



LEM HOLDING SA

INVITATION TO THE
ANNUAL GENERAL MEETING OF SHAREHOLDERS 2018

LEM's Board of Directors is pleased to invite you to the Annual General Meeting of Shareholders.

Date and time
Thursday, 28 June 2018, at 15.30 hours (CEST), doors open at 15.00 hours (CEST)

Place
University of Fribourg, Auditorium A 120, Boulevard de Pérolles 90, 1700 Fribourg/Freiburg, Switzerland

AGENDA AND PROPOSALS

- 1 Reporting for financial year 2017/18**

 - Management report and consolidated financial statements of the LEM Group
 - Annual financial statements of LEM HOLDING SA
 - Auditors' reports

1.1 Approval of the management report, the consolidated financial statements of the LEM Group, the annual financial statements of LEM HOLDING SA as at 31 March 2018, reports of the statutory auditors

The Board of Directors proposes that the management report, the consolidated financial statements of the LEM Group and the annual financial statements of LEM HOLDING SA be approved.

1.2 Consultative vote on the Compensation Report 2017/18

The Board of Directors recommends that the Compensation Report as per pages 26 to 29 of the Annual Report be accepted (nonbinding consultative vote).

The Compensation Report contains the principles governing the compensation paid to the Board of Directors and the Executive Management and reports on the amounts paid to the members of both bodies for the financial year 2017/18.

- 2 Appropriation of available earnings and distribution**

The Board of Directors proposes that the total available earnings for the financial year 2017/18 of LEM HOLDING SA be allocated as follows:

(in CHF thousands)	
Balance brought forward from previous financial year	21'328
Variation of treasury shares	(185)
Net profit of the financial year	31'898
Total available earnings	53'041
Proposal of the Board of Directors	
Ordinary dividend	(45'562)
Balance to be carried forward	7'4791

The Board of Directors proposes the distribution of an ordinary dividend of CHF 40 per share. Net of the Swiss withholding tax of 35%, this is an ordinary net cash dividend of CHF 26 per share. The shares will be traded ex-dividend as of 3 July 2018. The net dividend will be paid on 5 July 2018. Shares held by LEM HOLDING SA or any of its subsidiaries are not entitled to dividends.

- 3 Discharge of the Board of Directors and the Executive Management**

The Board of Directors proposes that the members of the Board of Directors and the Executive Management be granted discharge for the financial year 2017/18.

4. Approval of the compensation of the Board of Directors

The Board of Directors proposes that the shareholders approve a maximum aggregate amount of compensation of the members of the Board of Directors for the term of office from the Annual General Meeting 2018 until the Annual General Meeting 2019 of CHF 1'100'000.

The proposed maximum aggregate amount of CHF 1'100'000 is composed of the following (nonbinding) components:

 - Gross fixed compensation of CHF 910'000 based on the gross Board of Directors membership fees (CHF 250'000 for the Chairman and CHF 80'000 for each member) and the Committee membership fees (CHF 40'000 for the Committee's chairman and CHF 20'000 for each member) for the six members of the Board of Directors proposed for election or re-election under agenda item 6 below. For further details on the system of compensation of the Board of Directors, please refer to the Compensation Report 2017/18 on pages 26 to 29 of the Annual Report; plus
 - Related employer contributions to social security; plus
 - Reserve amount which allows for flexibility in the event of extraordinary events such as significant additional workload of all or certain members of the Board of Directors that requires additional compensation, including membership in ad hoc committees, or an increase in mandatory social security contributions due to a change of applicable contribution rates.

Members of the Board of Directors do not receive any variable compensation. The actual payout to the members of the Board of Directors for the term of office from the Annual General Meeting 2018 until the Annual General Meeting 2019 will be disclosed in the Compensation Report 2018/19.

- 5 Approval of the compensation of the Executive Management**

The approval of the compensation of the members of the Executive Management is divided into three separate votes:

 1. The first approval relates to the gross short-term variable compensation to be paid to the members of the Executive Management under the Leadership for Results (L4R) plan – Short-Term Incentive for financial year 2017/18 (retrospective approval).
 2. The second approval relates to the maximum gross long-term variable compensation to be granted to the members of the Executive Management under the Leadership for Results (L4R) plan – Long-Term Incentive for financial year 2018/19 (prospective approval) to be paid out in July 2021.
 3. The third approval relates to the maximum fixed compensation of the members of the Executive Management for the period from 1 October 2018 to 30 September 2019 (prospective approval).

5.1 Vote on the aggregate amount of short-term variable compensation of the Executive Management for financial year 2017/18

The Board of Directors proposes that the shareholders approve an aggregate amount of short-term variable compensation of the members of the Executive Management for the preceding completed financial year 2017/18 of CHF 1'144'664.

The proposed amount of CHF 1'144'664 is composed of the following components:

 - Gross short-term variable compensation of the members of the Executive Management for the financial year 2017/18 of CHF 1'050'150; plus
 - Related employer contributions to social security of CHF 94'514.

For further details, please refer to the Compensation Report 2017/18 on pages 26 to 29 of the Annual Report.

- 5.2 Vote on the maximum aggregate amount of long-term variable compensation of the Executive Management for financial year 2018/19**

The Board of Directors proposes that the shareholders approve a maximum aggregate amount of long-term variable compensation to be granted to the members of the Executive Management for financial year 2018/19 of up to CHF 1'200'000.

The proposed maximum amount of CHF 1'200'000 is composed of the following (nonbinding) components:

- Maximum gross long-term variable compensation under the Leadership for Results (L4R) plan of the members of the Executive Management. This maximum amount assumes that all performance targets will be reached at the maximum possible level under the L4R LTI (Long-Term Incentive) plan rules of CHF 1'000'000; plus
- Estimated related employer contributions to social security of CHF 200'000.

The L4R LTI plan is an annual long-term incentive plan which is based on the performance of LEM evaluated over a period of three consecutive fiscal years. The performance criterion is the cumulated economic value added (EVA) over these three fiscal years. For further details, please refer to the Compensation Report 2017/18 on pages 26 to 29 of the Annual Report.

The actual payout to the members of the Executive Management for grants awarded during financial year 2018/19 will be disclosed in the Compensation Report 2020/21.

- 5.3 Vote on the maximum aggregate amount of fixed compensation of the Executive Management for the period from 1 October 2018 to 30 September 2019**

The Board of Directors proposes that the shareholders approve a maximum aggregate amount of fixed compensation for the members of the Executive Management for the period from 1 October 2018 to 30 September 2019 of up to CHF 1'800'000.

The proposed maximum amount of CHF 1'800'000 is composed of the following (nonbinding) components:

- Gross base salaries of the members of the Executive Management of CHF 1'470'000; plus
- Related employer contributions to social security and pension fund of CHF 330'000.

The actual payout to the members of the Executive Management for the period from 1 October 2018 to 30 September 2019 will be disclosed in the Compensation Reports 2018/19 and 2019/20, respectively.

- 6 Re-elections of members of the Board of Directors, re-election of the Chairman of the Board of Directors and election of one new member of the Board of Directors**

- 6.1 Re-elections**

The Board of Directors proposes the re-election of

 - Ilan Cohen as member
 - Ulrich Jakob Looser as member
 - Ueli Wampfler as member
 - Werner Carl Weber as member
 - Andreas Hürlimann as member and Chairman (one single vote)

to the Board of Directors for a term of office of one year extending until completion of the next Annual General Meeting.

Re-elections of the proposed nominees will be held individually.

The mandates of all members of the Board of Directors will expire at the end of the Annual General Meeting of 28 June 2018.

For further details on the nominees as well as their qualifications, see biographies in the Corporate Governance Report 2017/18 on pages 18 to 19 of the Annual Report.

6.2 Election of one new member

The Board of Directors proposes the election of François Gabella to the Board of Directors for a term of office of one year extending until completion of the next Annual General Meeting.

François Gabella was Chief Executive Officer of LEM Group from July 2010 to March 2018. He was previously employed as Chief Executive Officer by TESA Ltd, Senior Vice President by Areva T&D Ltd, and General Manager-Power Transformers by ABB Switzerland Ltd. He is a member of the Committee of Swissmem (Zurich), chairman of the Board of Directors of Winterthur Instruments Ltd (Winterthur) and member of the Board of Directors of Optotune Ltd (Dietikon) and Switzerland Global Enterprise (Zurich).

François Gabella is a Swiss citizen, born in 1958. He received his graduate degree from École Polytechnique Fédérale de Lausanne (EPFL) and an MBA from the International Institute for Management Development (IMD).

As Chief Executive Officer of LEM Group, François Gabella has successfully led the LEM Group and achieved a phase of profitable growth and shareholder value creation. His standing for election is an opportunity to benefit from his know-how and industry insights.

- 7 Re-election and election to the Nomination & Compensation Committee**

The Board of Directors proposes the re-election of

 - Ulrich Jakob Looser
 - Andreas Hürlimann

to the Nomination & Compensation Committee for a term of office of one year extending until completion of the next Annual General Meeting. In case of re-election, Ulrich Jakob Looser will be appointed as chairman of the Nomination & Compensation Committee.

Re-elections of the proposed nominees will be held individually.

8 Re-election of the Independent Representative

The Board of Directors proposes the re-election of the law firm Hartmann Dreyer, Attorneys-at-law, Boulevard de Pérolles 7, 1701 Fribourg/Freiburg, Switzerland, as Independent Representative for a term of office of one year extending until completion of the next Annual General Meeting.

9 Re-election of the statutory auditors

The Board of Directors proposes the re-election of Ernst & Young Ltd., Lancy, as statutory auditors for the financial year 2018/19.

At the end of the Annual General Meeting, we are pleased to welcome all shareholders to a cocktail buffet. Fribourg/Freiburg, 7 June 2018

On behalf of the Board of Directors of LEM HOLDING SA
Andreas Hürlimann,
Chairman of the Board of Directors