Annual Report 2009/10

At the heart of power electronics

LEM

ANNUAL REPORT 2009/10

Period 1 April 2009 to 31 March 2010

LEM AT A GLANCE

LEM – At the heart of power electronics

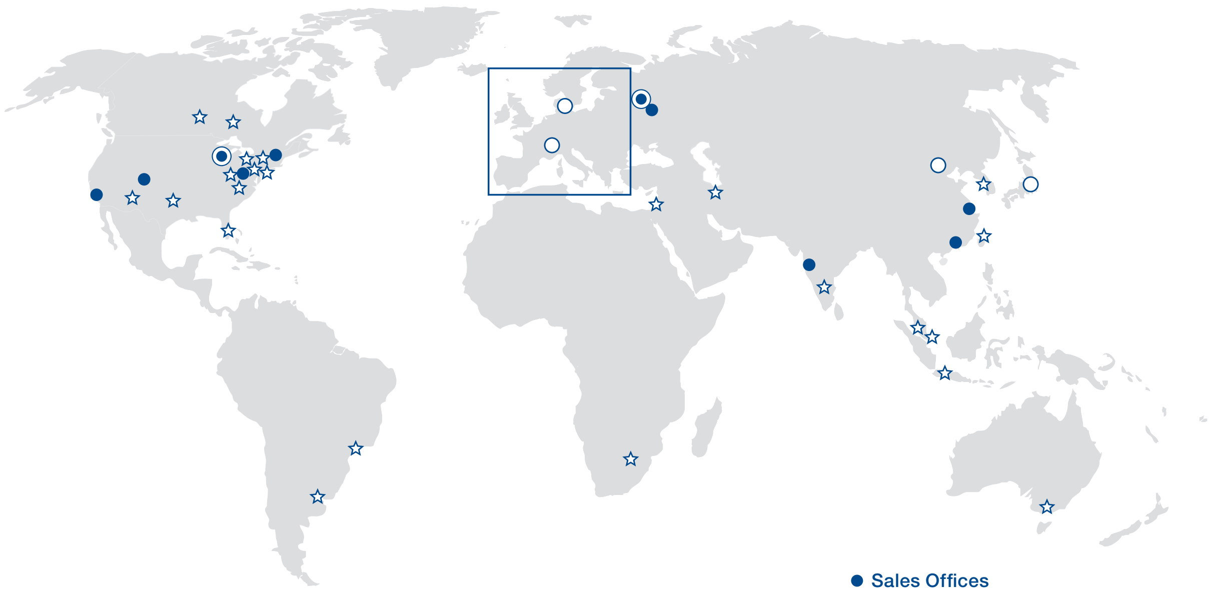
LEM is a focused manufacturer and a global market leader. Its core products, transducers for measuring electrical parameters like current and voltage, are used in a broad range of applications. Although these devices are not visible to the outside world, they are vital for application functionality and 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 micro-turbines 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.

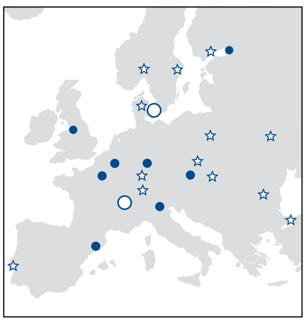
LEM has the strongest brand recognition in its markets. Its products – commonly called "LEMs" – are at the heart of many power electronics applications.

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

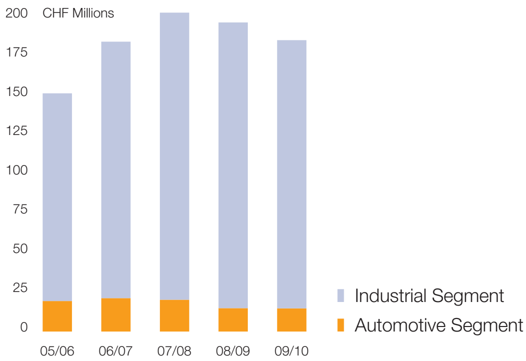
● Sales Offices
Geneva, Switzerland
Milwaukee, Columbus OH, Amherst NH, Arvada CO, Los Angeles CA, USA
Tver, Moscow, St Petersburg, Russia
Beijing, Shanghai, Shenzhen, China
Tokyo, Japan
Braine-le-Comte, Belgium
Frankfurt, Germany
Paris, France
Skelmersdale, UK
Padova, Italy
Vienna, Austria
Barcelona,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

☆ Agents/Distributors

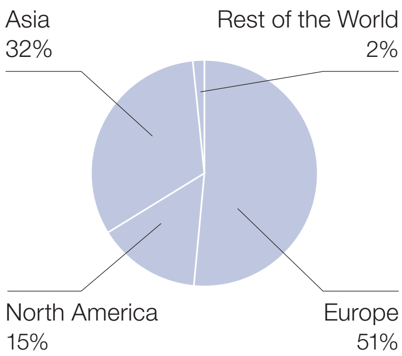
Key figures 2009/10

In CHF millions	2007/08	2008/09	2009/10
Sales	203.0	196.8	**185.5**
Operational EBIT	34.9	29.2	**25.8**
In % of sales	17.2%	14.8%	**13.9%**
EBIT	30.6	33.8	**17.5**
Net profit for the year	21.9	23.9	**10.5**
Shareholders' equity	71.2	83.5	**83.4**
Net financial assets	23.7	27.9	**29.8**
Market capitalization (per 31.03.)	310.5	172.4	**391.0**

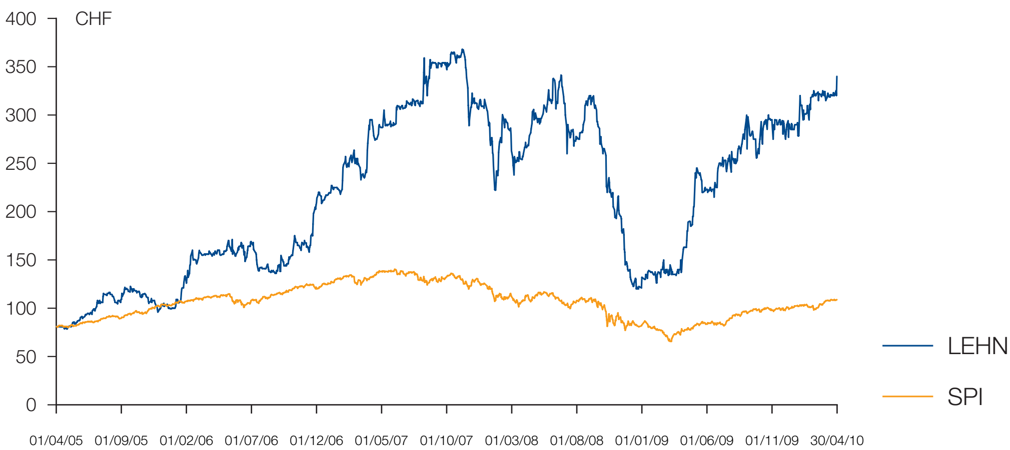
Sales over 5 years per segment



Regional sales breakdown 2009/10



Share price development LEHN Holding SA compared to SPI



FOREWORD

Dear Shareholders,

LEM announced the impact of the economic crisis on our business quite early, in November 2008. It hit us very hard in the second half of the previous financial year. The reported year 2009/10 started with the lowest quarter of this crisis period and ended with the highest quarter ever. Talk about a unique crisis!

As an industrial components company, the low point in Q1 was indeed difficult; bookings were down by 37% and billings down by 36% from the prior year. Our immediate and active cost reduction and scaling-down of management were our main tools to maintain a reasonably good profitability and at the same time secure the future. This leaner company will actually benefit from the crisis to assure an even better sustainable future.

We closed the year with total sales of CHF 185.5 million, an operating EBIT of CHF 25.8 million and a net profit for the year of CHF 10.5 million, beating the last outlook statements in sales and in operating EBIT.

In Q4 sales (CHF 58.4 million) and bookings (CHF 78.3 million) were an all-time record.

Focus on LEM's strategic drivers for the business

LEM has benefitted from its strategic focus on the 4 market drivers published over the last years, (1) the need for more and renewable energy, (2) the need for reliable energy, more controls and standby battery management, (3) the need for better energy efficiencies, increasing demand for more efficient motor controls, and (4) the need for more mobility, and a shift towards energy friendly solutions for public transport.

As a pure play components company, we have been able to position ourselves as the best provider of critical current and voltage measuring components to many customers, as the strategic partner LEM-Inside, and gain market share on a global scale.

As a company with one core technology but focussed on many markets, our diversification has allowed tempering the extremes in the downturn. Some markets are in the early economic cycle, others in the later stage.

Continued focus on new business opportunities

Renewable energies have gained significant momentum over the last years.

Wind energy has reached a sustainable business level worldwide and LEM's range of products that control the position of the blades and measure the current in the power inverters that transform the energy supplied to the grid have been very successful.

Solar energy has also gained a lot of growth momentum due to the price decrease of the silicon cells produced in very high volumes and the various government subsidies that are awarded in many countries. A new set of global players and customers for LEM is being formed. LEM has created and is actively creating new products for different solar applications. The energy generated by the sun is in DC (direct current) form and needs to be transformed to AC (alternating current) to be compatible with the power grid. Our transducers are used in various steps of this process. They can measure the DC current at the solar panel level. The power electronics in the inverter process rely on the signals coming from the transducer to ensure quality and flow to the grid. Another application is to measure the leakage current to ensure the safety of the system.

"Green cars" are attracting more interest than ever. LEM has focussed its development in those markets, for energy efficiency, battery management and motor controls, especially in hybrid and electrical cars.

Acquisition of Danfysik ACP

After a long period of commercial cooperation, the Danish entity came up for sale.

LEM Danfysik was born in July 2009, to support us in the new domain of very high precision transducers. As a small bolt-on acquisition, based in Copenhagen, Denmark, the integration into the LEM family happened quickly. We now have reached full integration in the commercial, logistics, quality, finance and R&D area. We have already started to accelerate the development of new products in the field of high precision transducer products in order to develop new businesses.

Succession of the CEO

Paul Van Iseghem, the President and CEO of LEM, has decided to retire by the end of 2010 after some 10 years with LEM. Initially Paul was a Board member, then President of the Components Division, and for the last 5 years President and CEO of the LEM Group. Paul has earned a high reputation for his leadership and successful development of the company. Since the divestment of LEM Instruments in 2005, Paul Van Iseghem has been leading the company successfully during an impressive phase of profitable growth and shareholder value creation. Noteworthy are the expansion in new markets, in particular China, and in new applications such as renewable energies. The Board of Directors gratefully recognizes his outstanding achievements and the excellent performance of LEM throughout the years of his mandate.

We are happy to announce François Gabella as the succeeding CEO of LEM. He will assume this role as of 1 July, 2010. The Board is confident that his broad experience gained in various management functions as well as his personality are a guarantee for the continuation of the strong executive leadership and the future prosperity of the company.

Proposals to the Annual Shareholders' Meeting

Last year we were able to pay out a dividend of CHF 10.00 per share to our shareholders.

In line with our policy to return 25% to 50% of the consolidated net profit for the year to our shareholders the Board of Directors will propose the payment of an ordinary dividend of CHF 5.00 per share. In view of the positive outlook for further profitable growth of the company and of the significant potential to increase the financial leverage in the balance sheet of LEM, the Board of Directors will propose in a first step the payment of an additional extraordinary dividend of CHF 15.00 per share. As a second step, the Board of Directors intend to launch a share buy-back program on a second line of trading to start in summer this year. This program shall be in the amount of up to CHF 15 million and extend over a period of maximum two years.

Following the recommendation of LEM's second largest shareholder, 7-Industries Holding BV, the Board of Directors proposes the election of Dr. Ilan Cohen as a new Director. Israel and Belgium national, Ilan Cohen is President and CEO of the Israel based companies Servotronix Motion Control Ltd and Servotronix Motion Systems Ltd.

Thanks

LEM had a challenging year, but we have come out of the recession with a stronger position and an increased market share.

We would especially like to thank our managers and employees worldwide for their extra efforts during the crisis and their dedication to LEM. They have enabled us to be where we are today.

Thanks also to our customers for their trust in our products, competence and cooperation.

We would also like to thank our shareholders for the continued faith that they show in LEM.

Felix Bagdasarjanz
Chairman of the
Board of Directors

Paul Van Iseghem
President & CEO

Medical Scanners

Magnetic resonance imaging (MRI) is a medical imaging technique most commonly used to visualize the detailed internal structure of the body. It is a relatively new technology. The first MR image was published in 1973.

MRI provides a much greater contrast between the different soft tissues of the body than computed tomography does, making it especially useful in neurological, cardiovascular and oncological (cancer) imaging.

In clinical practice, MRI is used to distinguish pathologic tissue (such as a brain tumor) from normal tissue. One advantage of an MRI scan is that it is harmless to the patient. It uses strong magnetic fields and non-ionizing radiation in the radio frequency range, unlike CT scans and traditional X-rays which both make use of ionizing radiation.

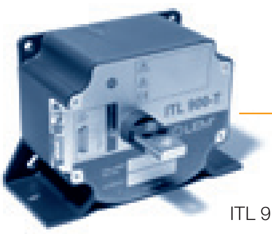
How it works

The body is largely composed of water molecules which each contain two hydrogen nuclei or protons. When a person goes inside the powerful magnetic field of the scanner, the magnetic moments of these protons align with the direction of the field. A radio frequency electromagnetic field is then briefly turned on, causing the protons to alter their alignment relative to the field. When this field is turned off the protons return to the original magnetization alignment. These alignment changes create a signal which can be detected by the scanner. The frequency at which the protons resonate depends on the strength of the magnetic field. The position of protons in the body can be determined by applying additional magnetic fields during the scan which allows an image of the body to be built up. These are created by turning gradient coils on and off which creates the knocking sounds heard during an MRI scan.

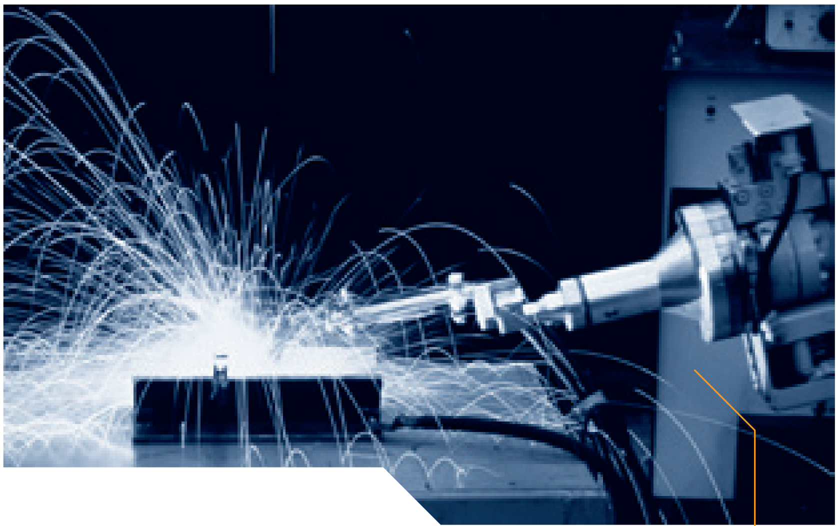
The magnetic field is generated by 3 gradient amplifiers that increase the energy signal before it reaches the gradient coils. They are capable of creating a precise magnetic field that will need to vary depending on the location. The 3 coils are perpendicular to each other in order to reproduce a 3 dimensional image. One LEM Danfysik ITL 900 transducer is used for each gradient amplifier.

The ITL 900 measures and assures the precise level of electric current going to the gradient amplifiers used to generate the magnetic field. The precision of the current measurement is a critical factor to be able to generate the optimal magnetic field according to the position of the patient and the body part to be imaged.

The current measurement has a direct impact on the quality of the image and if it is not precise enough will lead to a blurred and illegible image. The LEM Danfysik ITL 900 current transducer sets a new standard for accuracy and is the most precise industrial product in the market today. The transducer provides a new level of stability and precision, which is at about 1–3 parts per million. This is why the large majority of the MRI manufacturers have chosen it for their scanners.



ITL 900



Plasma Arc Welding

The plasma arc welding process was introduced to the welding industry as a method of bringing better control to the arc welding process in lower current ranges. Plasma provides an advanced level of control and accuracy to produce high quality welds in miniature or precision applications and to provide long electrode life for high production requirements.

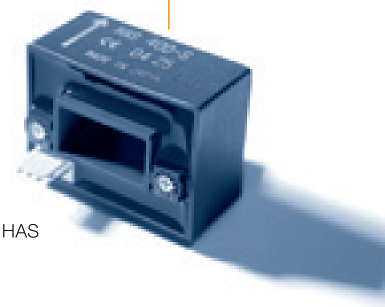
The plasma process is equally suited for manual and automatic applications. It is used in a variety of operations ranging from high volume welding of strip metal, to precision welding of surgical instruments, to automatic repair of jet engine blades, to the manual welding of kitchen equipment for the food and dairy industry.

Plasma is a hot ionized gas. The characteristics of plasmas are significantly different from those of ordinary gases so that plasmas are considered a distinct "fourth state of matter". The plasma arc welding process uses this plasma to transfer an electric arc to a work piece. The metal to be welded is melted by the intense heat of the arc and fuses together.

By forcing the plasma gas and arc through a constricted opening, the torch delivers a high concentration of heat to a small area. With high performance welding equipment, the plasma process produces exceptionally high quality welds.

The LEM product HAS measures the level of current that is used to heat the plasma. The precise control of this current is critical to ensure a good and strong weld that will hold well. Plasma arc welding will use high current levels anywhere between 100 and 600 ampere. Depending on the type of material used and the kind of the object to be welded, a special current profile must be maintained to ensure a high quality weld. This is the role of LEM's transducers.

The HAS product is designed especially for this harsh industrial environment. It is almost immune to external interferences and operates at a temperature range anywhere between –40° C and +85° C. Its small size and easy installation make it the choice solution for most plasma arc welding machines.



HAS

The year started in the midst of the economic recession, and ended up exceeding expectations

The fiscal year started with a net loss in quarter 1; after that both the results in operational EBIT and net profit recovered quarter by quarter and finished quite well in line with the rapid increase in sales. Quarter 4 over quarter 1 sales increased by an unprecedented 64%. In quarter 4, the book to bill is at 1.34, indicating further substantial growth.

In CHF millions	Q1	Q2	Q3	Q4	2009/10 Total
Orders received	36.4	47.1	54.8	78.3	216.6
Sales	35.6	43.2	48.3	58.4	185.5
Operational EBIT	3.2	5.4	7.4	9.8	25.8
Net profit	**(1.3)**	**2.9**	**3.9**	**5.0**	**10.5**

We managed to keep our overhead costs (SG&A) in control; whilst we substantially reduced the base SG&A cost (by 7MCHF annualized), the level increased to above 30% to sales in the midst of the crisis. By Q4 we scored at the lower end of 26% to sales.

The share price climbed from CHF 149.90 to CHF 340 per share, which made a major correction in the financial provisions for the stock option plans of CHF 8.3 million.

Strategy reconfirmed

The depth of the economic crisis caused us to raise questions about the long term strategic sustainability of our business. As a pure play components company, LEM is subject to the demand profile of our customers, which is to some extent enhanced by their actions to change their inventory levels. At bookings level, we have experienced drops of more than 50%, even worse in some areas.

We are more than ever convinced that our business strategy and our “four strategic drivers for growth” will produce enough organic growth to ensure a healthy company. The entire domain of Power Electronics is a robust and fast growing economic area. We have a thorough understanding of the various markets – whether they are in an early business cycle or in the later part of a business cycle. This diversification helps LEM to even out the extremes of these cycles. We have also set up some new leading indicator parameters that will help us increase our reactivity to the market.

The Industrial Segment – Industry is leading the way

Sales in the Industrial Segment were CHF 170.8 million, which is a decrease of 6% compared to the previous year. We have seen the results start to pick up gradually as of the second quarter. The fourth quarter was a record one for LEM. Sales in Q4 compared to Q4 of last year were up by 41%.

The operational EBIT reached CHF 26.8 million, which is –14% compared to last year. The Q4 comparison to last year’s Q4 was +104%.

The INDUSTRY market experienced the first two quarters of the year with crisis driven low sales. We did see a significant pick up as of the third quarter and even acceleration in the fourth quarter. Sales increases for the last two quarters were Q2 to Q3 of 15% and Q3 to Q4 of 28%. This is mainly due to the electric motor drives business, which remains the main market for LEM with more than a third of sales in the Industry market and which is back to pre-crisis levels. The second driver for the exceptional growth has been the renewable energy, which nearly doubled compared to pre-crisis levels. It now represents 18% of the total Industry sales. Business in the photovoltaic market was over 50% higher than pre-crisis levels. The main countries for this market have been China, Germany, Italy, Japan and Switzerland. The medical market is noteworthy as LEM transducers are present in MRI scanners. Sales more than doubled over the year due to the acquisition of LEM Danfysik, though still remaining a modest contributor.

The TRACTION market is typically a late-cycle business and hence was impacted by the crisis later than the other markets and is recovering slower. Annual sales decreased by 5%. In Europe, Russia and North America, projects were delayed due to the high public debts and market weakness, leading to a drastic decrease in production of freight trains. In other regions, in particular in China the public investment level was raised substantially. As our market share could increase significantly, we enjoyed a growth of 113% year on year.

The ENERGY & AUTOMATION market has also been heavily impacted by the crisis. Year on year we noted a decrease of 17%. This business is based on the roll-out of investment projects. Typical products for this market are transducers used in factory automation with an additional functionality that can communicate to a microcontroller. It also includes Wi-LEM, the Wireless Local Energy Meter product and the Battery Monitoring product for standby industrial batteries used in critical applications. The latter sales have more than tripled in the last year – still coming from a small base.

The Automotive Segment – Green cars are coming

Sales for the Automotive segment were CHF 14.7 million, this is almost the same level as the previous year of CHF

14.9 million. Starting from a very low quarter 1, due to the economic crisis, sales grew steadily to reach a quarter 4 level 70% above Q1. The operational EBIT is still negative, CHF –1.0 million.

LEM has invested in the Automotive market over the long term with its core technology and we are slowly seeing the success within the so called "green cars", which tend to be hybrid electric and electric vehicles. The battery management business has grown substantially, with new platforms ramping up production. They provide a continued growth momentum as the batteries play a more active role in the energy management of a car. In addition the motor control business is now picking up. Here, we are in the controls for the electrical motors in hybrid and pure electrical cars. LEM has acquired a good market share in the initial design-ins. The value of this new business is substantially higher per car than the classical car.

Regional focus

In this past year the regions have each been affected by the crisis differently. Asia was only touched for a very brief period and sales have increased by 15% compared to the previous year. China has been the main driver as sales have increased by 41% compared to the previous year.

The North American region has been heavily impacted by the crisis and sales decreased by 14% compared to the last year.

Sales in our main European market have also suffered from the recession and have decreased by 12% compared to the last year.

The BRIC countries have also had mixed performances: Brazil has decreased significantly, almost by half, China as mentioned was doing very well, India increased by 19% and Russia decreased by 22%.

Cost and capacity management

In this year unlike any other we have kept a stringent control over all our expenses. In summer 2008 we had introduced strict costs controls, hiring stops, and a bit later short-term employment programs where ever reasonably possible. Our sites in Geneva and Machida could receive the welcome help of the local governments.

LEM's manufacturing capacity increase in the second half of the year has been slowed down by the supply shortage of critical components. LEM is using special components having a limited number of sources and hence supply has been a serious limiting factor. During the economic crisis, many of our suppliers reduced their capacities and did not ramp up fast enough.

In September 2009 we opened a state of the art 10'000 m^2 facility in Beijing China. This site will ensure the continued development of the global market for LEM. Like all other production sites in Geneva (Switzerland), Copenhagen (Denmark) and Machida (Japan) the quality of our products remains "made by LEM" with a unified highest level of operational performance.

Investment in the future

We have continued our investments for the future of LEM.

Our Research and Development budget remains high with 6.2% of sales this year. We have started to expand our team in Beijing.

The recent acquisition of LEM Danfysik brings an additional experience in the very high accuracy area and LEM has started to leverage on this for the future.

In the Industry market, the new ITL 4000 product allows the precise current monitoring of high-voltage DC lines, typically needed for energy production in remote sites like off-shore windmills.

In the Energy & Automotion market, we completed the battery monitoring products portfolio, and launched the Rogowski RT coil (patented), setting the new benchmark expected by the market for accurate energy consumption measurement.

Outlook

We are currently enjoying a very high bookings level, which is coming from the traditional and robust drives market and from the renewable energy market. We are also expecting a start of production for various new projects in the automotive segment. We are confident to begin the year on a high note, above Q4 in billings. The rest of the year remains unclear and is not yet predictable. The global financial uncertainties have not been removed; they do influence the levels of growth and industrial investment as well as the various exchange rates.

We firmly believe that the four strategic drivers for our business give us an advantage in the present economy:

- The need for more energy and the demand for more renewable energy
- The need for reliable energy and more controls and standby battery management
- The need for better energy efficiency, increasing the demand for the more efficient motor controls
- The need for more mobility (public transport and automotive) with a shift to more energy friendly solutions

In addition, we will maintain our clear focus on cost control and the operational priorities.

The financial strength of LEM also allows us to continue to build up new markets and applications and continue to invest in the development of promising new business.

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.

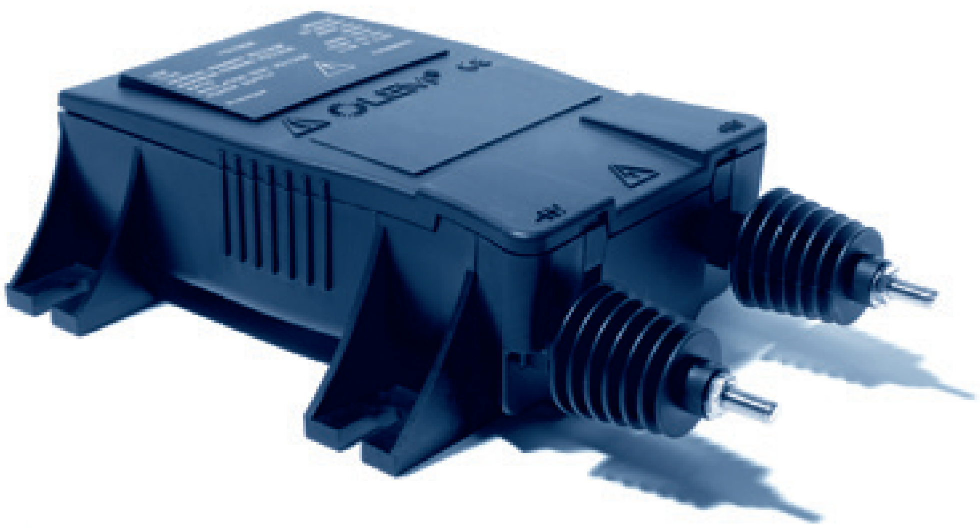
Our relationships with co-workers, customers, suppliers, partners and the investor community are based on openness and fairness.

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, process 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.



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 October 1, 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 March 31, 2010, the market capitalization was CHF 391 million.

The LEM Group is structured into the Industrial Segment and the Automotive Segment. Appropriate segment reporting pursuant to IFRS is contained on page 31 of the notes to the consolidated financial statements. All companies in the LEM Group are listed under "scope of consolidation" on page 46, where the company names, registered offices, share capitals and the relevant percentages of shares held are indicated. There are no other listed companies in the scope of consolidation.

Significant shareholders

On 31 March 2010 the following shareholders held 3% or more of the share capital and voting rights:

Shareholder	
WEMACO Invest AG, in Zug and Werner O.Weber, in Zollikon, Switzerland	27.4%
7-Industries Holding B.V., in Amsterdam, Netherlands	12.6%
Threadneedle Asset Management Holding Ltd, in London, United Kingdom	10.6%
Sarasin Investmentfonds AG, in Basel, Switzerland	8.8%
Erwin Studer and Joraem de Chavonay SA, in Zollikon / Zug, Switzerland	6.0%
Impax Asset Management Ltd, United Kingdom	4.5%

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 52.

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 2010, LEM Holding SA held 5'232 treasury shares and 30'000 options on shares.

Authorized and conditional capital

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

Information on the Performance Share Plan and the stock option plans is provided below under Section 5, "Compensation and Shareholdings", under the Note "Stock option plans, Performance Share Plan" on page 40 and in the notes to the LEM Statutory Accounts on page 55.

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 26 June 2009, Felix Bagdasarjanz, Peter Rutishauser, Anton Lauber and Ueli Wampfler were re-elected as members of the Board of Directors. Felix Bagdasarjanz maintained the Chairmanship. All of the 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.

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, seven full-day meetings and four half-day preparatory meetings 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 a good preparation of the

The Board of Directors

meeting. As a rule the CEO (and for most of the agenda items also the CFO) attend the meetings of the Board of Directors without having a right to vote. 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 feedback-sessions at the end of a meeting provide valuable inputs for the continuous improvement of the Board's coherence and leadership.

Definition of areas of responsibility

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

- Review and approval of the strategy, business plan, annual business objectives and budget for the LEM Group.
- Approval of creation/closing of any subsidiary and purchase/sale of any interest in any company or entry into any merger or joint venture agreement.
- 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 & 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 LEMs 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).

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.)

CH Nationality
Born – 1945
Chairman
Entry – 2002
Member NCC

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, BE
Head of expert team (engineering sciences), Federal Office for Professional Education and Technology, The Innovation Promotion Agency, KTI/CTI

CH Nationality
Born – 1956
Member
Entry – 2003
Chairman AC

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 and of Trisport AG
Member of the Board of Directors of Glatz AG, Pavatex AG
Chairman of the Board of Directors of Humanis AG and WUPA Holding AG

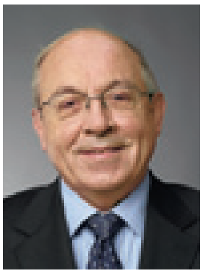
CH Nationality
Born – 1951
Member
Entry – 2004
Chairman NCC

Anton Lauber

Education
Federal Proficiency Certificate as a Mechanic
Certified Machinery Engineer, Technical University Brugg-Windisch
MBA studies at University of Applied Sciences, Lucerne
University of St. Gallen: Program for top managers in SMEs
IMD: Program Leading the Family Business

Professional background
Since 2009, President Division Components Schurter Group
1998–2009, Member of the Board of Directors of Schurter Holding AG and other group companies
1993–1998 Chairman of the Management of Schurter AG, Lucerne, CEO and Delegate of the Board of Directors, Member of the Schurter-Group Management
1989–1993 Technical Director Schurter AG, Lucerne
Up to 1988, Managing Director Generatorenfabrik ABB, Switzerland

Other notable activities
President Hochschule Lucerne / University of Applied Sciences
Member of IAQ – International Academy for Quality
Member of the Board of Directors of Beutler Nova AG, Gettnau
Member of the Board of Directors of Bossard Holding AG, Zug



CH Nationality
Born – 1950
Member
Entry – 2007
Member AC

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 Board of Directors of Swisa Holding AG
Member of the Board of Directors of PH Partner Holding AG
Member of the Board of Directors of Merbag Holding AG, Zug; Mercedes-Benz Automobil AG, Schlieren, and Merbag Immobilien AG, Schlieren
Member of the Board of Directors of Caspar Finanz AG, Zug (Traco Power Group)
Member of the Board of Directors of OFRAG Vertriebsgesellschaft, Lupfig
Member of the Board of Directors of Fuchs-Movesa AG, Lupfig
Member of the Board of Directors of Rebew AG, Zürich

AC = Audit Committee
NCC = Nomination and Compensation Committee

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 four 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 were held.

4 Senior Management

None of the 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

Board of Directors

General principles

Remunerations for the Board of Directors are approved by the Board of Directors based on recommendations by the Nomination & Compensation Committee (NCC).

The remuneration of the Board of Directors is reviewed on an annual basis.

The Board of Directors has decided to adopt a remuneration scheme with a fixed fee paid in cash in the amount of CHF 120’000 for the Chairman and CHF 60’000 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. There will be no additional variable compensation nor any participation in an equity based compensation plan. The members of the Board of Directors are requested to hold for their own account a minimum of 1’000 shares.

Compensation of former members

In financial year 2009/10, no compensation was paid to former members of the Board of Directors.

For more details on financial compensation, see note 18 “Stock option plans, Performance Share Plan” on page 40 and the notes of LEM Holding Statutory Accounts on page 55.

Senior Management

General principles

Remunerations for the Senior Management are approved by the Board of Directors based on recommendations by the CEO and the Nomination & Compensation Committee. The remuneration of the CEO is proposed to the Board of Directors by the Chairman and decided in a private meeting of the Board.

The remuneration of the Senior Management is reviewed on an annual basis.

The total annual compensation for the Senior Management consists of a fixed base salary and a performance related cash bonus (LEM Incentive System).

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 LEM group.

Members of the Senior Management

The Senior Management was comprised of the following members on 31 March 2010:

Paul Van Iseghem

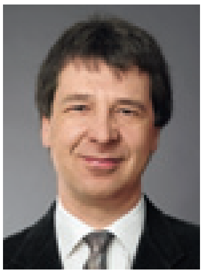
Nationality: Belgian
Education: PhD, UCLA
Born – 1946
Function: President & CEO LEM Group
With LEM since 2000
Previous functions: President LEM components
Previous companies and positions:
ITT CANNON,
Vice President Engineering & Operations

Julius Renk

Nationality: German
Education: Lic. oec. HSG,
CEMS Master in Int'l Management
Born – 1970
Function: CFO
With LEM since 2009
Previous companies and positions:
Financial positions with RTL Group,
AB Enzymes

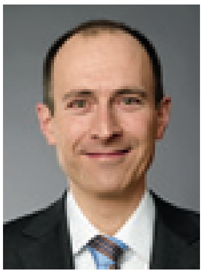
Hans-Dieter Huber

Nationality: German
Education: Cert. Eng. (BA)
Born – 1959
Function: Vice President, Industry
With LEM since 1995
Previous functions:
Business Development Manager
Previous companies and positions:
ABB, Division Manager



Luc Colombel

Nationality: French
Education: Engineer
Born – 1959
Function: Vice President,
Automotive and Traction
With LEM since 1996
Previous functions:
Business Development Manager
Previous companies and positions:
Arcelor Group, Strategic Development and
Sales Manager



Simon Siggen

Nationality: Swiss
Education: Engineer EPFL
Master in Logistics
Born – 1967
Function: Vice President, Operations
With LEM since 2002
Previous functions:
Operations Manager
Previous companies and positions:
Leclanché, Business segment Director

Eric Favre

Nationality: Swiss
PhD, EPFL
Born – 1962
Function: Vice President, R&D
With LEM since 2000
Previous functions: Technology Manager
Previous companies and positions:
ETEL Aerospace, Director Aerospace division

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.

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 is evaluated by determining the Economic Value Added (EVA) cumulated 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 determines this last year's annual bonus. Once the forward looking EVA objective is defined, the EVA objective remains unchanged over the period of three years. 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 years before and the performance achieved at the end of the three years period. The EVA objectives are set yearly by the Board of Directors, based on the proposal by the NCC. 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.

For more information on the previous Performance Share Plan and on the previous Stock option plans, see note 19 "Stock option plans, Performance Share Plan" on page 40 and the notes of LEM Holding Statutory Accounts on page 55.

Compensation of former members
In financial year 2009/10, no significant compensation was paid to a former member of the Senior Management.

Pensions and Healthcare 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 healthcare benefits in the main countries where LEM operates are described in more detail below.

LEM in Switzerland
The LEM pension plan operates a defined benefit plan that provides retirement benefits and risk insurance for death and disability. 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 healthcare benefits to its employees in Switzerland.

LEM in China
The pension plan is a government plan.

Both company and employee pay a certain percentage of a fixed amount for the insurance each month.

The healthcare plan is both government and company funded.

LEM in Japan
Only the government plan prevails.

The labour 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.

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.

A global management meeting

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

The aim is to pay out 25–50% of the net profit in the form of dividends, to be decided by the Board of Directors.

7 Change of control and defensive measures

Duty to make an offer

In accordance with Art. 32 of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA), any shareholder who exceeds 33.3% of the control of the company has to make a public offer for all outstanding shares. The Articles of Incorporation of the company do not provide for any exceptions to this rule.

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 March 31, 2010:

Type of service	2009/10
In CHF thousands	
Audit services	280
Tax services	480
Other services	272
Total	1'032

Other services include due diligence services and consulting services related to the acquisition of LEM Danfysik.

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 2009/10 Ernst & Young attended two regular Audit Committee meetings.

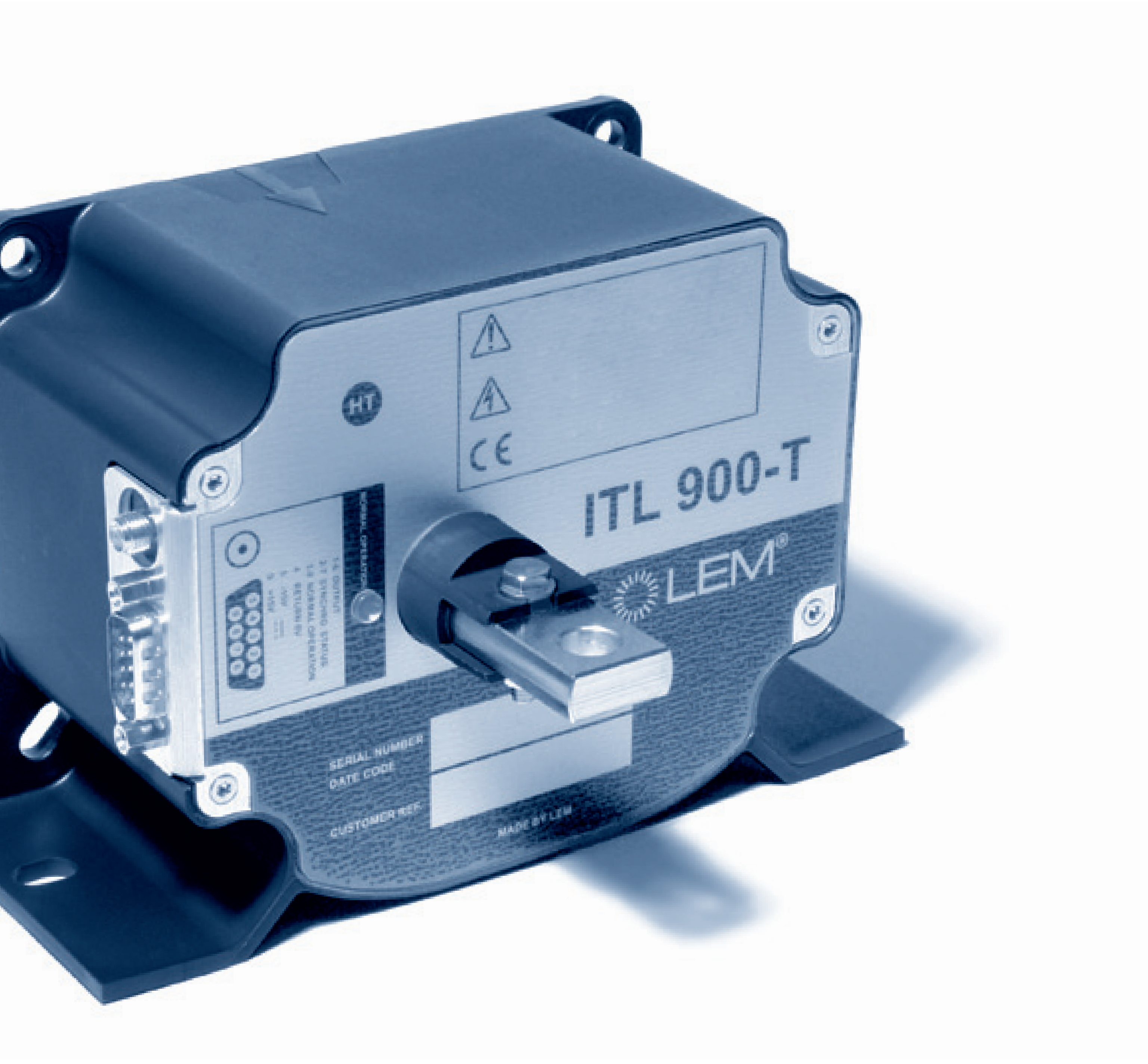
9 Information policy

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



Sales

LEM sales decreased by 5.7% to CHF 185.5 million in 2009/10. There was an unfavorable foreign currency impact of 3.1% in 2009/10. At constant exchange rates the sales decrease would have been 2.6%. The currency impact stems mainly from the unfavorable EUR and USD development during the year.

Gross margin

The gross margin decreased by 0.3 percentage points to 43.4%. The main reason for this is the lower sales volume which led to a negative leverage effect (underutilization of the fixed costs).

Operating expenses

The operating expenses (including R&D) of CHF 54.6 million stayed in line with the previous year (CHF 56.8 million). As a percentage of sales, the ratio increased from 28.9% to 29.4%.

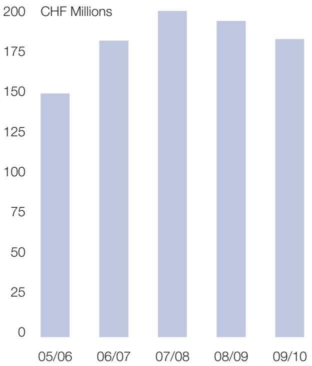
The R&D expenses increased by 6.7% in 2009/10 to CHF 11.5 million (prior year CHF 10.8 million). The sales ratio increases to 6.2% (prior year 5.5%).

The valuation of the liabilities for stock option plans (SOP) at the share price of CHF 340 on 31.03.2010 (31.03.2009 CHF 149.90) led to an increase of liabilities below operational EBIT of CHF 8.3 million. In 2008/09, this liability had decreased by CHF 4.6 million.

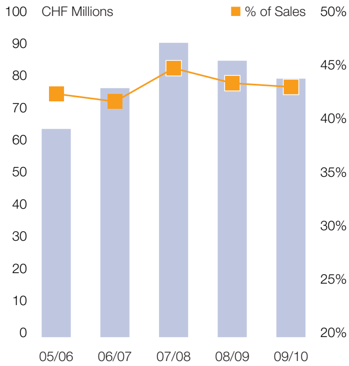
April to March	2009/10	2008/09
In CHF thousands		
Sales	185'512	196'813
Cost of goods sold	(105'076)	(110'788)
Gross margin	**80'436**	**86'025**
Sales expense	(19'757)	(22'925)
Administration expense	(23'583)	(23'183)
Research & development expense	(11'542)	(10'820)
Other expense	(252)	(111)
Other income	504	232
Operational EBIT	**25'807**	**29'219**
Additional SOP costs/income	(8'285)	4'622
EBIT	**17'522**	**33'841**
Financial expense	(419)	(516)
Financial income	372	318
Foreign exchange effect	(1'308)	(792)
Profit before taxes	**16'167**	**32'851**
Income taxes	(5'635)	(8'926)
Net profit for the year	**10'532**	**23'925**

FINANCIAL RESULTS

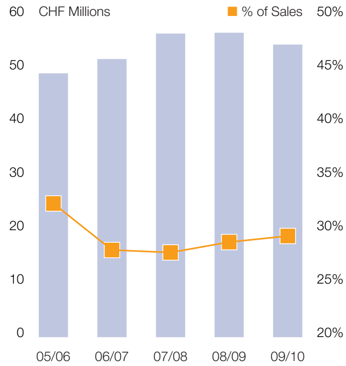
Net sales



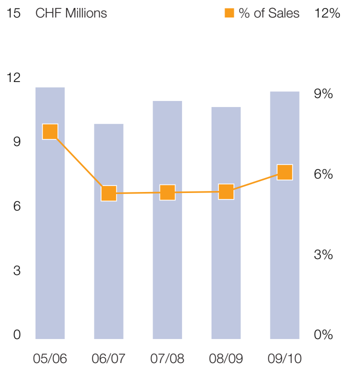
Gross margin



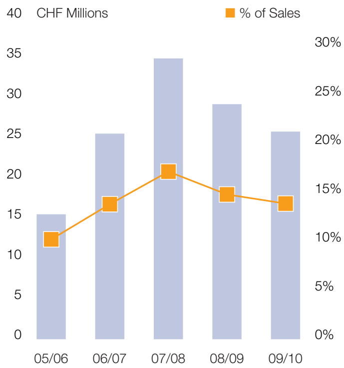
Operating expense (incl. R&D exp.)



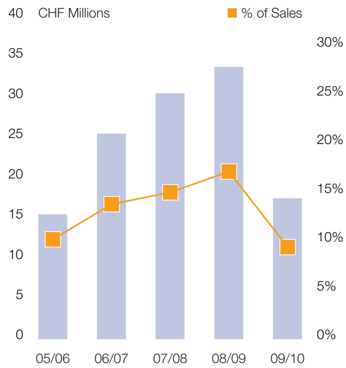
R&D expense



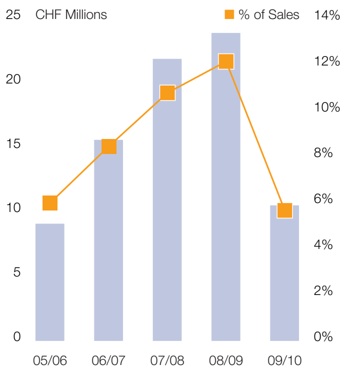
Operational EBIT



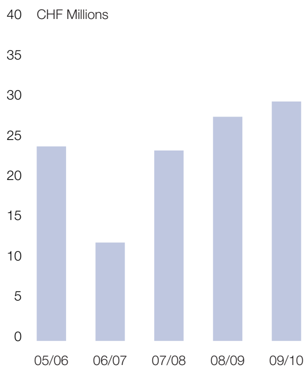
EBIT



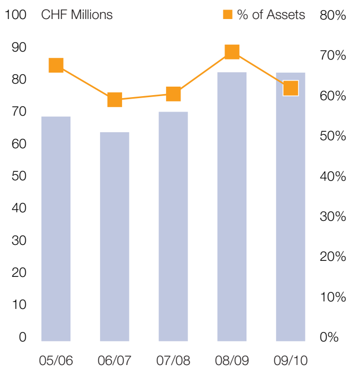
Net earnings



Net financial assets



Equity & Equity ratio



All the figures reflect continuing operations only.
Figures 2008/09 after restatement IFRIC 14.

Operational EBIT and EBIT

The operational EBIT (before SOP revaluation) decreased by 11.7% to CHF 25.8 million (prior year CHF 29.2 million).

Taking into account the SOP revaluations in 2008/09 and 2009/10, the EBIT decreased by 48.2% from CHF 33.8 million to CHF 17.5 million.

Financial expenses

The net financial expenses increased from CHF 1.0 million to CHF 1.4 million in 2009/10.

Taxes

The tax rate increased from 27.2% to 34.9% in 2009/10. This includes a CHF 0.5 million withholding tax liability increase covering results of prior years. Without this impact, the tax rate would have been 31.9%.

Net profit for the year

Net profit for the year decreased by 56.0% compared to 2008/09 resulting in CHF 10.5 million, strongly impacted by the increase of provision for the SOP.

Balance sheet

LEM has continued to improve its net working capital (current assets – current liabilities – net cash) in % of sales from 15.1% to 14.8%.

The efficient cash management has increased the net financial assets (cash – financial liabilities) from CHF 27.9 million to CHF 29.8 million. On 31 March 2010, LEM had no significant interest bearing financial liabilities.

The balance sheet remains healthy with an equity ratio of 63% (prior year 72%).

Cash flow

The improved working capital ratio was reflected in a favorable change in net working capital of CHF 8.1 million. Together with the CHF 7.4 million acquisition of LEM Danfysik, this led to a free cash flow of CHF 13.0 million (prior year CHF 21.9 million).

LEM GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

In CHF thousands	Notes	31.03.2010	31.03.2009[1]
Current assets			
Cash and cash equivalents		29'756	27'951
Accounts receivable	1	43'454	31'920
Inventories	2	21'744	23'728
Other current assets	3	1'989	2'834
Total current assets		**96'943**	**86'433**
Non-current assets			
Deferred tax assets	16	662	0
Property, plant and equipment	4	23'665	23'571
Intangible assets	5	9'697	4'685
Other non-current assets	6, 20	1'695	1'522
Total non-current assets		**35'719**	**29'778**
Total assets		**132'662**	**116'211**

Liabilities and equity

In CHF thousands	Notes	31.03.2010	31.03.2009
Current liabilities			
Accounts payable	7	23'416	12'614
Accrued expenses and deferred income		10'077	6'406
Current income tax payable		2'033	5'057
Current provisions	8	328	1'112
Current financial liabilities	22	2	93
Other current liabilities	9	7'335	2'329
Total current liabilities		**43'191**	**27'611**
Non-current liabilities			
Non-current provisions	8	1'729	1'763
Deferred tax liabilities	16	4'261	2'983
Other non-current liabilities	9	102	362
Total non-current liabilities		**6'092**	**5'108**
Total liabilities		**49'283**	**32'719**
Equity			
Share capital	10	575	575
Treasury shares and derivative instruments on treasury shares		(3'387)	(5'627)
Reserves	10	21'448	22'919
Retained earnings		64'529	65'430
Equity attributable to equity holders of the parent		**83'165**	**83'297**
Minority interests	11	214	195
Total equity		**83'379**	**83'492**
Total liabilities and equity		**132'662**	**116'211**

[1] Refer to Accounting Principle 2.22

CONSOLIDATED INCOME STATEMENT

April to March In CHF thousands	Notes	2009/10	2008/09
Sales		185'512	196'813
Cost of goods sold	12	(105'076)	(110'788)
Gross margin		**80'436**	**86'025**
Sales expense	12	(20'902)	(22'822)
Administration expense	12	(30'077)	(18'748)
Research & development expense	12	(12'188)	(10'735)
Other expense		(252)	(111)
Other income		504	232
Operating profit		**17'522**	**33'841**
Financial expense	13	(419)	(516)
Financial income	14	372	318
Exchange effect	15	(1'308)	(792)
Profit before taxes		**16'167**	**32'851**
Income taxes	16	(5'635)	(8'926)
Net profit for the year		**10'532**	**23'925**
Attributable to:			
LEM shareholders		10'475	23'846
Minority interests		57	79
Net profit for the year		**10'532**	**23'925**

The results of both years are derived from continuing operations.

Earnings per share			
Basic earnings per share	17	9.2	20.9
Diluted earnings per share	17	9.2	20.8

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

April to March In CHF thousands	**2009/10**	**2008/09**
Net profit for the period recognised in the income statement	**10’532**	**23’925**
Currency translation difference	(1’972)	6’400
Unrealized gain on derivatives designated as cash flow hedges	9	(148)
Fair value adjustments on cash flow hedges		
Other comprehensive income of the period		
Total comprehensive income for the period	**8’569**	**30’177**
Attributable to shareholders	8’502	30’142
Attributable to minorities	67	35

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	Minority interest	Total equity
1 April 2008	**575**	**19’034**	**0**	**0**	**146**	**0**	**(2’980)**	**54’234**	**201**	**71’211**
Total comprehensive income					(148)		6’444	23’846	35	30’177
Changes in capital										0
Dividends paid								(12’650)		(12’650)
Dividends paid to minority interests									(42)	(42)
Performance share plan						423				423
Movement in treasury shares		(5’627)	5’627	(3’875)						(3’875)
Movement in derivative instruments on treasury shares				(1’752)						(1’752)
31 March 2009	**575**	**13’407**	**5’627**	**(5’627)**	**(2)**	**423**	**3’464**	**65’430**	**195**	**83’492**
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 minority 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**

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

April to March	2009/10	2008/09[1]
In CHF thousands		
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit of the year	**10'532**	**23'925**
Adjustment for non-cash items		
– Current income taxes	6'488	8'632
– Net financial result	46	198
– Derivative financial instruments revaluation	9	(148)
– Divestment of companies	0	22
– Fair value charges for share-based payments	9'423	(3'234)
– Depreciation and amortisation	6'541	4'991
– Increase (+) / decrease (–) of provisions and deferred taxes	(4'193)	1'659
Interest received	223	318
Interest paid	(419)	(516)
Taxes paid	(9'433)	(8'355)
Payment for cash settlement of options	(1'009)	(206)
Cash flow before changes in net working capital	**18'208**	**27'286**
Change in inventory	3'500	708
Change in accounts receivable and other current assets	(10'402)	10'881
Change in payables and other current liabilities	14'993	(7'938)
Cash flow from changes in net working capital	**8'091**	**3'651**
Cash flow from operating activities	**26'299**	**30'937**
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in fixed assets	(5'757)	(8'864)
Disposal of fixed assets and intangible assets	58	66
Acquisition of companies	(1'362)	
Investment in intangible assets	(6'069)	(242)
Increase (–) / decrease (+) in other assets	(145)	(12)
Cash flow from investing activities	**(13'275)**	**(9'052)**
CASH FLOW FROM FINANCING ACTIVITIES		
Treasury shares aquired (–) /divested (+)	2'290	(3'875)
Derivative instruments on own shares acquired	0	(1'752)
Dividends paid to the shareholders of LEM Holding SA	(11'376)	(12'650)
Dividends paid to minorities	(48)	(42)
Decrease (–) in financial liabilities	(1'438)	(2'126)
Cash flow from financing activities	**(10'572)**	**(20'445)**
Change in cash and cash equivalents	**2'452**	**1'440**
Cash and cash equivalents at the beginning of the period	**27'951**	**25'787**
Exchange effect on cash and cash equivalents	(647)	724
Cash and cash equivalents at the end of the period	**29'756**	**27'951**

[1]Refer to Accounting Principle 2.22

ACCOUNTING POLICIES

1 General information

The 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 1'000 people. The parent company of the 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 10 May 2010.

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 and Reporting Standards (IFRS) and interpretations published by the International Accounting Standards Board (IASB) and comply with Swiss law.

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

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

In 2009/10, LEM Group introduced the following revised standards and interpretations:

Standard	Description	Impact on LEM Group
IAS-1 revised	Presentation of financial statements	Added statement of comprehensive income
IAS 23 revised	Borrowing cost – amendment	None
IAS 32 / IAS 1 amended	Financial instruments: Presentation / Presentation of financial statements: Puttable financial instruments and obligations arising on liquidation	None
IAS 39 / IFRS 7 amended	Financial instruments: Recognition and measurement / Financial instruments: Disclosures	None
IFRS 1 / IAS 27	First time adaption of international financial reporting standards / Consolidated and separate financial statements	None
IFRS 2 amended	Share-based payments – vesting conditions and cancellations	None
IFRS 8	Operating segments	None
IFRIC 9 / IAS 19	Embedded Derivatives – Amendments	None
IFRIC 13	Customer loyalty programs	None
IFRIC 15	Agreements for the construction of real estate	None
IFRIC 16	Hedges of a net investment in a foreign operation	None
IFRS 7	Improving Disclosures about Financial Instruments	None
Amendments	Annual Improvements to IFRSs	None

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

Standard or interpretation	Title	Effective date	Impact
IAS 27 revised	Consolidated and separate financial statement	1 July 2009	None
IAS 39	Financial instruments: Recognition and measurement: Eligible hedged items	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
IFRIC 19	Extinguishing Liabilities with Equity Instruments	1 July 2010	None
IAS 24	Related Party Disclosures	1 January 2011	None
IFRIC 14	Prepayments of a Minimum Funding Requirement – Amendments	1 January 2011	None
IFRS 9	Financial Instruments	1 January 2013	None
Amendments	Annual improvement project	1 January 2010 (unless otherwise stipulated)	None

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 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. Property, plant and equipment is 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.

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 identifiable net assets that exceeds the purchase price is shown as gain on bargain purchase on the income statement.

Intra-group assets and liabilities as well as income and expenses are set off against each other.

Also intra-group 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 2010 and 31 March 2009.

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.

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. This definition is also used for the cash flow statement.

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 & Equipment	5-8 years
Tools & Moulds	2-5 years
Vehicles	3-5 years
IT equipment	3-5 years

Foreign currency translation

Currency	Income statement 2009/10 Average rate In CHF	Income statement 2008/09 Average rate In CHF	Balance sheet 31.03.2010 Year-end rate In CHF	Balance sheet 31.03.2009 Year-end rate In CHF
EUR	1.502	1.562	1.432	1.517
GBP	1.700	1.885	1.603	1.633
JPY	0.0115	0.011	0.0115	0.0118
USD	1.064	1.102	1.064	1.149
RUB	0.035	0.041	0.036	0.034
CNY	0.156	0.161	0.156	0.168
DKK	0.202	n/a	0.192	n/a

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.

In the financial years under review, no development costs have been capitalized.

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. In the financial year under review no impairment has been recognized.

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 re-evaluated 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, and marketable debt securities with a fixed duration, marketable securities, derivative financial instruments and loans. In the periods under review LEM Group has no marketable and equity securities, nor any loans and non-current receivables in its books.

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, except for the effective portion of the cash flow hedges, which is recognised in other comprehensive income. 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 (cash flow hedging) and applies hedge accounting. Derivative financial instruments can comprise of forward exchange contracts and option based structures.

2.14 Financial liabilities

Financial liabilities comprise bank loans and are recognized initially as the proceeds received, net of transaction costs incurred. In subsequent periods, bank loans are stated at amortized cost using the effective interest rate method with any difference between proceeds (net of transaction) and the redemption value being recognized in the income statement over the terms of the borrowing.

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.

Other employee benefits
These obligations are covered by a provision in the balance sheet according to the legal requirements of certain countries.

Equity compensation plan
LEM Group operates several stock option plans and a share based plan.

Stock options are 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 provision is adjusted.

The Performance Share Plan (PSP) is granted to managers and is considered to be equity settled. The fair value of the PSP granted to the employees is estimated at the grant date. The amounts are 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 recognised at cost and deducted from equity. No gain or loss is recognised 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 recognised in other capital reserves.

2.19 Minority interests
Minority 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. The principal temporary differences arise from trade receivables, inventories, depreciation on tangible assets and tax losses carried forward. 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.

2.22 Reclassifications
In application of IAS 1 and IAS 37, the liabilities linked to the SOP have been reclassified as "Other liabilities". In the statement of financial position as per 31.03.2009, CHF 2'039 thousand of current SOP liabilities have been reclassified from "Current provisions" into "Other current liabilities" and CHF 249 thousand of non-current SOP liabilities have been reclassified from "Non-current provisions" into "Other non-current liabilities".

In application of IAS 12.5 and 12.38, the income tax liabilities linked to withholding tax on future dividend payments have been reclassified as deferred tax liabilities. In the statement of financial position as per 31.03.2009, CHF 1'190 thousand have been reclassified from "Current income tax payable" into "Deferred tax liabilities". In the cash flow statement of 2008/09, the same CHF 1'190 thousand have been reclassified from "Taxes paid" into "Increase (+) / decrease (–) of provisions and deferred taxes". In note 16, the same CHF 1'190 has been reclassified from "Current income taxes" to "Deferred income taxes".

Segment information

In CHF thousands	Industrial 2009/10	Industrial 2008/09	Automotive 2009/10	Automotive 2008/09	LEM Group 2009/10	LEM Group 2008/09
Income Statement						
Sales	170'780	181'931	14'732	14'882	185'512	196'813
EBITDA	24'900	39'227	(837)	(396)	24'063	38'831
Operating profit	19'367	35'296	(1'845)	(1'455)	17'522	33'841
Net financial expense					(1'355)	(990)
Taxes					(5'635)	(8'926)
Net profit for the year					10'532	23'925
Depreciation and amortization:						
Tangible assets	4'430	3'623	990	1'031	5'420	4'654
Intangible assets	1'103	308	18	28	1'121	336
Goodwill impairment						
Total	**5'533**	**3'931**	**1'008**	**1'059**	**6'541**	**4'990**
Significant non cash items						
(Increase) / decrease of liabilities for share based payments	(8'481)	2'911	(942)	323	(9'423)	3'234
Balance sheet						
Segment assets	90'720	78'323	9'811	8'416	100'531	86'739
Unallocated assets					32'131	29'472
– Of which cash and cash equivalents					*29'757*	*27'951*
– Of which other unallocated assets					*2'374*	*1'521*
Total assets	**90'720**	**78'323**	**9'811**	**8'416**	**132'662**	**116'211**
Segment liabilities	40'543	23'374	2'538	1'166	43'081	24'540
Unallocated liabilities					6'202	8'179
– Of which income tax payable					*2'033*	*5'057*
– Of which deferred withholding tax liability					*2'681*	*1'190*
– Of which other unallocated liabilities					*1'488*	*1'932*
Total liabilities	**40'543**	**23'374**	**2'538**	**1'166**	**49'283**	**32'719**
Capital expenditure :						
Tangible assets	5'192	7'006	565	1'858	5'757	8'864
Intangible assets	6'218	242	0	0	6'218	242
Total	**11'410**	**7'248**	**565**	**1'858**	**11'975**	**9'106**

Geographical information

In CHF thousands	Switzerland 09/10	Switzerland 08/09	Rest of Europe 09/10	Rest of Europe 08/09	North America 09/10	North America 08/09	Asia 09/10	Asia 08/09	Rest of the World 09/10	Rest of the World 08/09	LEM Group 09/10	LEM Group 08/09
Sales by location of customers	4'025	6'019	91'489	103'179	27'331	31'888	59'644	51'890	3'023	3'837	185'512	196'813
Segment assets by location of assets	50'081	46'491	4'955	2'639	6'628	5'399	38'868	32'210	0	0	100'532	86'739
Unallocated assets											32'130	29'472
Total assets	**50'081**	**46'491**	**4'955**	**2'639**	**6'628**	**5'399**	**38'868**	**32'210**	**0**	**0**	**132'662**	**116'211**

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.

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

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

1. Accounts receivable

In CHF thousands	31.03.2010	31.03.2009
Accounts receivable – trade	39'789	28'516
Allowance for doubtful accounts	(1'424)	(1'716)
Total accounts receivable – trade	**38'365**	**26'800**
Other receivables	5'089	5'120
Total	**43'454**	**31'920**

	2009/10	2008/09
Movements of allowance for doubtful accounts	**1'716**	**1'928**
Additions charged to income statement	76	92
Amounts written off	(338)	(375)
Foreign exchange effect	(30)	71
Change of scope	0	0
Total	**1'424**	**1'716**

Aging analysis of accounts receivable

In CHF thousands	Not due	< 30 days	31–90 days	91–180 days	> 180 days	Total
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**
31 March 2009						
Accounts receivable – trade	16'742	5'946	4'051	349	1'428	28'516
Allowance for doubtful accounts	0	0	(124)	(164)	(1'428)	(1'716)
Other receivables	4'001	968	108	6	37	5'120
Total	**20'743**	**6'914**	**4'035**	**191**	**37**	**31'920**

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

2. Inventories

In CHF thousands	31.03.2010	31.03.2009
Raw material	10'396	13'460
Work in process	2'314	1'395
Finished goods and goods for resale	9'034	8'873
Total	**21'744**	**23'728**

Above total inventories include provisions for write-down of CHF 2'585 thousand (2008/09 CHF 2'283 thousand).

3. Other current assets

In CHF thousands	31.03.2010	31.03.2009
Advances to suppliers	684	1'473
Prepayments and accrued income	1'298	1'363
Derivative financial instruments	7	(2)
Total	**1'989**	**2'834**

For further information on derivative financial instruments, see note 22.

4. Property, plant and equipment

In CHF thousands	Land and Buildings	Machinery and Equipment	Total
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**
Net book value 1 April 2008	**310**	**18'140**	**18'450**
Foreign exchange effect	54	929	983
Change in scope of consolidation	0	(6)	(6)
Investment	0	8'864	8'864
Disposal	0	(66)	(66)
Other movements	0	0	0
Depreciation charge for the year	(13)	(4'641)	(4'654)
Net book value 31 March 2009	**351**	**23'220**	**23'571**
At cost of acquisition	476	60'928	61'404
Accumulated depreciation	(125)	(37'708)	(37'833)
Net book value 31 March 2009	**351**	**23'220**	**23'571**

5. Intangible assets

In CHF thousands	Goodwill	Patents	Other intangible Assets	Total
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**
Net book value 1 April 2008	**3'419**	**0**	**1'010**	**4'429**
Foreign exchange effect	298	0	53	351
Change in scope of consolidation				0
Investment	0	0	242	242
Disposal	0	0	0	0
Other movements				0
Amortization charge for the year	0	0	(337)	(337)
Impairment loss				0
Net book value 31 March 2009	**3'717**	**0**	**968**	**4'685**
At cost of acquisition	3'717	0	3'401	7'118
Accumulated amortization	0	0	(2'433)	(2'433)
Net book value 31 March 2009	**3'717**	**0**	**968**	**4'685**

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% (2008/09 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 2010.

6. Other non-current assets

In CHF thousands	31.03.2010	31.03.2009
Pension asset	1'493	1'366
Other non-current assets	202	156
Total	**1'695**	**1'522**

7. Accounts payable

In CHF thousands	31.03.2010	31.03.2009
Accounts payable – trade	21'869	11'289
Other payables	1'547	1'325
Total	**23'416**	**12'614**

8. Provisions[1]

In CHF thousands	Employee and termination benefits	Claims and litigations	Restructuring	Total
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
Balance 1 April 2008	**1'656**	**1'005**	**0**	**2'662**
Additional provisions	47	1'467	380	1'894
Unused amounts reversed	(200)	(1'011)	(50)	(1'261)
Utilized during the year	(12)	(303)	(149)	(464)
Foreign exchange effect	43	1	1	45
Change of scope	0	0	0	0
Balance 31 March 2009	**1'534**	**1'159**	**182**	**2'875**
Of which current				1'112
Of which non-current				1'763

[1]Refer to Accounting Principle 2.22.

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.

9. Other liabilities[1]

In CHF thousands	31.03.2010	31.03.2009
Stock option plans	6'255	2'288
Other liabilities	1'182	403
Total	**7'437**	**2'691**
Of which current	7'335	2'329
Of which non-current	102	362

[1]Refer to Accounting Principle 2.22.

Stock option plans
See accounting policies 2.16 Employee benefits, 2.17 Provisions and contingent liabilities and note 19 Stock option plans, Performance Share Plan.

10. 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 other capital reserves.

Movement of treasury shares 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		

The dividend to be paid will be proposed by the Board of Directors to the shareholders of the Group at the ordinary shareholders' meeting 25 June 2010.

Balance 1 April 2008	**0**		
Movement	12'400	312.50	3'875'000
Balance 31 March 2009	**12'400**	**312.50**	**3'875'000**
Ordinary dividend per share (in CHF)	10.00		

11. Minority interests

In CHF thousands	31.03.2010	31.03.2009
Total	**214**	**195**

The amount represents the minority interest of 10% in TVLEM, held by local management. There were no changes in minority interest in the current financial year.

12. Staff cost

In CHF thousands	2009/10	2008/09
Production	(16'786)	(17'701)
Sales	(11'519)	(12'550)
Administration	(11'131)	(9'883)
Research and development	(7'252)	(7'024)
Change in liability for stock option plans and performance share plan	(9'423)	3'234
Total	**(56'111)**	**(43'924)**
Salaries and wages	(33'806)	(35'853)
Other personnel costs	(11'769)	(8'612)
Temporary employee costs	(1'113)	(2'693)
Change in liability for stock option plans and performance share plan	(9'423)	3'234
Total	**(56'111)**	**(43'924)**

Employee benefit plan costs comprise the expenses for defined contribution plans of CHF 645 thousand (2008/09 CHF 648 thousand). See accounting policies 2.16 Employee benefits, 2.17 Provisions and contingent liabilities and note 19 Stock option plans, Performance Share Plan.

Number of employees at the end of the financial year	31.03.2010	31.03.2009
Full time employees	970	871
Temporary employees	37	26
Apprentices	11	12
Total	**1'018**	**909**

13. Financial expense

In CHF thousands	2009/10	2008/09
Interest expense	(283)	(404)
Divestment LEM Malaysia	0	(22)
Other financial expense	(136)	(90)
Total	**(419)**	**(516)**

14. Financial income

In CHF thousands	2009/10	2008/09
Interest income on cash	223	318
Gain on bargain purchase	149	0
Total	**372**	**318**

15. Foreign exchange effect

In CHF thousands	2009/10	2008/09
Exchange losses	(1'406)	(849)
Fair value revaluation on derivatives	(1)	(75)
Gains and losses on derivatives[1]	99	132
Total	**(1'308)**	**(792)**

[1]Position includes cost of derivative hedging

16. Income taxes, deferred tax assets and liabilities[1]

In CHF thousands	2009/10	2008/09
Current income taxes	(4'997)	(7'442)
Deferred income taxes	(638)	(1'484)
Total	**(5'635)**	**(8'926)**

[1]Refer to Accounting Principle 2.22

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:

	2009/10	2008/09
In %		
Group's average expected income tax rate	25.7	25.0
Group's average expected withholding tax rate	6.2	4.7
Group's average expected tax rate	**31.9**	**29.7**
Tax effect of		
– expense not deductible for tax purposes	0.0	0.1
– reduced taxes	0.0	(1.8)
– withholding tax liability for results covering prior years	3.0	0.0
– adjustment in respect of previous periods income tax	0.0	(0.8)
Group's effective tax rate	**34.9**	**27.2**

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. As a result, the liability for withholding taxes includes 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:

	31.03.2010	31.03.2009
In CHF thousands		
Current assets	**470**	**(351)**
– Accounts receivable	(346)	(222)
– Inventories	(217)	(497)
– Others	1'033	368
Non-current assets	**(949)**	**(935)**
– Property, plant and equipment and other financial assets	(341)	(327)
– Intangible assets	(608)	(608)
Liabilities	**(3'120)**	**(1'697)**
– Provisions	(295)	(273)
– Others	(144)	(234)
– Withholding tax on future dividends	(2'681)	(1'190)
Total	**(3'599)**	**(2'983)**
The balance sheet contains the following		
Deferred tax assets	662	0
Deferred tax liabilities	(4'261)	(2'983)
Net liabilities	**(3'599)**	**(2'983)**

Unused tax loss carry forwards not recognized in the balance sheet expire	31.03.2010	31.03.2009
In CHF thousands		
– in the next 10 years	0	0
– until 2020	0	0
– without date of expiration	878	905
Total	**878**	**905**

17. Earnings per share

	2009/10	2008/09
Basic earnings per share		
Net profit for the year attributable to LEM shareholders – in CHF thousands	10'475	23'846
Ordinary number of shares at the beginning of the year	1'150'000	1'150'000
Weighted average number of treasury shares	12'004	9'173
Weighted average number of shares outstanding	1'137'996	1'140'827
Earnings per share – basic in CHF	9.20	20.90

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.

Net profit for the year attributable to LEM shareholders – in CHF thousands	10'475	23'846
Weighted average number of shares outstanding	1'137'996	1'140'827
Performance share plan	4'030	4'180
Adjusted weighted average number of shares outstanding	1'142'026	1'145'007
Earnings per share – diluted in CHF	9.17	20.83

18. Related parties

Related parties are the Board of Directors and the Senior managers as defined in the Corporate Governance guidelines. The compensation to the Board of Directors is paid as a fixed fee in cash. The compensation for the Senior Management includes base salary, a performance related bonus (LIS incentive system), bonus and performance shares (2008/09) and post employment benefits. 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	2009/10	2008/09
In CHF thousands		
Base salary	(440)	(415)
Change in liability for stock option plans	(292)	332
Total	**(732)**	**(83)**
Number of granted stock options	0	0

Compensation of the Senior Management

Base salary	(1'351)	(1'330)
Bonus	(718)	(103)
Post employment benefits	(182)	(155)
Change in liabilitiy for stock option plans and performance share plan	(1'572)	1'525
Total	**(3'823)**	**(63)**
Number of granted stock options and performance shares in financial year (m=1)	0	3'400

See accounting policies 2.16 Employee benefits, 2.17 Provisions and contingent liabilities and note 19 Stock option plans, Performance Share Plan.

Additional fees and compensations

No member of the Board of Directors received additional fees amounting to more than half of his normal compensation (2009/10 CHF 14 thousand; 2008/09 one member, CHF 50 thousand).

19. Stock option plans, performance share plan

2009/10	Grant Date	Number of options outstanding 01.04.2009	Number of options issued	Number of options cancelled	Number of options exercised	Number of options outstanding 31.03.2010	Exercise price in CHF	Fair value at grant in CHF	Fair value 31.03.2010 in CHF	Exercise period from	Exercise period until
SOP 4	01.04.2005	14'013	0	0	(14'013)	0	77.18	24.86	N/A	01.04.2007	31.03.2015
SOP 5	01.04.2006	28'750	0	0	(11'400)	17'350	139.80	47.69	200.20	01.04.2009	31.03.2011
SOP 6	01.04.2007	23'444	0	0	0	23'444	240.52	64.92	118.85	01.04.2010	31.03.2012
	Total	66'207	0	0	(25'413)	40'794					

2008/09	Grant Date	Number of options outstanding 01.04.2008	Number of options issued	Number of options cancelled	Number of options exercised	Number of options outstanding 31.03.2009	Exercise price in CHF	Fair value at grant in CHF	Fair value 31.03.2009 in CHF	Exercise period from	Exercise period until
SOP 4	01.04.2005	14'825	0	0	(812)	14'013	77.18	24.86	74.42	01.04.2007	31.03.2015
SOP 5	01.04.2006	29'750	0	(1'000)	0	28'750	139.80	47.69	34.62	01.04.2009	31.03.2011
SOP 6	01.04.2007	25'882	0	(2'438)	0	23'444	240.52	64.92	15.95	01.04.2010	31.03.2012
	Total	70'457	0	(3'438)	(812)	66'207					

SOP 4

In April 2005 the Board of Directors issued the stock option plan SOP 4 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. This plan gives the right to cash the counter value of one share at the predetermined strike price (option price). The strike price corresponds to the LEM share price on 31 March 2005. The number of stock options granted depended on the excess of net earnings above a minimum return on equity (ROE). The vesting period is two years. The details of the contractual terms of the option plan can be seen in the table above. Due to the share split in September 2005, the number of options granted under SOP 4 was adjusted by the factor of 4.8135. During the financial year 2009/10 all 14'013 remaining options were exercised. The plan is closed. The average share price for the exercised options was CHF 305.94.

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. Each plan gives the right to cash the counter value 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 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 2005/06. 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 2009/10, 11'400 options were exercised. 17'350 options related to SOP 5 are still exercisable. The average share price for the exercised options was CHF 292.67.

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 counter value 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.

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

	Parameters at grant		Parameters 31.03.2010	
In %	SOP 6	SOP 5	SOP 6	SOP 5
Expected volatility (based on historical volatility over last 5 years):	28.98	39.11	41.15	41.15
Risk free interest rate:	2.51	2.51	0.81	0.47
Dividend yield:	2.90	2.35	2.40	2.40

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 will depend on the achievement of certain targets during a vesting period. The targets are determined by an Economic Value Added (EVA) model, which is 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 3 year vesting period and for which the multiple for the eventual payout may vary between m=0.5 and m=2.0. The PSP expenses will be recorded in the income statement straight-line over the 3 year vesting period. The expense is adjusted at every reporting date based on the expected number of shares that the participants will receive at the end.

Terms of PSP

	At grant	31.3.2010
m (multiple)	1.0	0.5
Number of shares expected to be issued	8'360	4'030
Vesting period	3 years	
Allocated to recipients	27 June 2008	
Fair value per unit (CHF)	303.50	340.0

As of 31 March, based on a pay-out multiple (m=0.5) and on the number of recipients, the company booked a provision of CHF 925 thousand, of which CHF 502 thousand was charged to the income statement in 2009/10 (prior year: CHF 423 thousand).

In view of disposing of the necessary shares potentially required under the PSP program, LEM has purchased 12'400 own shares at a share price of CHF 312.50 and call options on own shares as follows:

Terms of options

Transaction date	Number of options	Strike price	Premium paid	Exercise period
20.09.2008	15'000	360	61.7	1.03.2011–30.04.2013
20.09.2008	15'000	390	55.1	1.03.2012–30.04.2013

The call options which were acquired are intended to be gross settled and they are therefore treated as equity instruments.

During May 2009, the Board of Directors decided not to issue further equity based compensation plans. In view of this decision and given that the company estimates to require 4'030 shares to pay out the PSP, the Board has made an offer to the remaining SOP 4 option holders. 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. Under the present assumptions, the remaining 5'232 shares will suffice to cover the PSP payout.

20. Retirement benefit obligations

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

	31.03.2010	31.03.2009
In CHF thousands		
Current service cost	2'514	2'398
Interest cost	856	939
Expected return on plan assets	(1'043)	(1'226)
Employee contributions	(1'256)	(1'283)
Amortization of gains & loses	484	
Immediate recognition of loss § 58 A	0	885
Net benefit expense	**1'555**	**1'713**
Changes in defined benefit obligation		
Defined benefit obligation per beginning of year	**28'544**	**26'840**
Interest cost	856	939
Current service cost	2'514	2'398
Benefits paid	(3'502)	(1'586)
Actuarial (gains)/losses on obligation	464	(47)
Defined benefit obligation per end of year	**28'876**	**28'544**
Changes in the fair value of plan assets	**31.03.2010**	**31.03.2009**
In CHF thousands		
Fair value of plan assets per beginning of year	**23'181**	**27'250**
Expected return	1'043	1'226
Contribution by employer and employee	2'938	2'996
Benefit paid	(3'502)	(1'586)
Actuarial gains/(losses) on plan asset	2'947	(6'705)
Fair value of plan assets per end of year	**26'607**	**23'181**

LEM expects to contribute CHF 1'550 thousand to its defined benefit plan in 2010/11.

	31.03.2010	31.03.2009
In CHF thousands		
Present value of funded obligations	28'876	28'544
Fair value of plan assets	(26'607)	(23'181)
Funded status	**2'269**	**5'363**
Unrecognized net actuarial losses	(3'762)	(6'729)
Unrecognized asset due to limit in IAS19§58A lit b)		
Net liabilities / assets (–)	**(1'493)**	**(1'366)**

Actual return on plan assets for 2009/10 was CHF 3'990 thousand (2008/09 CHF –5'479 thousand).

Comparison of amounts	31.03.2010	31.03.2009	31.03.2008	31.03.2007	31.03.2006
In CHF thousands					
Plan assets	26'607	23'181	27'250	27'202	25'404
Defined benefit obligations	28'876	28'544	26'840	27'066	24'332
Funded status	**(2'269)**	**(5'363)**	**410**	**136**	**1'072**
Experience adjustment gains/(losses) on plan assets	2'947	(6'705)	(1'304)	(170)	(407)
Experience adjustment (gains)/losses on obligation	464	(649)	(1'300)	786	2'413

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	Long-term target	2009/10	2008/09
In %			
Equity securities	40.0	35.0	32.0
Debt securities	50.0	55.0	52.0
Real estate	5.0	5.0	4.0
Cash and other investments	5.0	5.0	12.0
	100.0	**100.0**	**100.0**

The principal actuarial assumptions used in the actuarial calculations include:	2009/10	2008/09
In %		
Discount rate	3.0	3.00
Salary increases	1.5	1.50
Pension increases	0	0
Expected return on plan assets		
– Equities	6.5	6.5
– Bonds	3.5	3.5
– Other assets	2.5	2.5

21. Operating lease commitments

Minimal lease payments are payable as follows:	31.03.2010	31.03.2009
In CHF thousands		
Within one year	4'345	3'645
Between one and five years	20'508	21'015
Beyond five years	20'321	25'605
Total	**45'174**	**50'265**

In 2009/10 lease expenses amounted to CHF 4'197 thousand (2008/09 CHF 3'913 thousand). Lease agreements exist for the business facilities used by the Group's companies, the agreements are classified as operating leases. The leases have varying terms and renewal rights between one and fifteen years.

22. Contingent liabilities

In CHF thousands	31.03.2010	31.03.2009
Total guarantees for credits of subsidiaries	3'206	465
Total guarantees to third parties	1'866	1'958
Total	**5'072**	**2'423**

On 31 March 2010 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.

23. 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	31.03.2010 Fair Value	31.03.2009 Fair Value	Loans and receivables
Cash and cash equivalents	29'756	27'951	X
Accounts receivable	43'454	31'920	X
Other non-current assets	202	156	X
Total	**73'412**	**60'027**	

Financial liabilities In CHF thousands	31.03.2010 Fair Value	31.03.2009 Fair Value	Financial liabilities
Accounts payable	23'416	12'614	X
Accrued expenses	10'077	6'406	X
Other current liabilities	1'080	290	X
Current financial liabilities	2	93	X
Other non-current liabilities	25	40	X
Total	**34'600**	**19'443**	

The Group enters into derivative transactions such as currency risk reversal contracts to hedge the USD and EUR risk. The purpose of these currency hedges is to manage the currency risks arising from the Group's operations. It is the Group's policy that no derivatives for speculative purposes shall be entered into. The main risks arising from the Group's financial instruments are foreign currency risks and credit risks, whereas the others are of minor or no impact. The Board of Directors reviews and agrees policies for managing each of those risks.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group's financial assets at fair value amount to CHF 7 thousand per 31.03.2010 (CHF –2 thousand per 31.03.2009), are all classified under level 2.

During the reporting period ending, 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 and JPY.

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 3-9 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

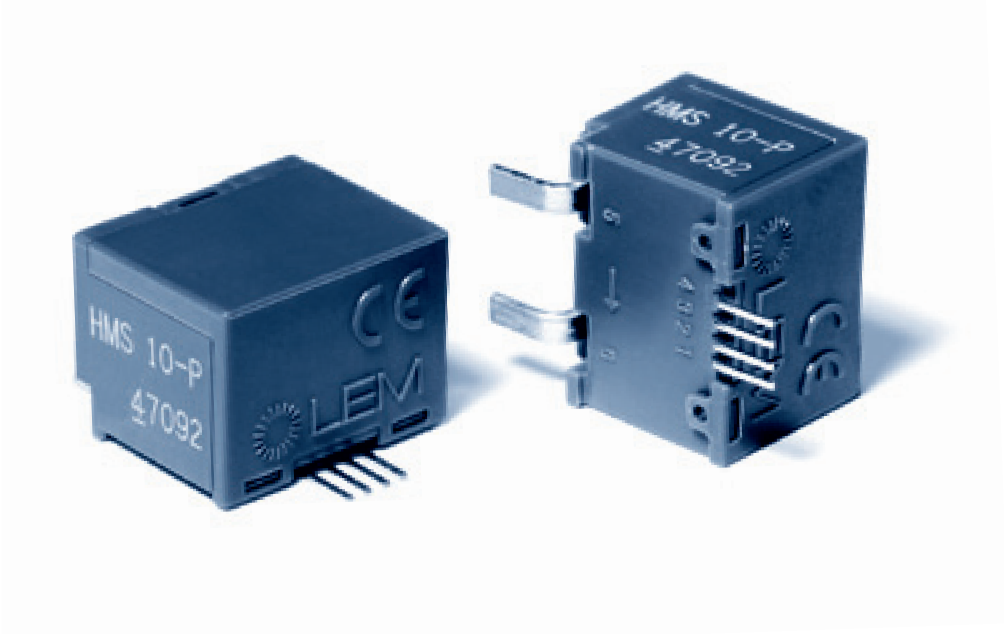
The sensitivity analysis is performed with a 5% change in the USD, EUR, GBP and JPY with all other variables held constant of the Group's profit before tax (due to the changes in the fair value of the monetary assets and liabilities) and the Group's equity. The sensitivity analysis performed for the financial year shows an impact of CHF ±914 thousand for the a ±5% EUR rate change and of CHF ±356 thousand for a ±5% USD 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 monitors its risk to a shortage of funds using a monthly treasury forecast. This forecast considers the maturity of both its financial investments and financial assets (e.g., accounts receivable and other financial assets) and projected cash flows from operations. Capital requirements by subsidiaries 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	31.03.2010	Less than one year	Over one year	31.03.2009	Less than one year	Over one year
Accounts payable	23'416	23'416	0	12'614	12'614	0
Accrued expenses	10'077	10'077	0	6'406	6'406	0
Other current liabilities	1'080	1'080	0	290	290	0
Current financial liabilities	2	2	0	93	93	0
Other non-current liabilities	25	0	25	40	0	40
Total	**36'600**	**34'575**	**25**	**19'443**	**19'403**	**40**

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.

The Board of Directors strives to achieve a pay-out ratio between 25–50%. However, it may diverge from this policy due to economic prospects or on the grounds of planned future investment activities.

24. 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	90%
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	36'723'000	100%
LEM Japan KK	Japan	JPY	16'000'000	100%

The participation shares have not changed from prior year, except for LEM Danfysik (0% prior year) and LEM Holding USA (100% prior year) as described below.

Changes in scope of consolidation

During the first half year of 2009/10 the scope of consolidation changed as follows:

On 28 July 2009 LEM Holding SA acquired 100% of the shares of Danfysik ACP A/S in Denmark. The business of high precision transducers was integrated into the business segment Industrial of LEM Group. The total purchase price for the shares and the intellectual property rights amounts to CHF 7.7 million incl. transaction costs and was paid out of existing liquid funds and two bridge financings of EUR 2.0 million each for a period of 3 and 6 months.

Between July and March 2010, the acquired business employing 15 people generated third party sales of CHF 5.8 million and a net profit of CHF 0,1 million.

The following table shows the fair value of assets and liabilities acquired in the share deal, as well as the intangibles acquired and the negative goodwill arising from the transaction. The Group's share of the fair value of the net identifiable net assets that exceeds the purchase price has been shown as gain on bargain purchase on the income statement.

The acquired intangible assets are depreciated over 5 years according to LEM accounting policies and in line with the expected useful life.

In CHF thousands	Carrying amount	Fair value adjustments	Fair value on acquisition
Cash and cash equivalents	338	0	338
Trade accounts receivable	1'025	(99)	926
Inventories	2'744	(298)	2'446
Other current assets	530	(353)	177
Property, plant and equipment	379	3	383
Intangible assets	5'943	207	6'150
Pre-acquisition goodwill	2'804	(2'804)	0
Current liabilities	2'281	163	2'444
Long-term liabilities	129	0	129
Net assets acquired at fair value			**7'846**
Goodwill / (Badwill)			(149)
Total purchase consideration, including transaction costs			**7'697**
Less cash and cash equivalents acquired			(338)
Net cash outflow on acquisition			**7'359**

LEM Holding Inc. has merged with and into LEM USA Inc. per 31 March 2010, with LEM USA Inc. being the surviving entity.

In the previous year the following change in the scope of consolidation occurred: Creation of LEM Management Services S.a.r.l., fully consolidated as of 16 June 2008.

25. Events after the balance sheet date

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of LEM Holding SA, which comprise the statement of financial position, income statement, cash flow statement, statement of comprehensive income, statement of changes in equity and notes (pages 23 to 47), for the year ended 31 March 2010.

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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation 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 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

Lancy, 12 May 2010

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	Notes	31.03.2010	31.03.2009
In CHF thousands			
Current assets			
Cash and cash equivalents		5'221	9'597
Treasury shares	2	1'635	1'859
Derivative instruments on treasury shares	2	1'752	308
Other current assets		597	91
Group current assets	4	22'392	9'473
Total current assets		**31'597**	**21'328**
Non-current assets			
Investments in subsidiaries	3	51'694	49'994
Intangible assets			1
Total non-current assets		**51'694**	**49'995**
Total assets		**83'291**	**71'323**

Liabilities and Equity	Notes	31.03.2010	31.03.2009
In CHF thousands			
Current liabilities			
Current financial liabilities		0	4
Other current liabilities		4'795	4'083
Group current liabilities	4	5'414	7'425
Total current liabilities		**10'209**	**11'512**
Non-current liabilities			
Non-current liabilities		250	669
Total non-current liabilities		**250**	**669**
Equity			
Share capital	1	575	575
General reserve		26'284	24'044
Reserve for treasury shares and derivative instruments on own shares	2	3'387	5'627
Retained earnings		17'520	2'977
Net profit for the year		25'066	25'919
Total equity		**72'832**	**59'142**
Total liabilities and equity		**83'291**	**71'323**

INCOME STATEMENT OF LEM HOLDING SA

Income

In CHF thousands	Notes	2009/10	2008/09
Financial income from Group dividend payments		20'467	29'218
Interest income from Group loans		256	283
Other financial income		3'849	38
Other Group income		4'815	3'077
Foreign exchange gain		3	436
Total income		**29'390**	**33'052**

Expense

In CHF thousands	Notes	2009/10	2008/09
Office, administration and personnel expense	5	(1'453)	(1'836)
Financial expense		(179)	(4'061)
Foreign exchange effect		(410)	(477)
Total expense		**(2'042)**	**(6'374)**
Profit before taxes		**27'348**	**26'678**
Income taxes	6	(2'281)	(759)
Net profit for the year		**25'066**	**25'919**

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 1.04.2009	1'150'000	0.50	575
Closing capital 31.03.2010	1'150'000	0.50	575

2. Treasury shares and derivative instruments on own shares

Treasury shares LEM Holding SA	Number of shares	Price per share in CHF	Value in CHF thousands
Value 1.04.2009	12'400	312.50	3'875
Change	(7'168)	312.50	(2'240)
Value 31.03.2010	**5'232**	**312.50**	**1'635**
Value 1.04.2008	0	0.00	0
Change	12'400	312.50	3'875
Value 31.03.2009	**12'400**	**312.50**	**3'875**

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 purpose was to close the SOP4 before the contractual term (31.03.2015). 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).

Subsidiaries of LEM Holding SA did not own any shares of LEM Holding SA.

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. Treasury shares and derivative instruments on own shares are valued at lower of cost or market value.

3. Investments in subsidiaries

In CHF thousands	31.03.2010	31.03.2009
Historical cost	51'694	49'994
Total	**51'694**	**49'994**

See also note 24 "Scope of consolidation" of the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF LEM HOLDING SA

4. Group current assets and liabilities

In CHF thousands	31.03.2010	31.03.2009
Current inter-company loans receivable	17'741	366
Inter-company accounts receivable	4'651	9'107
Total	**22'392**	**9'473**
Current inter-company loans payable	4'743	3'615
Inter-company accounts payable	671	3'810
Total	**5'414**	**7'425**

5. Office, administration and personnel expense

In CHF thousands	2009/10	2008/09
Office and administration expense	(388)	(1'753)
Board member fees	(440)	(415)
Expenses for stock option plans exercised	(153)	0
Change in provision for stock option plans	(472)	332
Total	**(1'453)**	**(1'836)**

6. Income taxes

In CHF thousands	2009/10	2008/09
Current taxes	(302)	(40)
Adjustment of tax provisions of previous periods	(241)	529
Withholding taxes on paid and planned dividend repatriation	(1'738)	(1'248)
Total	**(2'281)**	**(759)**

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

	31.03.2010		31.03.2009	
	Shares	in %	Shares	in %
Shareholder with ownership above 3%:				
WEMACO Invest AG, in Zug and Werner O.Weber, in Zollikon, Switzerland	315'000	27.4%	315'000	27.4%
7-Industries Holding B.V., in Amsterdam, Netherlands	144'581	12.6%		
Threadneedle Asset Management Holding Ltd, in London, United Kingdom	122'444	10.6%	120'750	10.5%
Sarasin Investmentfonds AG, in Basel, Switzerland	101'690	8.8%	113'850	9.9%
Erwin Studer and Joraem de Chavonay SA, in Zollikon / Zug, Switzerland	69'000	6.0%	60'000	5.2%
Impax Asset Management Ltd, United Kingdom	51'701	4.5%	51'701	4.5%

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

In CHF thousands	31.03.2010	31.03.2009
Amount of guarantees issued	11'852	8'703

9. Remuneration of Board of Directors and Senior Management

9.1 Compensation of active members of the Board of Directors

2009/10 In CHF thousands	Annual salary compensation	Additional fees	Cash pay-out for options granted in prior years
Felix Bagdasarjanz[1, 2]	160	0	250
Anton Lauber[3]	90	0	85
Peter Rutishauser[4]	110	0	109
Ueli Wampfler[5]	80	14	0
Total	**440**	**14**	**444**

2008/09 In CHF thousands	Annual salary compensation	Additional fees	Cash pay-out for options granted in prior years
Felix Bagdasarjanz[1, 2]	140	0	0
Friedrich Fahrni[6]	15	0	0
Anton Lauber[3]	90	0	0
Peter Rutishauser[4]	90	50	0
Ueli Wampfler[5]	80	0	0
Total	**415**	**50**	**0**

The members of the Board of Directors do not participate in bonus schemes, pension funds, nor in the Performance Share Plan. 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 (prior year one member, CHF 50’000).

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

2009/10 In CHF thousands	Annual salary compensation	Annual bonus compensation	Company’s contribution to pension fund	Number of shares granted by PSP (m=1)	Cash value of shares granted by PSP (m=1)[7]	Total compensation	Cash pay-out for options granted in prior years
Total compensation to Senior Management	1’351	718	182	0	0	2’251	2’711

2008/09 In CHF thousands	Annual salary compensation	Annual bonus compensation	Company’s contribution to pension fund	Number of shares granted by PSP (m=1)	Cash value of shares granted by PSP (m=1)[8]	Total compensation	Cash pay-out for options granted in prior years
Total compensation to Senior Management	1’330	103	155	3’400	1’032	2’620	0

[1] Chairman of the Board
[2] Member of the Nomination & Compensation committee
[3] Chairman of the Nomination & Compensation committee
[4] Chairman of the Audit Committee
[5] Member of the Audit committee
[6] Member of the Board, resigned on 27.06.2008. Pro rata compensation for the term ending June 2008.
[7] There was no PSP in 2009/10; consequently no shares were granted.
[8] The cash value of the shares granted by PSP has been calculated using the fiscal value of the PSP shares at grant.

Compensation package for highest-paid member of the Senior Management:

2009/10 In CHF thousands	Annual salary compensation	Annual bonus compensation	Company's contribution to pension fund	Number of shares granted by PSP (m=1)	Cash value of shares granted by PSP (m=1)[1]	Total compensation	Cash pay-out for options granted in prior years
Paul Van Iseghem CEO	400	204	80	0	0	684	1'903

2008/09 In CHF thousands	Annual salary compensation	Annual bonus compensation	Company's contribution to pension fund	Number of shares granted by PSP (m=1)	Cash value of shares granted by PSP (m=1)[2]	Total compensation	Cash pay-out for options granted in prior years
Paul Van Iseghem CEO	406	26	81	1'200	364	877	0

For more information on the Performance Share Plan and stock option plans, see note 19 "Stock option plans, Performance Share Plan" of the consolidated financial statements.

9.3 Shareholdings	31.03.2010		31.03.2009	
In number of shares / options	Number of shares held	Number of options held	Number of shares held	Number of options held
Board of Directors				
Felix Bagdasarjanz[3, 4]	1'400	1'125	1'400	2'375
Anton Lauber[5]	1'000	938	500	1'938
Peter Rutishauser[6]	2'300	1'338	2'300	1'938
Ueli Wampfler[7]	12'000	0	11'225	0
Total	**16'700**	**3'401**	**15'425**	**6'251**

	31.03.2010			31.03.2009		
In number of shares / options	Number of shares held	Number of options held	Number of shares held by PSP (m=1)	Number of shares held	Number of options held	Number of shares held by PSP (m=1)
Senior Management						
Paul Van Iseghem[8]	2'912	5'250	1'200	1'638	14'525	1'200
Julius Renk[9]	0	0	0	0	0	0
Hans-Dieter Huber[10]	796	3'500	600	160	5'128	600
Luc Colombel[11]	1'400	2'500	600	0	4'700	600
Simon Siggen[12]	850	2'625	500	850	2'625	500
Eric Favre[13]	0	2'625	500	0	2'625	500
Ageeth Walti[14]				65	0	0
Total	**5'958**	**16'500**	**3'400**	**2'713**	**29'603**	**3'400**

In 2008/09, the options held by Ageeth Walti were cancelled following her departure from LEM and the options held by Friedrich Fahrni were cancelled following his resignation from the Board of Directors.

[1]There was no PSP in 2009/10; consequently no shares were granted.
[2]The cash value of the shares granted by PSP has been calculated using the fiscal value of the PSP shares at grant.
[3]Chairman of the Board
[4]Member of the Nomination and Compensation committee
[5]Chairman of the Nomination and Compensation committee
[6]Chairman of the Audit Committee
[7]Member of the Audit committee
[8]President & CEO LEM Group
[9]CFO, with LEM since 01.09.2009
[10]Vice-President Industry
[11]Vice-President Automotive & Traction
[12]Vice-President Operations
[13]Vice-President Technology
[14]CFO, left LEM on 30.06.2009

10. Risk management

In accordance with Article 663b of the Swiss Code of obligations, a risk management report was prepared for the financial year 2009/10. 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

In CHF thousands	31.03.2010	31.03.2009
Retained earnings brought forward from previous year	17’520	2’977
Net income for the year	25’066	25’919
Total available earnings	**42’586**	**28’896**
Ordinary dividend[1]	(5’724)	(11’376)
Extraordinary dividend[1]	(17’171)	
Balance to be carried forward	**19’691**	**17’520**

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

The Board of Directors proposes the distribution of an ordinary dividend of CHF 5 per share and of an extraordinary dividend of CHF 15 per share. Net of 35% withholding tax, this is an ordinary cash dividend of CHF 3.25 per share plus an extraordinary cash dividend of CHF 9.75 per share.

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of LEM Holding SA, which comprise the balance sheet, income statement and notes (pages 50 to 57), for the year ended 31 March 2010.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 March 2010 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

Lancy, 12 May 2010

Ernst & Young Ltd

Hans Isler
Licensed audit expert
(Auditor in charge)

Philippe Stöckli
Licensed audit expert

INFORMATION FOR INVESTORS

Number of registered shareholders	31.3.2010	31.3.2009
0–499	327	326
500–4'999	67	63
5'000–49'999	10	14
50'000 and more	6	5
Total	410	408

Shareholders by category

in %	31.3.2010	31.3.2009
Institutional Shareholders	54.2	47.3
Private Individuals	31.7	32.9
LEM employees, managers and board	2.0	1.7
Treasury shares	0.5	1.3
Non-registered shares	11.6	16.8
Total	100.0	100.0

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

In CHF	FY 2009/10	FY 2008/09
Number of shares	1'150'000	1'150'000
Year high[1]	340	341
Year low[1]	137	120
Year end[1]	340	150
Average daily trading volume (shares)[1]	494	913
Earnings per share	9.3	20.9
Ordinary dividend per share[2]	5.00	10.00
Extraordinary dividend per share[2]	15.00	0.00
Market capitalization as per 31 March (in CHF millions)	391	172

Financial calendar: The financial year runs from 1 April to 31 March.

25 June 2010	Ordinary Shareholders' Meeting Geneva Business Center, Petit Lancy
5 August 2010	First quarter results 2010/11
9 November 2010	Half-year results 2010/11
15 February 2011	Nine months results 2010/11
9 June 2011	Year-end results 2010/11
1 July 2011	Ordinary Shareholders' Meeting

Contact:

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

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 USA. 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
Shunyi CN-101300 Beijing
> Zonghui Zhang

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B-7090 Braine-le-Comte
> Paul Leens

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

LEM Deutschland GmbH
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> Paul Van Iseghem

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Impressum
Publication No. CH 21000 E
(06.10 - 2.6 HRG)

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