LEM

Life Energy Motion

Financial Report
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LEM Group

LEM HOLDING SA

LEM Group

Consolidated statement of financial position

Assets

in CHF thousands	Notes	31.3.2023	31.3.2022
Current assets			
Cash and cash equivalents		21'775	17'198
Accounts receivable	5	86'458	80'096
Inventories	6	56'831	46'140
Income tax receivable		3'896	3'470
Other current assets	7	4'678	6'582
Total current assets		**173'638**	**153'486**
Noncurrent assets			
Property, plant and equipment	8	73'580	60'574
Right-of-use assets	9	25'266	28'436
Intangible assets	10	5'987	4'072
Deferred tax assets	21	48'369	54'102
Other noncurrent assets	11	664	728
Total noncurrent assets		**153'866**	**147'911**
Total assets		**327'504**	**301'397**

Liabilities and equity

in CHF thousands	Notes	31.3.2023	31.3.2022
Current liabilities			
Accounts payable	12	36'071	26'677
Accrued expenses		32'296	30'423
Lease liabilities	9	3'103	1'646
Income tax payable	21	2'199	3'793
Current provisions	13	601	94
Interest-bearing loans and borrowings		38'414	40'650
Other current liabilities	14	2'228	1'267
Total current liabilities		**114'912**	**104'549**
Noncurrent liabilities			
Noncurrent lease liabilities	9	26'930	28'375
Noncurrent provisions	13	1'020	856
Deferred tax liabilities	21	2'934	3'469
Interest-bearing loans and borrowings		5'175	
Other noncurrent liabilities	14	2'899	2'952
Total noncurrent liabilities		**38'959**	**35'651**
Total liabilities		**153'871**	**140'200**
Equity			
Share capital	15	570	570
Treasury shares	15	(1'069)	(977)
Reserves	15	2'949	9'701
Retained earnings		171'184	151'904
Total equity		**173'633**	**161'197**
Total liabilities and equity		**327'504**	**301'397**

Consolidated income statement

in CHF thousands	Notes	April to March 2022/23	2021/22
Sales		406'350	373'395
Cost of goods sold		(214'156)	(196'116)
Gross profit		**192'194**	**177'279**
Sales expenses		(29'124)	(28'909)
Administration expenses		(38'950)	(30'778)
Research & development expenses		(32'174)	(29'392)
Other income		234	158
Operating profit		**92'180**	**88'358**
Financial expenses	18	(1'719)	(650)
Financial income	19	392	269
Foreign currency exchange effect	20	(1'928)	(2'700)
Profit before tax		**88'925**	**85'277**
Income taxes	21	(13'585)	(12'910)
Net profit		**75'340**	**72'367**
Earnings per share, in CHF			
Basic earnings per share	22	66.12	63.48
Diluted earnings per share		66.07	63.48

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

Consolidated statement of comprehensive income

in CHF thousands	Notes	April to March 2022/23	2021/22
Net profit for the period recognized in the income statement		**75'340**	**72'367**
Other comprehensive income to be reclassified to profit and loss in subsequent periods			
Currency translation difference		(6'843)	698
Income tax		726	(106)
Total other comprehensive income to be reclassified to profit and loss in subsequent periods		**(6'117)**	**592**
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Remeasurement gains/(losses) on defined benefit plans	24	(172)	4'596
Income tax	21	32	(605)
Total other comprehensive income not to be reclassified to profit and loss in subsequent periods		**(140)**	**3'991**
Other comprehensive income/(loss) for the period, net of tax		**(6'257)**	**4'583**
Total comprehensive income for the period		**69'083**	**76'950**

Consolidated statement of changes in equity

Attributable to shareholders

in CHF thousands	Notes	Share capital	Treasury shares	Capital reserve	Translation reserve	Retained earnings	Total equity
1 April 2021		**570**	**(1'156)**	**13'099**	**(3'917)**	**123'304**	**131'899**
Net profit for the year						72'367	72'367
Other comprehensive income/(loss)					698	3'885	4'583
Total comprehensive income					*698*	*76'252*	*76'950*
Dividends paid	15					(47'858)	(47'858)
Movement in treasury shares	15		179	(179)		207	207
31 March 2022		**570**	**(977)**	**12'920**	**(3'219)**	**151'904**	**161'197**
1 April 2022		**570**	**(977)**	**12'920**	**(3'219)**	**151'904**	**161'197**
Net profit for the year						75'340	75'340
Other comprehensive income/(loss)					(6'843)	586	(6'257)
Total comprehensive income					*(6'843)*	*75'926*	*69'083*
Share-based payments	17					514	514
Dividends paid	15					(56'958)	(56'958)
Movement in treasury shares	15		(92)	92		(202)	(202)
31 March 2023		**570**	**(1'069)**	**13'011**	**(10'062)**	**171'185**	**173'633**

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

Consolidated cash flow statement

in CHF thousands	Notes	April to March 2022/23	2021/22
Cash flow from operating activities			
Profit before tax		**88'925**	**85'277**
Adjustment for noncash items and taxes paid		9'020	(19'976)
Net financial result		1'257	327
Derivative financial instruments revaluation		(18)	(837)
Share-based payment expense		516	
Depreciation and amortization		14'592	15'149
Impairment loss		442	
Gain / Loss on disposal of fixed assets		75	43
Increase (+) / decrease (-) of provisions and allowances		1'596	924
Movement in pension		(244)	447
Interest received		284	242
Interest paid		(536)	(167)
Taxes paid		(8'944)	(36'104)
Cash flow before changes in net working capital		**97'945**	**65'301**
Change in inventories		(13'789)	(5'750)
Change in accounts receivable and other current assets		(10'786)	(13'782)
Change in payables and other liabilities		13'624	4'660
Cash flow from changes in net working capital		**(10'951)**	**(14'872)**
Cash flow from operating activities		**86'995**	**50'429**
Cash flow from investing activities			
Investment in fixed assets	8	(26'232)	(20'755)
Investment in intangible assets	10	(227)	(344)
Increase (–) in other noncurrent assets		(144)	(422)
Decrease (+) in other noncurrent assets		150	523
Cash flow from investing activities		**(26'453)**	**(20'998)**
Cash flow from financing activities			
Treasury shares acquired (–)	15	(7'427)	(14'653)
Treasury shares divested (+)	15	7'225	14'860
Payment of lease liabilities		(1'819)	(4'388)
Lease incentive received		892	750
Dividends paid to the shareholders of LEM HOLDING SA	15	(56'958)	(47'858)
Increase (+) in financial liabilities		141'745	172'200
Decrease (–) in financial liabilities		(138'590)	(155'550)
Cash flow from financing activities		**(54'932)**	**(34'639)**
Change in cash and cash equivalents		**5'609**	**(5'208)**
Cash and cash equivalents at the beginning of the period		**17'198**	**22'418**
Exchange effect on cash and cash equivalents		(1'032)	**(13)**
Cash and cash equivalents at the end of the period		**21'775**	**17'198**

Notes to the consolidated financial statements

1. General information

LEM Group (the Group) is a leading company in electrical measurement. LEM engineers the best solutions for energy and mobility, ensuring that its customers' systems are optimized, reliable and safe. The Group has operations in seventeen countries and employed 1'716 people as at 31 March 2023. The parent company of LEM Group is LEM HOLDING SA (the Company) which is a limited company incorporated in Switzerland.
LEM HOLDING SA has been domiciled at Route du Nant-d'Avril 152, 1217 Meyrin, since 30 June 2022.
The financial year ends on 31 March 2023. The Company has been listed on the SIX Swiss Exchange since 1986.
The Board of Directors approved the consolidated financial statements on 23 May 2023, to be submitted for approval by the Annual General Meeting of Shareholders on 29 June 2023.

2. Significant accounting principles

2.1 Basis of preparation

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

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

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

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standard or interpretation	Title	Effective date
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022

These amendments did not have a material impact on the Group's consolidated financial statements.

Future standards

There are no standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

2.3 Summary of critical accounting estimates and judgments

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

Leases

The Group assessed whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgment about whether it depends on a specific asset, whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

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

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. Other intangible assets and property, plant and equipment are tested for impairment if there is a triggering event indicating a potential impairment. These calculations require the use of estimates in particular to the expected growth of sales, discount rates and development of raw material prices.

Provisions

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

Income and other taxes

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

Employee benefits

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

Valuation of deferred tax assets

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

2.4 Basis of consolidation

The consolidated financial statements are composed of LEM HOLDING SA and of its subsidiaries.

Subsidiaries

Subsidiaries are those entities over which the Group has control. Control is when the Group is exposed, or has rights, to variable returns from its involvement with subsidiary and has the ability to affect those returns through its power over the subsidiary to direct the relevant activities.

Business combinations are accounted for using the acquisition method. Companies that are acquired are included when control is obtained and are consolidated until control is transferred to the acquirer. The cost of purchasing a company is determined as the sum of the fair value of the assets that are to be paid to the seller and the obligations that are entered into, or assumed, on the date of purchase. Identifiable acquired assets, liabilities and contingent liabilities are recognized at their fair value as of the date of their acquisition. The Group's share of the purchase price that exceeds the fair value of the identifiable net assets is recognized as goodwill. The Group's share of the fair value of the identifiable net assets that exceeds the purchase price is shown as a gain on bargain purchase on the income statement.

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

Unrealized intragroup profits, particularly on inventories and fixed assets, are eliminated.

Associates

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

No associated undertakings existed as at 31 March 2023 and 31 March 2022.

2.5 Foreign currencies

Functional and presentation currency

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

Foreign currency translation

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

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

Currency	Income statement of 2022/23 Average rate in CHF	Income statement of 2021/22 Average rate in CHF	Balance sheet 31.3.2023 Year-end rate in CHF	Balance sheet 31.3.2022 Year-end rate in CHF
BGN	0.508	0.546	0.509	0.525
CNY	0.139	0.143	0.133	0.146
DKK	0.134	0.144	0.134	0.138
EUR	0.994	1.068	0.995	1.026
GBP	1.150	1.255	1.131	1.213
JPY	0.0071	0.0082	0.0069	0.0076
MYR	0.215	0.220	0.207	0.219
RUB	0.014	0.012	0.012	0.011
USD	0.955	0.919	0.914	0.923

Foreign currency transactions

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

2.6 Cash and cash equivalents

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

2.7 Inventories

Inventories are stated at the lower of cost or net realizable value. The first-in, first-out (FIFO) method is applied. The cost of finished goods and work in process comprise raw materials, direct labor costs and other costs that can be directly allocated, such as production overhead expenditures. Allowances are established when:
- there is an objective indication that the Group will not be able to sell the goods in due time;
- the goods are damaged, in excess or obsolete;
- the net realizable value is below cost.

2.8 Property, plant and equipment

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

Land	nil
Buildings	20–40 years
Fixtures and equipment	5–15 years
Machinery and equipment	5–8 years
Tools and molds	2–5 years
Vehicles	3–5 years
IT equipment	3–5 years

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

2.9 Leases

The Group recognizes a right-of-use asset and a corresponding lease liability with respect to contracts considered as a lease in which the Group acts as lessee, except for leases with a term of 12 months or less ("short-term leases") and leases for which the underlying asset is of a low value ("low-value asset").
At the commencement date of a lease, a lessee recognizes a liability measured at the present value of future lease payments using the interest rate stated in the contract or in the absence of such a rate an incremental borrowing rate (i.e., the lease liability) and a corresponding asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Extension options are initially only considered if the Group is reasonably certain that such options are exercised. Lease liabilities are subsequently remeasured in case the lease term is changing or if extension options are reassessed. Right-of-use assets are adjusted accordingly if lease liabilities are reassessed.
Lease liabilities are thereafter recorded at amortized cost whereas right-of-use assets are depreciated on a straight-line basis over the lease term.

Real estate leases

The Group leases buildings for use as office and warehouse space. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are typically made for a fixed period of 1 to 15 years and may include extension options.

Vehicles leases

The Group maintains some leased vehicles with an average lease term of 3 years.

2.10 Intangible assets

Goodwill

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

Research & development

Research costs are expensed as incurred. An intangible asset arising from development is recognized if, and only if, the Group can demonstrate the following:
- the technical feasibility of completing the intangible asset;
- Group's intention to complete the intangible asset;
- ability to use or sell the intangible asset and the expectation that the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development; and
- the ability to measure the expenditure attributable to the intangible asset during its development reliably.

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

Other intangible assets

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

2.11 Impairment of tangible fixed assets, intangible assets and right-of-use assets

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

2.12 Financial assets

Financial assets comprise cash, receivables, certain accrued income, marketable securities and derivative financial instruments. Financial assets are recorded on the trade date.

Initial recognition and measurement

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification:
- financial assets at fair value through profit and loss (refer to note 2.13);
- loans and receivables are measured at amortized cost using the effective interest rate method, less impairment.

Accounts receivable are carried at the original invoice amount less an allowance made for doubtful accounts based on a review of all outstanding amounts at year-end covering expected lifetime credit losses. Allowances for doubtful accounts are established when there is an objective indication that the Group will not be able to collect the amounts due. Allowances for doubtful accounts are written off when identified as not recoverable in full. For accounts receivable that are not individually adjusted, LEM applies the simplified approach for the recognition of the expected lifetime losses using a provision matrix.

Other receivables are measured at amortized cost less allowances for amounts that are deemed not to be recoverable.

2.13 Derivative financial instruments

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

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

2.14 Financial liabilities

Financial liabilities comprise bank loans, payables, certain accrued expenses and derivative financial instruments at the end of the period. Financial liabilities are initially recorded on the trade date.
All financial liabilities are recognized initially at fair value less, in the case of financial liabilities not at fair value through profit and loss, directly attributable transaction costs.
Financial liabilities that are due within 12 months after the balance sheet date are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability until at least 12 months after the balance sheet date.
Borrowing costs are expensed as incurred except if they are capitalized as part of a qualifying asset.

Subsequent measurement

Subsequently, financial liabilities other than derivatives are measured at amortized cost based on their effective interest rate. Interest expenses and foreign currency revaluations are recognized in the income statement. On derecognition, gains and losses are recognized in the income statement. Financial liabilities are derecognized when the contractual obligations are fulfilled, cancelled or expire.

2.15 Employee benefits

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

Defined benefit plan

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

Defined contribution plan

The subsidiaries sponsor defined contribution plans including state plans based on local laws and regulations. Defined contribution plan expenses are recorded in the income statement as incurred.

LEM Incentive System

The LEM Incentive System consists of a short-term incentive component and a long-term incentive component.
The short-term incentive component compensates for the actual annual results and achieved performance. The long-term incentive plan rewards the members of the Executive Management and Senior Managers for the sustainable financial performance of the Group.
Both elements are cash settled and the bonus payments are made in the first four months of the following fiscal year. The estimated payments are accrued for at year-end.
As of 2022/23, the Board of Directors of LEM HOLDING SA decided to replace the current cash-based long-term incentive plan for LEM's Executive Management by a share-based Performance Share Unit ("PSU") plan.

Share-based payment

The purpose of the share-based Performance Share Unit ("PSU") plan is to offer LEM's senior management and Executive Management the possibility to participate in the future long-term business results of LEM Group, provide an increased incentive for participants and foster loyalty as well as align the interests among senior management and Executive Management, LEM Group as well as its shareholders.

The number of shares obtained per PSU can thereby vary between 0% and 200% of the award, subject to continuous employment and depending on the achievement of pre-agreed performance conditions.

The performance conditions include non-market and market conditions such as economic value added ("EVA"), absolute total shareholder return ("absolute TSR"), and total shareholder return measured relative to the SPI EXTRA® Total Return Index ("relative TSR"). The grant-date fair value estimate of market conditions are based on a Monte Carlo simulation. The performance conditions are measured over the period of three consecutive financial years starting with the financial year during which the award date occurs relevant for measuring the long-term performance.

The Group accounts for the PSU as an equity-settled plan.

The employee services received in exchange for the grant of the PSU are measured at the fair value of the equity instruments granted and are recognized as expenses, with a corresponding increase in retained earnings over the vesting period.

The dilutive impact of the outstanding performance share plan is reflected in the calculation of diluted earnings per share.

Further details about this share-based payment LTI plan are provided in the compensation report (page 60).

2.16 Provisions and contingent liabilities

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

Warranty and customer claims

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

Litigations

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

Restructuring

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

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

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

Contingent liabilities

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

2.17 Share capital

LEM HOLDING SA has only ordinary registered shares. Dividends on ordinary shares are deducted from equity in the period in which they are declared.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in retained earnings.

2.18 Revenue recognition

Revenue from the sale of products is recognized at a point in time when LEM satisfies its performance obligation, which is the moment when the customer acquires control over the products. This is generally achieved at delivery of the products. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from the sale of products comprises all revenue that is derived from sales of products to third parties after deduction of rebates and value-added taxes.

2.19 Income taxes and deferred taxation

Income taxes

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

Deferred taxation

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

3. Segment Information

As of 1 April 2022, LEM Group decided to modify its organizational structure and to manage its business primarily on a geographic basis and therefore dissolved the two operating segments Industry and Automotive.

For management purposes, LEM Group is now organized into two reportable segments as follows:
– Region of Asia which includes China, Japan, South Korea, India, South-East Asia;
– Region of Europe/Americas which includes Europe, Middle East, Africa, NAFTA and Latin America.

Although the reportable segments provide similar electronics components called transducers for applications in different customer sectors, each region is managed separately to better align with the location of the Group's customers and distribution partners and the unique market dynamics of each geographic region.

The Group evaluates the performance of its reportable segments based on net sales and operating profit. Net sales for geographic segments are based on the location of customers. Operating profit for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment.
Centralized headquarter support functions as well as certain research and development costs managed outside of the reportable segments are allocated to each segment based on sales.

The Group does not include intercompany transfers between segments for management reporting purposes. The reporting segments are presented in a manner consistent with the internal reporting.

LEM Group has restated the sales and corresponding items of segment information for earlier periods.

It was not possible to disclose the current period based on the old basis of segmentation as the necessary information is not available.

Business segment information

In CHF thousands	Asia 2022/23	Asia 2021/22	Europe/Americas 2022/23	Europe/Americas 2021/22	LEM Group 2022/23	LEM Group 2021/22
Income statement						
Sales	228'900	211'248	177'450	162'147	406'350	373'395
EBITDA	60'591	59'974	46'557	43'535	107'148	103'507
Depreciation and amortization						
Property, plant and equipment	3'705	3'415	7'765	6'818	11'470	10'233
Intangible assets	217	218	167	195	383	413
Right-of-use assets	1'021	1'084	2'094	3'419	3'115	4'503
Total	**4'943**	**4'717**	**10'026**	**10'432**	**14'968**	**15'149**
Operating profit	55'648	55'257	36'531	33'103	92'180	88'358
Interest expenses					(1'719)	(650)
Interest revenue					392	268
Foreign currency exchange effect					(1'928)	(2'700)
Taxes					(13'585)	(12'910)
Net profit for the year					75'340	72'366
Capital expenditures						
Property, plant and equipment	11'480	5'394	14'752	15'361	26'232	20'755
Intangible assets	71	101	156	243	227	344
Total capital expenditures	**11'772**	**5'495**	**14'908**	**15'604**	**26'680**	**21'099**
Goodwill	2'907	3'022			2'907	3'022

Assets by reportable segments include trade receivables, inventories, property, plant and equipment, right-of-use assets. Liabilities by reportable segments include trade payables, accrued expenses and lease liabilities.

4. Revenue information

Regional information

In CHF thousands	2022/23	2021/22
Sales		
China	157'897	143'825
Rest of Asia	71'003	67'423
Total region Asia	**228'900**	**211'248**
EMEA	127'668	124'674
Americas	49'782	37'473
Total region Europe/Americas	**177'450**	**162'147**
LEM Group	406'350	373'395

Geographical information

In CHF thousands	China 2022/23	China 2021/22	USA 2022/23	USA 2021/22	Germany 2022/23	Germany 2021/22	Japan 2022/23	Japan 2021/22
Sales	157'897	143'825	44'560	32'607	43'533	37'862	29'149	28'845
Noncurrent assets[1]	15'990	13'789	98	60	132	148	3'425	3'661
Right-of-use assets	1'339	1'712	394	50	8	48	247	529

In CHF thousands	South Korea 2022/23	South Korea 2021/22	Italy 2022/23	Italy 2021/22	Other countries 2022/23	Other countries 2021/22	LEM Group 2022/23	LEM Group 2021/22
Sales	24'650	19'915	13'827	13'087	92'734	97'254	406'350	373'395
Noncurrent assets[1]		0	21	23	59'902	46'964	79'567	64'645
Right-of-use assets			37	52	23'241	26'045	25'266	28'436

[1] Other than financial instruments, deferred tax assets and post-employment benefit assets

Sales are reported as per place of transaction destination.

5. Accounts receivable

in CHF thousands	31.3.2023	31.3.2022
Accounts receivable – trade	82'525	74'918
Allowance for doubtful accounts / expected credit losses	(1'379)	(1'147)
Total accounts receivable – trade	**81'146**	**73'771**
Other receivables	5'313	6'325
Total	**86'458**	**80'096**

Movements of allowance for doubtful accounts/expected credit losses

in CHF thousands	Total
Balance as per 1 April 2021	**710**
Addition	500
Utilized during the year	(21)
Foreign exchange effect	(42)
Balance as per 31 March 2022	**1'147**
Balance as per 1 April 2022	**1'147**
Addition	467
Utilized during the year	(188)
Foreign exchange effect	(47)
Balance as per 31 March 2023	**1'379**

Aging analysis of accounts receivable

In CHF thousands	Not due	< 30 days	31–90 days	91–180 days	> 180 days	Total
31 March 2022						
Accounts receivable – trade	61'858	8'985	3'129	229	717	74'918
Allowances for doubtful accounts / expected credit losses	(90)	(157)	(273)	(42)	(585)	(1'147)
Other receivables	6'324				1	6'325
Total	**68'092**	**8'829**	**2'856**	**186**	**133**	**80'096**
31 March 2023						
Accounts receivable – trade	70'633	8'116	2'343	363	1'070	82'525
Allowances for doubtful accounts / expected credit losses	0	(157)	(117)	(90)	(1'015)	(1'379)
Other receivables	4'517	510			286	5'313
Total	**75'150**	**8'469**	**2'226**	**273**	**341**	**86'458**

6. Inventories

in CHF thousands	31.3.2023	31.3.2022
Raw material	30'756	24'514
Work in progress	3'323	2'526
Finished goods and goods for resale	22'752	19'100
Total	**56'831**	**46'140**

The inventories include allowances of CHF 6'090 thousand (at 31 March 2022: CHF 6'092 thousand).

7. Other current assets

in CHF thousands	31.3.2023	31.3.2022
Advances to suppliers	2'682	4'665
Prepayments and accrued income	1'952	1'795
Derivative financial instruments	42	32
Other current assets	2	90
Total	**4'678**	**6'582**

8. Property, plant and equipment

in CHF thousands	Land and buildings	Machinery and equipment	Total
Net book value 1 April 2021	**42**	**50'345**	**50'387**
Investment	1'025	19'731	20'755
Disposal		(27)	(27)
Impairment			
Other movements		41	41
Depreciation	(8)	(10'227)	(10'233)
Foreign exchange effect	(4)	(345)	(349)
Net book value 31 March 2022	**1'055**	**59'518**	**60'574**
At cost of acquisition	1'153	147'493	148'646
Accumulated depreciation	(98)	(87'975)	(88'072)
Net book value 31 March 2022	**1'055**	**59'518**	**60'574**
Net book value 1 April 2022	**1'055**	**59'518**	**60'574**
Investment	717	25'736	26'453
Disposal		(140)	(140)
Impairment		(442)	(442)
Other movements		(17)	(17)
Depreciation	(13)	(11'016)	(11'028)
Foreign exchange effect	(57)	(1'762)	(1'819)
Net book value 31 March 2023	**1'703**	**71'878**	**73'580**
At cost of acquisition	1'804	161'131	162'934
Accumulated depreciation	(101)	(89'253)	(89'354)
Net book value 31 March 2023	**1'703**	**71'878**	**73'580**

9. Leases

9.1 Right-of-use assets

in CHF thousands	Real estate	Vehicles	Total
Net book value 1 April 2021	**7’008**	**245**	**7’253**
Addition	25’874	58	25’932
Remeasurement	(25)		(25)
Depreciation	(4’369)	(134)	(4’503)
Foreign exchange effect	(216)	(5)	(221)
Net book value 31 March 2022	**28’272**	**164**	**28’436**
At cost of acquisition	37’117	523	37’640
Accumulated depreciation	(8’845)	(359)	(9’204)
Net book value 31 March 2022	**28’272**	**164**	**28’436**
Net book value 1 April 2022	**28’272**	**164**	**28’436**
Addition	880	231	1’111
Remeasurement	(882)		(882)
Depreciation	(2’984)	(130)	(3’114)
Foreign exchange effect	(271)	(14)	(285)
Net book value 31 March 2023	**25’015**	**251**	**25’266**
At cost of acquisition	33’114	583	33’697
Accumulated depreciation	(8’099)	(332)	(8’431)
Net book value 31 March 2023	**25’015**	**251**	**25’266**

On 14 January 2022, LEM International SA entered into a lease agreement for its new headquarters for 15 years.

9.2 Lease liabilities

The Group presents the lease liabilities in the table below:

in CHF thousands	Current lease liabilities	Noncurrent lease liabilities	Total
Balance as per 1 April 2021	**3'458**	**3'905**	**7'363**
Payment of lease liabilities including interest	(4'388)		(4'388)
Non-cash items			0
Addition	487	26'382	26'869
Interest	402		402
Transfer from noncurrent to current	1'732	(1'732)	0
Exchange differences	(46)	(180)	(226)
Balance as per 31 March 2022	**1'646**	**28'375**	**30'021**
Balance as per 1 April 2022	**1'646**	**28'375**	**30'021**
Payment of lease liabilities including interest	(1'819)		(1'819)
Lease incentive	892		892
Non-cash items			0
Addition	224	887	1'111
Interest	1'006		1'006
Remeasurements	(873)		(873)
Transfer from noncurrent to current	2'149	(2'149)	0
Foreign exchange effect	(121)	(183)	(304)
Balance as per 31 March 2023	**3'103**	**26'930**	**30'034**

The weighted average incremental borrowing rate is 3.35% (31 March 2022: 1.34%).

The following table presents the contract undiscounted cash flows for lease obligations as at 31 March 2023:

Undiscounted cash flows

In CHF thousands	31.3.2023	31.3.2022
Within 1 year	4'261	1'853
Within 1 year to 5 years	12'118	12'562
Above 5 years	20'862	23'564

9.3 Other lease disclosures

The following expenses related to the Group's leasing activities are recognized in the income statement:

Expenses related to the Group's leasing activities

In CHF thousands	31.3.2023	31.3.2022
Expenses relating to short-term leases / low value assets	(1'001)	(492)
Depreciation of right-of-use assets	(3'114)	(4'503)
Interest expenses on lease liabilities	(1'006)	(402)
Total	**(5'121)**	(5'397)

10. Intangible assets

in CHF thousands	Goodwill	Patents	Other intangible assets	Total
Net book value 1 April 2021	**3'171**	**130**	**1'025**	**4'326**
Investment			344	344
Other movements			(35)	(35)
Amortization			(413)	(413)
Foreign exchange effect	(148)	0	(2)	(150)
Net book value 31 March 2022	**3'022**	**130**	**920**	**4'072**
At cost of acquisition	3'022	465	9'285	12'773
Accumulated amortization		(335)	(8'365)	(8'700)
Net book value 31 March 2022	**3'022**	**130**	**920**	**4'072**
Net book value 1 April 2022	**3'022**	**130**	**920**	**4'072**
Investment		51	2'368	2'418
Other movements			16	16
Amortization			(383)	(383)
Foreign exchange effect	(115)	0	(21)	(136)
Net book value 31 March 2023	**2'907**	**181**	**2'899**	**5'987**
At cost of acquisition	2'907	516	11'505	14'928
Accumulated amortization		(335)	(8'606)	(8'941)
Net book value 31 March 2023	**2'907**	**181**	**2'899**	**5'987**

The entire goodwill of LEM Group results from the acquisition of NANA in 2000/01 and is allocated to the cash-generating unit LEM Japan KK. The goodwill relates to the Asia business segment. The recoverable amount has been determined based on value-in-use calculations. These calculations use cash flow projections of five years based on financial business plans and budgets approved by management. The projections include assumptions concerning revenue growth and expected operating costs over the next five years plus a continuous period. Average revenue growth is projected at 8.5% and operating costs were estimated based on the experience of management. The pretax discount rate used within these cash flow calculations is 13.7% (2021/22 12.8%) and is based on the weighted average cost of capital of a peer group. The carrying value of the cash-generating unit including goodwill was compared to the value in use and no impairment was found to be present for the year ended 31 March 2023.

This year, the Group entered into a transformation program to support LEM's future growth. This transformation program contains cloud computing arrangements on which an assessment has been made to ensure it complies with IAS 38 Intangible assets. In relation to cloud computing arrangements, an entity needs to assess whether an intangible asset(s) is/are present, i.e. does the contract provide the customer with a resource that it can control. Costs of implementation such as testing software and configuration are capitalized if directly attributable, and programming of interfaces are capitalized if they met the definition of IAS 38. All other costs are expensed.

11. Other noncurrent assets

in CHF thousands	31.3.2023	31.3.2022
Loan to personnel	140	190
Deposits & guarantees	524	538
Total	**664**	**728**

12. Accounts payable

in CHF thousands	31.3.2023	31.3.2022
Total accounts payable – trade	33’004	23’320
Other payables	3’067	3’357
Total	**36’071**	**26’677**

13. Provisions

In CHF thousands	Warranty and customer claims	Litigations	Other	Total
Balance as per 1 April 2021	**1’594**	**359**	**322**	**2’275**
Additional provisions	218		63	281
Unused amounts reversed	(649)	(149)	(213)	(1’011)
Utilized during the year	(482)		(112)	(594)
Foreign exchange effect	0	0	(2)	(2)
Balance as per 31 March 2022	**681**	**210**	**58**	**950**
Of which current				*94*
Of which noncurrent				*856*
Balance as per 1 April 2022	**681**	**210**	**58**	**950**
Additional provisions	334		727	1’061
Unused amounts reversed	(177)	(35)	(4)	(216)
Utilized during the year	(71)		(12)	(83)
Foreign exchange effect	(26)		(64)	(91)
Balance as per 31 March 2023	**741**	**175**	**705**	**1’621**
Of which current				*601*
Of which noncurrent				*1’020*

Warranty and customer claims
Provisions for warranty and customer claims have been estimated based on past experience and the risk assessment of management. The warranty provision is expected to be used over the next five years.

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

Other
A restructuration provision of CHF 380 thousand is recorded in 2022/23 due to termination of operations in LEM Russia.

14. Other liabilities

In CHF thousands	**31.3.2023**	**31.3.2022**
Post-employment benefit plans	513	531
Derivative financial instruments		8
Other liabilities	4'613	3'680
Total	**5'127**	**4'219**
Of which current	*2'228*	*1'267*
Of which noncurrent	*2'899*	*2'952*

15. Equity

Share capital

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

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

Movement of treasury shares

In number of shares, in CHF	Number	High	Price per share in CHF Average	Low	Value in CHF thousands
Value 1 April 2021	**608**				**1'156**
Purchases at cost	6'936	2'670.00	2'112.59	1'634.18	14'653
Sales at cost	(7'095)	2'670.00	2'090.42	1'657.40	(14'832)
Value 31 March 2022	**449**				**977**
Purchases at cost	3'986	2'401.82	1'863.23	1'392.29	7'427
Sales at cost	(3'880)	2'438.18	1'890.66	1'439.90	(7'336)
Value 31 March 2023	**555**				**1'069**

In CHF	
Ordinary dividend per share 2021/22	50.00
Ordinary dividend per share 2022/23	52.00

A dividend of CHF 52 per share will be proposed by the Board of Directors to the Annual General Meeting of Shareholders of the Group on 29 June 2023. The expected payout for dividends amounts to CHF 59.3 million.

16. Staff costs

In CHF thousands	Notes	2022/23	2021/22
Production		(28'520)	(25'792)
Sales		(19'544)	(19'387)
Administration		(16'192)	(15'335)
Research & development		(23'833)	(20'046)
Total		**(88'089)**	**(80'559)**
Salaries and wages		(83'039)	(74'406)
Temporary employee costs		(3'596)	(3'624)
Cost of defined benefit plans	24.1	(1'274)	(2'335)
Cost of defined contribution plans		(180)	(194)
Total		**(88'089)**	**(80'559)**

Number of employees at the end of the financial year		**31.3.2023**	**31.3.2022**
Permanent employees		1'488	1'350
Temporary employees		216	198
Apprentices		13	24
Total		**1'716**	**1'572**

17. Share-based payments

The grant-date fair value is calculated based on the closing share price as reported by SIX Swiss Exchange at the date of the grant.
As the EVA condition is a non-market condition, the future EVA performance realization is not reflected in the grant-date fair value. Since plan participants are not entitled to dividends during the vesting period, the value of the EVA-driven part of a PSU is reduced by the present value of the expected dividend stream during the period from the grant date to the vesting date.
The three-year TSR is calculated as the relation between the average daily closing share prices / index performance during the month of March of the year of grant and the average daily closing share prices / index performance during the month of March of the year of vesting assuming dividend payments over the performance period are reinvested in shares at the time of the distribution and expressed in percentage based on the compound annual growth rate (CAGR) over the performance period.
Relative TSR is calculated as a simple difference between the three-year LEM's TSR CAGR and the three-year TSR CAGR of the SPI EXTRA® Index.

As of 31 March 2023, the Group has the following plans ongoing:

Plan name	Grant date	Vesting date	Number of beneficiaries	Number of PSU allocated	Revision of share number related to service and performance conditions	Number of shares definitely allocated in March 2023	Number of shares expected to be delivered at vesting date
Plan Cycle 2022/23 to 2024/25	**20.7.2022**	**20.7.2025**	**32**	**995**	**–87**	**0**	**908**

	Fair value at grant date (in CHF)	Absolute TSR fair value at grant date (in CHF)	Relative TSR fair value at grant date (in CHF)	EVA fair value at grant date (in CHF)
Plan Cycle 2022/23 to 2024/25	**1'765.00**	**1'187.22**	**1'627.70**	**1'592.00**

Plan Cycle 2022/23 to 2024/25

An expense of CHF 514 thousand is recorded in 2022/23 in respect of this plan, the fair value of which totaled CHF 514 thousand. The following input were used to calculate the fair value of the plan:

	LEM	SPI Index
Risk-free interest	1.09%	1.09%
Dividend yield	3.07%	–
Expected volatility	36.66%	18.42%

18. Financial expenses

In CHF thousands	2022/23	2021/22
Interest expenses	(1'542)	(573)
Other financial expenses	(177)	(77)
Total	**(1'719)**	**(650)**

19. Financial income

In CHF thousands	2022/23	2021/22
Interest income on cash	392	269
Total	**392**	**269**

20. Exchange effect

In CHF thousands	2022/23	2021/22
Exchange gains/losses	(2'191)	(3'481)
Fair value revaluation on derivatives	18	837
Gains and losses on derivatives [1]	246	(57)
Total	**(1'928)**	**(2'700)**

[1] Position includes cost of derivative hedging

In 2022/23, the exchange effect is mainly driven by the foreign exchange loss linked to EUR and USD devaluation.

21. Income taxes, deferred tax assets and liabilities

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

LEM has made the decision to repatriate all available dividends from its subsidiaries in the foreseeable future. Unrecoverable withholding taxes are considered part of the expected tax rate. Deferred income tax liabilities have been established for unrecoverable withholding taxes that would be payable on the unremitted earnings of foreign subsidiaries.

The tax expense relating to components of other comprehensive income amounts to CHF 758 thousand for the year 2022/23 (tax income of CHF 711 thousand in 2021/22).

Income tax

In CHF thousands	2022/23	2021/22
Current income taxes	(9'608)	(8'228)
Deferred taxes relating to the origination and reversal of temporary differences	(4'462)	(5'155)
Deferred tax income/(expense) resulting from reduction in tax rates	0	2
Adjustment recognized in the period for current tax of prior year	485	471
Total	**(13'585)**	**(12'910)**

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

In %	2022/23	2021/22
Group's average expected income tax rate	15.6	15.2
Group's average expected withholding tax rate	0.8	1.3
Group's average expected tax rate	**16.4**	**16.5**
Tax effect of		
Permanent differences	(0.4)	(0.7)
Adjustment in respect of previous periods' income tax	(0.6)	(0.6)
Recognition of previously unrecorded tax losses	0.0	(0.2)
Other differences	(0.2)	0.1
Group's effective tax rate	**15.3**	**15.1**

Deferred tax assets and liabilities

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

		31.3.2023		31.3.2022
In CHF thousands	Asset	Liability	Asset	Liability
Assets	**48'524**	**(5'116)**	**54'351**	**(4'982)**
Accounts receivable	108	(113)	101	(131)
Inventories	1'425	(591)	1'795	(470)
Property, plant and equipment	1'348	(3'891)	859	(4'018)
Intangible assets	45'635	(24)	51'163	99
Tax losses carried forward			426	0
Other assets	8	(497)	7	(462)
Liabilities	**4'825**	**(2'798)**	**4'492**	**(3'228)**
Provisions	218	0	53	0
Others	4'607	0	4'439	0
Withholding tax on dividends		(2'798)	0	(3'228)
Gross deferred taxes	**53'349**	**(7'914)**	**58'843**	**(8'210)**
Offsetting	(4'980)	4'980	(4'741)	4'741
Net deferred taxes	**48'369**	**(2'934)**	**54'102**	**(3'469)**

The balance sheet contains the following:

	31.3.2023	31.3.2022
Deferred tax assets	48'369	54'102
Deferred tax liabilities	(2'934)	(3'469)
Net assets	**45'435**	**50'633**

LEM Group has no more deferred tax assets on tax losses (CHF 426 thousand in 2021/22). In 2022/23, the deferred tax assets of CHF 48.4 million is mainly linked to the deferred tax asset of the technical intellectual property sale in 2019/20 and usufruct sale in 2020/21.

22. Earnings per share

Net earnings per share is calculated by dividing the net profit for the financial period by the average number of shares in issue over the period net of treasury shares held.
Only treasury shares held by LEM Group and allocated at the closing to share performance plan guarantee a dilutive effect on the calculation of diluted earnings per share.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2022/23	2021/22
Basic earnings per share		
Net profit for the year attributable to LEM shareholders – in CHF thousands	75'340	72'367
Ordinary number of shares at the beginning of the year	1'140'000	1'140'000
Weighted average number of ordinary shares	1'140'000	1'140'000
Weighted average number of treasury shares	544	420
Weighted average number of shares outstanding	1'139'456	1'139'580
Earnings per share – basic in CHF	**66.12**	**63.50**
Diluted earnings per share		
Net profit for the year attributable to LEM shareholders – in CHF thousands	75'340	72'367
Weighted average number of shares outstanding	1'139'456	1'139'580
Share-based payment plans	908	0
Adjusted weighted average number of shares outstanding	1'140'364	1'139'580
Earnings per share – diluted in CHF	**66.07**	**63.48**

23. Related parties

Related parties are the Board of Directors and the Executive Managers as defined in the Corporate Governance guidelines. The compensation to the Board of Directors is paid as a fixed fee in cash. The compensation for the Executive Management includes base salary, a performance-related bonus (LEM Incentive System), bonus and post-employment benefits. In 2022/23 and 2021/22, no termination benefits have been paid. The base salary is the employee's compensation before deduction of the employee's social security contributions. Bonus payments are made in cash.

Compensation of the Board of Directors

In CHF thousands	2022/23	2021/22
Annual fees	(870)	(870)
Total	**(870)**	**(870)**

Compensation of the Executive Management

In CHF thousands	2022/23	2021/22
Base salary	(2'002)	(1'802)
Bonus	(2'143)	(1'745)
Other benefits	(26)	–
Company's contribution to pension fund	(203)	(180)
Total	**(4'374)**	**(3'727)**

Share-based payments of the Executive Management

Plan name	Grant date	Vesting date	Number of beneficiaries	Number of shares allocated	Revision of share number related to service and performance conditions	Number of shares definitely allocated in March 2023	Number of shares expected to be delivered at vesting date
Plan Cycle 2022/23 to 2024/25	**20.7.2022**	**20.7.2025**	**5**	**604**		**0**	**604**

In 2022/23 and 2021/22, no member of the Board of Directors has any significant business connection with LEM Group.

For details on the compensation of the Board of Directors and of the Executive Management, please refer to the compensation report. Also, see Significant Accounting Principles 2.15 Employee benefits.

24. Retirement benefit obligations

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

This foundation is a separate legal entity which is not part of the Group. It is managed by a board of trustees having equal representation of employees and employers of the affiliated companies. It is supervised by the supervisory authority and complies with the requirements of Swiss pension law. The Company pays contributions that are based on a percentage of the insured salary under the Swiss law. The pension plan qualifies as a defined benefit plan under IAS 19 due to the various benefits guaranteed according to the law.

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

The assets of the foundation are invested in a diversified portfolio. Death in service and disability benefits are insured with an insurance company. The pension plan does not expose the affiliated companies to any additional unusual risks not foreseen by the law. No curtailments or settlements occurred in 2022/23.

Over the period, the funded status moved from a surplus of CHF 3.8 million to CHF 4.3 million. Therefore, the amount of surplus has been restricted to nil as the economic benefit in the form of a reduction in future contributions cannot be realized.
The following main assumptions have been updated:
- discount rate from 1.25% to 2.1%;
- interests credited on savings account from 1% to 1.5%;
- salary increase rate remains stable at 1%.

Applying the rules of IAS 19, this adjustment was accounted for in other comprehensive income and did not impact the net profit for the year.

The subsidiaries abroad sponsor either defined contribution plans or defined benefit plans based on local laws and regulations. A former employee in Germany benefits from a defined benefit obligation amounting to CHF 249 thousand at 31.3.2023 (CHF 307 thousand at 31.3.2022). Other subsidiaries' defined benefit obligations in Japan, Bulgaria and Italy amount to CHF 264 thousand at 31.3.2023 (CHF 224 thousand at 31.3.2022).

In CHF thousands	31.3.2023	31.3.2022
Fair value of plan assets at year-end	48'768	48'672
Defined benefit obligations at year-end	44'435	44'884
Surplus	4'333	3'788
Effect of asset ceiling	(4'333)	(3'788)
Funded status (Net assets in the balance sheet)	**0**	**0**

24.1 Cost of defined benefit plans

In CHF thousands	2022/23	2021/22
Current service cost	1'682	2'329
Past service cost	(386)	
Net interest (income)	(22)	6
Total pension expenses recorded in the consolidated income statement	**1'274**	**2'335**

Costs related to the pension plan were charged to the different functional departments based on salary costs. Past service costs result from a change in the conversion rate.

24.2 Remeasurements of employee benefits

In CHF thousands	2022/23	2021/22
Experience adjustments on defined benefit obligation	(3'601)	(5'678)
Change in the effect of asset ceiling	498	3'788
Return on plan assets excluding interests	3'347	(2'662)
Total remeasurements recorded in other comprehensive income	**244**	**(4'552)**

24.3 Reconcilitation of the effect of asset ceiling

In CHF thousands	2022/23	2021/22
Effect of asset ceiling per beginning of year	**(3'788)**	
Change in the effect of asset ceiling	(498)	(3'788)
Net interest (income)	(48)	
Effect of asset ceiling per end of year	**(4'334)**	**(3'788)**

24.4 Change in fair value of plan assets

In CHF thousands	31.3.2023	31.3.2022
Fair value of plan assets as per beginning of year	**48'672**	**44'323**
Return on plan assets excluding interest income	(3'347)	2'662
Interest income on plan assets	618	136
Employer's contributions	1'518	1'888
Employees' contributions	1'403	1'735
Benefits paid	(95)	(2'072)
Fair value of plan assets as per end of year	**48'768**	**48'672**

24.5 Change in present value of defined benefit obligation

In CHF thousands	31.3.2023	31.3.2022
Defined benefit obligation per beginning of year	**44’884**	**48’427**
Current service cost	1’682	2’329
Past service cost	(386)	
Employees’ contributions	1’403	1’735
Interest cost	549	143
Actuarial (gains)	(3’601)	(5’678)
due to changes in assumptions	(4’359)	(7’735)
due to demographic and experience changes	758	2’057
Benefits paid	(95)	(2’072)
Defined benefit obligation per end of year	**44’435**	**44’884**

The weighted average duration of the Defined Benefit Obligation (DBO) at the end of the current fiscal year is 15 years. Past service costs result from a change in the conversion rate.

24.6 Asset allocation of investments

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

In %	Long-term target	2022/23	2021/22
Equity securities	36.0%	33.1%	35.8 %
Debt securities	34.0%	31.2%	29.6 %
Real estate	25.0%	28.4%	27.6 %
Cash and other investments	5.0%	7.3%	7.0 %
	100.0%	**100.0%**	**100.0 %**

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

Cash as well as most equity and debt securities have a quoted market price in an active market (Level 1 of fair value hierarchy). Other assets including real estate and other investments do not have a quoted market price (Level 3 of fair value hierarchy).

24.7 Actuarial assumptions

The main actuarial assumptions used in the actuarial calculations include:

In %	2022/23	2021/22
Discount rate	2.10%	1.25 %
Salary increases	1.00%	1.00 %
Interest credit rates	1.50%	1.00 %

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

Sensitivities of significant actuarial assumptions

The sensitivity analysis is based on reasonable possible changes as of the end of the year 2022/23. Each change in a significant assumption was analyzed separately as part of the test.

The sensitivity of the DBO to changes in the main actuarial assumptions is as follows:

DBO increase / DBO (decrease) – In CHF thousands	2022/23	2021/22
Discount rate		
Increase by 0.25%	(1'520)	(1'731)
Decrease by 0.25%	1'616	1'848
Salary increase rate		
Increase by 0.25%	448	400
Decrease by 0.25%	(458)	(403)

24.8 Maturity structure of pension obligation

The following main cash outflows are expected in future periods:

In CHF thousands	
in 1 year	1'909
in 2 years	2'099
in 3 years	2'198
in 4 years	2'228
in 5 years	2'914
in 6 to 10 years	14'616

24.9 Contingent liabilities

The Group is from time to time impacted by changing political, legislative, fiscal and regulatory environments, including those relating to environmental protection. The frequency and effects on future operations and earnings are unpredictable and are only partly covered by insurance policies. For the years 2021/22 and 2022/23, there is no material contingent liability from a consolidated point of view.

25. Financial risk management objectives and policies

The Group classifies its financial assets and liabilities in the following categories as per IFRS 7:

Financial assets

In CHF thousands	31.3.2023 Book value	31.3.2022 Book value	Amortized cost	At fair value through profit and loss
Cash and cash equivalents	21’775	17’198	X	
Accounts receivable	86’458	80’096	X	
Derivative financial instruments – current	42	32		X
Other current financial assets	2	90	X	
Other noncurrent financial assets	664	728	X	
Total	**108’941**	**98’144**		

Financial liabilities

In CHF thousands	31.3.2023 Book value	31.3.2022 Book value	Other financial liabilities	At fair value through profit and loss
Accounts payable	36’071	26’677	X	
Accrued expenses	32’296	30’423	X	
Derivative financial instruments – current	0	8		X
Other current financial liabilities	38’414	40’650	X	
Other noncurrent financial liabilities	5’175	0	X	
Total	**111’956**	**97’758**		

Book values approximate fair values except for derivative financial instruments which are disclosed at fair value. Fair value of the lease is amounting to CHF 37’241 thousand in 2022/23 (CHF 37’979 thousand in 2021/22)

Changes in liabilities arising from financing activities

In CHF thousands	1.4.2021	Cash impact: Cash flows Inflow	Cash impact: Cash flows (Outflow)	Non-cash impact: Fair value changes and Others	31.3.2022
Interest-bearing loans and borrowings	24'000	172'200	(155'550)	-	40'650
Total	**24'000**	**172'200**	**(155'550)**	**-**	**40'650**

In CHF thousands	1.4.2022	Cash impact: Cash flows Inflow	Cash impact: Cash flows (Outflow)	Non-cash impact: Fair value changes and Others	31.3.2023
Interest-bearing loans and borrowings	40'650	141'745	(138'590)	(216)	43'589
Total	**40'650**	**141'745**	**(138'590)**	**(216)**	**43'589**

Management assessed that fair value levels of all financial assets and liabilities approximate their book value.

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

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation method:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: methods which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.
The Group's net financial assets at fair value amount to CHF 42 thousand per 31 March 2023 (net financial assets of CHF 24 thousand per 31 March 2022), all classified under level 2.
During the two last reporting periods, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Foreign currency risk

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

Sensitivity analysis for currency risk

The sensitivity analysis is performed per 31 March 2023 with a 5% change in the USD, EUR, JPY, CNY and GBP, with all other variables held constant of the Group's profit before tax (due to the changes in the fair value of the monetary assets and liabilities) and the Group's equity.
The sensitivity analysis performed for the financial year shows an impact of CHF ±979 thousand for a ±5% EUR rate change (CHF ±837 thousand per 31 March 2022), of CHF ±575 thousand for a ±5% USD rate change (CHF ±510 thousand per 31 March 2022), of CHF ±1'608 thousand for a ±5% CNY rate change (CHF ±1'515 thousand per 31 March 2022) and of CHF ±249 thousand for a ±5% JPY rate change (CHF ±164 thousand per 31 March 2022). For other currencies, there is no significant impact.
There is no significant impact on the Group's equity.

Credit risk

Credit risk is the risk that a financial loss occurs if a counterparty is unable or unwilling to fulfill its contractual payment obligation. The Group trades with recognized and creditworthy parties. Accounts receivable are monitored on a monthly basis.
It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.
In case of a deterioration of the credit history, advance payments are required.
The Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 5.
There are no significant concentrations of credit risk within the Group.
With respect to credit risk arising from the other financial assets in the Group which comprises cash and cash equivalents, other current assets and certain derivative instruments, the Group's exposure to credit risks arises from a potential default of the counterparty, with a maximum exposure equal to the carrying amount of these positions.

Liquidity risk

The Group operates a cash-pooling agreement in which cash targets are set for all the subsidiaries. Cash surplus / shortages are balanced in intercompany loans on a monthly basis.

Group capital requirements are managed centrally by corporate finance. In case liquidity is required, bank loans are either taken-up centrally and passed on as an intercompany loan, or provided directly by the bank to the subsidiary with a reduction of the Group's total credit line. The total leverage of the Group is low, the financial liabilities mature in less than one year based on the carrying value of borrowings reflected in the financial statements.

In CHF thousands	31.3.2023 Book value	Less than one year	Over one year	31.3.2022 Book value	Less than one year	Over one year
Accounts payable	36'071	36'071		26'677	26'677	
Accrued expenses	32'296	32'296		30'423	30'423	
Derivative financial instruments – current	0			8	8	
Lease liabilities [1]	3'103	4'261		1'646	1'853	
Non current lease liabilities [1]	26'930		32'980	28'375	0	36'126
Other current financial liabilities	43'589	38'414	5'175	40'650	40'650	
Total	**141'989**	**111'042**	**38'155**	**127'779**	**99'611**	**36'126**

1 Whereas net book values as of 31.3.2023 are net present values, future liabilities are disclosed as undiscounted

The Group's exposure to the risk of changes in market interest rates with the current financial leverage is low. Per 31 March 2023, the bank credit line amounts to CHF 38.4 million.

Capital management

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

26. Scope of consolidation

Full consolidation	Country	Currency	Share capital	Ownership
Europe				
LEM Europe GmbH	Germany	EUR	75'000	100%
LEM HOLDING SA	Switzerland	CHF	570'000	100%
LEM International SA	Switzerland	CHF	100'000	100%
LEM Management Services SARL	Switzerland	CHF	20'000	100%
LEM Advisory Services SA (in liquidation)	Switzerland	CHF	100'000	100%
LEM Tech France SAS	France	EUR	50'000	100%
LEM Bulgaria EOOD	Bulgaria	BGN	1'971'000	100%
LEM Russia Ltd	Russia	RUB	16'400'000	100%
North America				
LEM USA Inc.	USA	USD	150'000	100%
Asia				
LEM Electronics (China) Co. Ltd	China	CNY	204'495'594	100%
LEM Japan KK	Japan	JPY	16'000'000	100%
LEM Malaysia SDN, BHD	Malaysia	MYR	6'200'000	100%

27. Changes in scope of consolidation

On April 1st 2022, the shareholders of LEM Advisory Services SA decided to start the company liquidation process.
In March 2023, the Group has assessed that LEM Russia Ltd's ability to continue as a going concern is not anymore satisfied and will terminate its operation in Russia.

28. Events after the balance sheet date

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

Auditor's report

Building a better working world

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of LEM HOLDING SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Recoverability of deferred tax assets

Risk

At 31 March 2023, the Group disclosed CHF 48 million of deferred tax assets in Note 21 to the consolidated financial statements (CHF 54 million at 31 March 2022).
The deferred tax assets were recognized and relate mainly to timing difference of the technical IP sale from LIP to LIN and usufruct sale from LHO to LIN. The analysis of the recoverability of the deferred tax assets was significant to our audit because the amounts are material, the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions.

Our audit response

Our procedures included, amongst others:
- We have audited the tax provision and the related business tax risks.
- We also involved our internal tax experts to assess the recoverability of the asset as well as inputs into the model such as tax rate.
- We analyzed the offsetting and presentation of deferred tax positions.
- We audited the current year tax provision, the Company's reconciliation of book to taxable income, as well as the deferred tax balances and evaluated whether the assumptions applied by management on the recoverability of deferred tax assets are consistent with its budget and forecasts.

Our audit procedures did not lead to any material reservations regarding the recoverability of the deferred tax assets.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Board of Directors’ responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse’s website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd.

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Jean-Charles Bonifacj

Corporate governance report

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

1. Group structure and shareholders

Group structure

LEM HOLDING SA is domiciled at Route du Nant-d'Avril 152, CH–1217 Meyrin. LEM's registered shares are listed on the main segment of the SIX Swiss Exchange (LEHN, security no. 2 242 762; ISIN 0022427626). On 31 March 2023, the market capitalization was CHF 2'241 million. LEM Group is structured into Asia and Europe & Americas regions. Appropriate segment reporting pursuant to IFRS is contained in note 3 of the consolidated financial statements. All companies in LEM Group are listed under "Scope of consolidation" in note 26 of the consolidated financial statements, with their respective company names, registered offices, share capital and the relevant percentages of shares held. There are no other listed companies in the scope of consolidation.

Significant shareholders

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

In number of shares, percent of shareholding	31.3.2023 Shares	31.3.2023 In %	31.3.2022 Shares	31.3.2022 In %
Werner O. Weber and Ueli Wampfler, in Zollikon/Wollerau, Switzerland, through WEMACO Invest AG and Voltano AG in Cham, Switzerland	592'500	52.0 %	584'700	51.3 %
Ruth Wertheimer, in Kfar Shmaryahu, Israel, through 7-Industries Holding B.V., in Amsterdam, Netherlands	34'381	3.0 %	34'381	3.0 %
Capital Group Companies Ltd., Los Angeles, U.S.A.	n.a.	3 %–5 %[1]	n.a.	3 %–5 %[1]
J. Safra Sarasin Investmentfonds AG, Basel, Switzerland	n.a.	<3 %	36'550	3.2 %

[1] Capital Group disclosed a 3.02 % stake as of 31 August 2020, but did not report the exact number of LEM shares per 31 March 2022 and 31 March 2023

Shareholdings of non-executive Directors

	31.3.2023 Number of shares held	31.3.2022 Number of shares held
Andreas Hürlimann	1'001	1'001
François Gabella	600	600
Ilan Cohen	300	300
Ueli Wampfler	75'500	72'700
Ulrich Jakob Looser	350	300
Werner C. Weber	0	0
Total	**77'751**	**74'901**

Shareholdings of Executive Management

	31.3.2023 Number of shares held	31.3.2022 Number of shares held
Frank Rehfeld, CEO	20	0
Andrea Borla, CFO	0	0
Rodolphe Boschet, CHRO	0	0
Verena Vescoli, CTO	0	0
John McLuskie, SVP Asia	0	0
Bastien Musy, SVP Europe & Americas	0	0
Uwe Gerber, SVP Operations	0	0
Total	**20**	**0**

The notifications which have been sent to the Company and the disclosure office of SIX Swiss Exchange AG during the financial year pursuant to Article 120 et seqq. of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading may be viewed via the search function on www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.

The trading of LEM shares by both Board of Directors and Executive Management has to respect LEM's disclosure and insider trading policy as well as all applicable rules and legislation.

Cross-shareholdings

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

2. Capital structure and shares

The nominal value of the share capital of LEM HOLDING SA is CHF 570'000, which is divided into 1'140'000 fully paid-up registered shares with a par value of CHF 0.50 each. No changes in the capital have occurred during the last three financial years. There are no shares with preferred voting rights. All shareholders are entitled to the same dividends. There are no restrictions on the transfer of shares. In order to be registered in the share register, each shareholder shall declare that they hold the shares for their own account.

On 31 March 2023, LEM HOLDING SA held 555 treasury shares.

Authorized and conditional capital

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

3. The Board of Directors' election, terms of office and cross-involvement

The Board of Directors is composed of at least three members who are individually elected at the Annual General Meeting for a mandate of one year, which is renewable up to an age limit of 70. It is possible to derogate from this rule in justified cases. The Board of Directors constitutes itself, except for the Chairman of the Board of Directors and the members of the Compensation Committee who are elected by the Annual General Meeting of Shareholders.

At the Annual General Meeting on 30 June 2022, Andreas Hürlimann, François Gabella, Ilan Cohen, Ueli Wampfler, Ulrich J. Looser and Werner C. Weber were re-elected as members of the Board of Directors. Andreas Hürlimann was re-elected as Chairman of the Board of Directors. In addition, shareholders elected Andreas Hürlimann and Ulrich J. Looser to the Nomination & Compensation Committee (NCC). Ulrich J. Looser chairs the Committee.

All members of the Board of Directors are non-executive. Only François Gabella had been part of the Executive Management of LEM before his election as member of the Board of Directors. No member of the Board of Directors has any significant business connection with LEM Group.

The Board of Directors was composed of the following members as of 31 March 2023:

Andreas Hürlimann

Nationality Swiss
Born in 1964

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

Entry
2011

Professional background
- Since 2011, Entrepreneur
- 2005 – 2010, Managing Director, Spencer Stuart, Zurich
- 1999 – 2005, Global Director of Industry Practices and Member of the Executive Board, Arthur D. Little Inc., Zurich, Lisbon, London and Paris
- 1990 – 1999, international business development, sales and management roles with Siemens Schweiz AG, ABB Power Generation AG and Oerlikon Aerospace Inc., Zurich, Baden, Montréal

Other notable activities
- HMT Microelectronic AG, Biel/Bienne, Chairman of the Board of Directors
- Condis SA, Rossens, Member of the Board of Directors
- Glatz AG, Frauenfeld, Member of the Board of Directors
- themissinglink ag, Cham, Member of the Board of Directors
- Sustainable Real Estate Investments SICAV, Zurich, Chairman of the Board of Directors

Education
- M. Sc. Electrical Engineering, ETH Zurich, Switzerland
- DAS Finance, University of Zurich, Switzerland

François Gabella

Nationality Swiss
Born in 1958

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

Entry
2018

Professional background
- 2010 – 2018, CEO, LEM Group
- 2006 – 2010, CEO, Tesa SA
- 2002 – 2006, SVP, Areva
- 1996 – 2002, Business Area Manager, ABB Power Transformers

Other notable activities
- Natron Energy, U.S.A., Chairman of the Board
- Sonceboz SA, Sonceboz, Member of the Board of Directors
- Sensirion AG, Stäfa, Member of the Board of Directors
- Optotune AG, Dietikon, Member of the Board of Directors
- Nextlens AG, Dietikon, Member of the Board of Directors
- Vice President of Swissmem, Zurich
- Switzerland Global Enterprise, Zurich, Vice President of the Advisory Board
- Economie Suisse, Member of the Board, Zurich
- City Counsel of Buchillon, Switzerland, Member
- Fondation des Maladies Hépatiques, Lausanne, Member

Education
- M. Sc. Microtechnics EPFL, Lausanne, Switzerland
- MBA IMD, Lausanne, Switzerland

Ilan Cohen

Nationality Israeli
Born in 1956

Position
Member of the Board of Directors

Entry
2010

Professional background
- Since 2019, Chairman and CEO of Caja Robotics
- 2009 – 2019, President, Servotronix Motion System Ltd.
- 2008 – 2009, General Manager, Kollmorgen Industrial & Commercial Engineered Solutions Ltd. (Danaher Group)
- 1997 – 2008, President and CEO, Kollmorgen Servotronix Ltd.
- 1987, Founder, Servotronix Ltd.
- 1983 – 1990, Associate Professor, University of Tel Aviv, Israel

Other notable activities
- Caja Robotics, Israel, Chairman of the Board of Directors
- MOTX LTD, Israel, Member of the Board of Directors
- New Era Partner Capital, Israel and U.S., Member of the Advisory Board
- Negba Houses for Children at Risk in Israel, Honorary President

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

Ulrich J. Looser

Nationality Swiss
Born in 1957

Position
Member of the Board of Directors,
Chairman of the Nomination and Compensation Committee,
Member of the Audit and Risk Committee

Entry
2015

Professional background
- Since 2009, Berg Looser Rauber & Partner (BLR&Partners)
- 2001 – 2009, Accenture, various positions including Managing Director Austria/Switzerland/Germany Management Consulting and Chairman Accenture AG (Switzerland)
- 1987 – 2001, McKinsey & Company, industry, energy, pharma and public sector practices, partner election 1993

Other notable activities
- Kardex AG, Member of the Board of Directors
- u-blox AG, Member of the Board of Directors
- Bachofen Holding AG, Chairman of the Board of Directors
- Fostag AG, Member of the Board of Directors
- University of Zurich, Member of the University Council
- Fachhochschule Kanton Zurich, Member of the Fachhochschul Council
- Economiesuisse, Member of the Board
- University Hospital Balgrist, Member of the Board
- Swiss-American Chamber of Commerce
- Swiss National Science Foundation, Member of the Executive Committee of the Foundation Council (until 31 December 2020), Member of the Foundation Council (ongoing)

Education
- M.Sc. Physics, ETH Zürich, Switzerland
- M.A. HSG, University of St. Gallen, Switzerland

Ueli Wampfler

Nationality Swiss
Born in 1950

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

Entry
2007

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

Other notable activities
- Caspar Finanz AG (Traco Power Group), Baar, Member of the Board of Directors
- Rebew AG, Zurich, Member of the Board of Directors
- Voltano AG, Baar, Owner and Chairman of the Board of Directors
- Swisa Holding AG, Baar, Owner and Delegate of the Board of Directors

Education
- Lic. oec., University of Zurich, Switzerland
- Certified auditor

Werner C. Weber

Nationality Swiss
Born in 1960

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

Entry
2017

Professional background
- Since 1998, weber schaub & partner ag, Partner
- Prior thereto in particular Freddy Burger Management Group in Zurich as Legal Counsel and General Secretary, and PricewaterhouseCoopers AG in Zurich as Legal and Tax Counsel

Other notable activities
- WEMACO Invest AG, Zug, Member of the Board of Directors
- weber schaub & partner ag, Zurich, Member of the Board of Directors
- Arosa Bergbahnen AG, Arosa, Member of the Board of Directors
- Schilthornbahn AG, Lauterbrunnen, Member of the Board of Directors
- City Parkhaus Aktiengesellschaft, Zurich, Member of the Board of Directors
- MedioSearch AG, Bern / SkySmile AG, Zurich, Member of the Board of Directors

Education
- Dr. iur. University of Zurich, Switzerland
- Admitted as an attorney-at-law in Zurich, Switzerland
- Mediator SBA, Zurich, Switzerland

External mandates

Pursuant to Article 31 of the Articles of Incorporation, members of the Board of Directors may not hold more than ten additional mandates of which no more than four may be in listed companies. The following mandates are not subject to the above limitations: (a) mandates in companies which are controlled by LEM or which control LEM; (b) up to five mandates held at the request of LEM or companies controlled by it; and (c) up to six mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. Mandates shall mean mandates in the supreme governing body of a legal entity, which is required to be registered in the commercial register or a corresponding foreign register. Up to 20 mandates in different legal entities which are under joint control or same beneficial ownership are deemed one mandate.

Internal organizational structure

The Board of Directors meets as often as necessary, but six annual meetings are planned in advance. In the completed financial year, six full-day meetings were held. The meetings usually take place at the Company's registered office in Meyrin. The Chairman, after consulting with the CEO and the Chairmen of the committees, determines the agenda for the Board meetings. The members of the Board of Directors can ask for additional items to be included on the agenda. They receive supporting documents beforehand, allowing for a comprehensive preparation of the meeting. The CEO and CFO attend the meetings of the Board of Directors as non-voting guests. Depending on the topics, other members of Executive Management participate in the meetings in order to respond to specific questions. Decisions can be taken by the Board of Directors if at least half of the Directors are present, and a simple majority of them is sufficient. In the event of tie, the Chairman has the casting vote. Minutes of the meetings including decisions taken are prepared by the CFO and distributed to the members of the Board of Directors, the CEO and the CFO.

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

Definition of areas of responsibility

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

- review and approval of the strategy, business plan, annual business objectives and budget for the LEM Group;
- approval of creation/closing of any subsidiary and purchase/sale of any interest in any company or entry into any merger or joint venture agreement;
- appointment/dismissal of the Executive Management;
- monitoring the ethical and legal behavior of LEM;
- review of human resources management, including employee satisfaction and management development and legal, intellectual property, social and environmental aspects.

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

The Board of Directors ensures that it receives sufficient information from the management to perform its supervisory duty and to make the necessary decisions.
The Board of Directors obtains the information required to perform its duties through several means:
- the Board of Directors receives monthly and quarterly reports on the current development of the business;
- informal meetings and teleconferences are held as required between the Chairman and the CEO as well as between the Chairman and individual members of the Board of Directors;
- the Committees meet at regular intervals and exchange detailed information with the Executive Management;
- the Board of Directors receives detailed information to each agenda item one week before the Board meeting;
- each Executive Manager joins at least one but usually multiple Board sessions in any given year.

Business risk management

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

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

The risk management approach follows five steps: in a first step, potential hazards are evaluated and a consolidated list with 5 to 10 main hazards is set up. In a second step, each hazard is assessed by a product of probability and quantified impact. Step two results in a risk map, which visualizes LEM's potential risk environment. In step three, an action plan is put in place to mitigate the risks. The hazards thereafter are revalued a second time, taking into consideration the mitigation measures. In step four, the action plan is validated and thereafter monitored on a bi-annual basis (step five).

Internal control system

In compliance with Swiss law, LEM has put in place an internal control system.

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

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

Committees

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

Corporate governance report

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

- The Nomination & Compensation Committee (NCC) deals with succession, recruitment and compensation of the members of the Board of Directors and the Executive Management. It ensures and monitors the personnel development plan and adequate succession planning for middle and top management. It supports the Board of Directors in establishing and reviewing the compensation strategy and guidelines and the performance objectives as well as in preparing the proposals to be submitted to the General Meeting regarding the compensation of the Board of Directors and of the Executive Management. It reviews and updates the compensation policy for the members of the Board of Directors and the Executive Management and the performance-based compensation system for the Executive Management. The NCC prepares proposals to be decided by the Board of Directors. In the completed financial year, four half-day meetings were held.

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

4. Executive Management

The Executive Management was composed of the following members as of 31 March 2023:

Frank Rehfeld

Nationality German
Born in 1968
Function CEO
With LEM since 2016

Previous companies and positions

2016 – 2018, SVP Industry, LEM Group
2009 – 2015, VP Drives, Brose China Co., Ltd.
2006 – 2009, Managing Director, Hella Shanghai Electronics Co., Ltd.
2004 – 2006, Siemens VDO China, Director Body/Chassis Electronics
1996 – 2004, Siemens VDO Germany, Director R&D Body/Chassis Electronics

Education

Dipl. Eng. Electrical Engineering, Erlangen-Nuremberg, Germany

Andrea Borla

Nationality Swiss
Born in 1967
Function CFO
With LEM since 2015

Previous companies and positions

2008 – 2015, CFO, Schindler France
2003 – 2007, Field Operations Manager, Schindler China
1999 – 2003, Area Controller, Schindler Asia Pacific
1996 – 1999, Head of Group Consolidation, SAirGroup

Education

Ph.D., M.A. HSG, Finance and Accounting, St. Gallen, Switzerland

Rodolphe Boschet

Nationality French
Born in 1967
Function CHRO
With LEM since 2020

Previous companies and positions

2019 – 2020, VP HR integration, Danaher
2016 – 2019, Senior Vice President HR & Communications, Beckman Coulter
2013 – 2016, Global Vice President HR & Communications, Radiometer
2006 – 2013, Head of HR France, Europe, Chemistry Business Unit, Beckman Coulter
2002 – 2006, HR Manager Europe, Datascope Corp
1997 – 2002, International HR Manager, Cartier

Education

Masters of Political Science, Paris Sorbonne, France
Masters in International Human Resources Management, ENS Cachan, France

Verena Vescoli

Nationality Italian
Born in 1970
Function CTO
With LEM since 2022

Previous companies and positions

2016 – 2022, Senior Vice President R&D, ams OSRAM AG, Austria
2015 – 2016, Senior Manager Device & Systems R&D, ams AG, Austria
2012 – 2015, Department Manager R&D Particle and Soot Management Systems, AVL List GmbH, Austria
2009 – 2012, Product Manager Particle and Soot Management Systems, AVL List GmbH, Austria
2000 – 2009, Senior Engineer TCAD and Device Development, ams AG, Austria

Education

Ph.D. in Solid State Physics, ETH Zurich
Master of Science in Physics, Université de Franche-Comté of Besançon/France
Bachelor of Science in Physics, Karl Franzens University and Technical University of Graz/Austria

John McLuskie

Nationality British
Born in 1970
Function Senior Vice President Asia
With LEM since 2023

Previous companies and positions

2018 – 2022, President, GKN Automotive China
2014 – 2018, Deputy General Manager Shanghai GKN HUAYU Automotive Systems
2007 – 2013, Business Development Director, GKN Driveline Torque Technology
2005 – 2007, Commercial Director Japan and Korea, GKN Driveline Torque Technology
2003 – 2004, Global Commercial Director, Propshaft Product Group, GKN Driveline
2001 – 2003, Global Account Manager, GKN Driveline
1999 – 2000, Manager – Japanese Development Projects, GKN Driveline
1996 – 1998, Business Development Manager, GKN Invel Transmissions Ltd

Education

BEng in Electrical and Electronic Engineering, University of Leeds, UK

Bastien Musy

Nationality French
Born in 1978
Function Senior Vice President Europe & Americas
With LEM since 2018

Previous companies and positions

2019 – 2022, VP Global Product Management, LEM Group
2018 – 2019, Special Projects Manager, LEM Group
2016 – 2018, Global Pricing & Commercial Analytics Lead, Syngenta
2015 – 2016, Investor Relations Manager, Syngenta
2012 – 2015, Head Finance Production & Supply Asia Pacific, Syngenta
2009 – 2012, Controller Seeds Division, Syngenta
2005 – 2009, Risk and Financial Planning Manager, Ciba Specialty Chemicals
2001 – 2005, Internal Auditor, Credit Mutuel - CIC

Education

MSc in Management, University Lyon III, France

Uwe Gerber

Nationality German
Born in 1965
Function Senior Vice President Operations
With LEM since 2023

Previous companies and positions

2020 – 2022, Managing Director & COO, Bode - Die Tür
2018 – 2020, Managing Director & COO, Thermamax
2016 – 2018, VP Global Operations (Industry), Behr (MAHLE)
2012 – 2016, VP Operations North America, Behr (MAHLE)
2008 – 2011, Plant Manager, Behr
2004 – 2008, Head of Prototype Shop, Behr
1999 – 2004, Programm Manager, Behr

Education

Industrial Engineering, University – FH Esslingen, Germany

Verena Vescoli is member of the Board of Directors of both Sonion, Denkmark and of OSRAM Licht AG, Germany. Apart from Verena, none of the members of the Executive Management have other activities in governing or supervisory bodies, any official functions or political posts nor any permanent management functions for important Swiss and foreign interest groups.

External mandates

Pursuant to Article 31 of the Articles of Incorporation, and subject to approval by the Board of Directors, members of the Executive Management may not hold more than three additional mandates of which no more than one may be in listed companies. The following mandates are not subject to the above limitations: (a) mandates in companies which are controlled by LEM or which control LEM; (b) up to five mandates held at the request of LEM or companies controlled by it; and (c), subject to approval by the Board of Directors, up to three mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. Mandates shall mean mandates in the supreme governing body of a legal entity, which is required to be registered in the commercial register or a corresponding foreign register. Up to 20 mandates in different legal entities which are under joint control or same beneficial ownership are deemed one mandate.

Management contracts

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

5. Compensation

Please refer to the compensation report on page 60.

6. Shareholders' participation rights

The rules on shareholders' participation rights are outlined in the Articles of Incorporation. The rules for the convening of General Meetings, the participation rights and the majority rules for decisions all follow Swiss law. The complete Articles of Incorporation can be downloaded from the Investor Relations pages on the website www.lem.com/en/file/11549/download.

Voting rights and representation restrictions and entry 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 they expressly declare that the shares are held for their own account. Each shareholder may be represented by the independent representative or by a third party who need not be a shareholder of LEM HOLDING SA.

Statutory quorums

The Articles of Incorporation contain no deviation from the applicable law. In case a second vote is necessary for elections, a relative instead of the absolute majority of the votes represented is required.

Convocation of the General Meeting of the Shareholders and inclusion of items on the agenda

Registered shareholders are convened to General Meetings by ordinary mail and by publication in the Swiss Official Gazette of Commerce at least 20 calendar days prior to the day of the meeting.

According to Article 12 of the Articles of Incorporation, one or several shareholders who collectively hold 10 % of the share capital can call for a shareholders' meeting; shareholders representing shares with a total nominal value of CHF 1 m or 1 % of the share capital may request that an item be placed on the agenda.

Entries in the share register

Voting rights may be exercised by shareholders who are registered in the share register on the record date indicated in the invitation to shareholders' meeting.

Dividend policy

LEM targets a payout ratio significantly above 50 % of the consolidated net profit for the year, to be proposed by the Board of Directors to the Annual General Meeting.

7. Change of control and defensive measures

Opting-out clause

Any shareholder is released from the obligation to submit a public takeover offer to all shareholders if their participation in LEM exceeds 33 ⅓ % of the voting rights.

Clauses on changes of control

There is no particular clause in the Articles of Incorporation for changes of control. No member of the Executive Management will receive additional severance payments if dismissed in the case of a change of control of the Company.

8. Auditors

The duration of the auditors' mandate is one year. Ernst & Young has been auditing LEM since the financial year 2005/06, with Daniel Zaugg bearing the responsibility for the audit since 2021/2022. As required by law, the auditor-in-charge is changed every seven years. Ernst & Young audits the Group's consolidated financial statements as well as all of LEM's Group companies in Switzerland and abroad that are subject to a statutory audit requirement. The audit fees and fees for additional services are as follows:

Type of service

In CHF thousands	2022/23	2021/22
Audit fees	595	386
Additional audit-related fees		
Total	**595**	**386**

The Audit Committee evaluates and controls the performance (focus on areas that involve significant risk to LEM, ability to provide effective and practical recommendations, open and effective communication and coordination), fees, and independence of the auditors each year. It discusses and reviews the scope of the audits, and the resulting feedback. Based on this information, it determines which changes and improvements are necessary. The auditor's report on the results of their audits both orally and in writing. Financial statements as well as management letters are discussed in the ARC in the presence of the external auditors. During 2022/23 Ernst & Young attended all three regular ARC meetings.

9. Information policy

LEM informs its shareholders about the business status and its results on a quarterly basis in the form of press releases. These, together with the Annual Review and Financial Report, are made publicly available on its website (http://www.lem.com/en/investors) and may be obtained in printed form from the Company's headquarters. Once a year, LEM holds a presentation for the media, investors and financial analysts. Internal processes assure that price-sensitive facts are published without delay in accordance with the ad hoc publicity rules of the SIX Swiss Exchange. At www.lem.com, detailed information is available, e.g., the Articles of Incorporation, interim and annual reports, investor presentations, press releases as well as the financial calendar.

10. Trading restriction periods

LEM HOLDING SA has adopted a DISCLOSURE AND INSIDER TRADING POLICY with the objective to prevent insider trading by LEM HOLDING SA, its affiliates, their directors, officers and employees. LEM applies trading restriction periods (Blackout Periods) from the internal disclosure of the quarterly, semi-annual and annual financial results to the Board of Directors (at 7am on the 15th of the month following the closing of the relevant financial period) until 24 hours after the public release of such financial results.

LEM HOLDING SA, its affiliates and all persons who have regular access to potentially price-sensitive information, including all members of the Board of Directors and the Executive Management, as well as their staff and LEM employees worldwide (Insiders) are bound by the Blackout Periods. Any Insider is prohibited from engaging in any transactions in LEM securities during the Blackout Periods. The Blackout Periods are without prejudice to the obligation of the Insiders to refrain from dealing in LEM securities at any other times when in possession of price sensitive facts relating to LEM.

Contact for investors and media: Andrea Borla, CFO, Route du Nant-d'Avril 152, CH–1217 Meyrin, or send an e-mail to investor@lem.com (phone: +41 22 706 12 50).

Compensation report

The future of LEM depends on our ability to attract, develop and retain talented people. Among the many measures we use to achieve this goal are competitive compensation policies. Our compensation policies are designed to align the interests of the Executive Management and the Board of Directors with the interests of shareholders.

In brief

Core principles

LEM's compensation policies are designed to reward results and performance as well as to create long-term value for shareholders. The compensation policies are reviewed on an annual basis.

LEM's Articles of Incorporation (www.lem.com/en/Investors > Corporate Governance) contain provisions regarding the approval of compensation of the Board of Directors (BoD) and the Executive Management (Article 27), the supplementary amount for new members of the Executive Management (Article 28), the general compensation principles (Article 29) as well as provisions regarding the agreements with members of the Board of Directors and the Executive Management (Article 30).
This compensation report is based on section 5 of the annex to the Corporate Governance Directive issued by SIX Exchange Regulation AG and Articles 13 to 17 of the Ordinance Against Excessive Compensation in Listed Stock Companies (OaEC).

Compensation of the Board of Directors

The compensation of the Board of Directors consists exclusively of a fixed fee paid in cash. There is no variable compensation. The compensation of the Chairman and the members of the Board of Directors depends on the responsibility of each member and the related work, such as serving on committees of the Board of Directors.

Compensation of the Executive Management

To encourage and reward results that contribute to the sustainable success of LEM, the total compensation of the Executive Management consists of three elements: base salary, variable compensation and non-wage compensation. The target-setting process for the variable compensation is carried out on an annual basis and includes quantitative and qualitative performance criteria, including LEM's financial results.

Members of the Executive Management are entitled to attend the meetings of the Board of Directors relevant to their function but are excluded from any deliberation and decision on their compensation.

The compensation authorities are summarized in the following table:

Beneficiary	Compensation element	Proposal	Approval
Board of Directors (BoD) and Executive Management	Compensation principles	Nomination and Compensation Committee (NCC)	BoD within limits of Articles of Incorporation
BoD	Aggregate maximum amount fixed compensation	BoD based on NCC proposal	Annual General Meeting (prospective approval)
BoD	Individual compensation	NCC	BoD
Executive Management	Aggregate maximum amount fixed annual base salary	BoD based on NCC proposal	Annual General Meeting (prospective approval)
Executive Management	Aggregate amount short-term incentive	BoD based on NCC proposal	Annual General Meeting (retrospective approval)
Executive Management	Aggregate maximum amount long-term incentive	BoD based on NCC proposal	Annual General Meeting (prospective approval)
Executive Management	Individual compensation	NCC based on proposal from CEO	BoD
CEO	Individual compensation	Chairman of the BoD	BoD

1. Board of Directors

1.1 General principles of compensation for members of the Board of Directors

The aggregate maximum compensation of the Board of Directors is approved by the Annual General Meeting upon proposal by the Board of Directors based upon recommendation from the Nomination & Compensation Committee. The remuneration of the Board of Directors consists of a fixed cash payment and is reviewed on an annual basis. The remuneration compensates for the personal responsibility and exposure as member of the Board of Directors and the work related to the Board of Directors' membership. There is neither a variable compensation nor any participation in an equity-based compensation plan.

1.2 Compensation for members of the Board of Directors

The Board of Directors adopted a remuneration scheme with a fixed membership fee payable in cash of gross CHF 250'000 for the Chairman and gross CHF 80'000 for each member of the Board of Directors. Activities in committees of the Board of Directors is compensated by membership fees of gross CHF 40'000 for the Committee's Chairman and gross CHF 20'000 for each member.

The tables below show the compensation per member of the Board of Directors in the financial years 2021/22 and 2022/23 for their respective term of office. At the Annual General Meeting held on 30 June 2022, the shareholders approved a maximum compensation amount for the term of office from the Annual General Meeting 2022 until the Annual General Meeting 2023 of CHF 1'100'000. The actual costs for the Company are CHF 940'000.

2022/23

In CHF thousands	Annual fees (A)	Taxes, social security charges and similar contributions (B)	Total (A) + (B)
Andreas Hürlimann [1, 5, 6]	310	26	**336**
Ueli Wampfler [2]	120	10	**130**
Ulrich Jakob Looser [3, 4]	140	10	**150**
Ilan Cohen [a]	100	7	**107**
Werner C. Weber [7]	100	9	**109**
François Gabella [7]	100	8	**108**
Total	**870**	**70**	**940**

2021/22

In CHF thousands	Annual fees (A)	Taxes, social security charges and similar contributions (B)	Total (A) + (B)
Andreas Hürlimann [1, 5, 6]	310	27	**337**
Ueli Wampfler [2]	120	11	**131**
Ulrich Jakob Looser [3, 4]	140	13	**153**
Ilan Cohen [a]	100	7	**107**
Werner C. Weber [7]	100	9	**109**
François Gabella [7]	100	9	**109**
Total	**870**	**76**	**946**

[a] including the amount of CHF 20'000 for R&D contribution
[1] Chairman of the Board of Directors
[2] Chairman of the Audit & Risk Committee
[3] Member of the Audit & Risk Committee
[4] Chairman of the Nomination & Compensation Committee
[5] Member of the Nomination & Compensation Committee
[6] Chairman of the Strategy Committee
[7] Member of the Strategy Committee

2. Executive Management

2.1 General principles of compensation for members of Executive Management

The aggregate maximum compensation of the Executive Management is approved by the shareholders at the Annual General Meeting upon proposal by the Board of Directors. The proposals of the Board of Directors are based on NCC recommendation. The compensation of the Executive Management is reviewed by the Board of Directors on an annual basis.

The total compensation of the Executive Management is composed of the following elements:

Compensation element	Instrument	Purpose	Drivers	Range and cap	Shareholder approval
Base salary	Monthly cash payments	Pay for the function	Scope and responsibilities, profile and competencies	N/A	Prospective maximum amount (October – September)
Short-term incentive	Annual cash payment	Pay for annual performance	Business and individual performance throughout the financial year	0 % – 139 % of target amount	Retrospective
Former long-term incentive	Annual cash payment	Participation in sustainable company success, alignment with shareholder interests	Achieved value creation over three consecutive financial years	0 % – 200 % of target amount	Prospective maximum amount for payout three years later
New long-term incentive	Shares	Participation in sustainable company success, alignment with shareholder interests	Achieved value creation and total shareholder return over three consecutive financial years	0 % – 200 % of target amount	Maximum compensation assuming all performance targets will be reached at maximum possible level, not considering future share price development
Non-wage compensation	Pension contributions	Protect against risks plus retirement and dependents' coverage	Local legislation and market practice	N/A	

The total compensation is in line with the market for comparable industrial companies considering the various remuneration levels for different functions and locations. Furthermore, the compensation mix between base salary, variable compensation and non-wage compensation reflects sectorial and functional market practice. The full Board of Directors periodically reviews, sets, and approves the compensation system, based on the recommendation of the NCC. The latest external benchmark was performed early 2022 with the support of Mercer. The Mercer IPE (International Position Evaluation) has been used to define the peer group, which allows comparability between companies based on revenues, number of employees and business value chain.

2.1.1 Base salary of Executive Management

Base salaries are paid monthly as fixed cash amounts.

2.1.2 Variable compensation of Executive Management

The target-setting process for the Leadership-for-Results (L4R) plan is part of the LEM performance management and is carried out on an annual basis by the NCC. Variable compensation is partly paid in cash (the short-term incentive) and partly delivered in LEM shares (the long-term incentive) and after approval by the shareholders. The Chairman of the Board of Directors (for the CEO) and the NCC (for the other members of the Executive Management) prepare objectives and performance evaluations based on personal performance review.

Short-term incentive (STI) related to the Executive's function, responsibility and obtained results.

Each Executive's individual target amount for the short-term incentive plan is communicated to the Executive at the beginning of the financial year together with the objectives and their weighting. The target amount and the objectives are based on the role and impact of the Executive as well as annual Company priorities. Objectives are linked to audited financial indicators such as EBIT and net profit, other quantitative indicators as well as qualitative targets based on strategic initiatives. At the end of the financial year, the performance on each objective is evaluated resulting in the total amount to be paid.

The number of objectives is large enough to allow each Executive to reach a fair level of short-term variable compensation rewarding for the results achieved even under changed business conditions. Since the degree of achievement of set objectives has to be evaluated at the end of the period, a clear understanding of the metrics to be applied is established at the time of target setting and kept constant over the period. For each objective, the curve between minimum and maximum bonus level is defined. Ambitious but achievable objectives are set as targets, at which 100% of the respective target amount is attributed.

For the Executive Management, the minimum payout of the short-term incentive is 0% of the target amount and the weighted maximum payout is 139%. The target amount of the short-term incentive represents between 18% and 25% of the total target compensation.

The short-term incentive payout is presented for retrospective approval to the shareholders along with the Annual Report and the financial statements of the same financial year at the Annual General Meeting 2023 prior to being paid out.

Long-term incentive (LTI) related to the sustainable financial performance of LEM Group

During the past financial year, the long-term incentive was replaced by a share-based Performance Share Unit (PSU) plan. The goal is to further focus participants on various dimensions of LEM's financial performance, especially long-term growth and value creation, thereby tightening the alignment of interest with our shareholders.

Starting with financial year 2022/23, participants are granted an individual LTI amount in CHF at the beginning of each three-year plan cycle, which corresponds to the grant date. This amount is converted into PSUs based on a reference price (10-day average share price prior to grant date). At the end of the plan cycle, PSUs vest in LEM shares, whereas the number of shares obtained can vary between 0 and 2, depending on the achievement of pre-defined performance and service conditions.

The performance conditions are:
- **Economic Value Added** (EVA): to account for an internal view on value creation (weighted 60%)
- **Absolute TSR**: to link the overall compensation directly to the absolute value created by LEM for its shareholders (weighted 20%)
- **Relative TSR** (LEM's TSR compared to the TSR of the SPI EXTRA): to strengthen the appreciation of a participant's contribution to the Company's success based on LEM's performance compared to the market (weighted 20%)

Under these conditions performance is measured over three consecutive financial years starting with the year during which the grant date occurs and therefore the plan cycle starts. The BoD defines the targets for all three performance criteria, including minimum, expected and maximum levels, at the beginning of year one of the plan cycle following a stringent target setting process. In financial year 2022/23 the target for the grant are as follows:

	Minimum level (leading to a vesting of 0%)	**Expected level** (leading to a vesting of 100%)	**Maximum level** (leading to a vesting of 200%)
EVA	68% of expected performance	100% of expected performance	132% of expected performance
Absolute TSR	0.0%	7.0%	14.0%
Relative TSR	−10 pp.	0 pp.	10 pp.

Because absolute target amounts for the EVA performance condition are considered strategic and sensitive business information, targets are provided on a relative basis. To set those targets, investors' return expectations on market value, performance projections and current profitability levels were considered to establish an appropriate link between LTI payouts, and the value created for investors. Once the targets are defined, they remain unchanged over the three-year period. The evaluation of the performance takes place at the end of year three. The LEM shares for the purposes of this PSU plan will be acquired in the market. It will not dilute existing shareholders' interests in the Company.

Overall, the minimum number of shares delivered under the long-term incentive corresponds to 0% of the granted PSUs and the maximum is 200% of granted PSUs. The target amount, the individual LTI amount, of the long-term incentive represents 35% of the total target compensation of the CEO and between 17% and 25% of the total target compensation for other members of the Executive Management.

Forfeiture rules apply in case a participant is no longer an employee of LEM at the moment where PSUs vest.

The PSU related to this 2022-2025 LTI plan were allocated as follows:

	Numbers of PSUs	**Value at reference price** In CHF thousands
Frank Rehfeld, CEO	265	450
Executive Management (excl. CEO)	361	613
Total	**626**	**1'063**

Former compensation plans: Long-term incentive related to the sustainable financial performance of LEM Group

Until (and including) financial year 2021/22, the former long-term incentive plan was defined as an annual cash target amount and was based on the performance of LEM evaluated over a period of three consecutive financial years. The performance criterion was the cumulated Economic Value Added (EVA) over these three financial years.

For the Executive Management, the minimum payout of the long-term incentive was 0% of the target amount and the maximum payout was 200%.

For the long-term incentive cycle 2020/21 to 2022/23, the maximum amount approved prospectively by the shareholders at the Annual General Meeting in 2020 was CHF 1'200'000 for payout in 2023.

No further awards will be made under this plan.

Shareholding requirements

Starting with financial year 2022/23, each member of the Executive Management is required to build up an investment in LEM shares worth the equivalent of 150% of the annual base salary for the CEO, 140% for the CFO, and 80% for other members of the Executive Management.

Members of the Executive Management will have a five-year period to achieve the above shareholding targets. In case of non-compliance, restrictions on the sale of owned shares and post-vesting holding requirements for shares vesting in the near future under the new share based PSU plan will apply. All vested shares directly or indirectly owned by a member of the Executive Management and related parties, as well as granted but yet unvested PSUs under the LEM's long-term incentive, will be taken into account when assessing whether or not the shareholding requirements are met.

2.1.3 Non-wage compensation of the Executive Management

For the Executive Management, non-wage compensation consists of pension plans (retirement benefits) only.

The Executive Management benefits from LEM's Swiss pension plan, considered a defined contribution plan under Swiss law that provides retirement benefits and risk insurance for death and disability. IFRS, on the contrary, considers this plan as a defined benefits plan. The insured base salary follows Swiss professional pension regulations without limitation of the amount. The pension fund is funded by contributions from the Company and the respective insured Executive.

2.2 Remuneration of Executive Management

2022/23

In CHF thousands	Base salary	Short-term incentive	Long-term incentive	Company's contribution to pension fund	Other benefits[2]	Total compensation	Company's contribution to social security charges
Frank Rehfeld, CEO	512	363	420	54		1'349	135
Executive Management (excl. CEO)[1]	1'490	705	655	149	26	3'025	303
Total	**2'002**	**1'068**	**1'075**	**203**	**26**	**4'374**	**438**

2021/22

In CHF thousands	Base salary	Short-term incentive	Long-term incentive	Company's contribution to pension fund	Other benefits[2]	Total compensation	Company's contribution to social security charges
Frank Rehfeld, CEO	500	328	295	51		1'174	117
Executive Management (excl. CEO)	1'302	589	533	129		2'553	255
Total	**1'802**	**917**	**828**	**180**		**3'727**	**372**

[1] Including joiners CTO (pro-rated 5 months), SVP Asia (pro-rated 3 months), New SVP Operations (pro-rated 2 months), new SVP Europe/Americas (pro-rated 3 months), and leaver former SVP Operations (pro-rated 6 months)
[2] other benefits: international benefits (e.g. company car, housing)

The amounts are shown as follows:
- Base salary: CHF 2'002'000 as paid out in the reporting period
- Short-term incentive 2022/23: CHF 1'068'414 as proposed to the Annual General Meeting on 29 June 2023 for payout in July 2023
- Long-term incentive: CHF 1'075'000 as accrued for long-term incentive 2020/23 for payout in July 2023
- Pension fund contributions: CHF 203'000 as accrued for or paid during the reporting period
- Company's contributions to social security charges: CHF 438'000 as accrued for or paid during the reporting period

Amounts approved by previous Annual General Meetings related to the period reported above:
- Maximum amount base salary (for the period from 1 October 2021 to 30 September 2022): CHF 2'600'000
- Maximum amount base salary (for the period from 1 October 2022 to 30 September 2023): CHF 3'348'000
- Short-term incentive amount for 2021/22 for payment in 2022: CHF 1'077'774
- Maximum amount long-term incentive 2020/21 to 2022/23 for payment in 2023: CHF 1'200'000
- Pension fund contribution and Company contribution to social security charges as paid out or accrued for in the reporting period are included in the above amounts

The overall variable remuneration paid out for 2022/23 to the Executive Management ranged from 0% (for recent new joiners) to 61% of the total compensation.

3. Loans to current and former members of the Board of Directors and Executive Management and related parties

Our Articles of Incorporation do not provide the basis to grant loans to current or former members of the Board of Directors, the Executive Management or to any related party. Therefore, no loans have been granted in the financial years 2021/22 and 2022/23 or in any previous year.

4. Equal pay

Following the revision of the Switzerland federal law on equal pay between men and women effective from 1 July 2020, LEM international SA has completed on 30 June 2021 the required analysis on May 2021 month with Logib tool provided by the government and the result has been audited by our external auditor. LEM International SA is proud to announce that there is no gender effect within the team. Even more considering the qualification and workplace characteristics into consideration, women earn 2.8% more. The next analysis will be done in May 2025 as defined by the law.

Auditor’s report

Report on the audit of the compensation report

Opinion

We have audited the compensation report of LEM HOLDING SA (the Company) for the year ended 31 March 2023. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked “audited” on pages 60 to 65 of the compensation report.

In our opinion, the information on remuneration, loans and advances in the compensation report complies with Swiss law and Art. 14-16 VegüV.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the compensation report” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked ”audited” in the compensation report, the consolidated financial statements, the stand-alone financial statements and our auditor’s reports thereon.

Our opinion on the compensation report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the compensation report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the compensation report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors’ responsibilities for the compensation report

The Board of Directors is responsible for the preparation of a compensation report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a compensation report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the compensation system and defining individual remuneration packages.

Building a better working world

Auditor's responsibilities for the audit of the compensation report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this compensation report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the compensation report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd.

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Jean-Charles Bonifacj

LEM HOLDING SA

Balance sheet
(before distribution of earnings)

Assets

In CHF thousands

	Notes	31.3.2023	31.3.2022
Current assets			
Cash and cash equivalents		704	1’287
Loans to affiliated companies	4	133’774	398’056
Current assets from affiliated companies		3’027	2’695
Other current assets		288	94
Total current assets		**137’793**	**402’132**
Noncurrent assets			
Loans to affiliated companies	4	237’050	0
Investments in affiliated companies	1	38’286	37’550
Total noncurrent assets		**275’336**	**37’550**
Total assets		**413’130**	**439’682**

Liabilities and equity

In CHF thousands

	Notes	31.3.2023	31.3.2022
Current liabilities			
Current financial liabilities		38’000	40’650
Loans from affiliated companies		57	443
Current liabilities from affiliated companies		97	78
Other current liabilities		1’788	2’222
Total current liabilities		**39’942**	**43’393**
Equity			
Share capital	2	570	570
Legal reserves		285	285
Free reserves – balance carried forward		339’453	78’105
– profit for the year		33’948	318’308
Treasury shares	3	(1’069)	(977)
Total equity		**373’188**	**396’290**
Total liabilities and equity		**413’130**	**439’683**

Income statement

Income

In CHF thousands	Notes	2022/23	2021/22
Dividend from affiliated companies	5	30'778	321'671
Interest income from affiliated companies		7'423	4'447
Foreign exchange gain	6	1'268	1'719
Other financial income		149	53
Other income from affiliated companies		2'818	2'288
Total income		**42'435**	**330'178**

Expense

In CHF thousands	Notes	2022/23	2021/22
Administration and other expenses		(5'279)	(4'924)
Participations' impairment	1	(444)	(4'380)
Financial expense		(752)	(247)
Foreign exchange loss	6	(1'807)	(2'208)
Total expense		**(8'283)**	**(11'760)**
Profit before tax		**34'153**	**318'419**
Income taxes	7	(204)	(111)
Net profit for the year		**33'948**	**318'308**

Notes to the financial statements

Principles for the establishment of the financial statements

The accompanying financial statements have been prepared in accordance with the requirements of the Swiss Code of Obligations. In agreement with the Article 961d of the Code of Obligations, the Company does not present the additional information in the notes to the annual accounts, the cash flow statement and the management report.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

LEM HOLDING SA does and did not have any employees.

Financial income and expenses

Current assets and current liabilities denominated in foreign currencies are converted at year-end exchange rates. Realized exchange gains and losses, and all unrealized exchange losses arising from these as well as those from business transactions, are recorded net as financial income or financial expenses.

Derivative financial instruments

Derivative financial instruments are used for hedging purposes. These instruments are valued at fair value.

Cash and cash equivalents

Cash and cash equivalents are bank accounts and short-term deposits, highly liquid and readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition.

Financial assets

Financial assets are valued at acquisition cost less adjustments for foreign currency losses and any other impairment of value.

Financial investments

Financial investments are initially recognized at cost. Investments in LEM HOLDING SA subsidiaries are assessed annually and in case of an impairment adjusted to their recoverable amount.

Treasury shares

Treasury shares are recognized at acquisition cost and deducted from equity. Gains and losses on the sale are recognized in the statement of income.

1. Investments in affiliated companies

In CHF thousands	31.3.2023	31.3.2022
Historical cost minus impairment	38'286	37'550
Total	**38'286**	**37'550**

The increase of the total investment is due to the capital increase in LEM Malaysia for CHF 1'280 thousand. In addition, Management has assessed that LEM Russia Ltd.'s ability to continue as a going concern is not anymore satisfied and will terminate its operation in Russia. As a result, the investment in LEM Russia was fully impaired, with an impact of CHF 444 thousand at 31 March 2023.
For more details about participations, please refer to note 26 of the consolidated financial statements.

2. Share capital

	Number of shares	Par value per share in CHF	Capital in CHF thousands
Opening capital at 1 April 2022	**1'140'000**	**0.50**	**570**
Change of capital	0		0
Closing capital at 31 March 2023	**1'140'000**	**0.50**	**570**

3. Treasury shares

		Price per share in CHF			
	Number	**High**	**Average**	**Low**	**Value in CHF thousands**
Value at 1 April 2021	**608**				**1'156**
Purchases at cost	6'936	2'670.00	2'112.59	1'634.18	14'653
Sales at cost	(7'095)	2'670.00	2'090.42	1'657.40	(14'832)
Value at 31 March 2022	**449**				**977**
Purchases at cost	3'986	2'401.82	1'863.23	1'392.29	7'427
Sales at cost	(3'880)	2'438.18	1'890.66	1'439.90	(7'336)
Value at 31 March 2023	**555**				**1'069**

Subsidiaries of LEM HOLDING SA did not own any shares of LEM HOLDING SA.
Treasury shares are valued at the lower of cost or market value.

4. Loans to affiliated companies

On 31 March 2023, LEM HOLDING SA had a loan of CHF 260 million towards LEM International SA, coming from the IP sold to LEM International SA in 2019. This loan is refunded every year for an amount of CHF 22 million. It is disclosed as follows in the balance sheet as of 31 March 2023:
– Current loans, for CHF 22 million
– Non current loans, for CHF 237 million

5. Dividend from affiliated companies

In financial year 2022/2023, the dividend income amounts to CHF 30.8 million coming mostly from LEM China (financial year 2021/2022 dividend income of CHF 321.7 million mainly due to LEM Intellectual Property SA liquidation).

6. Exchange effect

In CHF thousands	2022/23	2021/22
Exchange gains/(losses)	(803)	(1'270)
Fair value revaluation on derivatives [1]	18	837
Gains/(losses) on derivatives [1]	246	(57)
Exchange effect	**(539)**	**(489)**

[1] Position includes cost of derivative hedging

7. Income taxes

In CHF thousands	2022/23	2021/22
Current taxes	(737)	(383)
Adjustments of tax provisions of previous periods	533*	272
Total	**(204)**	**(111)**

* From previous years due to liquidation of LEM Intellectual Property SA

8. Significant shareholders according to Article 663c of the Swiss Code of Obligations

On 31 March 2023, the following shareholders held 3% or more of the share capital and voting rights:

	31.3.2023		31.3.2022	
In number of shares, percent of shareholding	Shares	In%	Shares	In%
Werner O. Weber and Ueli Wampfler, in Zollikon/Wollerau, Switzerland, through WEMACO Invest AG and Voltano AG in Cham, Switzerland	592'500	52.0%	584'700	51.3%
Ruth Wertheimer, in Kfar Shmaryahu, Israel, through 7-Industries Holding B.V., in Amsterdam, Netherlands	34'381	3.0%	34'381	3.0%
Capital Group Companies Ltd., Los Angeles, USA	n.a.	3%–5%[1]	n.a.	3%–5%[1]
J. Safra Sarasin Investmentfonds AG, Basel, Switzerland	n.a.	<3%	36'550	3.2%

[1] Capital Group disclosed a 3.02% stake as of 31 August 2020, but did not report the exact number of LEM shares per 31 March 2022 and 31 March 2023

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

In CHF thousands	31.3.2023	31.3.2022
Amount of guarantees issued	1'627	1'855

10. Shareholdings

Shareholdings of non-executive Directors

	31.3.2023 Number of shares held	31.3.2022 Number of shares held
Andreas Hürlimann	1'001	1'001
François Gabella	600	600
Ilan Cohen	300	300
Ueli Wampfler	75'500	72'700
Ulrich Jakob Looser	350	300
Werner C. Weber	0	0
Total	**77'751**	**74'901**

Shareholdings of Executive Management

Starting with financial year 2022/23, participants in the LTI plan are granted an individual LTI amount in CHF at the beginning of each three-year plan cycle, which corresponds to the grant date. This amount is converted into PSUs based on a reference price (10-day average share price prior to grant date). At the end of the plan cycle, PSUs vest in LEM shares, whereas the number of shares obtained can vary between 0 and 2, depending on the achievement of pre-defined performance and service conditions.

		31.3.2023		31.3.2022
	Number of shares held	Number of PSU allocated	Number of shares held	Number of PSU allocated
Frank Rehfeld, CEO	20	265	0	0
Executive management (excl. CEO)	0	290	0	0
Total	**20**	**555**	**0**	**0**

Proposed appropriation of available earnings

In CHF thousands	31.3.2023	31.3.2022
Balance brought forward from previous year	**339'413**	**78'105**
Treasury shares from previous year	(977)	(1'156)
Variation of treasury shares	(91)	179
Net profit for the year	33'948	318'308
Total available earnings	**372'293**	**395'436**
Proposal of the Board of Directors		
Ordinary dividend	(59'280)	(57'000)
Balance to be carried forward	**313'013**	**338'436**

The Board of Directors proposes the distribution of an ordinary dividend of CHF 52 per share. Net of 35% withholding tax, this is an ordinary cash dividend of CHF 33.8 per share.

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

Shares held by LEM HOLDING SA or any of its subsidiaries are not entitled to dividends.

Auditor’s report

Report on the audit of the financial statements

Opinion

We have audited the financial statements of LEM HOLDING SA (the Company), which comprise the balance sheet as at 31 March 2023 and the statement of income for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements comply with Swiss law and the Company’s articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the financial statements” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor’s reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors’ responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse’s website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company’s articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd.

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Jean-Charles Bonifacj

Group subsidiaries

LEM is a global player with production plants and development centers in Beijing (China), Geneva (Switzerland), Tokyo (Japan) and Sofia (Bulgaria). The Company has a dedicated R&D Center in Lyon (France) and sales offices at all its customers' locations and offers seamless service around the globe.
For a complete list of subsidiaries and offices, refer to www.lem.com > Contact > Sales Locator

Europe

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LEM International SA
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