



Half Year Report 2007/08

At the heart of power electronics



Dear Shareholders,

It is with pleasure that we announce a very good progression of your company LEM, with continued sales growth and results that are profitable.

The first half of the year 2007/08 was another successful one for LEM. We have achieved sales of CHF 98.5 million, which represents an 11% increase compared to the same period last year with CHF 88.6 million. The bookings also reflect this growth and reached CHF 109.1 million for the first half, which represents an improvement of 18%, and our future outlook is optimistic with a book-to-bill ratio of 1.11.

This sales growth has been profitable as we have reached an EBIT of CHF 18.0 million which is an increase of 60%. Net earnings have almost doubled to reach CHF 12.3 million from CHF 6.2 million in the same period last year. We have created a new legal entity LEM International to adapt our legal structure to the growth of the Asian entities and to improve fiscal effectiveness.

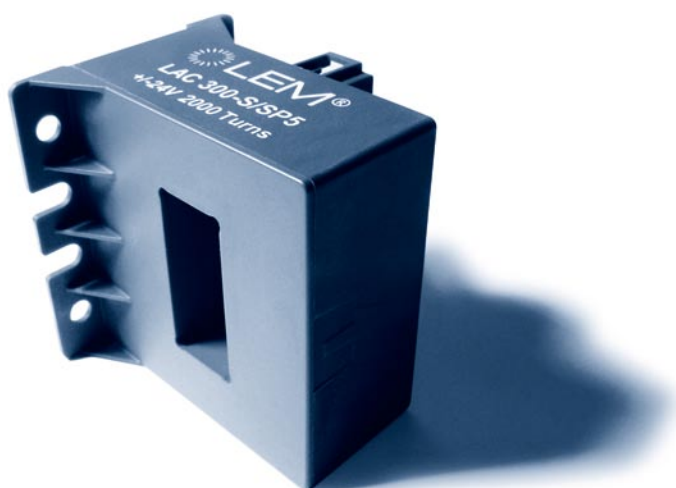
The gross margin has developed in our favor increasing by 4.7 percentage points to reach 45.7% compared to 41.0% in the first half of last year. This margin increase is mainly due to the continuous transfer of some production lines to our factory in China and the ongoing efforts that we have made in the area of our global sourcing project. The currency exchange rates have also impacted the gross margin in a favorable way.

In a recently conducted customer and employee survey we have improved our score substantially on both customer and employee viewpoint, indicating better performances as measured by the customer and better engagement from our employees worldwide.

The Industrial Segment - keeping the good momentum

Sales growth in the Industrial Segment remains very solid reaching an overall CHF 88.1 million, which is an increase of 14% compared to the first half of last year. The EBIT is in trend with our profitable growth and has increased by 63% to reach CHF 17.7 million.

The main growth has been seen in the market of **Traction** which continues to exceed our expectations; sales have gained 25% compared to the first half of last year. This is mainly due to the increased demand of transportation that we have been experiencing. The industrialized countries realize the importance of good, fast and reliable public transportation and the emerging countries, especially in Asia, the need to build this up.



We are now offering a full range of products for this market and our innovative EM4T product – the Energy Meter for Traction – which is a complex transducer to measure the energy consumption on the train is very successful.

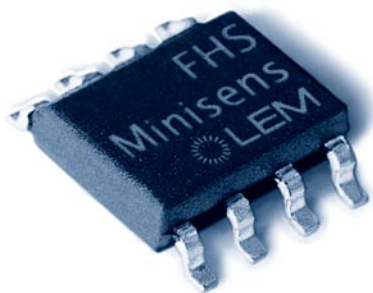
Sales in the new **Energy & Automation** market are doing well and have experienced an increase of 64% versus the same period last year. These numbers however are still growing from a small base. We are starting to see the effects of last year's flagship products Sentinel – to measure the state of health of standby batteries and Wi-LEM – the Wireless Local Energy Meter to measure energy consumption. We expect that we will be able to share more success stories with you in the next few months.

The **Industry** market remains the main driver for LEM. Sales growth has been very solid with a 10% increase compared to the same period last year. The main market for LEM transducers remain the electric motor drives where it is now proven that adding a control to the motor can reduce the energy consumption by up to 30%.

The renewable energies represent another market which continues to gain further momentum. LEM plays an important role in the generation and conversion of energy produced by wind turbines and solar panels. We have been experiencing growth above average and can report an approximate 25% increase in our sales of products.

Automotive – weak start but first signs of change

The Automotive Segment has been impacted by the slowdown in production of the US car manufacturers. For this first half of 2007/08 we are reporting a slightly negative growth of - 5%, which is a total sales of CHF 10.4 million from the CHF 11.0 million in the same period last year. However, the last months have demonstrated an improvement. We have just gained several new contracts with manufacturers in the USA and China. The production for this new business will commence in 2008.



China – a success story

Sales in the Chinese market have grown by 18% to CHF 9.9 million whilst our production volumes have increased 3.5-fold to CHF 13.4 million.

We are producing some of our key products in China and have achieved the ISO certifications 9001, 14001 and this September TS16949 for the Automotive product line to document that we are producing the “Made by LEM” quality that we are respected and known for.

We are happy to announce that the LEM family has increased and now counts over 300 employees based in our production and sales sites in China.

The **BRIC** (Brazil, Russia, India and China) countries have been performing well and we are experiencing a 15% increase in sales. This is mostly driven by Industrial applications and the Traction market.

Capital reduction – completed

The capital reduction that was approved during the last shareholders’ meeting has become effective as of 27 September, 2007.

Personnel – new Board member

Mr. Ueli Wampfler has been elected as a new member of the Board of Directors during the last shareholders’ meeting.

Outlook

The Outlook remains quite positive; we see a continued but slower growth between 6 and 8% over the year after the high growth of last year. The increase in net earnings will be substantial and is expected to be above 45% for the year.

For the Automotive segment, sales will be about the same as last year, however with a positive EBIT. We expect to see an increase in sales towards the end of the year.

Our confidence in the medium to long term remains unchanged. The drivers for our market are energy and energy savings related, which will continue to be strong in the foreseeable future.

We would like to thank you for your continued trust in LEM.

With kind regards,

Paul Van Iseghem
President and CEO

Felix Bagdasarjanz
Chairman of the Board



Interim Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

Assets	30.09.2007	31.03.2007
	TCHF	TCHF
Current assets		
Cash and cash equivalents	13'227	19'798
Trade debtors and other debtors	37'588	38'726
Other current assets	1'724	2'140
Inventories	26'269	25'082
Total current assets	78'808	85'746
Non-current assets		
Deferred tax assets	626	903
Other financial assets	76	73
Property, plant and equipment	18'112	17'067
Intangible assets	4'588	4'377
Total non-current assets	23'402	22'420
Total assets	102'210	108'166
Liabilities and equity	30.09.2007	31.03.2007
	TCHF	TCHF
Short-term liabilities		
Trade and other payables	13'075	16'332
Other short-term liabilities	647	345
Accrued expenses and deferred income	10'116	9'566
Current income tax payable	6'562	4'909
Short-term provisions	466	983
Short-term financial liabilities	1'480	7'556
Total short-term liabilities	32'346	39'691
Long-term liabilities		
Long-term provisions	2'241	1'921
Long-term financial liabilities	16	17
Other long-term liabilities	48	50
Deferred tax liabilities	1'604	1'607
Total long-term liabilities	3'909	3'595
Total liabilities	36'255	43'286
Equity		
Share capital	575	600
Reserves	21'364	22'537
Retained earnings	43'839	41'565
Equity attributable to equity holders of the parent	65'778	64'702
Minority interests	177	178
Equity	65'955	64'880
Total liabilities and equity	102'210	108'166

CONSOLIDATED INCOME STATEMENT
APRIL TO SEPTEMBER

	2007/08	2006/07
	TCHF	TCHF
Sales	98'513	88'602
Cost of goods sold	(53'455)	(52'305)
Gross margin	45'058	36'297
Sales expense	(11'050)	(10'276)
Administration expense	(11'290)	(10'312)
Research & development expense	(5'071)	(4'650)
Other expense	(13)	(176)
Other income	331	359
Operating profit	17'965	11'242
Financial expense	(570)	(535)
Financial income	136	120
Exchange effect	542	(197)
Earnings before taxes	18'073	10'630
Income taxes	(5'755)	(4'405)
Net earnings	12'318	6'225
Attributable to:		
LEM shareholders	12'281	6'182
Minority interests	37	43
Net earnings	12'318	6'225
Earnings per share	CHF	CHF
Earnings per share undiluted	10.7	5.3
Earnings per share diluted	10.4	5.2

CONSOLIDATED CASH FLOW STATEMENT
 APRIL TO SEPTEMBER

	2007/08	2006/07
	TCHF	TCHF
CASH FLOW FROM OPERATING ACTIVITIES		
Net earnings	12'318	6'225
Adjustment for non-cash items		
- Current income taxes	5'216	4'405
- Net financial result	434	254
- Expenses for share-based payments	551	491
- Depreciation and amortisation	2'221	2'173
- Increase (+) / decrease (-) of provisions and deferred taxes	50	227
Interest received	136	172
Interest paid	(570)	(426)
Taxes paid	(3'548)	(1'658)
Treasury shares acquired for stock option plans	(5'442)	0
Cash flow before changes in net working capital	11'366	11'863
Change in inventory	(1'507)	(4'462)
Change in debtors and other current assets	1'160	(5'319)
Change in payables and current liabilities	(2'495)	221
Cash flow before changes in net working capital	(2'842)	(9'560)
Cash flow from operating activities	8'524	2'303
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in tangible fixed assets	(3'270)	(3'418)
Disposal of tangible and intangible fixed assets	83	366
Investment in intangible fixed assets	(416)	(81)
Increase (-) / decrease (+) in long-term financial assets	(5)	53
Cash flow from investing activities	(3'608)	(3'080)
CASH FLOW FROM FINANCING ACTIVITIES		
Treasury shares acquired via share buy-back program	0	(6'973)
Dividends paid to the shareholders of LEM Holding SA	(5'175)	(11'725)
Dividends paid to minorities	(38)	(26)
Increase (+) in financial liabilities	1'187	5'286
Decrease (-) in financial liabilities	(7'260)	0
Cash flow from financing activities	(11'286)	(13'438)
Change in cash and cash equivalents	(6'370)	(14'215)
Cash and cash equivalents at the beginning of the period	19'798	25'395
Exchange effect on cash and cash equivalents	(201)	(457)
Cash and cash equivalents at the end of the period	13'227	10'723

SEGMENT INFORMATION –
CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

Segment information

April - September 2006	Industrial	Automotive	Total
TCHF			
Orders received	81'824	10'479	92'303
Sales	77'558	11'044	88'602
EBIT	10'847	395	11'242
April - September 2007	Industrial	Automotive	Total
TCHF			
Orders received	97'977	11'078	109'055
Sales	88'069	10'444	98'513
EBIT	17'703	262	17'965

Consolidated statement of changes in equity

Attributable to equity holder of the company									
TCHF	Share capital	Capital reserves	Reserve for treasury shares	Treasury shares	Stock option plan	Currency translation diff.	Retained earnings	Minority Interest	Total equity
Balance on 1 April 2006	600	27'703	0	0	0	0	41'315	123	69'741
Changes in capital									0
Dividends paid							(11'725)		(11'725)
Changes in scope of consolidation									0
Dividends paid to minority interests								(26)	(26)
Attribution of earnings							6'182	43	6'225
Currency translation difference						(787)		1	(786)
Stock option plan					490				490
Treasury shares		(6'973)	6'973	(6'973)					(6'973)
Balance on 30 September 2006	600	20'730	6'973	(6'973)	490	(787)	35'772	141	56'946
There of P&L items recorded in equity					490				490
Balance on 1 April 2007	600	19'009	7'820	(7'820)	1'429	2'098	41'566	178	64'880
Changes in capital	(25)	25							0
Dividends paid							(5'175)		(5'175)
Changes in scope of consolidation									0
Dividends paid to minority interests								(38)	(38)
Attribution of earnings							12'281	37	12'318
Currency translation difference						(1'138)			(1'138)
Stock option plan					(59)		(4'833)		(4'892)
Treasury shares			(7'820)	7'820					0
Balance on 30 September 2007	575	19'034	0	0	1'370	960	43'839	177	65'955
There of P&L items recorded in equity					551				551

1. Nature of operations

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.

2. Basic principles of group accounting

These unaudited consolidated financial statements for the six months ended on September 30, 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and comply with IAS-34 “Interim Reporting”.

The consolidated statements are based on the accounting principles set out in the 2006/07 annual report of the LEM Group, which were applied without changes.

The following changes in accounting standards have been taken into consideration but did not have any effect on the balance sheet and income statement of LEM: IFRIC-8, IFRIC-9, IFRIC-10. The new disclosures in relation to IAS-1 and IFRS-7 will be presented in the annual report 2007/08 of LEM.

3. Income taxes

The variation in the Groups effective tax rate is caused by changes in volumes, product mix and profitability of the Groups subsidiaries in the various jurisdictions. It includes the release of a tax provision following the closing of a tax investigation.

4. Financial liabilities

The Group repaid short-term financial liabilities in LEM Holding SA of TCHF 7'000, bearing an interest rate of libor + 0.60%. Beijing LEM Electronics Co Ltd borrowed TUSD 1'000 from a bank at libor +1%. The loan is payable in full on 30.05.2008.

5. Shareholders' equity

Dividend

At the shareholders' meeting held in Geneva on June 29, 2007, the shareholders approved the distribution of an ordinary dividend of CHF 4.50 per share. The ex-dividend day was July 2, 2007. The total amount spent for the gross dividend was TCHF 5'175.

Cancellation of treasury shares

At the shareholders' meeting held in Geneva on June 29, 2007, the shareholders approved the cancellation of 50'000 treasury shares. The capital reduction has been registered in the register of commerce September 27, 2007.



6. Stock option plan

On May 10, 2007 the Board of Directors approved a new stock option plan for the management team and the directors. Each of the 26'820 options give the right to buy one LEM share at a strike price of CHF 240.52 during the exercise period from April 1, 2010 to March 31, 2012.

7. Events after the balance sheet date

Between the balance sheet reference and the approval of the consolidated financial statements by the Board of Directors on November 2, 2007, no further significant events occurred which might make the 2007/08 consolidated financial statements for the six months ended on September 30, 2007 less meaningful or which would warrant disclosure at this point.

8. Exchange rates

The following exchange rates were used :

	Period-end rate for balance sheet	31.03.07	Period average rate for income statement	2006/07
	30.09.07		2007/08	
EUR	1.661	1.624	1.648	1.57
GBP	2.384	2.390	2.425	2.296
JPY	0.0101	0.0103	0.0102	0.0108
USD	1.1644	1.218	1.211	1.241
RUB	0.047	0.047	0.047	0.046
CNY	0.155	0.158	0.159	0.156



Postal address

LEM Holding SA
P.O. BOX 785
CH – 1212 Grand-Lancy 1

Visitors address

LEM Holding SA
8, chemin des Aulx
CH – 1228 Plan-les-Ouates
Phone +41 22 706 11 11
Fax +41 22 794 94 78