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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), Machida (Japan) and Beijing (China). The company has sales offices close to its main clients’ locations and offers seamless service around the globe.
Achievements 2006/07

- Significant sales growth of 22% to CHF 184.5 million, exceeding outlook.
- Gross margin at 42% despite increase in cost of raw materials and strong competition.
- Earnings per share of CHF 13.32.
- China plant more than doubled, China sales reached 31%.
- Launch of 3 new flagship products.

Share price chart (2 years, benchmark SPI)
LEM has been listed on the SWX Swiss Exchange since 1986; the company's ticker symbol is LEHN.

Regional sales breakdown for continuing operations in 2006/07

- Europe: 49.8%
- North America: 21.4%
- Asia: 25.9%
- Rest of the World: 1.9%

Sales in continuing operations over 5 years per segment

- Industrial Segment
- Automotive Segment
“Our strategic goal is to be the global leader in providing innovative and high quality solutions for **measuring electrical parameters** to the industrial and automotive markets worldwide.”
Dear Shareholders,

We are very pleased to announce another year of profitable growth. The strategic decision to focus the LEM Group on its core business has been proven successful for the third year in a row, since our restructuring in spring 2004. Our strategic goal is to be the global leader in providing innovative and high quality solutions for measuring electrical parameters to the industrial and automotive markets worldwide.

In 2006/07 we achieved sales growth of 22%, well above the industry average and improved our operational earnings and net profit substantially by 72% despite a significant increase in raw materials cost and a highly competitive market environment.

We are satisfied to have been able to further strengthen our position as the market leader in our industry by increasing our market share and by continuing to be the supplier of choice to our major customers.

We have been rewarded with a very favorable response from the stock market, with an increase of the share price from 154 CHF at the beginning to 271 CHF at the end of the fiscal year.

Successful execution of the strategic priorities
The past year has enabled us to strengthen our leadership team and to focus the entire LEM Group on contributing to the strategic priorities that we have set for the company.

Global leadership: We have acquired new major accounts this year. The LEM brand gains in importance and is synonymous with quality current and voltage transducers.

New technologies and applications: We have successfully introduced 13 new products of which 3 are new flagship products, the Minisens, Sentinel and Wi-LEM. These are important investments in the future, opening new fields of applications and expanding the available market.

Maximize the value for our customers: We are continuously improving and expanding our regional customer care centers to allow seamless customer service. We have launched our new corporate website and focus on the ease of use for our customers, including e-commerce to order products online.

Focus on profitable growth: We have been able to leverage the 22% volume increase to a 64% EBIT increase and a 72% net profit increase, thanks to major efforts in cost control and cost improvements.

Felix Bagdasarjanz
Chairman of the Board of Directors

Paul Van Iseghem
President & CEO
As an investment for the future, we have doubled the production in our low cost plant in China and have transferred some key product lines to China, assuring the same top quality and service level worldwide.

**Sustainable growth in the Industrial and Automotive Segments**

Both segments, Industrial and Automotive continued their strong performance with 23% and 10% growth respectively, compared to the previous year. Within the Industrial segment we managed to grow well above the industry average and to further extend our market share. The Automotive segment suffered from the very weak market of the US car manufacturers and the long lead-times they currently have to introduce new products into their new platforms.

We have continued to benefit from the general economic upswing in Europe and Asia and from our strong position in the energy and power electronics field, including renewable energies.

**Year of important new product launches**

The highlights were the extension of our “MacroComponents” strategy, which are transducers that include additional functionalities such as data communications. The Sentinel, which is used to monitor the state of health for standby batteries and the Wi-LEM, the Wireless Local Energy Meter for secondary metering, represent our two flagship products in this area. They show a high degree of creativity by incorporating cutting edge technology and will open up new areas of business in the Energy & Automation market. We have received very positive customer feedback and excellent press coverage.

The second area of focus in terms of Research and Development for LEM has been that of miniaturization. We have seen the launch of Minisens – a fully fledged current transducer the size of a chip. Minisens will allow us to extend the market to new applications where the use of a transducer has not been competitive so far.

**Changes in the Executive Management**

Ageeth Walti has taken over the responsibility of CFO from Heinz Stübi, who was interim CFO until November, 2006. We would like to thank Heinz Stübi for his contribution to LEM and wish him all the best for his future career.

Hiroaki Mizoguchi has taken over the role of Representative Director in LEM Japan, which is the new name for the NANALEM operation in Japan.
Proposal to the Annual Shareholders’ Meeting

We understand the importance of offering our shareholders an attractive return on their investment and this will continue to remain a high priority for LEM. Last year, we were able to pay out an ordinary dividend of CHF 2.50 per share plus an extraordinary dividend of CHF 7.50 per share, thanks to the divestment of the instruments business.

The board of directors remains confident about the outlook of the company and will recommend the payment of CHF 4.50 per share to the shareholders.

Thanks

The Management is proud and thankful for the commitment that the LEM employees have shown again over the past year. We are pleased to embrace a new culture of accountability to achieve results and to see our co-workers motivated by enthusiasm and energy.

We thank our clients for the trust in LEM, our products, competence and service level.

Finally we express sincere gratitude to our shareholders for their continuing support and confidence in the company.

Looking forward we will remain focused and concentrate our efforts to extend our leadership role in the selected strategic business areas.

Felix Bagdasarjanz
Chairman of the Board of Directors

Paul Van Iseghem
President & CEO
Continued strong growth resulting in excellent financial performance

For the financial year 2006/07 the LEM Group exceeded the outlook for double digit growth of up to 18% that had been announced.

- Sales increased to CHF 184.5 million which is a rise of 22% compared to the previous year with CHF 151.7 million.
- The Operational Profit EBIT reached CHF 25.5 million, plus 64% compared to the previous year of CHF 15.5 million. The EBIT margin reached 13.8%, 3.6 points above last year.
- Net earnings for the Group amounted to CHF 15.6 million, plus 71% compared to the previous year of CHF 9.1 million (for the continuing operations). This resulted in earnings per share of CHF 13.32.

Performance of the Industrial segment: driver for success

Sales in the Industrial segment reached CHF 163.3 million, plus 23% compared to the previous year with CHF 132.2 million. EBIT improved to CHF 25.7 million from 15.2 million this is an increase of 69%.

This result is driven by the overall increased demand in the industry, developing even more over the year, and the progressive build up of capacity in our plants by about 50% during the last 2 years.

Growth was especially strong in Western Europe which has seen a rise of 29%, followed by Asia with a 17% increase and North America with an increase of 14% year over year. The growth in the BRIC countries (Brazil, Russia, India and China) exceeded all others and reached 41% compared to last year. Both India and China are regions where we are planning to add resources to expand our service to the local customers.

The Industrial segment consists of 3 main application markets: Industry, which is the traditional industrial business covering motor drive controls, inverters and power supplies, Traction and Trackside and the new market Energy & Automation.
All applications and products contributed towards the growth in the industry market. However motor drives for the electronic motor control continue to be the main market for LEM’s transducers. Here the role of the transducers is an essential part of the electronic speed and torque regulation of the motor, which leads to better functionality, increased comfort and substantially higher energy efficiency. Hence the relative use of the motor drive is increasing fast and therefore this market is growing far above industry average. In addition we have acquired important new accounts.

A second area of remarkable growth for this year has been renewable energies such as solar power and wind turbines. We managed to gain new customers in Europe and in China. The advances and the investments made in the area of wind energy are quite important; equally we have seen renewed growth in the solar photovoltaic market this year, since the shortage in silicon that has been an issue over the last years has been resolved.

We successfully launched the Minisens this year, which is a complete transducer with sensing elements and adapted electronics, fully integrated in a silicon based Integrated Circuit (IC). This low cost, tiny and highly innovative product will enable us to move into new markets with new applications, which were not accessible to us so far. Examples of new applications for the Minisens are washing machines, induction cookers, air conditioning systems and automatic window shutter and door systems. Though sales have not yet contributed this year, we have generated a very strong interest.

The Traction and Trackside market has outperformed our expectations this year. The product lines for these applications have been extended. We have secured new business in Northern and Eastern Europe and also in China where the investments in public transportation continue to be strong. For the European and US markets we have managed to become exclusive suppliers for major customers and overall have increased our market share. LEM will soon be IRIS certified which means that we comply with all the International Railway Industry Standards. This represents a major advantage for our products.

The focus on the Energy & Automation market has been very successful this year. Sales have increased over 67% compared to last year. This market demands products of the so called MacroComponents type, which are the integrated transducers that feature additional functionalities such as signal treatment and communication. The main driver for Energy & Automation has been condition monitoring for process automation and control in factories. The main markets continue to be Europe and China.

We have launched some very innovative new products such as the Sentinel, which is used to monitor the state of health of standby battery systems and Wi-LEM the Wireless Local Energy Meter which is a transducer to measure Energy Efficiency in Buildings and communicates these results wirelessly via a mesh network. Both of these products have received a wide coverage in the trade press and the first orders are coming in mostly from new customers.

Performance of the Automotive Segment: modest growth
This past year has been quite challenging for the Automotive market. Sales in this segment amounted to CHF 21.3 million, which is an increase of 10% compared to the last year with CHF 19.4 million. EBIT was slightly negative at CHF –0.1 million from +0.3 million.
The years 2006/07 and 2007/08 will be transition years for us awaiting the success of several new innovative products and new application programs. In addition, we are extending our efforts to cover Europe where the Hybrid car and power electronic applications should start to show some early momentum.

This year we have started the production of some Automotive transducers in our plant in China. It is a major step in our drive for cost reduction, though maintaining the stringent quality requirements of this market.

**Operations: successful continued focus on operational excellence**

The expansion of our Chinese production site has been a considerable achievement for LEM this year. Major product lines were transferred, at the same high degree of quality and service levels that LEM is known for. Production for this site has reached CHF 11.6 million, strongly increasing over the year, with an impressive fourth Quarter of CHF 4.6 million.

- **Capacity:** Following last year’s sales growth of 12%, volume capacity has been further increased by 50% over the last 2 years. The strategic goal is to continue expanding the low cost site in China to meet future demand increases. This development is the main reason for the increased Capital Investments over the year.

- **Service level:** One of the main areas of focus for the year was to improve our supply chain and obtain better service levels from more professional suppliers that can now be found in the Far East low-cost countries. A global sourcing team is actively pursuing a massive change.

- **Quality:** “Made by LEM” is a goal that we have achieved. Our products are supplied from the various plants with the same commitments and quest for perfection. A corporate quality program has resulted in major improvements.

- **Cost:** With the cost of raw material continuing to increase, it remains a priority for LEM to offset these increases by stringent cost reductions and cost controls.

- **Inventory and Working Capital:** As part of our operational and financial improvement activities, we have improved the visibility and management of all inventories in the various worldwide logistics platforms. While working through the European RoHS, which is the directive for the Restriction of the use of Hazardous Substances in electrical and electronic equipment for our production and products (especially the lead in the soldering processes), some important product rationalization was achieved to yield operational improvements in the future.

The result in this Segment is lower than expected, mainly due to the general situation in the Automotive industry especially in the North American region. Here we could see a slowdown in production for the US manufacturers of more than 10% overall. We did however obtain an extension of a major contract which will secure us business until the year 2011 from a North American customer.

The growth in this Segment was achieved thanks to our customers in Asia with EPS – Electronic Power Steering.

The two main areas of applications for the automotive segment remain: the management of the cars battery – mainly for SUV and Hybrid Electric Vehicles and the applications that used to be hydraulic and are now becoming power electronics such as Electronic Power Steering (EPS) and braking.
New products: major product launches for future growth

The past year was a prime year of innovation for LEM and has seen the launch of 13 new products, of which 3 are flagship products for new applications and new markets. With this comprehensive product portfolio we are well prepared to capitalize in the future.

The R&D efficiency improvement program that was launched last year is now well in place and is helping us to commence and finalize the timely roll out of new products whilst keeping control of the development process to assure quality, cost and good manufacturability.

LEM will continue the high level of investment in R&D of about 5.5% of the total sales.

The R&D teams are located in Geneva, Switzerland, Machida, Japan and Beijing, China. We also have a small team in North America based in Milwaukee, USA. For some advanced projects LEM also collaborates with external companies and Universities. In addition, we sponsor several graduate students in Switzerland, UK and Japan.

Outlook: optimistic

LEM’s products continue to be at the heart of new and exciting applications. The underlying market for our traditional products in the areas of Industry and Traction have strong growth drivers that should generate – both over the medium and long term a continuous solid growth for LEM. We are “at the heart of Power Electronics” which plays an essential role in energy conversion and regulation, energy efficiency management and the resulting important improvements in consumption and comfort. The worldwide initiatives to increase investments in renewable energies (wind and solar) will accelerate this demand. Better and more energy efficient mobility by car and public transportation is an equally important growth driver for LEM.

In addition, our R&D team will continue their efforts to develop new products for existing and new markets, as demonstrated by the 3 new flagship products of the year. Therefore we can assure that LEM remains at the forefront to integrate our components in new applications and expand our available market.

Nevertheless we depend on the general economic climate which we and our customers see as favorable for the near term.
Standby Batteries

Standby battery systems have become an important part of all critical applications. These can be found in hospitals, airports, datacenters, banks and mobile phone networks, just to name a few. They are called critical because it is vital for them to always be connected to power. It would be catastrophic for them to be disconnected from power – even just for a few seconds. This could result in lost data and transactions, loss of air traffic control and even put lives at risk. This is why these standby battery systems, which are basically a long string of connected individual batteries – the same kind as in a car – are so important. These systems are an integral part of the so called UPSs – short for Uninterrupted Power Supplies. They will start working the millisecond the electrical power line fails and no interruption or disturbance would be felt.

How well these UPSs work in times of need depends on the state of health of each individual battery. If the batteries are weak or not charged, the uninterrupted power supply can not take place. In standby applications, the failure of one single cell can prevent the operation of an entire chain of batteries, causing the systems to fail to deliver the desired operating time.

Good and high power UPSs require quite a big investment. An easy to use low cost system to check these batteries would be a lot more desirable than the replacement of the batteries at regular intervals.

Monitoring voltage, current and impedance of each battery allows the users to accurately predict which cells are likely to fail, and to replace them, ensuring higher system reliability. Monitoring temperature allows engineers to ensure that the lifetime of the batteries is maximized, and also ensures that thermal runaway situations can be detected and corrected before they cause potentially catastrophic failures.

LEM has launched a new transducer that is capable of measuring the state of health of each of these batteries. The Sentinel is a component to measure different parameters that give an up to date status of the health of each battery and communicate this to a front end. Here all the information can be displayed on a screen and any irregularities detected in real time.

The Sentinel is the most comprehensive transducer for battery monitoring in the market today and has been developed by LEM’s R&D teams in a worldwide collaboration. As a components company, LEM has focused on providing a low cost product; low cost compared to the cost of the battery.

The Sentinel will be marketed through the Original Equipment Manufacturers (OEM) and a worldwide network of Value Added Resellers (VAR) whose role it is to integrate the various components of the Sentinel into a System that includes monitoring and analysis capabilities according to each individual customer’s requirements.
Washing Machines

Today’s power electronics industry is facing two strong demands:
The desire for increased comfort such as lower noise levels, better and finer regulation and the need to achieve energy savings. This means that all sorts of applications are making a transition from purely mechanical to a fully electronic control. The result is a higher reliability of the application and at the same time increased energy efficiency.

Our customers and potential customers have a strong need for a low cost solution to accurately measure the current in their applications.

LEM has anticipated this trend and has already started working toward miniaturization by developing the first Application Specific Integrated Circuits (ASIC) also commonly known as Chips some 8 years ago. This has allowed us to develop a new generation of solid state ASICs that contains all the functionalities of a transducer. In addition we have reduced the size of our transducer significantly.

Until now the size decrease of the transducer was limited due to the necessity of having a discrete magnetic core. LEM has achieved a breakthrough and has pushed the boundaries of the transducer. The magnetic circuit, key for the measurement of the electrical current, has been integrated into the ASIC and the size of the transducer has been reduced to the smallest size known today.

The Minisens is important for LEM, not only in terms of innovation or size. It will enable us to reach out to new markets, where current measurement with a transducer was not a feasible option until today due to the need for low-cost solutions. These new target markets include white goods, which are household items such as washing machines, induction cookers, vacuum cleaners and refrigerators and also air conditioners, window and door opening systems and small motors such as in golf carts, treadmills and ventilation systems.

A good example for a Minisens application would be a washing machine. The manufacturers of these machines face the same requirements: demand for more comfort and higher energy efficiency. The Minisens will allow an isolated current measurement which will lead to a much better control of the electrical motor inside it. This will result in a significant noise reduction, shorter and better adapted washing programs and a lower energy consumption. The finer control of the motor will eliminate an unbalanced drum – which can be the case when heavy items such as towels and sheets are washed. If the drum can make more controlled rotations and start spinning more gradually, the items in the machine can distribute themselves evenly resulting in less noise and more stability of the washing machine.
Hybrid Electric Vehicles

Increased advances in the automotive industry enable the production of safer, more economical and comfortable cars. The list of different features that rely on receiving energy from the battery in a car is impressive. These include: air conditioning, electric windows, the entertainment system, lights, heated seats and clocks, just to name a few. Another source that requires battery energy are the computers in the cars today. These must even be functioning when the car is not running and can control functions like the transmission, engine and entertainment system.

All these sources must have enough energy to run so the battery management in the car is important to ensure the optimal function. The battery is charged by the car's alternator.

The status of the battery’s energy level can be measured by a transducer such as the DHAB which will be able to detect the level of energy that is flowing out of and back into the battery. This is called Coulometry and accounts for the balance of the battery charge. This information is fed into the car’s computer and will enable various calculations and operations to ensure the optimal battery management. The DHAB is able to measure current in both directions very accurately.

Another example of an application for the same transducer is in the HEV Hybrid Electric Vehicle. This is a car that has both a conventional internal combustion engine (ICE) using gasoline and an electric engine which is powered by batteries.

Modern HEVs can significantly reduce fuel consumption by up to 50% and air pollution emissions by up to 90%. These reductions are due primarily to the use of three mechanisms:

- Reducing wasted energy during idle and low speeds, by turning the internal combustion engine (ICE) off
- Recapturing waste energy by regenerative braking to recharge the battery
- Reducing the size and power of the ICE engine and using the better torque response of electric motors

Here again by using Coulometry the transducers measure the status of the batteries charge allowing the on-board computer to know the exact energy level of the battery. This helps the computers to make the most energy efficient decision about using the electric or ICE engine.
Soaring energy prices have reminded us of the essential role that affordable energy plays in economic growth and human development. Therefore the intelligent use of energy becomes high priority.

Electrical sub-metering is a powerful tool to provide information about how, where, and when electrical energy is used. With such information we are better equipped to make decisions that will save electric energy and improve efficiency. The rule that applies is you “need to measure to be able to manage”.

With Wi-LEM, the Wireless Local Energy Meter, LEM has launched innovative components for electrical sub-metering. The Wi-LEM belongs to LEMs Macro-Component range that integrates additional wireless communications capabilities into a transducer. The base transducer measures various parameters that give a very precise image about the exact power consumption, while the wireless communication utilizes a special frequency and protocol which allows it to construct a Mesh Network that is robust in industrial applications. This network and the transmission is based on the ZigBee technology. The Wi-LEM uses split core transducers which allow fast and easy installation around the cables in the electrical cabinet without a disruption.

Wi-LEM is a set of components that consist of an Energy Meter Node which is the transducer that transmits the measured data on energy consumption wirelessly to a front end where all the information from the various data points is collected. The result is a single screen where the overall energy consumption is displayed. The Mesh Node is a repeater linking various Energy Meter Nodes. They enable wireless communications throughout a large installation. The Mesh Gate is a gateway managing the mesh network. It provides data through serial interface to a PC.

For Wi-LEM the channel to market will be through a worldwide network of Original Equipment Manufacturers (OEMs) and Value Added Resellers (VAR). They will be able to install Wi-LEM at the customer site and adapt and develop software and management systems according to the customer’s needs.
The following information complies with the SWX Directive on Information Relating to Corporate Governance, which has been in effect since July 2002. Key elements are contained in the Articles of Incorporation of 1 July 2005 and the Organization Regulations of 4 November 2005. In cases where the required information is provided in other sections of this Annual Report, reference is made to the appropriate page number(s).

1 Group Structure and Shareholders

Group structure
The LEM Group is structured into the Industrial Segment and the Automotive Segment. Appropriate segment reporting pursuant to IFRS is contained on page 35 of the notes to the consolidated financial statements. All companies in the LEM Group are listed under “scope of consolidation” on page 47, where the company names, registered offices, share capitals and relevant percentages of shares are indicated.

Significant shareholders
On 31 March 2007 the following shareholders held 5% or more of the share capital and voting rights:

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<tr>
<td>Werner O. Weber</td>
<td>19.25%</td>
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<tr>
<td>Threadneedle Ltd*</td>
<td>10.05%</td>
</tr>
<tr>
<td>Saraselect</td>
<td>9.58%</td>
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<tr>
<td>Modulus Europe Ltd**</td>
<td>5.06%</td>
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* according to notification of non-registered shareholder
** fund manager is POWE Capital Management

There are no known shareholder agreements between individual shareholders.
Members of the Board of Directors:
Education, professional background and other notable activities
(Absence of information on other notable activities indicates that there are none of relevance.)

Felix Bagdasarjanz
Education
Dr. of Electrical Engineering, ETH Zurich
Professional background
Since 2002, Independent business consultant
1999 – 2002, CEO of ESSEC and Member of the Executive Board of Unaxis
1997 – 1999, Member of the Executive Board of ABB Switzerland
1995 – 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

Fritz Fahrni
Education
Dipl. Ing., ETH Zurich
PhD, Illinois Institute of Technology, Chicago, USA
SMP, Harvard Business School, Boston, USA
Professional background
Since 2000, Professor for Technology Management and Entrepreneurship jointly
at the ETH Zurich and the University of St. Gallen
1988 – 1999, CEO of Sulzer Corporation
Other notable activities
Member of the Board of Directors of Ammann Industries, Langenthal; Business Tools AG, Zurich
Member of the Board of University Hospital Balgrist, Zurich
Head of the Investment Committee of SAM Private Equity, Zurich
Member of the Swiss Science and Technology Council
Individual member of the Swiss Academy of Technical Sciences

Anton Lauber
Education
Federal Proficiency Certificate as a Mechanic Certified Machinery Engineer, Technical University Brugg-Windisch
Post-graduate studies in Management
University of Applied Sciences, Lucerne
University of St. Gallen:
Program for top managers in SMEs
IMD: Program Leading the Family Business
Professional background
Since 1996, Member of the Board of Directors of Schurter Holding AG and other group companies
Since 1990, Chairman of the Management of Schurter AG, Lucerne,
CEO and Delegate of the Board of Directors,
Member of the Schurter-Group Management 1989, Technical Director Schurter AG, Lucerne
Up to 1988, Managing Director Generatorfabrik ABB, Switzerland
Other notable activities
Chairman of ITZ (Innovation-Transfer Central Switzerland)
Member of the Board of LV (Association of Lucerne Industries)
Member of the Board of Directors of Beutler Nova AG, Grettnau
Member of the Board of Directors of Bossard Holding AG, Zug

Peter Rutishauser
Education
Dr. sc. nat., ETH
lic. oec., HSG
Professional background
Since 1989, independent businessman, participation in and management of medium-sized companies
Other notable activities
Delegate of the Board of Directors of Equantis AG and of Tripost AG,
Member of the Board of Directors of Geatz AG, Foto Ganz AG
Definition of areas of responsibility
The tasks of the Board of Directors of LEM Holding SA and the division of powers between the Board and the Senior Management are defined in the Swiss Code of Obligations, in the Organization Regulations of LEM Holding SA as of 4 November 2005 and more detailed in the decision rules.

The Board of Directors delegates the management of the company to the CEO to the fullest extent permitted by the code of obligation. 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
• Appointing/dismissing of the Senior Management
• Establishing and monitoring the performance-based compensation system for the top management
• Monitoring the ethical and legal behavior of LEM
• Reviewing of human resources management, especially co-worker satisfaction and management development
• Monitoring LEM Group risk management and internal control strategy and procedures, legal, intellectual property, social & environmental aspects

Committees
Two standing committees support the Board of Directors. They are comprised of at least 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. 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 two half-day meetings and three phone conferences 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 also ensures and monitors the personnel development plan and adequate succession planning for the middle and top management. It organizes the self-assessment of the Board of Directors with the support of an external consultant. The NCC prepares proposals to be decided by the Board of Directors. In the completed financial year two half-day meetings were held.

Internal control system
In view of the anticipated changes in the Swiss Code of Obligation, articles 663b and 728a/b, the Board of Directors has initialized the review and documentation of the control areas and the relevant processes in order to assure the correct assessment of major risks affecting the financial performance of the company (extended risk management) and the complete and adequate reporting of the financial data (internal control).

Internal organizational structure
The non-executive Board of Directors meets as often as necessary, but five or six annual meetings are planned in advance. These meetings are usually held at the company’s headquarters. The agenda is drawn up by the Chairman; the members of the Board of Directors can ask for additional items to be included. As a rule the CEO attends 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. In the completed financial year, 2 full-day and 5 half-day meetings were held. 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.

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.
4 Senior Management

The Senior Management was comprised of the following members as of 31 March 2007:

<table>
<thead>
<tr>
<th>Name</th>
<th>Nationality</th>
<th>Education</th>
<th>Born in</th>
<th>Function</th>
<th>With LEM since</th>
<th>Previous companies and positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paul Van Iseghem</td>
<td>Belgian</td>
<td>PhD, UCLA</td>
<td>1946</td>
<td>President &amp; CEO LEM Group</td>
<td>2000</td>
<td>ITT CANNON</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Vice President Engineering &amp; Operations</td>
</tr>
<tr>
<td>Ageeth Walti</td>
<td>Swiss</td>
<td>MBA</td>
<td>1967</td>
<td>CFO</td>
<td>September 2006</td>
<td>Financial positions w/ Industrieholding Kompetenz</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cham, PWC, Unilever</td>
</tr>
<tr>
<td>Hans-Dieter Huber</td>
<td>German</td>
<td>Cert. Eng. (BA)</td>
<td>1959</td>
<td>Vice President, Industry</td>
<td>1995</td>
<td>ABB</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Division Manager</td>
</tr>
<tr>
<td>Luc Colombel</td>
<td>French</td>
<td>Engineer</td>
<td>1959</td>
<td>Vice President, Automotive</td>
<td>1996</td>
<td>Arcelor Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>and Traction</td>
<td></td>
<td>Development and Sales Manager</td>
</tr>
<tr>
<td>Simon Siggen</td>
<td>Swiss</td>
<td>Engineer EPFL, Master in</td>
<td>1967</td>
<td>Vice President, Operations</td>
<td>2002</td>
<td>Lectance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Logistics</td>
<td></td>
<td></td>
<td></td>
<td>Business segment Director</td>
</tr>
<tr>
<td>Eric Favre</td>
<td>Swiss</td>
<td>PhD, EPFL</td>
<td>1962</td>
<td>Vice President, Technology</td>
<td>2000</td>
<td>ETEL Aerospace</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Aerospace division</td>
</tr>
</tbody>
</table>

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

Management Contracts

The function of CFO was executed on an interim basis by Heinz Stübi (Management Services, Wollerau) between February and November 2006. In the financial year 2006/07, fees in the amount of TCHF 382 have been paid for these services.

A global management meeting.
5 Compensation and Shareholdings

Remunerations for the Board of Directors and the Senior Management are fixed by the Board of Directors based on recommendations by the NCC. The non-executive Board of Directors receives a remuneration based on the number of meetings that they attend and in addition stock options. The total compensation for the senior management consists of fixed salary, bonus and stock options. Criteria for bonus systems and option plans have been validated by the Board of Directors. The cash bonus is based on achieving targeted consolidated EBIT, sales, and personal targets set. This variable compensation is granted to the various levels of management, whereby the absolute percentage depends on the management level.

The allocation of stock options is granted to LEM key employees and the number and price of options is linked to the share price development in comparison with the Swiss stock market.

Compensation of active members

The following total compensation was paid to active members of the Group’s corporate bodies for 2006/07.

<table>
<thead>
<tr>
<th></th>
<th>TCHF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>302.1</td>
</tr>
<tr>
<td>Senior Management</td>
<td>1,603.1</td>
</tr>
</tbody>
</table>

The above mentioned amounts include salaries (gross salary including fixed expenses and before deduction of employees’ social security contributions) and bonuses, whereby the bonuses have been estimated based on the anticipated result. The amounts do not include option allocations.

Compensation of former members

In financial year 2006/07, no compensation was paid to a former member of the Board of Directors or Senior Management.

Shareholdings

The members of the Board of Directors and the Senior Management held the following number of LEM Holding SA registered shares on March 31, 2007:

<table>
<thead>
<tr>
<th></th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>4,500</td>
</tr>
<tr>
<td>Senior Management</td>
<td>1,974</td>
</tr>
</tbody>
</table>

Options

A total of 15,750 options with a strike price of CHF 139.80 each (SOP5) were issued to members of the Board of Directors and the Senior Management in fiscal year 2006/07.

<table>
<thead>
<tr>
<th></th>
<th>Issue date</th>
<th>Option issued</th>
<th>Exercised prior yrs</th>
<th>Exercised in fiscal year</th>
<th>Strike price</th>
<th>Exercise date</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOP 1</td>
<td>1.4.2001</td>
<td>1,258</td>
<td>1,258</td>
<td>0</td>
<td>84.14</td>
<td>1.4.03 – 31.3.11</td>
</tr>
<tr>
<td>SOP 2</td>
<td>1.4.2002</td>
<td>350</td>
<td>350</td>
<td>0</td>
<td>58.17</td>
<td>1.4.04 – 31.3.12</td>
</tr>
<tr>
<td>SOP 4</td>
<td>1.4.2005</td>
<td>4,331</td>
<td>0</td>
<td>0</td>
<td>77.18</td>
<td>1.4.07 – 31.3.15</td>
</tr>
<tr>
<td>SOP 5</td>
<td>1.4.2006</td>
<td>4,250</td>
<td>0</td>
<td>0</td>
<td>139.8</td>
<td>1.4.09 – 31.3.11</td>
</tr>
</tbody>
</table>
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 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

One or several shareholders who collectively hold 10% of the share capital can call for a shareholder’s meeting. Shareholders with shares to a total nominal value of at least CHF 1 million can call for an item to be put on the agenda. They must provide a description of the relevant motion. Appropriate applications must be submitted to the Board of Directors in writing a minimum of 60 days before the shareholders’ meeting.

### Senior Management

<table>
<thead>
<tr>
<th>Issue date</th>
<th>Option issued</th>
<th>Exercised prior yrs</th>
<th>Exercised in fiscal year</th>
<th>Strike price</th>
<th>Exercise date</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOP 1 1.4.2001</td>
<td>676</td>
<td>676</td>
<td>0</td>
<td>84.14</td>
<td>1.4.03 – 31.3.11</td>
</tr>
<tr>
<td>SOP 2 1.4.2002</td>
<td>350</td>
<td>350</td>
<td>0</td>
<td>58.17</td>
<td>1.4.04 – 31.3.12</td>
</tr>
<tr>
<td>SOP 3 31.3.2005</td>
<td>2'628</td>
<td>0</td>
<td>0</td>
<td>77.18</td>
<td>1.4.07 – 31.3.15</td>
</tr>
<tr>
<td>SOP 4 1.4.2005</td>
<td>16'121</td>
<td>0</td>
<td>0</td>
<td>77.18</td>
<td>1.4.07 – 31.3.15</td>
</tr>
<tr>
<td>SOP 5 1.4.2006</td>
<td>11'500</td>
<td>0</td>
<td>0</td>
<td>139.8</td>
<td>1.4.09 – 31.3.11</td>
</tr>
</tbody>
</table>

For more information on the employee stock option plans see page 44 of the financial report.

Additional fees and remuneration

In fiscal 2006/07, none of the members of the Board of Directors received fees, whose value was greater than half of their normal compensation.

Loans to members of corporate bodies

There were no outstanding loans to members of the Group’s corporate bodies on the accounting date.

Highest compensation

The compensation package for the highest-paid member of the Board of Directors in fiscal 2006/07 was made up as follows:

| Total compensation (including options) | TCHF 201.7 |
| Of which value of stock options | TCHF 36.1 |
| Number of options granted | 1'250 |

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 of the lem.com website.

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.
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 supplementary severance payments equal to 1 year's 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 is Hans Isler. The audit fees amount to TCHF 210.

The group auditors charged additional fees for interim reviews and tax consulting of TCHF 83 in the financial year.

The auditors report on the results of their audits both orally and in writing. 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.

In 2006/07 Ernst & Young participated in two regular Audit Committee meetings and they organized one workshop on Internal Control for the Audit Committee.

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 SWX 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:
Ageeth Walti, 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

“LEM Group exceeded the outlook for double digit growth by up to 18%.”
The continuous transfer of production to China, together with increasing low cost sourcing will support us in maintaining the gross margin in the future.

**Operating expenses**
The operating expenses – the difference between gross margin and EBIT – were kept well under control. Although the operating expenses of CHF 51.9 million increased by 4.4% versus 2005/06 the percentage of sales ratio could be reduced to 28.1% in 2006/07 from 32.5% in 2005/06.

**Operating profit (EBIT)**
As a result of the above, the residual EBIT margin for 2006/07 was 13.8% compared to 10.2% in 2005/06. The annual growth of EBIT was 64.5% compared to 2005/06 (exchange rate adjusted the growth would have been 67.2%).

Both business segments contributed to this result in a different way. The industrial segment could increase its EBIT margin to 15.7%, after 11.5% in 2005/06. The automotive segment had to report a slightly negative margin, after a positive 1.6% in 2005/06. This result was mainly attributable to the disappointing demand for SUV vehicles in the USA.

**Financial expenses**
The financial cost of CHF 0.7 million could be kept well below the previous year’s figure of CHF 4.8 million. In 2005/06 a hedging loss of CHF 4.0 million was reported.

Today the LEM hedging strategy is focused on investing in foreign exchange hedging products to cover the net long US$ position. At the same time we are continuing our efforts to increase our natural hedging (e.g. having revenues and costs in the same currency).

**Taxes**
The financial year 2006/07 was impacted by a large percentage of profit generated in high tax countries: 57% of the earnings before taxes were generated in countries with a tax rate between 34% and 41%, which results in an effective tax rate of 37%. In the previous year 2005/06, the effective tax rate of 15% was realized due to capitalized tax losses carry forwards of CHF 2 million.

**Factors affecting the balance sheet**
The net financial assets decreased to CHF 12.2 million (31.3.2006 CHF 24.2 million) as a consequence of the dividend payments to shareholders and increased working capital as a result of the sales growth.

The financial debt increased to CHF 7.5 million. Unutilized, uncommitted credit lines of CHF 63 million were available on 31.3.2007.

Notwithstanding the above, the Equity ratio (% total assets) remained at a comfortable 60.0%.

**Factors affecting the cash flow**

**Cash flow from operating activities**
Cash Flow from operating activities reached CHF 14.5 million in the year under review, versus CHF 11.6 million in 2005/06. The improvement in the operating result positively impacted the cash flow, while the increase in working capital in 2006/07 of CHF 10.7 million had a negative impact.

**Cash flow from investing activities**
The investments in fixed assets increased to CHF 6.6 million (2005/06 CHF 3.8 million). The increase is mostly attributable to expanding production capacities in China.

**Cash flow from financing activities**
The financing activities in the year under review are reflected by dividends paid to the shareholders (dividend and extraordinary dividend summing up to CHF 11.7 million) and the share buy-back program amounting to CHF 7.8 million.
All figures reflect continuing operations (2002/03, 2003/04 not audited).
# CONSOLIDATED BALANCE SHEET

## Assets

<table>
<thead>
<tr>
<th>Notes</th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TCHF</td>
<td>TCHF</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>19'798</td>
<td>25'395</td>
</tr>
<tr>
<td>Trade debtors and other debtors</td>
<td>38'726</td>
<td>31'962</td>
</tr>
<tr>
<td>Other current assets</td>
<td>2'140</td>
<td>2'452</td>
</tr>
<tr>
<td>Inventories</td>
<td>25'082</td>
<td>19'907</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>85'746</td>
<td>79'716</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>903</td>
<td>2'073</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>73</td>
<td>371</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>17'067</td>
<td>15'025</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>4'377</td>
<td>4'584</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>22'420</td>
<td>22'053</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>108'166</td>
<td>101'769</td>
</tr>
</tbody>
</table>

## Liabilities and equity

<table>
<thead>
<tr>
<th>Notes</th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TCHF</td>
<td>TCHF</td>
</tr>
<tr>
<td><strong>Short-term liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>16'332</td>
<td>12'596</td>
</tr>
<tr>
<td>Other short-term liabilities</td>
<td>346</td>
<td>507</td>
</tr>
<tr>
<td>Accrued expenses and deferred income</td>
<td>9'566</td>
<td>11'756</td>
</tr>
<tr>
<td>Current income tax payable</td>
<td>4'909</td>
<td>1'232</td>
</tr>
<tr>
<td>Short-term provisions</td>
<td>983</td>
<td>1'324</td>
</tr>
<tr>
<td>Short-term financial liabilities</td>
<td>7'556</td>
<td>589</td>
</tr>
<tr>
<td><strong>Total short-term liabilities</strong></td>
<td>39'691</td>
<td>28'004</td>
</tr>
<tr>
<td><strong>Long-term liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term provisions</td>
<td>1'921</td>
<td>1'963</td>
</tr>
<tr>
<td>Long-term financial liabilities</td>
<td>17</td>
<td>632</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>50</td>
<td>0</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>1'607</td>
<td>1'428</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>3'595</td>
<td>4'023</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>43'286</td>
<td>32'027</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>Reserves</td>
<td>22'537</td>
<td>30'900</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>41'565</td>
<td>38'118</td>
</tr>
<tr>
<td><strong>Equity attributable to equity holders of the parent</strong></td>
<td>64'702</td>
<td>69'618</td>
</tr>
<tr>
<td>Minority interests</td>
<td>178</td>
<td>123</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>64'880</td>
<td>69'741</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>108'166</td>
<td>101'769</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the consolidated financial statements.
## CONSOLIDATED INCOME STATEMENT

### April to March

<table>
<thead>
<tr>
<th>Notes</th>
<th>2006/07</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuing Operations</strong></td>
<td>TCHF</td>
<td>TCHF</td>
</tr>
<tr>
<td>Sales</td>
<td>184'555</td>
<td>151'665</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>(107'068)</td>
<td>(86'871)</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>77'487</td>
<td>64'795</td>
</tr>
<tr>
<td>Sales expense</td>
<td>(21'217)</td>
<td>(20'024)</td>
</tr>
<tr>
<td>Administration expense</td>
<td>(20'807)</td>
<td>(17'975)</td>
</tr>
<tr>
<td>Research &amp; development expense</td>
<td>(10'032)</td>
<td>(11'736)</td>
</tr>
<tr>
<td>Other expense</td>
<td>(407)</td>
<td>(154)</td>
</tr>
<tr>
<td>Other income</td>
<td>533</td>
<td>627</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>25'557</td>
<td>15'533</td>
</tr>
<tr>
<td>Financial expense</td>
<td>15</td>
<td>(1'083)</td>
</tr>
<tr>
<td>Financial income</td>
<td>16</td>
<td>294</td>
</tr>
<tr>
<td>Exchange effect</td>
<td>17</td>
<td>77</td>
</tr>
<tr>
<td><strong>Earnings before taxes</strong></td>
<td>24'845</td>
<td>10'771</td>
</tr>
<tr>
<td>Income taxes</td>
<td>18</td>
<td>(9'225)</td>
</tr>
<tr>
<td><strong>Net earnings from continuing operations</strong></td>
<td>15'620</td>
<td>9'104</td>
</tr>
<tr>
<td><strong>Discontinued Operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain from discontinued operations</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net earnings</strong></td>
<td>15'620</td>
<td>25'013</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEM shareholders</td>
<td>15'541</td>
<td>24'949</td>
</tr>
<tr>
<td>Minority interests</td>
<td>79</td>
<td>64</td>
</tr>
<tr>
<td><strong>Net earnings</strong></td>
<td>15'620</td>
<td>25'013</td>
</tr>
</tbody>
</table>

Earnings per share for profit attributable to the equity holders of the company during the year

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share continuing operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share undiluted</td>
<td>19</td>
<td>13.32</td>
</tr>
<tr>
<td>Earnings per share diluted</td>
<td>19</td>
<td>12.90</td>
</tr>
</tbody>
</table>

Earnings per share discontinued operations

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share undiluted</td>
<td>N/A</td>
<td>13.46</td>
</tr>
<tr>
<td>Earnings per share diluted</td>
<td>N/A</td>
<td>13.21</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of the consolidated financial statements.*
## CONSOLIDATED CASH FLOW STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>2006/07</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TCHF</td>
<td>TCHF</td>
</tr>
<tr>
<td><strong>CASH FLOW FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net earnings from continuing operations</td>
<td>15'620</td>
<td>9'104</td>
</tr>
<tr>
<td>Adjustment for non-cash items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Taxes</td>
<td>9'225</td>
<td>1'667</td>
</tr>
<tr>
<td>– Net financial result</td>
<td>788</td>
<td>1'186</td>
</tr>
<tr>
<td>– Expenses for share-based payments</td>
<td>981</td>
<td>508</td>
</tr>
<tr>
<td>– Depreciation and amortisation</td>
<td>4'141</td>
<td>4'693</td>
</tr>
<tr>
<td>– Increase (+) / decrease (–) of provisions and other non-cash items</td>
<td>657</td>
<td>1'740</td>
</tr>
<tr>
<td>– Loss on disposal of fixed assets</td>
<td>275</td>
<td>0</td>
</tr>
<tr>
<td>Interest received</td>
<td>294</td>
<td>282</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1'082)</td>
<td>(1'468)</td>
</tr>
<tr>
<td>Taxes paid</td>
<td>(5'288)</td>
<td>(5'439)</td>
</tr>
<tr>
<td>Share-based payments paid</td>
<td>(428)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Cash flow before changes in net working capital</strong></td>
<td>25'184</td>
<td>12'273</td>
</tr>
<tr>
<td>Change in inventory</td>
<td>(5'722)</td>
<td>5'305</td>
</tr>
<tr>
<td>Change in debtors and other current assets</td>
<td>(7'201)</td>
<td>(3'164)</td>
</tr>
<tr>
<td>Change in payables and current liabilities</td>
<td>2'233</td>
<td>(2'827)</td>
</tr>
<tr>
<td><strong>Cash flow from changes in net working capital</strong></td>
<td>(10'890)</td>
<td>(686)</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>14'494</td>
<td>11'587</td>
</tr>
<tr>
<td><strong>CASH FLOW FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in tangible fixed assets</td>
<td>(6'560)</td>
<td>(3'770)</td>
</tr>
<tr>
<td>Disposal of tangible and intangible fixed assets</td>
<td>239</td>
<td>513</td>
</tr>
<tr>
<td>Investment in intangible fixed assets</td>
<td>(259)</td>
<td>(289)</td>
</tr>
<tr>
<td>Increase in other financial assets</td>
<td>283</td>
<td>338</td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td>(6'296)</td>
<td>(3'208)</td>
</tr>
<tr>
<td><strong>CASH FLOW FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of share capital</td>
<td>0</td>
<td>(29'400)</td>
</tr>
<tr>
<td>Proceeds from disposal of treasury shares</td>
<td>0</td>
<td>4'058</td>
</tr>
<tr>
<td>Treasury shares acquired via share buy-back program</td>
<td>(7'820)</td>
<td>0</td>
</tr>
<tr>
<td>Dividends paid to the shareholders of LEM Holding SA</td>
<td>(11'725)</td>
<td>0</td>
</tr>
<tr>
<td>Dividends paid to minorities</td>
<td>(26)</td>
<td>(12)</td>
</tr>
<tr>
<td>Increase (+) in financial liabilities</td>
<td>7'023</td>
<td>0</td>
</tr>
<tr>
<td>Decrease (–) in financial liabilities</td>
<td>(570)</td>
<td>(30'706)</td>
</tr>
<tr>
<td><strong>Cash flow from financing activities</strong></td>
<td>(13'117)</td>
<td>(56'060)</td>
</tr>
<tr>
<td>Net cash flow discontinued operations</td>
<td>0</td>
<td>40'022</td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>(4'920)</td>
<td>(7'660)</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>25'395</td>
<td>32'608</td>
</tr>
<tr>
<td>Exchange effect on cash and cash equivalents</td>
<td>(577)</td>
<td>448</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the period</td>
<td>19'798</td>
<td>25'395</td>
</tr>
</tbody>
</table>
## Consolidated Statements of Changes in Equity

<table>
<thead>
<tr>
<th>TCHF</th>
<th>Share capital</th>
<th>Capital reserves</th>
<th>Reserves for Treasury shares</th>
<th>Treasury shares</th>
<th>Stock option plan</th>
<th>Currency translation diff.</th>
<th>Retained earnings</th>
<th>Minority Interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance on 1 April 2005</td>
<td>30'000</td>
<td>24'140</td>
<td>2'689</td>
<td>(2'689)</td>
<td>0</td>
<td>1'935</td>
<td>10'404</td>
<td>63</td>
<td>66'543</td>
</tr>
<tr>
<td>Changes in capital</td>
<td>(29'400)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Dividends paid</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in scope of consolidation</td>
<td>1'396</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid to minority interests</td>
<td>(12)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attribution of earnings</td>
<td>24'949</td>
<td>64</td>
<td>25'013</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Currency translation difference</td>
<td>1'627</td>
<td>8</td>
<td>1'635</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Stock option plan</td>
<td>508</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury shares</td>
<td>2'689</td>
<td>(2'689)</td>
<td>2'689</td>
<td></td>
<td>1'369</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance on 31 March 2006</td>
<td>600</td>
<td>26'829</td>
<td>0</td>
<td>0</td>
<td>508</td>
<td>3'562</td>
<td>38'118</td>
<td>123</td>
<td>69'741</td>
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<tr>
<td>Thereof P&amp;L items recorded in equity</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>508</td>
<td>1'627</td>
<td>0</td>
<td>8</td>
<td>2'143</td>
</tr>
<tr>
<td>Balance on 1 April 2006</td>
<td>600</td>
<td>26'829</td>
<td>0</td>
<td>0</td>
<td>508</td>
<td>3'562</td>
<td>38'118</td>
<td>123</td>
<td>69'741</td>
</tr>
<tr>
<td>Changes in capital</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(11'725)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid to minority interests</td>
<td>(26)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attribution of earnings</td>
<td>15'540</td>
<td>79</td>
<td>15'619</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation difference</td>
<td>(1'464)</td>
<td>2</td>
<td>(1'463)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock option plan</td>
<td>921</td>
<td>(368)</td>
<td>553</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(7'820)</td>
<td>(7'820)</td>
<td>(7'820)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance on 31 March 2007</td>
<td>600</td>
<td>19'009</td>
<td>7'820</td>
<td>(7'820)</td>
<td>1'429</td>
<td>2'098</td>
<td>41'565</td>
<td>178</td>
<td>64'880</td>
</tr>
<tr>
<td>Thereof P&amp;L items recorded in equity</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>921</td>
<td>(1'464)</td>
<td>(388)</td>
<td>2</td>
<td>(910)</td>
</tr>
</tbody>
</table>
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 10 countries and employs around 900 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 registered office is as follows: 8, chemin des Aulx; CH-1228 Plan-les-Ouates/Geneva. The Company has been listed on the SWX Swiss Exchange since 1986.

The Board of Directors approved the consolidated financial statements on 10 May 2007.

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 2006/07, the LEM Group introduced the following new standards and interpretations:

<table>
<thead>
<tr>
<th>Standard</th>
<th>Description</th>
<th>Impact on LEM Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAS-19 (revised)</td>
<td>Employee Benefits</td>
<td>The Group has decided not to apply the option of direct recognition of actuarial gains and losses of defined benefit plans within shareholders’ equity. New disclosures. None</td>
</tr>
<tr>
<td>IAS-21 (revised)</td>
<td>Effects of Changes in Foreign Exchange Rates: Standard on foreign exchange treatment regarding net investments in a foreign operation. None</td>
<td></td>
</tr>
<tr>
<td>IAS-39 (revised)</td>
<td>Financial Instruments: Recognition and measurement: Guidelines regarding financial guarantee contracts, hedges of forecast intragroup transaction and the use of the fair value option None</td>
<td></td>
</tr>
<tr>
<td>IFRS-6</td>
<td>Exploration and Evaluation of mineral resources None</td>
<td></td>
</tr>
<tr>
<td>IFRIC-4</td>
<td>Determining whether an Arrangement contains a Lease None</td>
<td></td>
</tr>
<tr>
<td>IFRIC-5</td>
<td>Rights to Interests Arising from Decommissioning, Restoration and Environmental rehabilitation Funds None</td>
<td></td>
</tr>
<tr>
<td>IFRIC-6</td>
<td>Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment None</td>
<td></td>
</tr>
<tr>
<td>IFRIC-7</td>
<td>Applying the Restatement Approach under IAS-29 Financial Reporting in Hyperinflationary economies None</td>
<td></td>
</tr>
</tbody>
</table>

In 2007/08, LEM Group will adopt the following revised standards and interpretations:

<table>
<thead>
<tr>
<th>Standard</th>
<th>Description</th>
<th>Impact on LEM Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAS-1 (revised)</td>
<td>Presentation of Financial statements: Capital Disclosures New disclosures</td>
<td></td>
</tr>
<tr>
<td>IFRS-7</td>
<td>Financial Instruments: Disclosures New disclosures</td>
<td></td>
</tr>
<tr>
<td>IFRIC-8</td>
<td>Scope of IFRS-2 No impact expected</td>
<td></td>
</tr>
<tr>
<td>IFRIC-9</td>
<td>Reassessment of Embedded Derivatives No impact expected</td>
<td></td>
</tr>
<tr>
<td>IFRIC-10</td>
<td>Interim Financial Reporting and Impairment No impact expected</td>
<td></td>
</tr>
</tbody>
</table>

2.3 Summary of critical accounting estimates and judgements
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 most important sources of uncertainty are described 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 recognised only if the specific criteria under IFRS are met. Provisions represent presumed obligations arising from past events and are recognised 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. Significant judgement 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.
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 recognised 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.

<table>
<thead>
<tr>
<th>Currency</th>
<th>Statement of income 2006/07 Average rate in CHF</th>
<th>Statement of income 2005/06 Average rate in CHF</th>
<th>Balance sheet 31.3.2007 Year-end rate in CHF</th>
<th>Balance sheet 31.3.2006 Year-end rate in CHF</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR</td>
<td>1.587</td>
<td>1.551</td>
<td>1.624</td>
<td>1.576</td>
</tr>
<tr>
<td>GBP</td>
<td>2.342</td>
<td>2.274</td>
<td>2.380</td>
<td>2.270</td>
</tr>
<tr>
<td>JPY</td>
<td>0.0106</td>
<td>0.0113</td>
<td>0.0103</td>
<td>0.0111</td>
</tr>
<tr>
<td>USD</td>
<td>1.238</td>
<td>1.274</td>
<td>1.218</td>
<td>1.305</td>
</tr>
<tr>
<td>RUB</td>
<td>0.046</td>
<td>0.045</td>
<td>0.047</td>
<td>0.047</td>
</tr>
<tr>
<td>CNY</td>
<td>0.157</td>
<td>0.157</td>
<td>0.158</td>
<td>0.163</td>
</tr>
</tbody>
</table>

Foreign currency transactions

Foreign currency transactions by subsidiaries are translated at the market rate prevailing at the time. The monetary assets and liabilities concerned 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 groups net investment in a foreign operation, which are included in shareholders’ equity).

2.6 Segment information

LEM Group’s primary reporting format for segment reporting is business segments and the secondary reporting format is geographical segments. The definition of business and geographical segments of the Group is based on the managerial and organisational structure of the group as well as on the financial reporting system.

LEM Group’s business segments are 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. The segments divested in 2005/06, instruments and the real estate activity CTI, are reported as Discontinued Operations. Non-allocated assets correspond to cash, long-term financial receivables as well as deferred tax assets. Non-allocated liabilities comprise bank borrowings, income tax payable and provisions for deferred taxes.

LEM Groups geographical segments are Europe, North America, Asia and Rest of world.

Transactions between the business segments are conducted at arms’ length.

2.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. 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.

2.8 Trade debtors

Trade debtors are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Provisions for bad debt are established when there is an objective indication that the Group will not be able to collect the amounts due. Bad debts are written off when identified.

2.9 Inventories

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

2.10 Derivative financial instruments

Derivative financial instruments are initially recognised at cost and are subsequently re-measured at their fair value. With the exception of derivative financial instruments that qualify for hedge accounting, changes at fair value of derivative financial instruments are recognised in the income statement. Derivative financial instruments are shown as part of other current assets and other current liabilities. In case the maturity is more than one year, derivative financial instruments are recognised under other non-current financial assets or other non-current financial liabilities.

The Group uses financial instruments to hedge foreign exchange risks of forecasted transactions (cash flow hedging). Derivative financial instruments can comprise of forward exchange contracts and option based structures.
2.12 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/associate 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 (linear amortization took place until 31 March 2004). Goodwill is tested annually for impairment. 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 costs 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 year under review, no development costs have been capitalized.

Other intangible assets

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

2.13 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 costs 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 long-term interest rate.

2.14 Assets held for sale

LEM Groups 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. Tangible and intangible 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 profit & loss account. Presently there are no assets held for sale in LEM Group.

2.15 Financial assets

Financial assets can comprise of marketable debt securities with a fixed duration, marketable securities and loans.

Marketable debt and equity securities

Marketable debt and equity securities are classified as available-for-sale financial assets. They are initially recognized at acquisition costs and subsequently carried at fair value. Unrealized gains and losses arising on changes in the fair value of available-for-sale financial assets are recognized in shareholders’ equity. When the available-for-sale financial asset is sold, impaired or otherwise disposed of, the cumulative gains and losses previously recognized in shareholders’ equity are included in the income statement of the period.

If the remaining maturity is below twelve months, they are reported as other current assets. Purchases and sales of financial assets are recognized on their settlement date, which is defined as the date on which the commitment to purchase or sell is fulfilled.

Loans and long-term receivables

Loans and long-term receivables issued by the Group to third parties with a duration of more than one year and with fixed or determinable payments are measured at amortized costs. If the remaining maturity is below twelve months they are reported as other current assets.

2.16 Leases

Assets acquired under long-term finance leases are capitalized as part of the fixed assets and depreciated over the shorter of the estimated useful life of the asset and the lease term. The associated obligations are included in non-current financial liabilities. Currently LEM Group does not hold any finance leases.

Rental payable under operating leases are charged to the profit & loss account as incurred.

2.17 Financial liabilities

Financial liabilities comprise of 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 twelve months after the balance sheet date are classified as short-term liabilities unless the Group has an unconditional right to defer settlement of the liability until more than 12 months after the balance sheet date.

2.18 Employee benefits

The Swiss subsidiary provides a defined benefit plan for employees; the other subsidiaries provide defined contribution plans. The charges are included 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.

Defined contribution plan

The subsidiaries abroad sponsor defined contribution plans based on local practices and regulations. The Group’s contribution to defined contribution plans are charged to the income statement in the period to which the statement relates.

Other long-term employee benefits

Other long-term employee benefits include long-service leave or sabbatical leave, medical aid, jubilee or long-service benefits and, if they are not payable wholly within twelve months after the year end, bonuses and deferred compensation. All actuarial gains and losses are recognized immediately in the income statement, no corridor approach is applied.

Equity compensation plan

LEM Group operates several equity-based stock option plans. Stock options are granted to directors and managers. The attribution is linked to the share price development. The total amount expensed is determined by reference to the fair value of the equity instruments granted at the date of issue, excluding the impact of any non-market vesting conditions.

The amounts are charged to the income statement and adjusted in equity over the relevant vesting period. At each balance sheet date, the entity revalues its estimates of the number of options that...
2.20 Share capital

LEM Holding SA has only ordinary registered shares. Dividends on ordinary shares are recognised in equity in the period in which they are declared. When LEM Holding SA or its subsidiaries purchase its own shares, the consideration paid including any attributable transaction costs and taxes is deducted from shareholders’ equity as treasury shares (own shares) until they are cancelled. Where such shares are subsequently sold or reissuessed, any consideration received is included in shareholders’ equity.

2.21 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 balance sheet.

2.22 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 recognised in the income statement as soon as the products have been shipped and the associated benefits and risks have been transferred to the purchaser.

2.23 Income taxes and deferred taxation

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

Deferred taxation

Deferred income tax is provided, 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 recognised 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 utilised. Deferred tax assets and liabilities are offset against each other if the corresponding income taxes arise by the same tax authority and a legally enforceable right for offsetting exists.

3 Financial risk management

The Group’s operating activities expose it to a variety of financial risks, mainly to the effects of credit risk and foreign currency exchange rates.

The Group’s overall risk management is governed by policies approved by the non-executive Board of directors. Significant exposures arising are recognised and managed centrally by the CFO.

Foreign exchange risk

Currency risks arise when subsidiaries enter into transactions in foreign currencies such as occur when importing raw materials and exporting finished products. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the USD, EUR, JPY, and Chinese Yuan (CNY). The Group seeks to reduce this risk by optimising its natural hedging (by having income and expense in the same currencies). Derivative financial instruments are entered for specific underlying risks in accordance with the Group’s risk policy. Currency risks also arise from the translation differences that are not hedged by the Group when preparing the consolidated annual financial statements in Swiss francs.

Credit risk

Credit risks arise when the counterparty cannot fulfil its obligations. The Group is exposed to credit risks on financial instruments, on liquid assets, derivative financial instruments and trade receivables.

The trade receivables are subject to an active risk management that focuses on regular evaluation of the creditworthiness of the various customers and continuous monitoring of receivables. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The danger to the Group of cluster risks is minimized by the large number and wide geographical distribution of the customers.

The credit risk associated with liquid assets and financial instruments is spread over various first-class financial institutes with corresponding rating. The maximum credit risk corresponds to the carrying values of the related assets.

Liquidity risks

To fulfill their obligations, the subsidiaries require sufficient liquid assets. The subsidiaries are responsible for the administration of their surplus liquidity. In case additional capital is needed, this is managed centrally. Group corporate finance will obtain capital from outside sources and provide an inter-company loan to the subsidiary.

Interest rate risk

Interest rate risks result from changes in market interest rates that have negative effects on the financing costs and value fluctuations of debt portfolio of the Group. In view of the current financing structure, the Group currently carries no significant interest exposure.

Raw material price risk

The raw material price risk arises from procurement of copper and nickel. Both are subject to changes in price as well as exchange rates. Currently the Group is not hedging the risk of rising raw material prices by entering into any derivative financial instrument. It is the Group’s strategy to pass on any raw material price increases to the customer selling prices.
### Segment information
#### Primary reporting format - by Business Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>TCHF</th>
<th>Industrial</th>
<th>Automotive</th>
<th>Total Continuing</th>
<th>Discontinued</th>
<th>LEM Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>06/07</td>
<td>05/06</td>
<td>06/07</td>
<td>05/06</td>
<td>06/07</td>
<td>05/06</td>
</tr>
<tr>
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<td>21'259</td>
<td>19'404</td>
<td>184'555</td>
<td>151'665</td>
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<td>18'637</td>
<td>523</td>
<td>1'389</td>
<td>29'698</td>
<td>20'226</td>
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<td>EBIT</td>
<td>25'684</td>
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<td>(127)</td>
<td>315</td>
<td>25'557</td>
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<td>(4'762)</td>
<td>(712)</td>
<td>(4'762)</td>
<td></td>
<td></td>
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<td>Income from associates</td>
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<td>15'909</td>
<td>15'909</td>
<td>15'909</td>
<td></td>
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<tr>
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<td>(1'667)</td>
<td>(9'225)</td>
<td>(1'667)</td>
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<tr>
<td>Total</td>
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<td>9'104</td>
<td>15'909</td>
<td>15'620</td>
<td>25'013</td>
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<td></td>
<td></td>
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<td>527</td>
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<td>3'419</td>
<td>650</td>
<td>1'274</td>
<td>4'141</td>
<td>4'693</td>
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#### Balance Sheet

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<tr>
<th>Segment</th>
<th>TCHF</th>
<th>Industrial</th>
<th>Automotive</th>
<th>Total Continuing</th>
<th>Discontinued</th>
<th>LEM Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>06/07</td>
<td>05/06</td>
<td>06/07</td>
<td>05/06</td>
<td>06/07</td>
<td>05/06</td>
</tr>
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<td>Segment assets</td>
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<td>87'333</td>
<td>74'301</td>
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<tr>
<td>Unallocated assets</td>
<td>20'833</td>
<td>27'468</td>
<td>20'833</td>
<td>27'468</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>97'805</td>
<td>93'858</td>
<td>17'723</td>
<td>14'784</td>
<td>172'166</td>
<td>151'665</td>
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<tr>
<td>Segment liabilities</td>
<td>26'321</td>
<td>24'897</td>
<td>2'849</td>
<td>3'217</td>
<td>29'170</td>
<td>26'114</td>
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<tr>
<td>Unallocated liabilities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>26'321</td>
<td>24'897</td>
<td>2'849</td>
<td>3'217</td>
<td>32'286</td>
<td>30'227</td>
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<tr>
<td>Capital expenditure:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Tangible assets</td>
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<td>1'418</td>
<td>898</td>
<td>6'560</td>
<td>3'770</td>
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<tr>
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<td>289</td>
<td>21</td>
<td>0</td>
<td>259</td>
<td>289</td>
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<tr>
<td>Total</td>
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<td>3'161</td>
<td>1'438</td>
<td>898</td>
<td>6'819</td>
<td>4'059</td>
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#### Secondary reporting format - by Geographical Segment

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<thead>
<tr>
<th>Segment</th>
<th>TCHF</th>
<th>Europe</th>
<th>North America</th>
<th>Asia</th>
<th>Rest of the world</th>
<th>LEM Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>06/07</td>
<td>05/06</td>
<td>06/07</td>
<td>05/06</td>
<td>06/07</td>
<td>05/06</td>
</tr>
<tr>
<td>Sales by location of customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing Operations</td>
<td>91'974</td>
<td>71'745</td>
<td>39'491</td>
<td>35'932</td>
<td>49'638</td>
<td>41'510</td>
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<tr>
<td>Segment assets by location of assets</td>
<td>54'146</td>
<td>46'756</td>
<td>7'371</td>
<td>7'389</td>
<td>25'816</td>
<td>20'156</td>
</tr>
<tr>
<td>Unallocated assets</td>
<td>20'833</td>
<td>27'468</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>54'146</td>
<td>46'756</td>
<td>7'371</td>
<td>7'389</td>
<td>25'816</td>
<td>20'156</td>
</tr>
<tr>
<td>Capital expenditure:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>5'405</td>
<td>3'023</td>
<td>25</td>
<td>93</td>
<td>1'130</td>
<td>654</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>238</td>
<td>289</td>
<td>21</td>
<td>0</td>
<td>259</td>
<td>289</td>
</tr>
<tr>
<td>Total</td>
<td>5'644</td>
<td>3'312</td>
<td>25</td>
<td>93</td>
<td>1'130</td>
<td>668</td>
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</tbody>
</table>
The presentation compared to the previous year was changed in some instances, in order to increase transparency.

<table>
<thead>
<tr>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCHF</td>
<td>TCHF</td>
</tr>
</tbody>
</table>

1. Trade debtors and other debtors

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors, third party</td>
<td>35'234</td>
<td>29'562</td>
</tr>
<tr>
<td>Allowance for bad debt</td>
<td>(1'602)</td>
<td>(838)</td>
</tr>
<tr>
<td>Total trade debtors</td>
<td>33'632</td>
<td>28'724</td>
</tr>
<tr>
<td>Other non-trade debtors</td>
<td>5'094</td>
<td>3'238</td>
</tr>
<tr>
<td>Total trade debtors and other debtors</td>
<td>38'726</td>
<td>31'962</td>
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</table>

2. Other current assets

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances to suppliers</td>
<td>614</td>
<td>515</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>1'467</td>
<td>1'488</td>
</tr>
<tr>
<td>Current portion of non-current receivables</td>
<td>0</td>
<td>449</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>59</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>2'140</td>
<td>2'452</td>
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</table>

For further information on derivative financial instruments, see note 8.

3. Inventories

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw material</td>
<td>14'150</td>
<td>10'954</td>
</tr>
<tr>
<td>Work in progress</td>
<td>2'710</td>
<td>2'470</td>
</tr>
<tr>
<td>Finished goods and goods for resale</td>
<td>8'222</td>
<td>6'483</td>
</tr>
<tr>
<td>Total</td>
<td>25'082</td>
<td>19'907</td>
</tr>
</tbody>
</table>

Above inventories include provisions for slow moving items of TCHF 1'932 (2005/06 TCHF 1'949).

4. Other financial assets

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan to DynAmp llc</td>
<td>0</td>
<td>672</td>
</tr>
<tr>
<td>Less: current portion</td>
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<tr>
<td>Miscellaneous</td>
<td>73</td>
<td>147</td>
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<tr>
<td>Total</td>
<td>73</td>
<td>371</td>
</tr>
</tbody>
</table>

5. Property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>Land &amp; Buildings</th>
<th>Machinery &amp; Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net book value on 1 April 2006</td>
<td>526</td>
<td>14'499</td>
<td>15'025</td>
</tr>
<tr>
<td>Conversion differences</td>
<td>(38)</td>
<td>(129)</td>
<td>(167)</td>
</tr>
<tr>
<td>Increases</td>
<td>152</td>
<td>6'408</td>
<td>6'560</td>
</tr>
<tr>
<td>Decreases</td>
<td>(309)</td>
<td>(190)</td>
<td>(499)</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>(6)</td>
<td>(3'846)</td>
<td>(3'852)</td>
</tr>
<tr>
<td>Net book value on 31 March 2007</td>
<td>325</td>
<td>16'742</td>
<td>17'067</td>
</tr>
<tr>
<td>On 31 March 2007</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>411</td>
<td>47'624</td>
<td>48'035</td>
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<tr>
<td>Depreciation</td>
<td>(86)</td>
<td>(30'882)</td>
<td>(30'968)</td>
</tr>
<tr>
<td>Net book value on 31 March 2007</td>
<td>325</td>
<td>16'742</td>
<td>17'067</td>
</tr>
<tr>
<td>In TCHF</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net book value on 1 April 2005</td>
<td>536</td>
<td>14'375</td>
<td>14'911</td>
</tr>
<tr>
<td>Conversion differences</td>
<td>(4)</td>
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<td>179</td>
</tr>
<tr>
<td>Increases</td>
<td>0</td>
<td>3'770</td>
<td>3'770</td>
</tr>
<tr>
<td>Decreases</td>
<td>0</td>
<td>(267)</td>
<td>(267)</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>(6)</td>
<td>(3'562)</td>
<td>(3'568)</td>
</tr>
<tr>
<td>Net book value on 31 March 2006</td>
<td>526</td>
<td>14'499</td>
<td>15'025</td>
</tr>
<tr>
<td>On 31 March 2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>673</td>
<td>45'217</td>
<td>45'290</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(147)</td>
<td>(30'718)</td>
<td>(30'865)</td>
</tr>
<tr>
<td>Net book value on 31 March 2006</td>
<td>526</td>
<td>14'499</td>
<td>15'025</td>
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6. Intangible assets

<table>
<thead>
<tr>
<th>In TCHF</th>
<th>Deferred R&amp;D</th>
<th>Goodwill</th>
<th>Other intangible assets</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>Net book value on 1 April 2006</td>
<td>0</td>
<td>3'601</td>
<td>983</td>
<td>4'584</td>
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<tr>
<td>Conversion differences</td>
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<td>(132)</td>
<td>(29)</td>
<td>(161)</td>
</tr>
<tr>
<td>Increases</td>
<td>0</td>
<td>0</td>
<td>259</td>
<td>259</td>
</tr>
<tr>
<td>Decreases</td>
<td>0</td>
<td>0</td>
<td>(15)</td>
<td>(15)</td>
</tr>
<tr>
<td>Amortization charge</td>
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<td>0</td>
<td>(290)</td>
<td>(290)</td>
</tr>
<tr>
<td>Net book value on 31 March 2007</td>
<td>0</td>
<td>3'469</td>
<td>908</td>
<td>4'377</td>
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On 31 March 2007

<table>
<thead>
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<th>Amortization</th>
<th>Net book value on 31 March 2007</th>
</tr>
</thead>
<tbody>
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<td>Net book value on 1 April 2005</td>
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<td>4'090</td>
<td>959</td>
</tr>
<tr>
<td>Conversion differences</td>
<td>0</td>
<td>(13)</td>
<td>0</td>
</tr>
<tr>
<td>Increases</td>
<td>0</td>
<td>0</td>
<td>299</td>
</tr>
<tr>
<td>Decreases</td>
<td>0</td>
<td>(476)</td>
<td>0</td>
</tr>
<tr>
<td>Other movements</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Amortization charge</td>
<td>(862)</td>
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<td>(265)</td>
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</table>

On 31 March 2006

<table>
<thead>
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<th>Amortization</th>
<th>Net book value on 31 March 2006</th>
</tr>
</thead>
<tbody>
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<td>0</td>
<td>5'179</td>
<td>2'688</td>
</tr>
<tr>
<td>Increases</td>
<td>0</td>
<td>(1'710)</td>
<td>(1'780)</td>
</tr>
<tr>
<td>Decreases</td>
<td>0</td>
<td>0</td>
<td>259</td>
</tr>
<tr>
<td>Other movements</td>
<td>0</td>
<td>0</td>
<td>(15)</td>
</tr>
<tr>
<td>Amortization charge</td>
<td>0</td>
<td>0</td>
<td>(290)</td>
</tr>
<tr>
<td>Net book value on 31 March 2006</td>
<td>0</td>
<td>3'601</td>
<td>983</td>
</tr>
</tbody>
</table>

The entire goodwill of LEM Group is from the acquisition of NANA in 2000/01 and is allocated to cash generating legal unit LEM Japan KK.

The recoverable amount has been determined based on value in use calculations. These calculations use cash flow projections of 6 years based on financial business plans and budgets approved by management.

The basis of the key assumptions is market growth of 2%. Operating costs are based on past performance. The discount rate applied to cash flow projections is pre-tax and reflects specific risks relating to LEM and was determined at 8%.

No impairment loss resulted from the impairment test of goodwill.
7. Discontinued operations

With the closing of the sale of LEM Instruments to Danaher Corporation, Washington D.C., USA on 24 June 2005 the related assets and liabilities presented on 31 March 2005 were transferred to the buyer.

It was sold for an enterprise value of CHF 59.2 million (after a sales price adjustment as a result of the closing balance sheet of CHF 3.8 million) minus net debt of CHF 5.9 million, resulting in an equity value of CHF 53.3 million. The sale resulted in a capital gain of CHF 17.1 million.

Profit & Loss Accounts of Discontinued Operations

<table>
<thead>
<tr>
<th>Instrument</th>
<th>TCHF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruments</td>
<td>16'082</td>
</tr>
<tr>
<td>Real Estate</td>
<td>(173)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15'909</td>
</tr>
</tbody>
</table>

Detailed Profit & Loss Statement of LEM Instruments

<table>
<thead>
<tr>
<th>Item</th>
<th>TCHF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>13'303</td>
</tr>
<tr>
<td>Gross profit</td>
<td>6'220</td>
</tr>
<tr>
<td>%</td>
<td>46.8%</td>
</tr>
<tr>
<td>Sales expense</td>
<td>(3'765)</td>
</tr>
<tr>
<td>Administration expense</td>
<td>(1'870)</td>
</tr>
<tr>
<td>R&amp;D expense</td>
<td>(1'572)</td>
</tr>
<tr>
<td>Impairment test</td>
<td>(33)</td>
</tr>
<tr>
<td>Other expense</td>
<td>(15)</td>
</tr>
<tr>
<td>Other income</td>
<td>221</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>(904)</td>
</tr>
<tr>
<td>Financial expense</td>
<td>(31)</td>
</tr>
<tr>
<td>Taxes</td>
<td>(163)</td>
</tr>
<tr>
<td>Capital gain on divestment (net of capital gain tax TCHF 700)</td>
<td>17'080</td>
</tr>
<tr>
<td><strong>Profit (loss) from discontinued operations Instruments</strong></td>
<td>16'082</td>
</tr>
</tbody>
</table>

Detailed Profit & Loss Statement of Real Estate

<table>
<thead>
<tr>
<th>Item</th>
<th>TCHF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating real estate expenses</td>
<td>(31)</td>
</tr>
<tr>
<td>Net financial expense</td>
<td>33</td>
</tr>
<tr>
<td>Capital (loss) on divestment</td>
<td>(175)</td>
</tr>
<tr>
<td><strong>Profit (loss) from discontinued operations real estate</strong></td>
<td>(173)</td>
</tr>
</tbody>
</table>

Cash flow of Discontinued Operations

<table>
<thead>
<tr>
<th>Item</th>
<th>TCHF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash flows</td>
<td>24'340</td>
</tr>
<tr>
<td>Investing Cash flows</td>
<td>23'195</td>
</tr>
<tr>
<td>Financing Cash flows</td>
<td>(7'513)</td>
</tr>
<tr>
<td><strong>Total cash flows</strong></td>
<td>40'022</td>
</tr>
</tbody>
</table>

The balance sheet of LEM Instruments as of June 2005, is summarized below.

<table>
<thead>
<tr>
<th>Item</th>
<th>TCHF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>29'376</td>
</tr>
<tr>
<td>Non current assets</td>
<td>7'471</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>16'598</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>3'083</td>
</tr>
<tr>
<td>Equity</td>
<td>17'166</td>
</tr>
</tbody>
</table>
8. Other short-term liabilities

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances from customers</td>
<td>345</td>
<td>476</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>0</td>
<td>31</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>345</td>
<td>507</td>
</tr>
</tbody>
</table>

**Derivative financial instruments**

<table>
<thead>
<tr>
<th></th>
<th>Contract values</th>
<th>Positive replacem. values</th>
<th>Negative replacem. values</th>
<th>Contract values become due as follows</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 3 months</td>
<td>3–12 months</td>
<td>1–5 years</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31.3.2007</td>
<td>31.3.2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives held for trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency collar option (USD/CHF)</td>
<td>3'654</td>
<td>59</td>
<td>0</td>
<td>3'654</td>
</tr>
<tr>
<td><strong>Total at 31.3.2007</strong></td>
<td>3'654</td>
<td>59</td>
<td>0</td>
<td>3'654</td>
</tr>
<tr>
<td>Derivatives held for trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency collar option (EUR/CHF)</td>
<td>1'576</td>
<td>0</td>
<td>31</td>
<td>1'576</td>
</tr>
<tr>
<td><strong>Total at 31.3.2006</strong></td>
<td>1'576</td>
<td>0</td>
<td>31</td>
<td>1'576</td>
</tr>
</tbody>
</table>

In order to hedge the USD risk, LEM entered into a USD/CHF risk reversal. A risk reversal is defined as a combination of buying a USD put at the lower end and selling a USD call at the upper end. This gives LEM a hedge at the lower end and gives the opportunity to profit until the USD/CHF reaches the upper end. At the year end there was one transaction open with three remaining maturities of USD 1 million each. The fair value calculation is done using the PENICS model. In 2005/06, a similar structure was entered into to hedge the EUR risk.

9. Operating leasing commitment

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TCHF</td>
<td>TCHF</td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>95</td>
<td>0</td>
</tr>
<tr>
<td>Between 2 and 5 years</td>
<td>46</td>
<td>151</td>
</tr>
<tr>
<td>Beyond 5 years</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>141</td>
<td>151</td>
</tr>
</tbody>
</table>

In 2006/07 the lease expense was TCHF 90 (2005/06 TCHF 217).


<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TCHF</td>
<td>TCHF</td>
</tr>
<tr>
<td>Employee and termination benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance on 1 April 2006</td>
<td>1'402</td>
<td>1'885</td>
</tr>
<tr>
<td>Additional provisions</td>
<td>549</td>
<td>1'655</td>
</tr>
<tr>
<td>Unused amounts reversed</td>
<td>(163)</td>
<td>(1'043)</td>
</tr>
<tr>
<td>Utilized during the year</td>
<td>(190)</td>
<td>(1'134)</td>
</tr>
<tr>
<td>Conversion differences</td>
<td>(33)</td>
<td>(23)</td>
</tr>
<tr>
<td><strong>Balance on 31 March 2007</strong></td>
<td>1'564</td>
<td>1'339</td>
</tr>
<tr>
<td>Of which short term</td>
<td>983</td>
<td>983</td>
</tr>
<tr>
<td>Of which long term</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims and litigation</td>
<td></td>
</tr>
<tr>
<td>Balance on 1 April 2006</td>
<td>1'454</td>
</tr>
<tr>
<td>Additional provisions</td>
<td>275</td>
</tr>
<tr>
<td>Utilized during the year</td>
<td>(346)</td>
</tr>
<tr>
<td>Conversion differences</td>
<td>19</td>
</tr>
<tr>
<td><strong>Balance on 31 March 2006</strong></td>
<td>1'402</td>
</tr>
<tr>
<td>Of which short term</td>
<td>1'324</td>
</tr>
<tr>
<td>Of which long term</td>
<td>1'963</td>
</tr>
</tbody>
</table>
Employee and termination benefits
Provisions for employee and termination benefits include termination benefits required in specific countries as well as pension obligations.

Claims and litigations
Provisions for claims and litigations cover warranty claims expected to be made in the future that are not covered by insurance. The provisions have been estimated based on historical experience and based on management’s risk assessment. Included are also provisions for non-product related risks in some countries.

Some provisions recorded in relation with the sales of instruments could be released in 2006/07.

As the timing of the cash outflows are uncertain, an estimation has been made concerning long-term and short-term provisions. Previous year figures have been presented accordingly.

11. Financial liabilities

<table>
<thead>
<tr>
<th>Currency</th>
<th>Nominal amount</th>
<th>Fixed/variable</th>
<th>Interest rate</th>
<th>Maturity</th>
<th>Net carrying amount</th>
<th>Net carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEM Holding SA</td>
<td>TCHF 4’000</td>
<td>var</td>
<td>Libor +0.60%</td>
<td>22.5.2007</td>
<td>4’000</td>
<td>0</td>
</tr>
<tr>
<td>LEM Holding SA</td>
<td>TCHF 3’000</td>
<td>var</td>
<td>Libor +0.60%</td>
<td>22.4.2007</td>
<td>3’000</td>
<td>0</td>
</tr>
<tr>
<td>LEM Japan KK</td>
<td>JPY 55’624</td>
<td>fixed</td>
<td>1.25%</td>
<td>31.3.2008</td>
<td>573</td>
<td>1’221</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>7'573</strong></td>
<td><strong>1'221</strong></td>
</tr>
<tr>
<td>Of which short term</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>7'556</strong></td>
<td><strong>589</strong></td>
</tr>
<tr>
<td>Of which long term</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>17</td>
<td>632</td>
</tr>
</tbody>
</table>

In 2006/07, LEM renegotiated credit lines with four Swiss Banks. The uncommitted credit lines have a maximum amount of CHF 70 million. The interest rate is composed of the relevant LIBOR for the respective interest period and an interest margin that is linked to the debt factor. The credit lines are subject to fulfillment of periodically calculated financial performance indicators (covenants). At 31.3.2007, all covenants were attained.

For the variable-interest and fixed loans the fair value equals approximately the carrying amount. The effective interest rate of the Loan in LEM Japan approximates the stated interest rate.

12. Equity

Share capital
There is no authorised or conditional share capital outstanding. The nominal share capital of TCHF 600 comprising 1’200’000 registered shares each with a nominal value of CHF 0.5. Treasury shares are not entitled to dividends.

As decided by the Shareholders’ meeting on 1 July 2005 the capital was reduced from CHF 30 million by a repayment of CHF 29.4 million to the shareholders in September 2005. At the same time the number of shares was increased by splitting the existing shares in relation 1:4.

Movement of treasury shares

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Average price in CHF</th>
<th>Total in TCHF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance on 1 April 2006</strong></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Purchase</strong></td>
<td>50'000</td>
<td>156</td>
</tr>
<tr>
<td><strong>Balance on 31 March 2007</strong></td>
<td>50'000</td>
<td>156</td>
</tr>
<tr>
<td>Ordinary dividend per share (in CHF)</td>
<td>4.50</td>
<td></td>
</tr>
</tbody>
</table>

The dividend is proposed by the non-executive Board of Directors to be paid 2007.

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Average price in CHF</th>
<th>Total in TCHF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance on 1 April 2005</strong></td>
<td>38’384</td>
<td>70</td>
</tr>
<tr>
<td>Sales</td>
<td>(38’384)</td>
<td>70</td>
</tr>
<tr>
<td>Realized net gain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance on 31 March 2006</strong></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ordinary dividend per share (in CHF)</td>
<td>2.50</td>
<td></td>
</tr>
<tr>
<td>Extraordinary dividend per share (in CHF)</td>
<td>7.50</td>
<td></td>
</tr>
</tbody>
</table>
13. Minority Interests

There were no changes in minority interests in the current financial year. The minority interests correspond to 10% in TVELEM held by local management.

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minority Interests</td>
<td>178</td>
<td>123</td>
</tr>
</tbody>
</table>

14. Staff cost

Employee benefit plan costs comprise defined-contribution contributions of TCHF 444 (2005/06 TCHF 210).

<table>
<thead>
<tr>
<th></th>
<th>2006/07</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>(33'363)</td>
<td>(34'032)</td>
</tr>
<tr>
<td>Other personnel costs</td>
<td>(11'938)</td>
<td>(10'831)</td>
</tr>
<tr>
<td>Temporary employees costs</td>
<td>(6'301)</td>
<td>(2'446)</td>
</tr>
<tr>
<td>Total</td>
<td>(51'602)</td>
<td>(47'309)</td>
</tr>
</tbody>
</table>

15. Financial expense

Interest income 294 282
Total 294 282

17. Exchange effect

Exchange gains 126 80
Fair value revaluation on derivatives – currency 18 419
Losses on derivatives – currency1 (67) (4'075)
Total 77 (3'576)

1 Position includes cost of derivative hedging.

18. Income taxes and deferred assets and liabilities

Current income taxes (7'983) (3'905)
Income tax of prior year 0 247
Deferred income taxes (1'241) 1'991
Total income tax expenses (9'225) (1'667)

The group calculates its average expected 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:
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Group’s average expected tax rate

<table>
<thead>
<tr>
<th></th>
<th>2006/07</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax effect of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– expenses not deductible</td>
<td>0.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>– tax refunds from prior years</td>
<td>0.0%</td>
<td>–3.0%</td>
</tr>
<tr>
<td>– consideration of tax losses carried forward</td>
<td>–0.3%</td>
<td>–15.0%</td>
</tr>
<tr>
<td>– others</td>
<td>–0.4%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Group’s effective tax rate</td>
<td>37.1%</td>
<td>15.0%</td>
</tr>
</tbody>
</table>

The variation in the Group’s average expected tax rate is caused by changes in volumes, product mix and profitability of the Group’s subsidiaries in the various jurisdictions, as well as changes in applicable statutory tax rates.

The Group’s low effective tax rate for 2005/06 was due to the capitalization of tax losses carried forward as deferred tax assets to the extent that realization of the related tax benefit is probable. Deferred income tax liabilities have not been established for withholding and other taxes that would be payable on the unremitted earnings of certain foreign subsidiaries, as such amounts are currently regarded as permanently reinvested.

Deferred tax assets and liabilities

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– trade debtors</td>
<td>–684</td>
<td>–1’075</td>
</tr>
<tr>
<td>– inventory</td>
<td>–102</td>
<td>–333</td>
</tr>
<tr>
<td>– others</td>
<td>134</td>
<td>183</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>–665</td>
<td>1’059</td>
</tr>
<tr>
<td>Liabilities</td>
<td>645</td>
<td>661</td>
</tr>
<tr>
<td>– trade and other payables</td>
<td>498</td>
<td>631</td>
</tr>
<tr>
<td>– others</td>
<td>147</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>–704</td>
<td>645</td>
</tr>
</tbody>
</table>

The balance sheet contains the following

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>903</td>
<td>2’073</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>–1’607</td>
<td>–1’428</td>
</tr>
<tr>
<td>Net assets</td>
<td>–704</td>
<td>645</td>
</tr>
</tbody>
</table>

The difference between the changes in deferred assets and liabilities in the balance sheet and the amount recognized in the income statement comes from exchange rate differences. Deferred taxes credited to equity amounted to TCHF 0 (2005/06 TCHF 0).

Related tax benefit on tax losses carried forward not recognized in the balance sheet

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expiration in the next 10 years</td>
<td>124</td>
<td>137</td>
</tr>
<tr>
<td>Expiration 2020</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Without date of expiration</td>
<td>254</td>
<td>292</td>
</tr>
<tr>
<td>Total</td>
<td>381</td>
<td>431</td>
</tr>
</tbody>
</table>

Tax losses carried forward not recognized in the balance sheet of 2005/06 were changed from CHF 0.2 million in the previous report to TCHF 431.
19. Earnings per share

Basic earnings per share

<table>
<thead>
<tr>
<th></th>
<th>2006/07</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings for the year (TCHF)</td>
<td>15'541</td>
<td>24'949</td>
</tr>
<tr>
<td>Ordinary number of shares (after split of 1:4)</td>
<td>1'200'000</td>
<td>1'200'000</td>
</tr>
<tr>
<td>Weighted average number of treasury shares</td>
<td>33'133</td>
<td>17'960</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding</td>
<td>1'166'867</td>
<td>1'182'040</td>
</tr>
<tr>
<td>Earnings per share – basic (CHF)</td>
<td>13.32</td>
<td>21.11</td>
</tr>
<tr>
<td>– continuing business</td>
<td>13.32</td>
<td>7.65</td>
</tr>
<tr>
<td>– discontinued business</td>
<td>0</td>
<td>13.46</td>
</tr>
</tbody>
</table>

Diluted earnings per share

For the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted to assume conversion of all dilutive potential shares. There is no authorized or conditional capital outstanding for the employee stock option plan.

<table>
<thead>
<tr>
<th></th>
<th>2006/07</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings for the year (TCHF)</td>
<td>15'541</td>
<td>24'949</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding</td>
<td>1'166'867</td>
<td>1'182'040</td>
</tr>
<tr>
<td>Executive stock option plans</td>
<td>38'249</td>
<td>22'229</td>
</tr>
<tr>
<td>Adjusted weighted average number of shares outstanding</td>
<td>1'205'116</td>
<td>1'204'269</td>
</tr>
<tr>
<td>Earnings per share – diluted (CHF)</td>
<td>12.90</td>
<td>20.72</td>
</tr>
<tr>
<td>– continuing business</td>
<td>12.90</td>
<td>7.51</td>
</tr>
<tr>
<td>– discontinued business</td>
<td>0</td>
<td>13.21</td>
</tr>
</tbody>
</table>

20. Related parties

Related parties are the non-executive Board of Directors and the Senior managers as defined in the Corporate Governance guidelines. The compensation to the non-executive Board of Directors comprises the following components: Base salary and stock options. The compensation to the Senior manager comprises the following components: Base salary, bonus, post employment benefits and stock options. The base salary is the employees compensation before deduction of employees social security contributions. The bonus is paid in cash.

<table>
<thead>
<tr>
<th></th>
<th>2006/07</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation of the non-executive Board of Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base salary</td>
<td>302</td>
<td>340</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>302</strong></td>
<td><strong>340</strong></td>
</tr>
<tr>
<td>Number of granted stock options</td>
<td>4'250</td>
<td>4'331</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2006/07</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation of the Senior management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base salary</td>
<td>1'164</td>
<td>974</td>
</tr>
<tr>
<td>Bonus</td>
<td>302</td>
<td>228</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>137</td>
<td>119</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1'603</strong></td>
<td><strong>1'321</strong></td>
</tr>
<tr>
<td>Number of granted stock options</td>
<td>11'500</td>
<td>18'749</td>
</tr>
</tbody>
</table>

Additional fees and compensations

No member of the Board of Directors received fees, whose value was greater than half of his normal compensation (2005/06 TCHF 46).
21. Stock options plans

<table>
<thead>
<tr>
<th>Grant date</th>
<th>2006/07</th>
<th>Quantity options outstanding 1 April 2006</th>
<th>Quantity options issued</th>
<th>Quantity options forfeited</th>
<th>Quantity options exercised</th>
<th>Quantity options 31 March 2007</th>
<th>Exercise price in CHF</th>
<th>Fair value in CHF</th>
<th>Exercise period from</th>
<th>Exercise period until</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOP 1</td>
<td>1.4.01</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>84.14</td>
<td>n.a.</td>
<td>1.4.03</td>
<td>31.3.11</td>
</tr>
<tr>
<td>SOP 2</td>
<td>1.4.02</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>58.17</td>
<td>n.a.</td>
<td>1.4.04</td>
<td>31.3.12</td>
</tr>
<tr>
<td>SOP 3</td>
<td>31.3.05</td>
<td>2'628</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2'628</td>
<td>77.18</td>
<td>24.86</td>
<td>1.4.07</td>
<td>31.3.15</td>
</tr>
<tr>
<td>SOP 4</td>
<td>1.4.05</td>
<td>38'252</td>
<td>963</td>
<td>0</td>
<td>(2'406)</td>
<td>36'809</td>
<td>77.18</td>
<td>24.86</td>
<td>1.4.07</td>
<td>31.3.15</td>
</tr>
<tr>
<td>SOP 5</td>
<td>1.4.06</td>
<td>0</td>
<td>31'000</td>
<td>(1'250)</td>
<td>0</td>
<td>29'750</td>
<td>139.80</td>
<td>47.69</td>
<td>1.4.09</td>
<td>31.3.11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>40'880</td>
<td>31'963</td>
<td>(1'250)</td>
<td>(2'406)</td>
<td>69'187</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Grant date</th>
<th>2005/06</th>
<th>Quantity options outstanding 1 April 2005</th>
<th>Quantity options issued</th>
<th>Quantity options forfeited</th>
<th>Quantity options exercised</th>
<th>Quantity options 31 March 2006</th>
<th>Exercise price in CHF</th>
<th>Fair value in CHF</th>
<th>Exercise period from</th>
<th>Exercise period until</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOP 1</td>
<td>1.4.01</td>
<td>35'291</td>
<td>0</td>
<td>(35'291)</td>
<td>0</td>
<td>0</td>
<td>84.14</td>
<td>n.a.</td>
<td>1.4.03</td>
<td>31.3.11</td>
</tr>
<tr>
<td>SOP 2</td>
<td>1.4.02</td>
<td>4'220</td>
<td>0</td>
<td>(4'220)</td>
<td>0</td>
<td>0</td>
<td>58.17</td>
<td>n.a.</td>
<td>1.4.04</td>
<td>31.3.12</td>
</tr>
<tr>
<td>SOP 3</td>
<td>31.3.05</td>
<td>2'628</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2'628</td>
<td>77.18</td>
<td>24.86</td>
<td>1.4.07</td>
<td>31.3.15</td>
</tr>
<tr>
<td>SOP 4</td>
<td>1.4.05</td>
<td>0</td>
<td>40'658</td>
<td>(2'406)</td>
<td>0</td>
<td>38'252</td>
<td>77.18</td>
<td>24.86</td>
<td>1.4.07</td>
<td>31.3.15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>42'139</td>
<td>40'658</td>
<td>(2'406)</td>
<td>(38'511)</td>
<td>60'890</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SOP 5
The BoD issued a new stock option plan for the management team and the non-executive Board of Directors in 2006. The plan is equity settled. Each option gives the right to buy one share at the pre-determined exercise price, which corresponds to the average share price of the fourth quarter of FY 2005/06. The vesting period is three years. The details of the contractual terms of the current option plans can be seen in the table above.

SOP 4
During the financial year 2006/07 2'406 options were exercised by an employee who left the company in one transaction at an average share price of CHF 255.00.

The shares granted under these plans are purchased from the market. The fair value of the options was calculated using the “Hull-White” model using the following parameters:

- expected volatility (based on historical volatility): 39.11% 36.24%
- risk free interest rate: 2.5050% 2.5375%
- dividend yield: 2.35% 2.35%

Due to the share split in September 2005, the number of options under all previous stock option programs was adjusted by the factor of 4.8135.

22. Interests in joint-ventures
LEM holds no participation in joint venture companies on 31 March 2007, nor on 31 March 2006.
23. Retirement benefit obligations
The Group considers its Swiss pension fund a defined benefit plan. The Group sponsors this defined benefit plan in Switzerland, which provides benefits primarily based on years of service and level of compensation in accordance with local regulations and practices. The following tables provide a reconciliation of the changes in the net benefit obligation as of 31 December 2006:

Net benefit expense
The components of net pension expense for the defined benefit plan are included in the profit & loss account according to their service lines, and are as follows:

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>2'576</td>
<td>2'433</td>
</tr>
<tr>
<td>Interest cost</td>
<td>852</td>
<td>852</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(1'143)</td>
<td>(1'126)</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>(985)</td>
<td>(981)</td>
</tr>
<tr>
<td><strong>Net benefit expense</strong></td>
<td><strong>1'300</strong></td>
<td><strong>1'178</strong></td>
</tr>
</tbody>
</table>

Changes in defined benefit obligation

**Defined benefit obligation 31.3.2006**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest cost</td>
<td>852</td>
</tr>
<tr>
<td>Current service cost</td>
<td>2'576</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(1'480)</td>
</tr>
<tr>
<td><strong>Defined benefit obligation 31.3.2006</strong></td>
<td><strong>24'332</strong></td>
</tr>
</tbody>
</table>

**Defined benefit obligation 31.3.2005**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest cost</td>
<td>852</td>
</tr>
<tr>
<td>Current service cost</td>
<td>2'433</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(5'010)</td>
</tr>
<tr>
<td><strong>Defined benefit obligation 31.3.2005</strong></td>
<td><strong>23'336</strong></td>
</tr>
</tbody>
</table>

Changes in the fair value of plan assets

**Fair value of plan assets at 1.4.2006**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected return</td>
<td>1'143</td>
</tr>
<tr>
<td>Contribution by employer and employee</td>
<td>2'304</td>
</tr>
<tr>
<td>Benefit paid</td>
<td>(1'480)</td>
</tr>
<tr>
<td><strong>Fair value of plan assets at 1.4.2006</strong></td>
<td><strong>25'404</strong></td>
</tr>
</tbody>
</table>

**Fair value of plan assets at 31.3.2006**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected return</td>
<td>1'126</td>
</tr>
<tr>
<td>Contribution by employer and employee</td>
<td>2'294</td>
</tr>
<tr>
<td>Benefit paid</td>
<td>(5'010)</td>
</tr>
<tr>
<td><strong>Fair value of plan assets at 31.3.2005</strong></td>
<td><strong>24'332</strong></td>
</tr>
</tbody>
</table>

LEM expects to contribute TCHF 1'434 to its defined benefit plan in 2007/08 (PY TCHF 1'565).
31.3.2007  31.3.2006
TCHF  TCHF

Net projected benefit (asset) / 
obligation beginning of the year

(1'072)  944

Expected service cost  
1'300  1'303
Employer contributions  
(1'320)  (1'313)
Loss (gain) on actual return of plan assets 170  407
Actuarial gains 786  (2'413)

Projected benefit (asset) / obligation end of the year

(136)  (1'072)

Present value of funded obligations 27'066  24'332
Fair value of plan assets (27'022)  (25'404)
Plan deficit / surplus (-) of funded obligations (136)  (1'072)
Unrecognized net actuarial losses (956)  0
Unrecognized asset due to limit in IAS19§58A 1'092  1'072

Net liabilities / assets (-) 0  0

Actual return on plan assets for 2006/07 was TCHF 732 (2005/06 TCHF 2’699).

31.3.2007  31.3.2006  31.3.2005
TCHF  TCHF  TCHF

Amounts in the current and 
previous two periods

Plan assets  27’066  25’404  22’391
Defined benefit obligations 27’066  24’332  23’335

Benefit asset / 
obligation (-) end of the year

136  1’072  (944)

Differences between expected and 
actual return on plan assets –170  –407
Actuarial adjustments on plan liabilities  –786  2’413

Strategic pension plan allocations are determined by the objective to achieve an investment return 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 is 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

<table>
<thead>
<tr>
<th></th>
<th>Long-term target</th>
<th>2006/07</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Equity securities</td>
<td>40.0%</td>
<td>32.1%</td>
<td>29.0%</td>
</tr>
<tr>
<td>Debt securities</td>
<td>50.0%</td>
<td>60.4%</td>
<td>62.7%</td>
</tr>
<tr>
<td>Real estate</td>
<td>5.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Cash and other investments</td>
<td>5.0%</td>
<td>7.5%</td>
<td>8.3%</td>
</tr>
</tbody>
</table>

100.0% 100.0% 100.0%

The principal assumptions used in determining the pension benefit obligation are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2006/07</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>3.00%</td>
<td>3.50%</td>
</tr>
<tr>
<td>Salary increases</td>
<td>1.50%</td>
<td>1.50%</td>
</tr>
</tbody>
</table>
26. 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.

On 31 March 2006 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. The operations of earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory environments, including those relating to environmental protection, in the countries in which it operates. The industries in which the Group is engaged are also subject to physical risks of various kinds. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on future operations and earnings are not predictable.

25. Scope of Consolidation

<table>
<thead>
<tr>
<th>Full consolidation</th>
<th>Country</th>
<th>Currency</th>
<th>Share Capital</th>
<th>Participation</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEM Belgium sprl-bvba</td>
<td>Belgium</td>
<td>EUR</td>
<td>60’000</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>LEM Deutschland GmbH</td>
<td>Germany</td>
<td>EUR</td>
<td>75’000</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>LEM France Sarl</td>
<td>France</td>
<td>EUR</td>
<td>240’000</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>LEM Holding SA</td>
<td>Switzerland</td>
<td>CHF</td>
<td>600’000</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>LEM Italia Srl</td>
<td>Italy</td>
<td>EUR</td>
<td>25’000</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>LEM SA</td>
<td>Switzerland</td>
<td>CHF</td>
<td>8’500’000</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>LEM UK Ltd</td>
<td>Great Britain</td>
<td>GBP</td>
<td>2</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>TVELEM Ltd</td>
<td>Russia</td>
<td>RUB</td>
<td>200’000</td>
<td>90%</td>
<td></td>
</tr>
</tbody>
</table>

| North America     |               |          |               |               |            |
| LEM Holding Inc.  | USA           | USD      | 50            | 100%          |            |
| LEM USA Inc.      | USA           | USD      | 150’000       | 100%          |            |

| Asia              |               |          |               |               |            |
| Beijing LEM Electronics Co. Ltd | China     | CNY      | 20’211’273    | 100%          | In liquidation |
| LEM Malaysia Sdn Bhd | Malaysia    | MYR      | 50’000        | 100%          |            |
| LEM Japan KK      | Japan         | JPY      | 16’000’000    | 100%          |            |

During the year, a capital reduction has been performed in LEM Belgium reducing the share capital from TEUR 3’600 to TEUR 60. During the year, NANALEM KK was renamed to LEM Japan KK.

24. Contingent liabilities

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total guarantees for credits of subsidiaries</td>
<td>4’178</td>
<td>7’324</td>
</tr>
<tr>
<td>Total guarantees to third parties</td>
<td>1’525</td>
<td>1’455</td>
</tr>
<tr>
<td>Total off balance-sheet liabilities</td>
<td>5’703</td>
<td>8’779</td>
</tr>
</tbody>
</table>
Report of the group auditors to the Annual Shareholders’ Meeting of LEM Holding SA

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes) on pages 27 to 47 of LEM Holding SA for the year ended 31 March 2007.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Geneva, 10 May 2007

Ernst & Young Ltd

Hans Isler
(in charge of the audit)

Fredi Widmann
LEM Holding SA
Statutory Accounts
### Assets

<table>
<thead>
<tr>
<th>Notes</th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TCHF</td>
<td>TCHF</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>617</td>
<td>8'837</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>1</td>
<td>7'820</td>
</tr>
<tr>
<td>Other current assets</td>
<td></td>
<td>347</td>
</tr>
<tr>
<td>Group current assets</td>
<td>4</td>
<td>3'799</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>12'583</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>3</td>
<td>48'679</td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td>36</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>48'715</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>61'298</td>
</tr>
</tbody>
</table>

### Liabilities & Equity

<table>
<thead>
<tr>
<th>Notes</th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TCHF</td>
<td>TCHF</td>
</tr>
<tr>
<td><strong>Short-term liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term financial liabilities</td>
<td></td>
<td>7'000</td>
</tr>
<tr>
<td>Other short-term liabilities</td>
<td></td>
<td>1'422</td>
</tr>
<tr>
<td>Group short-term liabilities</td>
<td>4</td>
<td>1'398</td>
</tr>
<tr>
<td><strong>Total short-term liabilities</strong></td>
<td></td>
<td>9'820</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>1</td>
<td>600</td>
</tr>
<tr>
<td>General reserve</td>
<td></td>
<td>29'665</td>
</tr>
<tr>
<td>Reserve for treasury shares</td>
<td>1</td>
<td>7'820</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>2'619</td>
</tr>
<tr>
<td>Net earnings of the period</td>
<td></td>
<td>10'774</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>51'478</td>
</tr>
<tr>
<td><strong>Total liabilities &amp; equity</strong></td>
<td></td>
<td>61'298</td>
</tr>
</tbody>
</table>
### Income

<table>
<thead>
<tr>
<th></th>
<th>2006/07</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TCHF</td>
<td>TCHF</td>
</tr>
<tr>
<td>Dividends</td>
<td>10'237</td>
<td>1'157</td>
</tr>
<tr>
<td>Interest income on inter-company loans</td>
<td>83</td>
<td>322</td>
</tr>
<tr>
<td>Other financial income</td>
<td>83</td>
<td>58</td>
</tr>
<tr>
<td>Central services to the Group</td>
<td>2'999</td>
<td>2'036</td>
</tr>
<tr>
<td>Foreign exchange gains</td>
<td>454</td>
<td>3</td>
</tr>
<tr>
<td>Gain on sale of treasury shares</td>
<td>0</td>
<td>2'190</td>
</tr>
<tr>
<td>Gain on divestment</td>
<td>0</td>
<td>26'040</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>13'855</td>
<td>31'808</td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th></th>
<th>2006/07</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TCHF</td>
<td>TCHF</td>
</tr>
<tr>
<td>Office and administration expenses</td>
<td>(2'362)</td>
<td>(2'269)</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>(428)</td>
<td>(5'302)</td>
</tr>
<tr>
<td>Foreign exchange losses</td>
<td>(110)</td>
<td>(544)</td>
</tr>
<tr>
<td>Loss on investments in subsidiaries</td>
<td>0</td>
<td>(299)</td>
</tr>
<tr>
<td>Expenses on divestment</td>
<td>0</td>
<td>(12'762)</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>(2'899)</td>
<td>(21'177)</td>
</tr>
<tr>
<td><strong>Earnings before taxes</strong></td>
<td>10'956</td>
<td>10'631</td>
</tr>
<tr>
<td>Taxes</td>
<td>(182)</td>
<td>8</td>
</tr>
<tr>
<td><strong>Net earnings</strong></td>
<td>10'774</td>
<td>10'638</td>
</tr>
</tbody>
</table>

### Statement of Equity of LEM Holding SA

<table>
<thead>
<tr>
<th></th>
<th>Share capital</th>
<th>General statutory reserves</th>
<th>Reserves for Treasury shares</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TCHF</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance on 1 April 2004</td>
<td>30'000</td>
<td>31'547</td>
<td>2'674</td>
<td>7'346</td>
<td>71'567</td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Reserves for treasury shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>(3'641)</td>
<td></td>
<td>(3'641)</td>
<td></td>
</tr>
<tr>
<td>Balance on 31 March 2005</td>
<td>30'000</td>
<td>31'532</td>
<td>2'689</td>
<td>3'705</td>
<td>67'926</td>
</tr>
<tr>
<td>Balance on 1 April 2005</td>
<td>30'000</td>
<td>31'532</td>
<td>2'689</td>
<td>3'705</td>
<td>67'926</td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Capital reduction</td>
<td></td>
<td>(29'400)</td>
<td></td>
<td>(29'400)</td>
<td></td>
</tr>
<tr>
<td>Reserves for treasury shares</td>
<td>2'689</td>
<td>(2'689)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>3'264</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>10'638</td>
<td></td>
<td>10'638</td>
<td></td>
</tr>
<tr>
<td>Balance on 31 March 2006</td>
<td>600</td>
<td>37'485</td>
<td>0</td>
<td>14'344</td>
<td>52'429</td>
</tr>
<tr>
<td>Balance on 1 April 2006</td>
<td>600</td>
<td>37'485</td>
<td>0</td>
<td>14'344</td>
<td>52'429</td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td>(11'725)</td>
<td></td>
<td>(11'725)</td>
<td></td>
</tr>
<tr>
<td>Reserves for treasury shares</td>
<td>(7'820)</td>
<td>7'820</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>10'774</td>
<td></td>
<td>10'774</td>
<td></td>
</tr>
<tr>
<td>Balance on 31 March 2007</td>
<td>600</td>
<td>29'665</td>
<td>7'820</td>
<td>13'393</td>
<td>51'478</td>
</tr>
</tbody>
</table>
Principles for the establishment of the financial statements
The financial statements of LEM Holding SA comply with the requirements of the Swiss law for companies, the Code of Obligations (SCO).

Basis and methods of valuation
The current assets and liabilities and the inter-company loans are valuated at the exchange rate of 31 March.

The foreign exchange gains and losses are recorded in the profit and loss account. The investments in subsidiaries are valued at acquisition cost less adjustments for impairment of value.

<table>
<thead>
<tr>
<th>Shares</th>
<th>Par value per share</th>
<th>TCHF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening capital at 1.4.2006</td>
<td>1’200’000</td>
<td>0.50</td>
</tr>
<tr>
<td>Closing capital at 31.12.2007</td>
<td>1’200’000</td>
<td>0.50</td>
</tr>
</tbody>
</table>

Treasury shares LEM Holding SA

| Value at 1.4.2006 | 0 | 0.00 | 0 |
| Change | 50’000 | 156.40 | 7’820 |
| Value at 31.3.2007 | 50’000 | 156.40 | 7’820 |

| Value at 1.4.2005 | 38’384 | 70.06 | 2’689 |
| Change | –38’384 | –70.06 | –2’689 |

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

2. Proposal for appropriation of profits

<table>
<thead>
<tr>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCHF</td>
<td>TCHF</td>
</tr>
<tr>
<td>Balance brought forward from previous year</td>
<td>2’619</td>
</tr>
<tr>
<td>Net income for the year</td>
<td>10’774</td>
</tr>
<tr>
<td>Total available earnings</td>
<td>13’393</td>
</tr>
<tr>
<td>Dividends¹</td>
<td>(5’175)</td>
</tr>
<tr>
<td>Carried forward to new account</td>
<td>8’218</td>
</tr>
</tbody>
</table>

¹No dividend is paid on own shares held by LEM Holding SA

The Board of Directors proposes the distribution of an ordinary dividend of CHF 4.50 per share. This results in the following dividends per share:

<table>
<thead>
<tr>
<th>Cash dividend per share</th>
<th>Gross</th>
<th>Net²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered share</td>
<td>4.50</td>
<td>2.93</td>
</tr>
</tbody>
</table>

²after reduction of 35% withholding tax

The Board of Directors also proposes that the share capital of the company shall be reduced from TCHF 600 to TCHF 575 by cancellation of 50’000 shares which are currently owned by the company.
### 3. Investments in subsidiaries

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical cost</td>
<td>48'679</td>
<td>49'497</td>
</tr>
<tr>
<td>Total</td>
<td>48'679</td>
<td>49'497</td>
</tr>
</tbody>
</table>

### 4. Group current assets and liabilities

<table>
<thead>
<tr>
<th></th>
<th>31.3.2007</th>
<th>31.3.2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inter-company loans</td>
<td>1'740</td>
<td>4'123</td>
</tr>
<tr>
<td>Inter-company current assets</td>
<td>2'059</td>
<td>3'010</td>
</tr>
<tr>
<td>Total</td>
<td>3'799</td>
<td>7'133</td>
</tr>
<tr>
<td>Inter-company liabilities</td>
<td>0</td>
<td>10'383</td>
</tr>
<tr>
<td>Inter-company short-term liabilities and accruals</td>
<td>1'398</td>
<td>375</td>
</tr>
<tr>
<td>Total</td>
<td>1'398</td>
<td>10'758</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Shares</th>
<th>in %</th>
<th>Shares</th>
<th>in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Werner O. Weber</td>
<td>231'000</td>
<td>19.25%</td>
<td>212'300</td>
<td>17.69%</td>
</tr>
<tr>
<td>Saraselect</td>
<td>115'000</td>
<td>9.58%</td>
<td>119'090</td>
<td>9.92%</td>
</tr>
<tr>
<td>Threadneedle Ltd*</td>
<td>120'600</td>
<td>10.05%</td>
<td>120'600</td>
<td>10.05%</td>
</tr>
<tr>
<td>Modulus Europe Ltd**</td>
<td>60'771</td>
<td>5.06%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>POWER Capital Management*</td>
<td></td>
<td></td>
<td>60'720</td>
<td>5.06%</td>
</tr>
</tbody>
</table>

* According to notifications of non-registered shareholders.
** Fund manager is POWER Capital Management.

### 6. Obligations according to art. 663b of the Swiss company law

<table>
<thead>
<tr>
<th></th>
<th>31.3.2006</th>
<th>31.3.2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees in favour of third parties on behalf of subsidiaries</td>
<td>7'003</td>
<td>20'649</td>
</tr>
</tbody>
</table>
LEM Holding SA
Report of the statutory auditors to the Annual Shareholders’ Meeting of LEM Holding SA

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) on pages 50 to 53 of LEM Holding SA for the year ended 31 March 2007.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company’s articles of incorporation.

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

Geneva, 10 May 2007

Ernst & Young Ltd

Hans Isler
(in charge of the audit)

Fredi Widmann
Number of registered shareholders

<table>
<thead>
<tr>
<th>Category</th>
<th>31 March 2007</th>
<th>31 March 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–499</td>
<td>318</td>
<td>296</td>
</tr>
<tr>
<td>500–4’999</td>
<td>55</td>
<td>67</td>
</tr>
<tr>
<td>5’000–49’999</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>50’000 and more</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>388</td>
<td>382</td>
</tr>
</tbody>
</table>

Shareholders by category

<table>
<thead>
<tr>
<th>Category</th>
<th>31 March 2007</th>
<th>31 March 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional Shareholders</td>
<td>43.9</td>
<td>32.5</td>
</tr>
<tr>
<td>Private Individuals</td>
<td>31.2</td>
<td>34.9</td>
</tr>
<tr>
<td>LEM employees, managers and Board</td>
<td>1.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>4.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Non-registered shares</td>
<td>19.7</td>
<td>31.2</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Major shareholders

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>31 March 2007</th>
<th>31 March 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Werner O. Weber</td>
<td>19.25</td>
<td>17.69</td>
</tr>
<tr>
<td>Threadneedle Ltd¹</td>
<td>10.05</td>
<td>10.05</td>
</tr>
<tr>
<td>Saraselect</td>
<td>9.58</td>
<td>9.92</td>
</tr>
<tr>
<td>POWE Capital Management¹</td>
<td>0</td>
<td>5.06</td>
</tr>
<tr>
<td>Modulus Europe Ltd²</td>
<td>5.06</td>
<td>0</td>
</tr>
</tbody>
</table>

Share price data

<table>
<thead>
<tr>
<th>Symbol</th>
<th>LEHN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listing</td>
<td>SWX</td>
</tr>
<tr>
<td>Nominal value</td>
<td>CHF 0.50</td>
</tr>
<tr>
<td>ISIN</td>
<td>CH0022427626</td>
</tr>
<tr>
<td>Swiss Security Number (Valor)</td>
<td>2'242'762</td>
</tr>
</tbody>
</table>

In CHF

<table>
<thead>
<tr>
<th>FY 2006/07</th>
<th>FY 2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares</td>
<td>1'200'000</td>
</tr>
<tr>
<td>(after split 4:1)</td>
<td></td>
</tr>
<tr>
<td>Year high³</td>
<td>270.75</td>
</tr>
<tr>
<td>Year low³</td>
<td>136.20</td>
</tr>
<tr>
<td>Year end³</td>
<td>270.75</td>
</tr>
<tr>
<td>Average daily trading volume (shares)³</td>
<td>1'224</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>13.32</td>
</tr>
<tr>
<td>Earnings per share continuing business</td>
<td>13.32</td>
</tr>
<tr>
<td>Ordinary dividend per share</td>
<td>4.50</td>
</tr>
<tr>
<td>Extraordinary dividend per share</td>
<td>0</td>
</tr>
<tr>
<td>Capital repayment per share</td>
<td>0</td>
</tr>
<tr>
<td>Market capitalization per 31 March (in CHF million)</td>
<td>311.4</td>
</tr>
</tbody>
</table>

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

- 29 June 2007: Annual Shareholders’ Meeting
- 7 August 2007: Geneva Business Center, Petit Lancy
- 6 November 2007: First quarter results 2007/08
- 7 February 2008: Half-year results 2007/08
- 5 June 2008: Nine months results 2007/08
- 27 June 2008: Year-end results 2007/08
- 5 June 2008: Annual Shareholders’ Meeting

Contact

Mrs Ageeth Walti (CFO)
Tel: +41 22 706 1230
e-mail: awa@lem.com

¹ According to notification of non-registered shareholders
² Fund manager is POWE Capital management
³ Source Bloomberg
⁴ Proposal of the BoD to the Shareholders’ Meeting
LEM is a global player with production plants and development centers in Geneva (Switzerland), Beijing (China) and Machida (Japan) as well as adaptation centers in Russia and 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 > Subsidiaries & representatives