaining 8'247 shares (excluding shares acquired during the course of the share buy-back destined for cancellation) will more than suffice to cover the PSP payout (5'964 shares).

21 Retirement benefit obligations

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

Net benefit expense

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

In CHF thousands	31.3.2011	31.3.2010
Current service cost	2'611	2'514
Interest cost	866	856
Expected return on plan assets	(1'197)	(1'043)
Employee contributions	(1'283)	(1'256)
Amortization of gains and losses	97	484
Immediate recognition of loss § 58 A	0	0
Net benefit expense losses	**1'094**	**1'555**
Changes in defined benefit obligation		
Defined benefit obligation per beginning of year	**28'876**	**28'544**
Interest cost	866	856
Current service cost	2'611	2'514
Cash transfer ins. / (benefits paid)	1'630	(3'502)
Actuarial (gains)/losses on obligation	4'179	464
Defined benefit obligation per end of year	**38'162**	**28'876**
Changes in the fair value of plan assets		
Fair value of plan assets per beginning of year	**26'607**	**23'181**
Expected return	1'197	1'043
Contribution by employer and employee	3'000	2'938
Cash transfer ins. / (benefits paid)	1'630	(3'502)
Actuarial gains/(losses) on plan asset	(220)	2'947
Fair value of plan assets per end of year	**32'214**	**26'607**

LEM expects to contribute CHF 1'752 thousand to its defined benefit plan in 2011/12.

In CHF thousands	31.3.2011	31.3.2010
Present value of funded obligations	38'162	28'876
Fair value of plan assets	(32'214)	(26'607)
Funded status	**5'948**	**2'269**
Unrecognized net actuarial losses	(8'063)	(3'762)
Unrecognized asset due to limit in IAS 19 § 58 A lit b)		
Net liabilities / assets (–)	**(2'115)**	**(1'493)**

Actual return on plan assets for 2010/11 was CHF 977 thousand (2009/10 CHF 3'990 thousand)

Comparison of amounts

In CHF thousands	31.3.2011	31.3.2010	31.3.2009	31.3.2008	31.3.2007
Plan assets	32’214	26’607	23’181	27’250	27’202
Defined benefit obligations	38’162	28’876	28’544	26’840	27’066
Funded status	**(5’948)**	**(2’269)**	**(5’363)**	**410**	**136**
Experience gains/(losses) on plan asset	(220)	2’947	(6’705)	(1’304)	(170)
Experience adjustment (gains)/losses on obligation	1’103	464	(649)	(1’300)	786

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.

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

In %	Long-term target	2010/11	2009/10
Equity securities	40.0	32.0	35.0
Debt securities	50.0	56.0	55.0
Real estate	5.0	5.0	5.0
Cash and other investments	5.0	7.0	5.0
	100.0	**100.0**	**100.0**

The principal actuarial assumptions used in the actuarial calculations include:

In %	2010/11	2009/10
Discount rate	3.00	3.00
Salary increases	1.50	1.50
Pension increases	0	**0**
Expected return on plan assets		
_ Equities	6.50	6.50
_ Bonds	3.50	3.50
_ Other assets	2.50	2.50

22 Operating lease commitments

In CHF thousands	31.3.2011	31.3.2010
Within one year	4’003	4’345
Between one and five years	19’971	20’508
Beyond five years	14’134	20’321
Total	**38’108**	**44’832**

In 2010/11 lease expenses amounted to CHF 4’496 thousand (2009/10 CHF 4’197 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

In CHF thousands	31.3.2011	31.3.2010
Total guarantees for credits of subsidiaries	2'000	3'206
Total guarantees to third parties	1'601	1'866
Total	**3'601**	**5'072**

On 31 March 2011, the Group has no contingent assets. Contingent liabilities include bank guarantees on various matters, no material liability is expected to occur in the ordinary course of business.
The Group is from time to time impacted by changing political, legislative, fiscal and regulatory environments, including those relating to environmental protection. The frequency and effects on future operations and earnings are unpredictable and are only partly covered by insurances.

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	31.3.2011 Fair value	31.3.2010 Fair value	Loans and receivables
Cash and cash equivalents	27'231	29'756	X
Accounts receivable	60'026	43'454	X
Other current assets	1'037	1'298	X
Other non-current assets	66	202	X
Total	**88'467**	**74'710**	

Financial liabilities

In CHF thousands	31.3.2011 Fair value	31.3.2010 Fair value	Financial liabilities
Accounts payable	29'617	23'416	X
Accrued expenses	16'294	10'077	X
Other current liabilities	1'612	1'080	X
Current financial liabilities	618	2	X
Other non-current liabilities	89	25	X
Total	**48'230**	**34'600**	

The Group enters into derivative transactions such as currency risk reversal 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 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 liabilities at fair value amount to CHF 12 thousand per 31 March 2011 (financial assets of CHF 7 thousand per 31 March 2010), they are 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, GBP, JPY and CNY. The Group seeks to reduce those risks by optimizing its natural hedging (cash inflows and outflows in a specific currency should be in balance as far as possible).

The Group's policy stipulates that about 50% of LEM's net exposure is to be hedged on a rolling three- to nine-month basis.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged items, and therefore to maximize the hedge effectiveness.

Currency risks also arise from translation differences that are not hedged by the Group when preparing the consolidated financial statements in CHF. The foreign exchange translation is excluded from the calculation of the sensitivity analysis for currency risk below.

Sensitivity analysis for currency risk

The sensitivity analysis is performed with a 5% change in the USD, EUR, GBP, CNY and JPY with all other variables held constant of the Group's profit before tax (due to the changes in the fair value of the monetary assets and liabilities) and the Group's equity.

The sensitivity analysis performed for the financial year shows an impact of CHF 895 thousand for a ±5% EUR rate change (CHF ± 914 thousand), of CHF ±813 thousand for a ±5% USD rate change (CHF ±356 thousand) and of CHF ±498 thousand for a ±5% CNY rate change. For other currencies, there is no significant impact. There is no significant impact on the Group's equity.

Credit risk

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 1.

There are no significant concentrations of risk within the Group.

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

Liquidity risk

The Group 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	31.3.2011	Less than one year	Over one year	31.3.2010	Less than one year	Over one year
Accounts payable	29'617	29'617		23'416	23'416	0
Accrued expenses	16'294	16'294		10'077	10'077	0
Other current liabilities	2'821	2'821		1'080	1'080	0
Current financial liabilities	618	618		2	2	0
Other non-current liabilities	89		89	25		25
Total	**49'439**	**49'350**	**89**	**34'600**	**34'575**	**25**

Interest rate risk

The Group's exposure to the risk of changes in market interest rates with the current financial leverage is very low. Currently, there are no significant interest-bearing financial liabilities and no significant interest rate risk.

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	Participation
Europe				
LEM Belgium sprl-bvba	Belgium	EUR	60'000	100%
LEM Deutschland GmbH	Germany	EUR	75'000	100%
LEM France Sàrl	France	EUR	240'000	100%
LEM Holding SA	Switzerland	CHF	575'000	100%
LEM International SA	Switzerland	CHF	100'000	100%
LEM Italia Srl	Italy	EUR	25'000	100%
LEM SA	Switzerland	CHF	8'500'000	100%
LEM UK Ltd	Great Britain	GBP	2	100%
TVELEM Ltd	Russia	RUB	200'000	100%
LEM Management Services Sàrl	Switzerland	CHF	20'000	100%
LEM Danfysik A/S	Denmark	DKK	2'000'000	100%
North America				
LEM USA Inc.	USA	USD	150'000	100%
Asia				
Beijing LEM Electronics Co. Ltd	China	CNY	53'153'194	100%
LEM Japan KK	Japan	JPY	16'000'000	100%

On 28 September 2010, the Group as acquired the remaining 10% non-controlling interests in TVELEM, the percentage of interest in TVELEM is now 100%. This increase in interest led to the recognition of CHF 18 thousand in equity (difference between amount paid and non-controlling interests value) per 30 September 2010.

26 Changes in scope of consolidation

In the previous year the following change in the scope of consolidation occurred:

- Acquisition of 100% of LEM Danfysik A/S in Denmark on 28 July 2009

27 Events after the balance sheet date

As referred in note 11. Equity, in September 2010, LEM launched a share buy-back program for up to CHF 15 million through a second trading line. The Board of Directors decided to close the share buy-back program. The Board of Directors proposes to cancel the repurchased shares. Going forward the company will focus on the new dividend policy as a means to return funds to shareholders.

Auditors 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 28 to 53), for the year ended 31 March 2011.

Board of Directors' responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2011 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 Over-sight 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, 17 May 2011

Ernst & Young Ltd

Hans Isler
Licensed audit expert
(Auditor in charge)

Philippe Stöckli
Licensed audit expert

LEM Holding SA

Balance Sheet of LEM Holding SA

(before distribution of earnings)

Assets

In CHF thousands	Notes	31.3.2011	31.3.2010
Current assets			
Cash and cash equivalents		9'947	5'221
Treasury shares	2	7'091	1'635
Derivative instruments on treasury shares	2	0	1'752
Other current assets		62	597
Group current assets	4	8'687	22'392
Total current assets		**25'787**	**31'597**
Non-current assets			
Investments in subsidiaries	3	53'630	51'694
Total non-current assets		**53'630**	**51'694**
Total assets		**79'417**	**83'291**

Liabilities and Equity

In CHF thousands	Notes	31.3.2011	31.3.2010
Current liabilities			
Current financial liabilities		614	0
Other current liabilities		2'238	4'795
Group current liabilities	4	12'433	5'414
Total current liabilities		**15'285**	**10'209**
Non-current liabilities			
Non-current liabilities		0	250
Total non-current liabilities		**0**	**250**
Equity			
Share capital	1	575	575
General reserve		22'580	26'284
Reserve for treasury shares and derivative instruments on own shares	2	7'091	3'387
Retained earnings		19'683	17'520
Net profit for the year		14'203	25'066
Total equity		**64'132**	**72'832**
Total liabilities and equity		**79'417**	**83'291**

Income Statement of LEM Holding SA

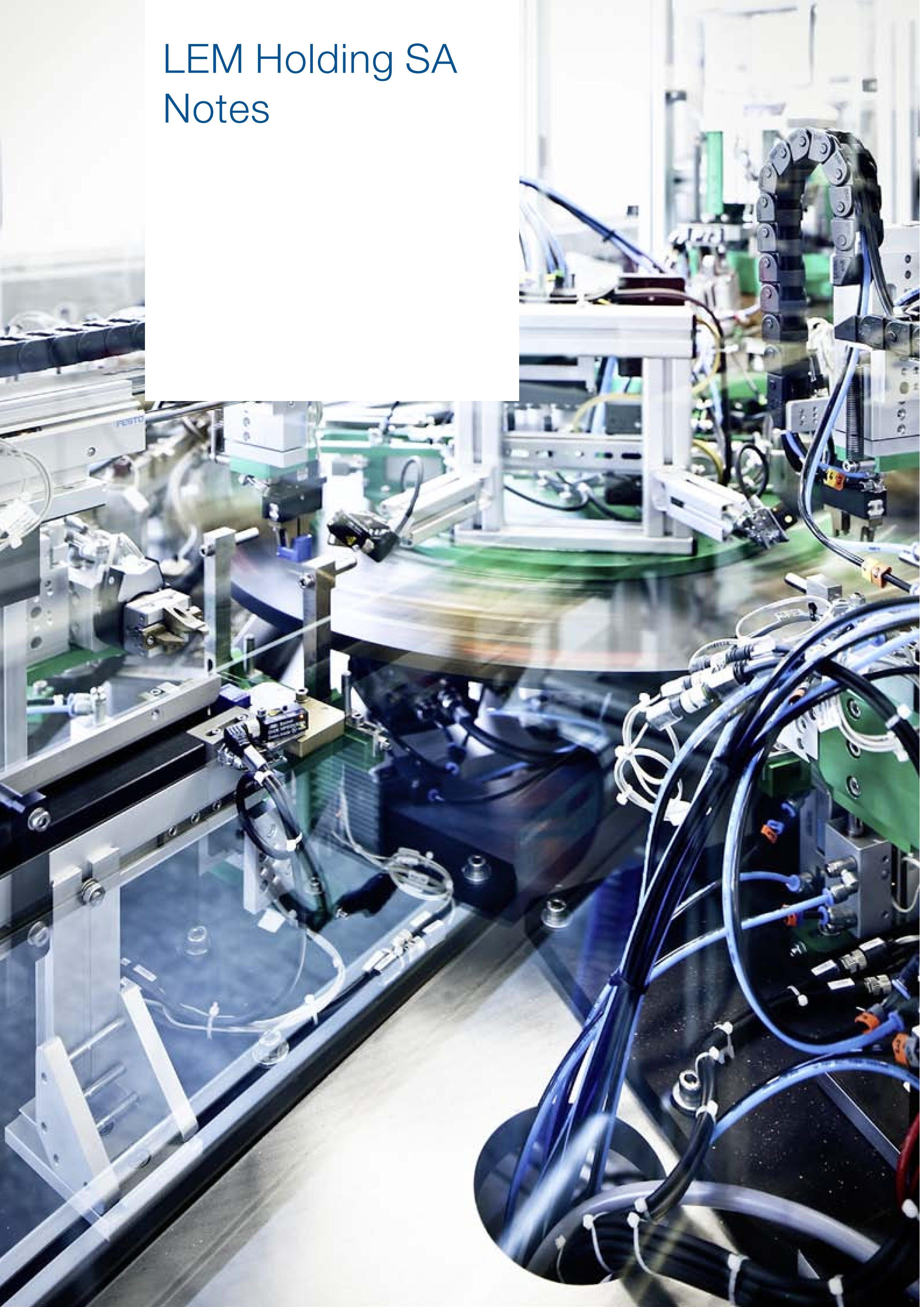
Income

In CHF thousands	Notes	2010/11	2009/10
Financial income from Group dividend payments		6'582	20'467
Interest income from Group loans		229	256
Other financial income		4'802	3'849
Other Group income		4'391	4'815
Foreign exchange gain		0	3
Total income		**16'004**	**29'390**

Expense

	Notes	2010/11	2009/10
Office, administration and personnel expense	5	(1'350)	(1'453)
Financial expense		(299)	(179)
Foreign exchange effect		(1'236)	(410)
Total expense		**(2'885)**	**(2'042)**
Profit before taxes		13'119	27'348
Income taxes	6	1'084	(2'282)
Net profit for the year		**14'203**	**25'066**

LEM Holding SA
Notes



Notes to the Financial Statements of LEM Holding SA

Principles for the establishment of the financial statements

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

1 Share capital

	Number of shares	Par value per share in CHF	Capital in CHF thousands
Opening capital 1 April 2010	1'150'000	0.50	575
Closing capital 31 March 2011	1'150'000	0.50	575

2 Treasury shares and derivative instruments on own shares

Treasury shares	Number of shares	Price per share in CHF	Value in CHF thousands
Value 1 April 2010	5'232	312.50	1'635
Change	13'015	419.22	5'456
Value 31 March 2011	**18'247**	**388.62**	**7'091**
Value 1 April 2009	12'400	312.50	3'875
Change	(7'168)	312.50	(2'240)
Value 31 March 2010	**5'232**	**312.50**	**1'635**

In July 2008, 12'400 shares of LEM Holding SA were purchased at a share price of CHF 312.50. In January 2010, 63 shares were granted to a retiring employee as a pro rata payout of the PSP. In February and March 2010, 7'105 shares were sold to employees at market value less CHF 15 discount per share with an average price of CHF 304.85. The purpose was to close the SOP 4 before the contractual term (31 March 2015). The treasury shares were booked out at historical cost and the difference to the selling price was booked to the profit and loss account (net impact CHF 50 thousand).

In August and September 2010, 1'385 shares were sold to employees at market value less CHF 15 discount per share with an average price of CHF 326.73. The purpose was to diminish the SOP 6 before the contractual term (31 March 2012). The treasury shares were booked out at historical cost and the difference to the selling price was booked to the profit and loss account (net impact CHF 55 thousand).

In September 2010, 600 PSP shares were paid out to a former Senior Management member.

On 1 September 2010, LEM has launched a share buy-back program which runs for one and a half years covering a volume of up to CHF 15 million on a second trading line. At 31 March 2011, 10'000 shares have been bought for a total amount of CHF 3'968 thousand. These shares are earmarked for cancellation. LEM has not bought back any additional shares since and has terminated its share buy-back program per 23 May 2011.

Derivative instruments on treasury shares

On 30 September 2008, LEM has purchased 30'000 call options on LEM shares at a premium of CHF 1'752 thousand. LEM exercised 5'000 options on own shares in March 2011 and sold the remaining 25'000 call options for CHF 5'715 thousand. Treasury shares and derivative instruments on own shares are valued at lower of cost or market value.

3 Investments in subsidiaries

In CHF thousands	31.3.2011	31.3.2010
Historical cost	53'630	51'694
Total	**53'630**	**51'694**

See also note 25 "Scope of consolidation" of the consolidated financial statements.

4 Group current assets and liabilities

In CHF thousands	31.3.2011	31.3.2010
Current intercompany loans receivable	7'720	17'741
Intercompany accounts receivable	967	4'651
Total	**8'687**	**22'392**
Current inter-company loans payable	12'378	4'743
Inter-company accounts payable	55	671
Total	**12'433**	**5'414**

5 Office, administration and personnel expense

In CHF thousands	2010/11	2009/10
Office and administration expense	(650)	(388)
Board member fees	(640)	(440)
Expenses for stock option plans exercised	(60)	(153)
Change in provision for stock option plans	0	(472)
Total	**(1'350)**	**(1'453)**

6 Income taxes

In CHF thousands	2010/11	2009/10
Current taxes	(684)	(302)
Release of unused tax provisions of previous periods	1'936	(241)
Withholding taxes on dividends	(168)	(1'738)
Total	**1'084**	**(2'281)**

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

		31.3.2011		31.3.2010
Shareholder with ownership above 3%:	Shares	in %	Shares	in %
Werner O. Weber and WEMACO Invest AG, in Zollikon/Zug, Switzerland	342'500	29.8%	315'000	27.4%
Ruth Wertheimer, in Kfar, Israel, through 7-Industries Holding B.V., in Amsterdam, Netherlands	144'581	12.6%	144'581	12.6%
Sarasin Investmentfonds AG, in Basel, Switzerland	96'155	8.4%	101'690	8.8%
Erwin Studer and Joarem de Chavonay, in Zollikon/Zug, Switzerland	83'000	7.2%	69'000	6.0%
Amerprise Financial Inc., in Minneapolis, US, through Threadneedle Asset Management Ltd, in London, United Kingdom	60'003	5.2%	122'444	10.6%
Montanaro Asset Management Ltd, London, United Kingdom	42'772	3.7%	0	0.0%
Impax Asset Management Ltd	37'194	3.2%	51'701	4.5%

8 Guarantees in favor of third parties on behalf of subsidiaries

In CHF thousands	31.3.2011	31.3.2010
Amount of guarantees issued	3'601	11'852

9 Remuneration of Board of Directors and Senior Management

9.1 Compensation of active members of the Board of Directors

2010/11

In CHF thousands	Annual salary compensation	Additional fees	Cash-out for options granted in prior years
Felix Bagdasarjanz[1, 2]	200	–	108
Anton Lauber[3]	110	–	103
Peter Rutishauser[4]	150	–	276
Ueli Wampfler[5]	100	–	–
Ilan Cohen	80		–
Total	**640**	**–**	**487**

2009/10

In CHF thousands	Annual salary compensation	Additional fees	Cash-out for options granted in prior years
Felix Bagdasarjanz[1, 2]	160	–	250
Anton Lauber[3]	90	–	85
Peter Rutishauser[4]	110	–	109
Ueli Wampfler[5]	80	14	–
Total	**440**	**14**	**444**

The members of the Board of Directors do not participate in bonus schemes, pension funds, nor in the Performance Share Plan (PSP). The annual salary compensation is therefore equal to the total compensation. In 2009/10, Felix Bagdasarjanz and Peter Rutishauser were granted an additional annual salary compensation of CHF 20'000 each for additional efforts in the role and duties as members of the Board of Directors. No member of the Board of Directors received additional fees amounting to more than half of his normal compensation.

[1] Chairman of the Board
[2] Member of the Nomination and Compensation Committee
[3] Chairman of the Nomination and Compensation Committee
[4] Vice Chairman of the Board and Chairman of the Audit Committee
[5] Member of the Audit Committee

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

2010/11

In CHF thousands	Annual salary compensation	Annual bonus compensation[1]	Company's contribution to pension fund	Pension departure payment	Severance payment	Total compensation	Cash-out for options granted in prior years	Pay-out of PSP shares granted in prior years
François Gabella President and CEO as of 1 July 2010	338	318	34	0	0	690	N/A	N/A
Senior Management (excl. CEO)	1'135	647	126	295	148	2'351	5'168	600
Total compensation to Senior Management	**1'473**	**965**	**160**	**295**	**148**	**3'041**	**5'168**	**600**

2009/10

In CHF thousands	Annual salary compensation	Annual bonus compensation[1]	Company's contribution to pension fund	Pension departure payment	Severance payment	Total compensation	Cash-out for options granted in prior years	Pay-out of PSP shares granted in prior years
Paul Van Iseghem President and CEO	400	204	80	0	0	684	1'903	0
Senior Management (excl. CEO)	951	514	102	0	0	1'567	808	0
Total compensation to Senior Management	**1'351**	**718**	**182**	**–**	**–**	**2'251**	**2'711**	**–**

In May 2009, the Board of Directors decided not to issue any further equity programs (stock option plans or PSP). The company administrates the legacy programs until the expiry of the last plan (SOP 6) in March 2012. CEO François Gabella and CFO Julius Renk do not participate in the stock option program and in the PSP.

For more information on performance share plan and stock option plans, see note 20. Stock option plans and performance share plan in the consolidated accounts.

Highest total compensation

CEO François Gabella was the Senior Management member with the highest total compensation in 2010/11. In 2009/10, the former CEO Paul van Iseghem was the Senior Management member with the highest total compensation. For compensation details, please refer to the table above.

[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

In number of shares / options	31.3.2011 Number of shares held	31.3.2011 Number of options held	31.3.2010 Number of shares held	31.3.2010 Number of options held
Board of Directors				
Felix Bagdasarjanz [1, 2]	1'736	0	1'400	1'125
Anton Lauber [3]	1'000	0	1'000	938
Peter Rutishauser [4]	2'606	0	2'300	1'338
Ueli Wampfler [5]	23'000	0	12'000	0
Ilan Cohen	0	0	0	0
Total	**28'342**	**0**	**16'700**	**3'401**

[1] Chairman of the Board
[2] Member of the Nomination and Compensation Committee
[3] Chairman of the Nomination and Compensation Committee
[4] Vice Chairman of the Board and Chairman of the Audit Committee
[5] Member of the Audit Committee

Senior Management In number of shares/options	31.3.2011 Number of shares held	31.3.2011 Number of options held	31.3.2011 Number of shares held by PSP (m = 1)	31.3.2010 Number of shares held	31.3.2010 Number of options held	31.3.2010 Number of shares held by PSP (m = 1)
Paul Van Iseghem President and CEO LEM Group, until 30 June 2010 (employed until 30 November 2010)				2'912	5'250	1'200
François Gabella President and CEO as of 1 July 2010	300	0	0			
Julius Renk CFO as of 1 September 2009	50	0	0	0	0	0
Hans-Dieter Huber Vice-President Industrial	796	500	600	796	3'500	600
Luc Colombel Vice President, Automotive	1'350	1'500	600	1'400	2'500	600
Simon Siggen Vice President, Operations	850	0	500	850	2'625	500
Eric Favre Vice President, Technology, until 31 October 2010 (employed until 30 April 2011)				0	2'625	500
Jean-Marc Peccoux Vice President, R&D as of 1 November 2010	764	938	380			
Total	**4'110**	**2'938**	**2'080**	**5'958**	**16'500**	**3'400**

10 Business risk management

In accordance with Article 663b of the Swiss Code of obligations, a risk management report was prepared for the financial year 2010/11. The Senior Management of the Group assesses the business risks within its standardized analysis procedure. The Group has a risk management system in place which allows for the prompt identification and analysis of risks as well as the initiation of an action plan. The Board of Directors of LEM Holding SA took note of the risk management report and approved both the procedure and the content thereof. The organization, principles and reporting of risk management are described in detail in the Corporate Governance section 3 in this Annual Report.

Proposed Appropriation of Retained Earnings

Proposed appropriation of retained earnings

In CHF thousands

	31.3.2011	31.3.2010
Retained earnings brought forward from previous year	19'691	17'520
Reclassification of general reserve	22'292	
Net income for the year	14'203	25'066
Total available earnings	**56'186**	**42'586**
Ordinary dividend[1]	(45'270)	(5'724)
Extraordinary dividend[1]		(17'171)
Balance to be carried forward	**10'916**	**19'691**

[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 reclassification from general reserve into available earnings and appropriation of available earnings is made in compliance with article 671 of the Code of Obligations.

Auditors report

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of LEM Holding SA, which comprise the balance sheet, income statement and notes (pages 56 to 64), for the year ended 31 March 2011.

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.

Auditors 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 auditors 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 2011 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 Over-sight 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, 17 May 2011

Ernst & Young Ltd

Hans Isler
Licensed audit expert
(Auditor in charge)

Philippe Stöckli
Licensed audit expert

Information for Investors

Number of registered shareholders

Number of registered shareholders	31.3.2011	31.3.2010
1–499	524	327
500–4’999	63	67
5’000–49’999	10	10
50’000 and more	6	6
Total	**602**	**410**

Shareholders by category

In %	31.3.2011	31.3.2010
Institutional shareholders	51.1	54.2
Private individuals	30.9	31.7
LEM employees, managers and board	2.9	2.0
Treasury shares	1.6	0.5
Nonregistered shares	13.5	11.6
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

In CHF	FY 2010/11	FY 2009/10
Number of shares	1’150’000	1’500’000
Year high[1]	649.50	340.00
Year low[1]	315.00	137.00
Year end[1]	570.00	340.00
Average daily trading volume (shares)[1]	1’078	494
Earnings per share	34.69	9.20
Ordinary dividend per share[2]	40.00	5.00
Extraordinary dividend per share[2]	0.00	15.00
Market capitalization as per 31 March (In CHF millions)	656	391

[1] Source: Bloomberg
[2] Proposal of the Board of Directors to the Shareholders’ Meeting

Financial calendar of the financial year 1 April 2011, to 31 March 2012

1 July 2011	Ordinary Shareholders’ Meeting Geneva Business Center, Petit Lancy
9 August 2011	Firstquarter results 2011/12
8 November 2011	Half-year results 2011/12
14 February 2012	Ninemonth results 2011/12
6 June 2012	Year-end results 2011/12
28 June 2012	Ordinary Shareholders’ Meeting

Contact

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Group Subsidiaries

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

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

Beijing LEM Electronics. Co. Ltd
No. 28 Linhe Str.
Linhe Industrial Development Zone
CN-Shunyi, 101300 Beijing
> Zonghui Zhang

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

LEM Danfysik A/S
Hassellunden 16
DK-2765 Smoerum
> Henrik Elbaek Pedersen

LEM Deutschland GmbH
Frankfurter Strasse 74
D-64521 Gross-Gerau
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> François Gabella

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> François Gabella

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