

Annual Report 2014/2015

As easy as that.

Lenze

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Dear Reader,

The topic of the “smart factory” has become more and more clearly defined over recent months. In Germany, it is also referred to as the fourth industrial revolution. Essentially, it is about producing goods faster, more flexibly and more efficiently by means of modern information and communication technologies.

These are precisely the goals that everyone at Lenze has been pursuing for many years now. This is why we do not see Industry 4.0 as a real revolution. For us it is a thematic hold-all for technological developments that will provide us with a host of opportunities, opportunities that we are already extremely well equipped to exploit. In the last 15 years, for example, our subsidiary encoway has developed into the market leader for software that is used in generating tailor-made price quotations and configurations for technical products.

We see it as our task to enhance technical innovations by adding a valuable ingredient: customer benefit. In the last financial year we at Lenze were once more successful in achieving this goal. This enabled us to again increase our sales revenue by just over four per cent and to improve our EBIT earnings in line with expectations.

The USA was a strong motor for our growth – here we were able to profit from projects to invest in equipment for the automobile industry. Progress in Southern Europe and the Benelux countries was just as strong. But we also recorded outstanding successes in Eastern Europe, too. Our activities in the emerging markets and China made good progress. As these concrete examples show, the value of our investments in the internationalisation of the Lenze Group is becoming increasingly evident.

Letter to readers

We are beginning the current financial year with a basic outlook that is slightly positive, even though the current forecasts predict a stagnating tendency. We are continuing to build on our strengths, intensifying our sales and marketing work, and gearing our development work even more towards custom benefit. Evidence of this will be seen in the coming weeks, when we launch our new i500 series of inverters – a new generation of frequency inverters that will set new standards in the market with regard to modularity, handling and robustness. In combination with our new gearboxes and our current motors, the new inverters enable us to create drive packages that are tailor-made for our customers' machines and that offer outstandingly high levels of productivity, reliability and easy handling.



Dipl.-Ing. Frank Maier

Dipl.-Ing. Christian Wendler

Dr. rer. soc. oec. Yorck Schmidt

We are convinced that our market-oriented ideas and activities, combined with a deep-rooted attachment to our values, will allow us to continue our positive progress in the current financial year with regard to the growth of sales revenue and profitability. In this, we can rely on the strong abilities and motivation of our employees worldwide. We are proud to be able to say this today, and tomorrow it will be our incentive!

On behalf of the Lenze Group



Christian Wendler

Chief Executive Officer
Marketing and Sales



Frank Maier

Innovation



Dr. Yorck Schmidt

Operations and Controlling/Finances

1

Developing ideas

Are you looking to build the best machine possible and already have some initial ideas? Then get these down on paper together with us, starting with small innovative details and stretching all the way to completely new machines. Working together, we will develop an intelligent and sustainable concept that is perfectly aligned with your specific requirements.

2

Drafting concepts

We see welcome challenges in your machine tasks, supporting you with our comprehensive expertise and providing valuable impetus for your innovations. We take a holistic view of the individual motion and control functions and draw up consistent, end-to-end drive and automation solutions for you - keeping everything as easy as possible and as extensive as necessary.

4.0

is a key driver
of innovation.

We are a key driver
of Industry 4.0.

3

Implementing solutions

Our easy formula for satisfied customers is to establish an active partnership with fast decision-making processes and an individually tailored offer. We have been using this principle to meet the ever more specialised customer requirements in the field of machine engineering for many years.

4

Manufacturing machines

Functional diversity in perfect harmony: as one of the few full-scope providers in the market, we can supply you with precisely those products that you actually need for any machine task – no more and no less. Our L-force product portfolio, a consistent platform for implementing drive and automation tasks, is invaluable in this regard.

5

Ensuring productivity

Productivity, reliability and new performance peaks on a daily basis – these are our key success factors for your machine. After delivery, we offer you cleverly devised service concepts to ensure continued safe operation. The primary focus here is on technical support, based on the excellent application expertise of our highly-skilled and knowledgeable aftersales team.

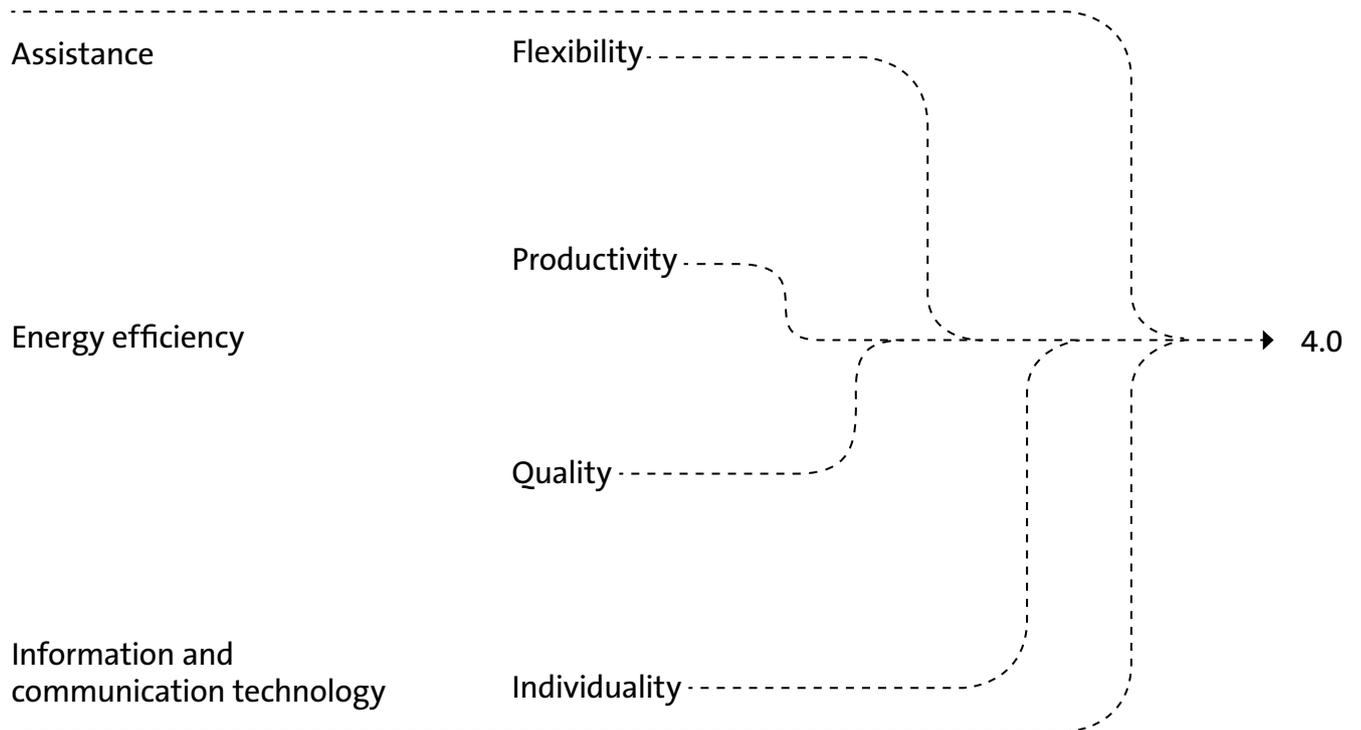
Phase 1: Developing ideas

Industry 4.0 requires a smart factory. Because only intelligent machines can manufacture highly individual products while keeping both the batch sizes and the production costs low. But the necessary flexibility of these machines often gives rise to complexity.

To make everything easy for machine builders despite this, we are working with them on developing ideas that will enable us to master the complexity. They include

intelligent technology,

standardised modular software, modern concepts for simplifying machine operation, and intelligent system integration by our qualified staff.

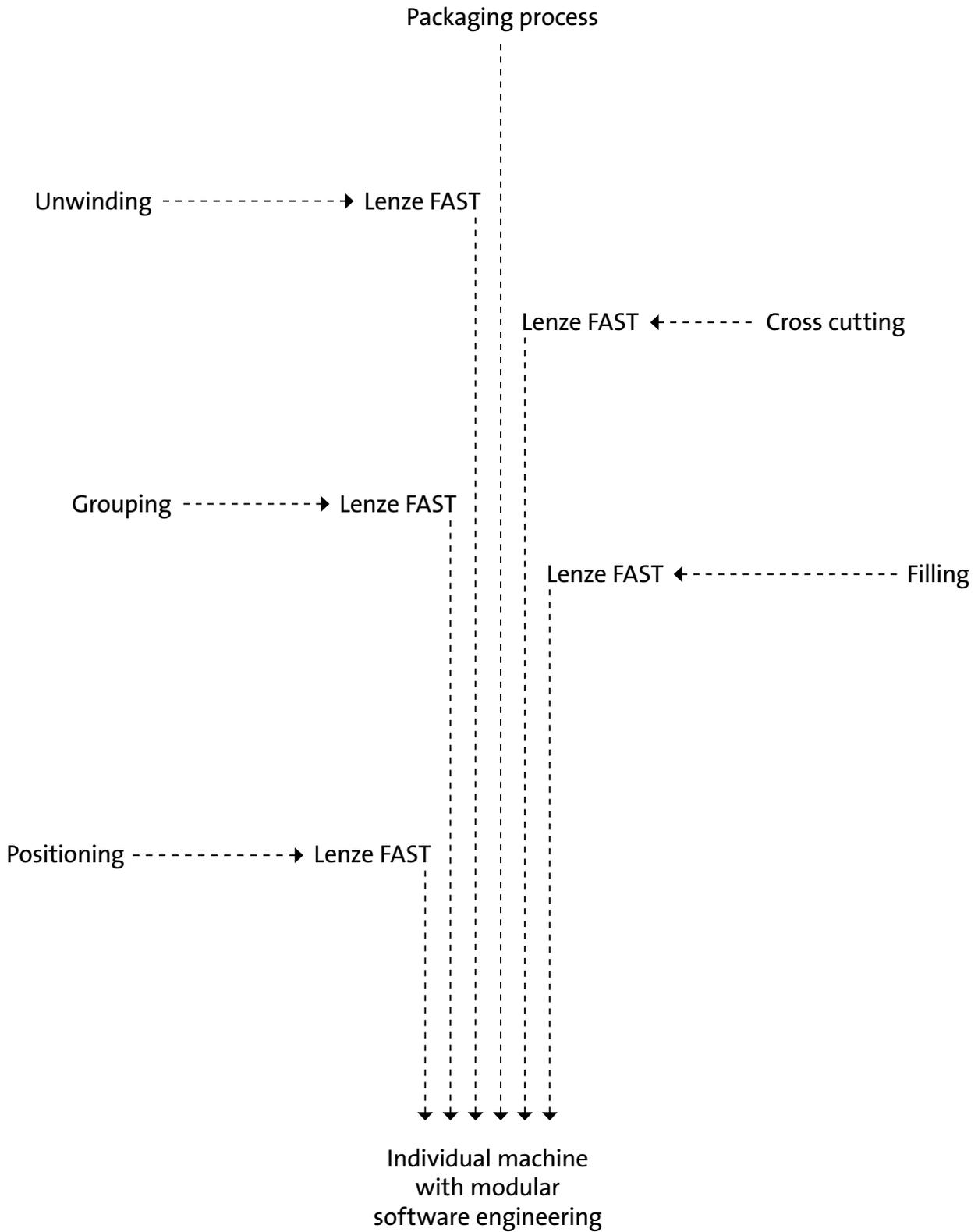


Phase 2: Drafting concepts

Any machine good enough to be part of Industry 4.0 must be constantly able to fulfil three main tasks – to identify, understand and meet new requirements. This can only be done with the help of intelligent software that is modular and flexible. And that is precisely what we have made easy: because with the Lenze FAST software toolbox, the modular software structure of any machine can be adapted again and again to meet

new requirements.

Lenze FAST, in other words, can be re-used – and that saves time, human resources, and costs.



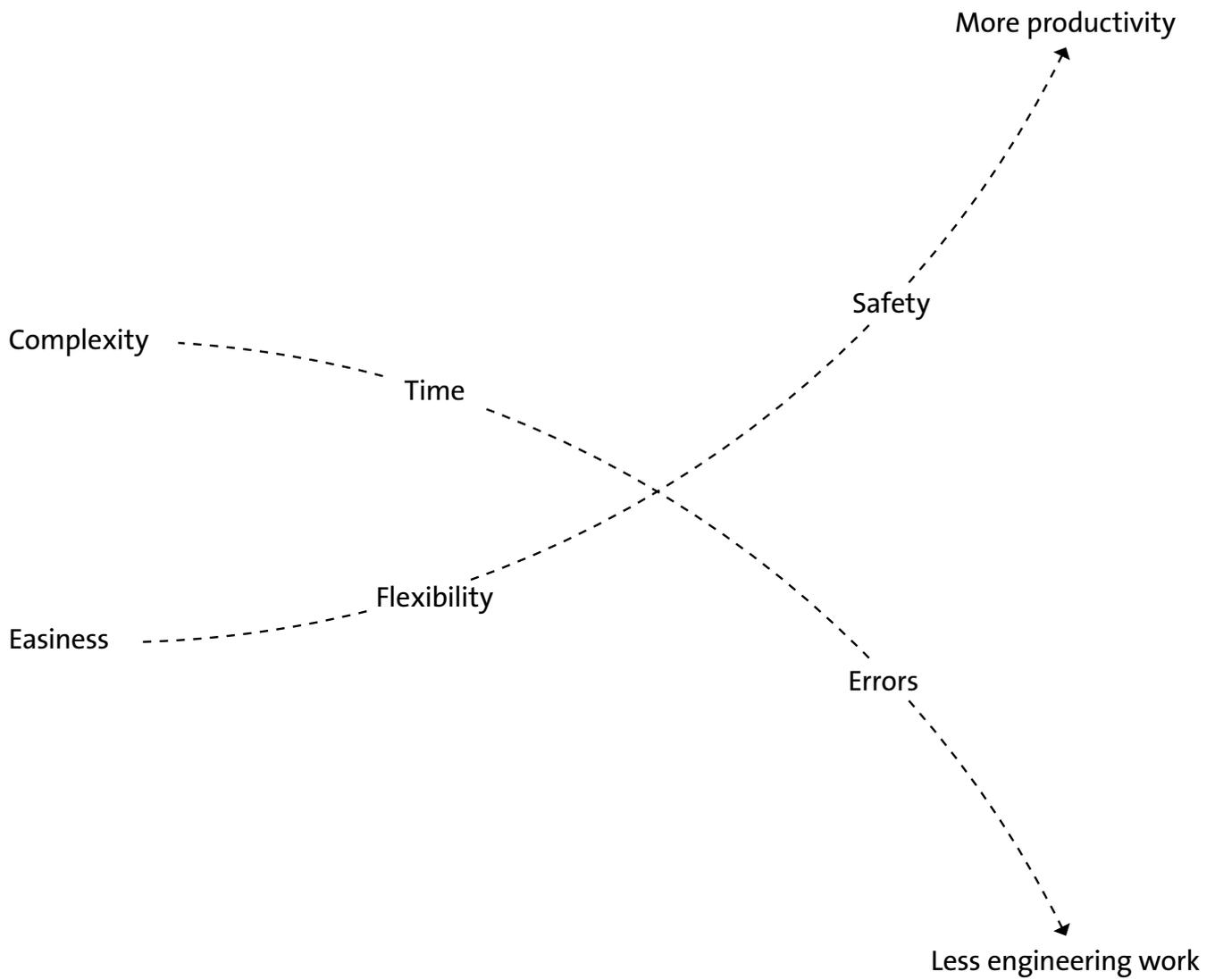
Phase 3: Implementing solutions

We have many years of experience in drive and automation technology. As a result of this competence, we find optimal system solutions that can be used to create highly intelligent process networks. So intelligent that they are not satisfied merely with good results – instead, thanks to their dynamic drive design, they are constantly improving themselves in the ongoing production process.

What perfect conditions for Industry 4.0! Because it means that production tasks can be changed and then fulfilled, flexibly. This leads to

**more
productivity**

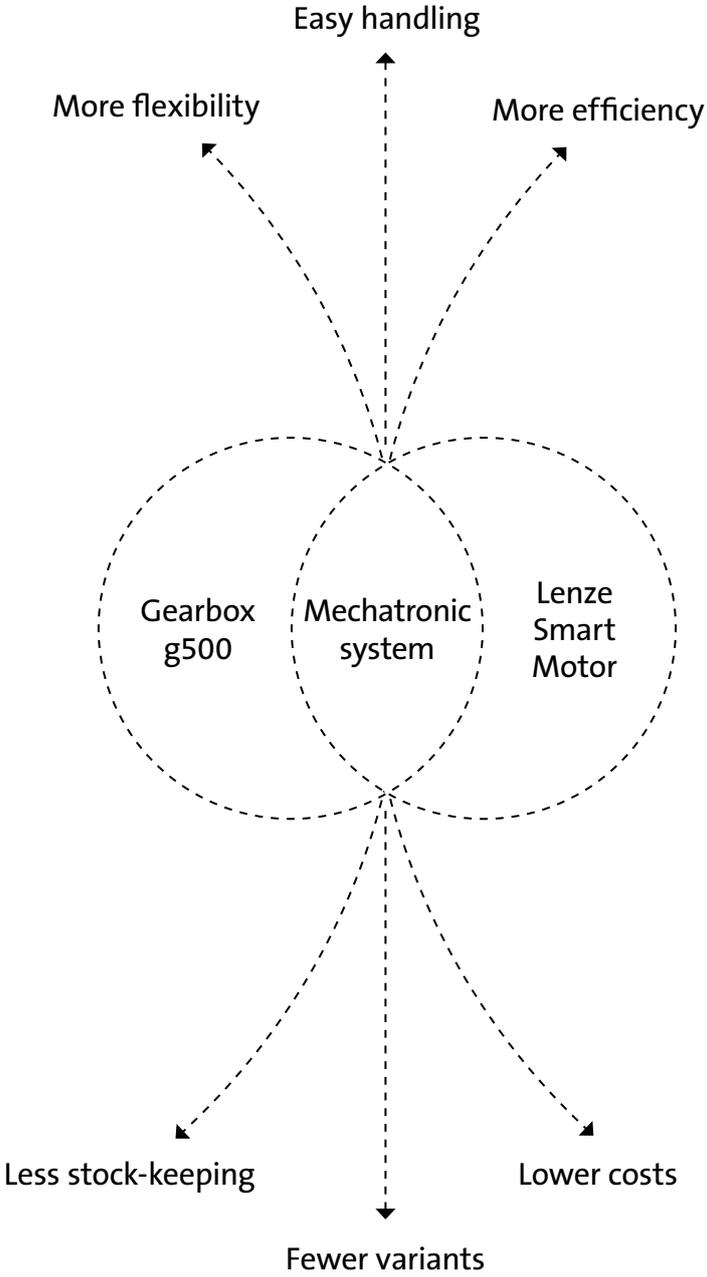
and less engineering work.



We are way ahead of the game: Lenze's innovative portfolio of products and services already fulfils the latest requirements that Industry 4.0 imposes on machines. At an early stage we realised that

flexible solutions

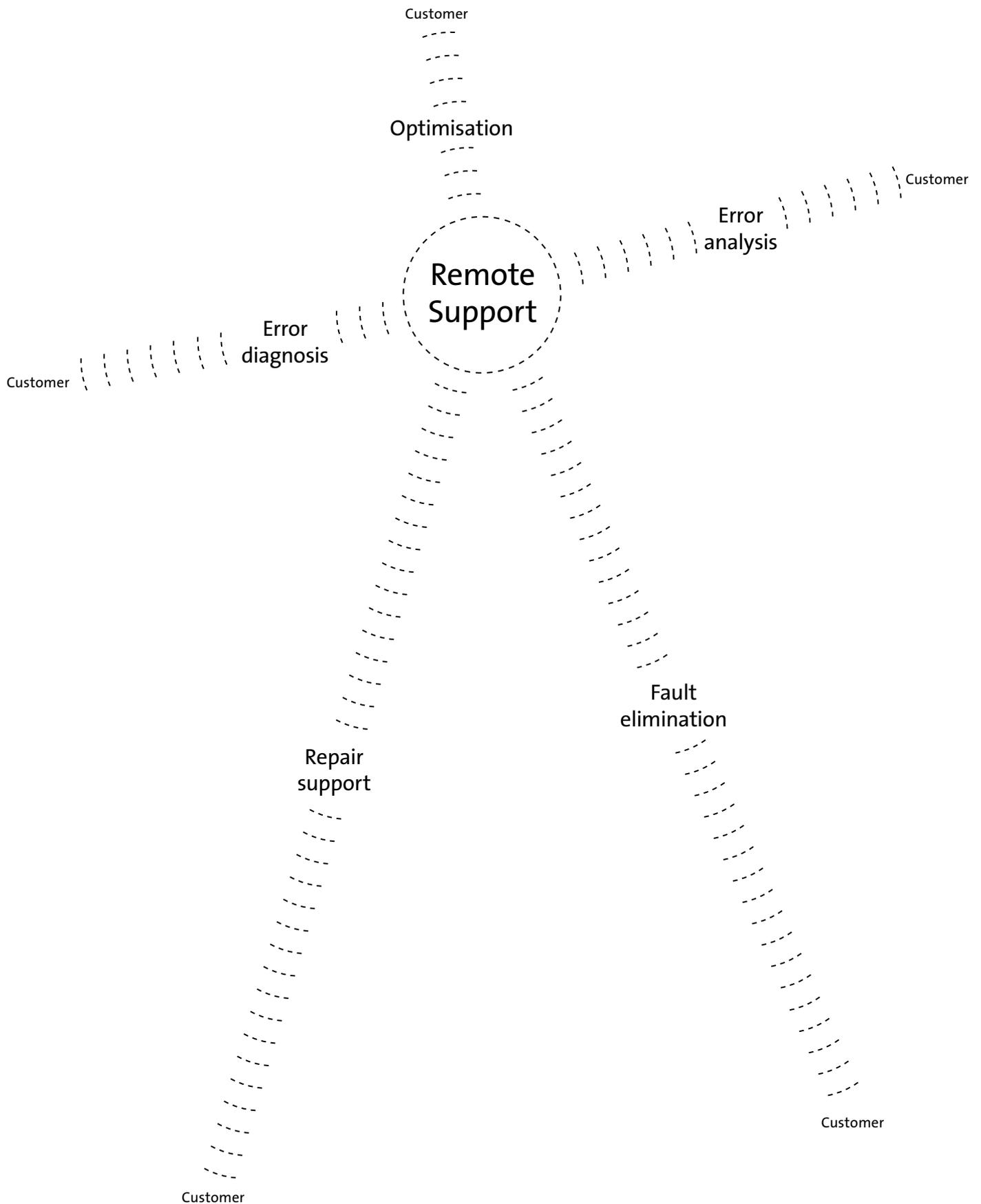
would be needed, solutions that transcend the limits of conventional systems to supply the right product for each machine task. Take, for example, our mechatronic drive solutions in the new g500 series of gearboxes and the Lenze Smart Motor. They can be flexibly adapted to a huge variety of machine tasks and can be operated intelligently and easily with a smartphone app. And that is not all – they come with better energy efficiency, in smaller sizes, and with no need for numerous variants.



There is nothing better than a reliable machine! That is why

reliability

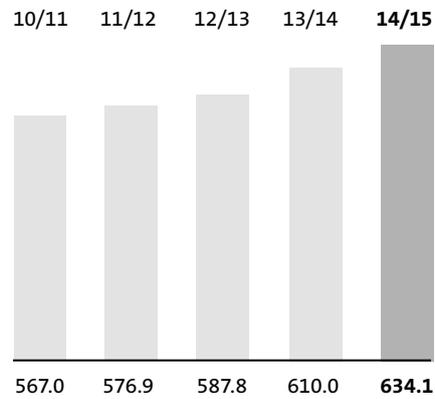
is the primary virtue in our intelligent service concepts. In order to ensure the sustained operation of existing machine systems, thereby guaranteeing high productivity, we react instantly in any emergency. By using modern communication technologies, such as our remote support service, we are able to carry out error analysis and fault rectification online. That makes Industry 4.0 easy.



Key numbers

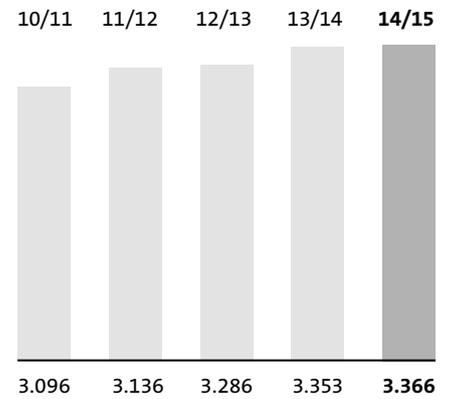
Sales

€ in millions



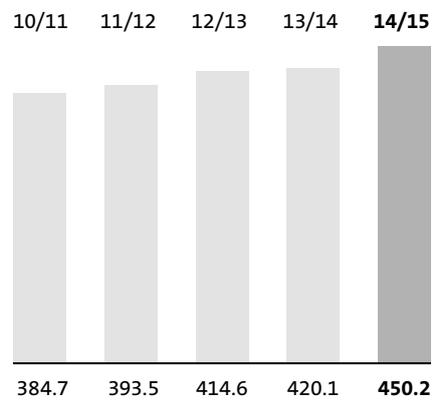
Number of employees

at 30 April each year



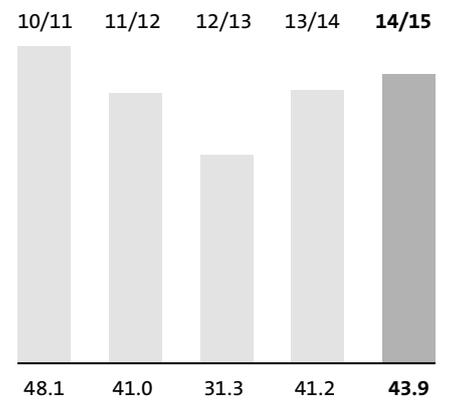
Balance sheet total

€ in millions



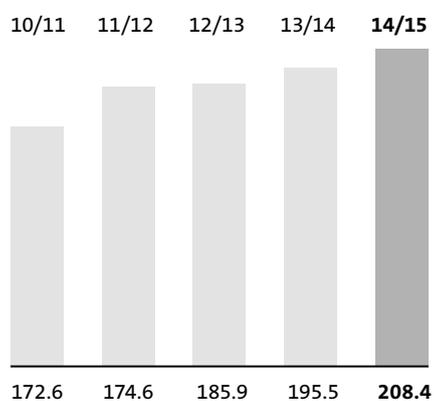
Cashflow

€ in millions



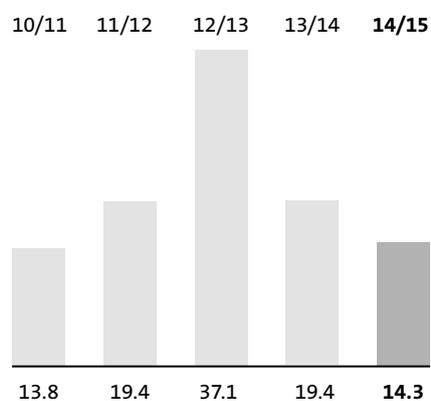
Personnel costs

€ in millions



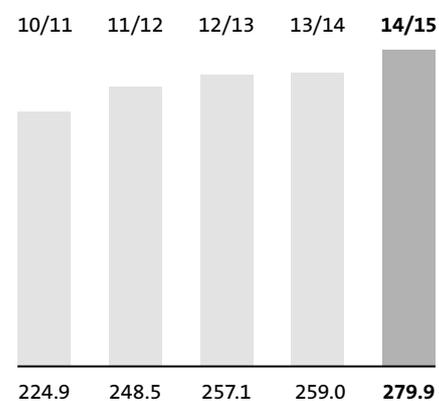
Capital investment expenditure

€ in millions



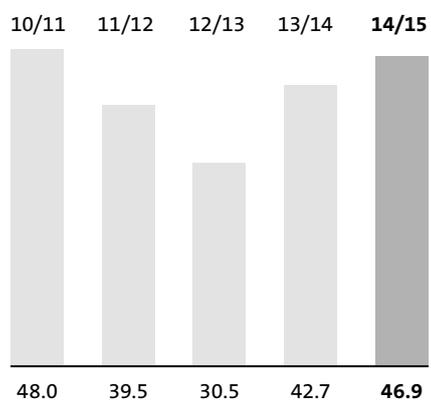
Equity

€ in millions



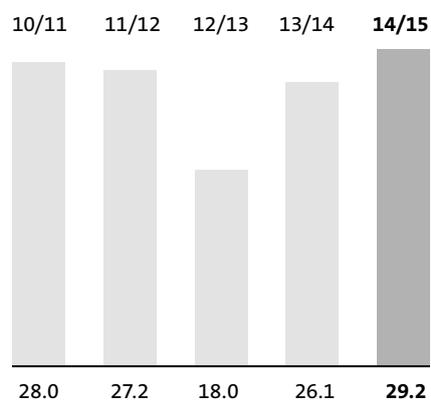
EBIT

€ in millions



Net income

€ in millions



Supervisory Board's report

The financial year from 1 May 2014 to 30 April 2015

The Supervisory Board of Lenze SE met four times in the reporting period for detailed scrutiny of the company's position and development. It advised the Executive Board and monitored the management of the company. The Executive Board kept the Supervisory Board briefed on a regular basis with comprehensive, up-to-date information, bringing to its attention all the issues that required the involvement of the Supervisory Board in the decision-making process. In particular, the Supervisory Board looked closely at the Executive Board's plans, at the risk management with special focus on the market environment, and at investments for the future with regard to further growth potential for the Lenze Group.

The Chairman of the Supervisory Board was in regular contact with the Executive Board above and beyond the Supervisory Board meetings, informing himself about current developments in the business conditions and the significant business events.

Supervisory Board meetings

In the reporting period, the meetings of the Supervisory Board took place on 14 May 2014, 17 September 2014, and 13 May 2015. The balance sheet meeting was held on 23 September 2015.

In two cases, decisions were made on urgent matters by means of written communication in March and April 2015.

Year-end and consolidated financial statements

The Baker Tilly Roelfs AG auditing company, based in Düsseldorf, scrutinised and audited Lenze SE's year-end financial statement and consolidated financial statement, as well as the management report and the Group management report for the Lenze Group. With regard to the early risk-detection system currently employed, the auditors certified that the Executive Board has taken suitable measures to meet the requirements of section 91, subsection 2, of the German Stock Corporation Act, especially with regard to setting up a monitoring system, and that the monitoring system is suitable for the early detection of developments which threaten the survival of the company.

In compliance with section 315a, subsection 3, of the German Stock Corporation Act, the legal conditions have been met for an exemption from the obligation to produce a consolidated financial statement in accordance with the German Commercial Code. The consolidated financial statement was therefore drawn up in accordance with the International Financial Reporting Standards.

The Supervisory Board has scrutinised the year-end and consolidated financial statements, the management report and the Group management report for Lenze SE's 2014/2015 financial year, discussing them with the auditors in the process. The same applies to the proposal for the appropriation of net income. The Supervisory Board accepts the result of the audit by the balance sheet auditor. Upon completion of its scrutiny, the Supervisory Board raised no objections and approved the year-end and consolidated financial statements. The year-end statement is thus certified.

Supervisory Board



Dr. Jürgen Krumnow



Dr. Michael Paul



Nikolaus Belling



Max Finger



Dirk Brockmann



Dirk Schröder

Changes in the Supervisory Board and Executive Board

There were no changes in the Supervisory Board of Lenze SE in the reporting period.

In accordance with the decision by the Supervisory Board on 13 May 2015, Mr Christian Wendler was re-elected as a member and Chairman of the Executive Board of Lenze SE for the period from 1 May 2016 until 30 April 2021. The Supervisory Board of Lenze SE thanks Mr Wendler for his successful work.

The Supervisory Board would also like to express its thanks to all members of the company's management and to all the employees of the Lenze Group for the work they have done in the past financial year.

Aerzen, 23 September 2015

On behalf of the Supervisory Board



Dr. Jürgen Krumnow
Chairman

lenze

As easy as that.

1. Business model

Lenze is a globally active specialist in Motion Centric Automation, offering a comprehensive portfolio of products and services for the industrial automation market: from controls and visualisation to electric drives, electromechanics, engineering services and engineering tools, all from one source. Especially in the light of the requirements stemming from the Industry 4.0 project, what Lenze offers its customers is without equal, globally. The Lenze experts work together with their customers to create a fully integrated set of drive and automation solutions that make the realisation, the integration and the servicing of machines easier. The customers are supported by an international network of sales and application specialists. This means that wherever in the world Lenze is based, customers can rely on finding excellent machine know-how, innovative ideas and the highest standards of quality. The Lenze corporation is one of the few suppliers in the market that support machine-building customers in all phases of the machine's life, making their engineering work as easy as possible. Lenze stands for productivity, reliability, and easiness.

The Lenze Group is controlled via its holding company, Lenze SE, whose headquarters are in Aerzen, near Hamelin in Lower Saxony, Germany. The operative units are set up as flexible medium-sized businesses – this means the decision-making processes are quick, the structures are as simple as possible, and Lenze's solutions are always oriented towards the customer. The Group is represented by its own sales companies, research and development sites, production plants, and a network of sales and service partners in 60 countries and in all the relevant regions. Product innovations and new future-proof concepts are fundamental ingredients of Lenze's success. In the field of research and development, therefore, Lenze works together with an extensive international network of universities and research institutions.

2. Research and development

The Industry 4.0 project is increasingly gaining momentum, becoming the central focus of development work in German industry and consequently receiving recognition in the form of government funding. Lenze continues to play a part here, especially in the excellence cluster called “Intelligent technical systems” (also known as “it’s OWL”) and in the government’s Industry 4.0 Platform, in addition to a number of individual projects with selected universities.

The complexity of machine systems working within highly elaborate networks makes efficient engineering a crucial factor in keeping the builders of machines and systems competitive all over the world. Lenze is making a significant contribution to improving quality and increasing speed, especially with regard to the engineering processes. In this area, we have extended our portfolio of standardised software modules – called Lenze FAST – with a robotics module that offers six degrees of freedom. Thanks to the module’s encapsulated path-planning system, the operator no longer requires any special knowledge of robot programming. Because production machines are having to become increasingly flexible, we believe our customers will see a significantly increasing need for robotics in the near future. For the intuitive operation and monitoring of machines, we have developed the v800 Panel PC, which will give the machine operator access to the new WPF and HTML5 user interface technologies for modern multi-touch and gesture-controlled operation.

With the i500 inverter series we have created a product that sets a new standard for frequency inverters in terms of easiness, modularity and compactness. It is already arousing a great deal of customer interest even before its official launch. In addition, the phased introduction of the m500 P motor, which complies with the requirements of IE3 energy efficiency class, is an appropriate response to changes in the legal framework.

In the period under review, we continued to make steady progress in the internationalisation of our research and development work. We promoted the cooperation between our development teams in Germany, Switzerland, the USA, China and India by establishing standardised processes and development tools. In China, we launched the g200 gearbox, which is a first local product for the Asian market; also, a new m200 motor, specially designed to go with the g200, will shortly be completed.

1. 1. General economic conditions

Despite positive prospects in the foreseeable long-term future, the market environment we currently find ourselves in worldwide is still very volatile, making it both demanding and challenging. The changes in the specific conditions prevailing in our industry require a high degree of agility and flexibility from the company. The geo-political crises, such as the Russia-Ukraine conflict or the sovereign-debt crisis in the Eurozone, are leading to uncertainty, which is currently reflected in the volatility and caution evident in investment activity. On the other hand, the export-oriented German machine-building and plant-engineering industry in particular is currently profiting from positive exchange-rate effects, historically low interest rates, and a favourable level of costs for energy and raw materials.

After a moderate start to the year 2014, the global economy achieved a real growth rate of 3.3 % last year. The gross domestic product in the industrial countries rose on average by 1.8 % in real terms.

The focus of the Lenze Group's business lies in the Eurozone. Here the gross domestic product grew by only 0.8 % in real terms in 2014. The main stimulus for the economic situation came from consumption. However, as part of gross fixed capital formation, the investment in equipment did not pick up, despite the favourable terms for financing. As a result, there was also no clear increase in demand for the technology partners in the machine-building industry. The markets in the EU countries outside of the European currency union fared better. This, at least, meant that the economy of the EU overall grew by 1.4 %.

The US economy made very positive progress. There was a significant acceleration of growth as from the third quarter, so the economic performance for 2014 grew by 2.4 % in real terms. There is currently a process of reindustrialisation taking place in the USA, which means that the demand for modern machines will increase. Machine builders from the USA and also from Europe will profit from this development.

In Asia, economic developments were affected by a further slowdown in growth in the People's Republic of China. The real GDP growth rate in China was 7.4 %, just below the planned rate of 7.5 %. But China was not the only country where the economic motor did not perform as well as it should have. India and Turkey, in particular, had their problems. Economic growth in India was 5.8 %, and although that was higher than in 2013, it was still lower than the potential growth rate. (Source: German Engineering Federation, VDMA)

In these difficult market conditions, Lenze was – to an above-average extent – able to hold its own, recording a moderate increase in sales revenue amounting to +4 % in the 2014/2015 financial year compared with the prior year.

2. 2. Specific conditions in mechanical engineering

The year 2014 did not meet the original expectations of the German machine-building and plant-engineering industry. In autumn 2013, the economists of the VDMA (the German Engineering Federation) forecast real growth in production amounting to 3 %, but production was actually only able to increase by just under 1 %, which corresponds to the VDMA's revised forecast made in summer 2014.

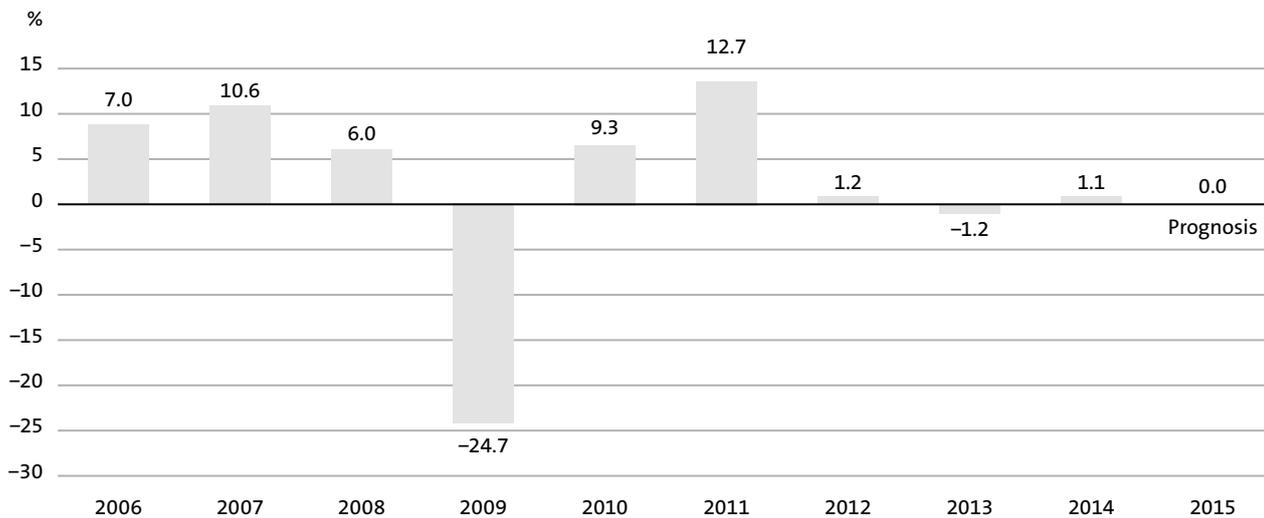
Incoming orders in 2014 were 2 % higher than the previous year in real terms. This growth rate applies equally to domestic and to foreign demand. However, in the final months of last year, the trend showed orders from abroad pushing ahead of orders from Germany.

Now that the VDMA has revised its prognosis for the year 2015 downwards, the VDMA economists are no longer expecting a growth in production for the German machine-building and plant-engineering industry. (Source: VDMA)

Our view of the prospects for growth in the machine-building and plant-engineering industry is more restrained: we expect a slight decline.

Developments in German mechanical engineering

Real changes compared with the previous year



Source: Federal Statistical Office (Destatis), VDMA

The global megatrends are generating more and more new stimulus. The main factors here are demographic change and the consequences of globalisation. Coupled with the ever expanding technological possibilities, the advances in innovation in mechanical engineering are becoming ever more ambitious.

In this regard, the latest major development is undoubtedly the Industry 4.0 project. On the one hand, Industry 4.0 integrates the existing and increasing requirements for modern production processes, such as energy efficiency; and on the other hand, it also introduces new requirements such as the assistance function for people working in production, or the individualisation of products. Receiving extra stimulus from this project are industries such as transport logistics and warehouse logistics, and the production and packaging processes for fast-moving consumer goods.

Overall, Industry 4.0 is providing a positive environment especially for companies supplying automation and drive solutions and systems to the consumer goods, intralogistics, and automotive industries. Concentration on these focus industries is creating new opportunities for Lenze.

3. Profitability

Profitability in the 2014/2015 financial year was shaped by the implementation of the corporate strategy and the developments in the global market described above.

Profitability	2014/2015		2013/2014		Change	
	€ in millions	%	€ in millions	%	€ in millions	%
Sales revenue	634.1	101	610.0	100	24.1	4
Changes in inventory	-4.4	-1	-3.1	-1	-1.3	42
Capitalised service	0.6	0	0.2	0	0.4	>100
Total proceeds	630.3	100	607.1	100	23.2	4
Cost of materials	-268.9	-43	-260.7	-43	-8.2	3
Gross margin	361.4	57	346.4	57	15.0	4
Personnel costs	-208.4	-33	-195.5	-32	-12.9	7
Depreciation and amortisation	-15.6	-3	-14.8	-3	-0.8	5
Other expenses and income	-90.5	-14	-93.4	-15	2.9	-3
Operating result (EBIT)	46.9	7	42.7	7	4.2	10
Financial result	-2.8	0	-3.1	-1	0.3	-10
Earnings before tax	44.1	7	39.6	6	4.5	11
Income tax	-14.8	-2	-13.5	-2	-1.3	10
Earnings after tax	29.3	5	26.1	4	3.2	12

We were able to increase our sales revenue in the 2014/2015 financial year by € 24.1m, or approximately 4 %, to € 634.1m. All regions showed a positive development in their sales performance.

The gross performance in the last financial year increased to € 630.3m after € 607.1 in the previous year. This is attributable not only to the increase in sales revenue, but also to the continued reduction in inventories of finished and unfinished products.

The material-usage ratio, which measures the relation between the cost of materials and the gross performance, fell slightly, from 42.9 % in the previous year to 42.7 % in the year under review. This decrease is primarily due to changes in the product mix.

The costs for personnel in the 2014/2015 financial year increased by € 12.9m: from € 195.5m in the previous year to € 208.4m. This is attributable to moderate increases in wages and salaries. In addition, the average number of people employed in the past year rose by 48 employees, for capacity-related reasons. The ratio of personnel costs to revenue rose from 32.2 % in the previous year to 33.1 % in the year under review.

The depreciation and amortisation of fixed assets rose slightly by € 0.8m compared with the previous year.

The other income and expenses, including investment income, fell by € 2.9m. The reduction in expenditure is primarily attributable to the effects of currency exchange rates.

The earnings before interest and tax (EBIT) rose to € 46.9m in the 2014/2015 financial year compared with € 42.7m the previous year. This represents an EBIT rate of 7.4 %.

The net financial expenses in the last financial year fell slightly from € 3.1m in the prior year to € 2.8m.

After taking into account deferred taxes, tax expenditure in the 2014/2015 financial year came to € 14.8m. This represents an improvement of 0.5 % in the tax rate compared with the previous year, falling from 34.1 % to 33.6 %.

Before the deduction of minority interests, the Group's earnings for 2014/2015 came to € 29.3m.

Overall, we are in line with the previous year's forecast (slight increase in sales revenue and earnings).

4. Net worth position

Lenze SE's net worth position at the balance sheet date, 30 April 2015, is shaped by the positive nature of the earnings and financial situation. The balance sheet total comes to € 450m.

Net worth position	2014/2015		2013/2014		Change	
	€ in millions	%	€ in millions	%	€ in millions	%
Assets						
Non-current assets	161	36	153	36	8	5
Current assets	289	64	267	64	22	8
<i>Inventories</i>	104	23	100	24	4	4
<i>Trade receivables</i>	97	22	86	21	11	13
<i>Cash</i>	72	16	67	16	5	7
<i>Other assets</i>	16	3	14	3	2	14
Balance sheet total	450	100	420	100	30	7
Equity and liabilities						
Equity capital	280	62	259	62	21	8
Non-current liabilities	58	13	54	13	4	7
Current liabilities	112	25	107	25	5	5
Balance sheet total	450	100	420	100	30	7

At 30 April 2015, the Lenze Group records € 280m of equity after € 259 the previous year. Despite the increase in the balance sheet total, the equity capital rate comes to 62.2 %. The fixed-assets-to-net-worth ratio (the ratio of equity to all the fixed assets) comes to 100 %. In addition, 54.8 % of the inventories, receivables, and other assets are financed long-term by equity capital. This is evidence that the Lenze Group is continuing its strategy of having at its disposal a sustainable level of capital resources.

The non-current liabilities have risen by € 4m, primarily because of the increase in non-current liability reserves. The sum of equity capital and non-current liabilities comes to 75.1 % of the total assets at the balance sheet date. The current liabilities have risen by € 5m to € 112m.

The non-current assets amount to € 161m. The current assets have risen by € 22m to € 289m. At the end of the 2014/2015 financial year, the Lenze Group has at its disposal cash and cash equivalents totalling € 72m.

5. Financial situation

The cash flow statement shows the following picture:

Cash flow statement	2014/2015	2013/2014	Change	
	€ in millions	€ in millions	€ in millions	%
Gross cash flow	43.9	41.2	2.7	7
Change in working capital	0.1	1.3	-1.2	-92
Net cash flow from operating activities	44.0	42.5	1.5	4
Investments	-13.1	-15.3	2.2	14
Acquisitions	0.0	-2.2	2.2	100
Net cash flow from investing activities	-13.1	-17.5	4.4	25
Dividends paid	-18.6	-20.4	1.8	9
Change in bank and financial	-9.0	-5.4	-3.6	-67
Net cash flow from financing activities	-27.6	-25.8	-1.8	-7
Change in cash and cash equivalents (incl. effect of exchange rate changes)	5.2	-0.8	6.0	>100
Liquid funds at 1 May	66.6	67.4	-0.8	-1
Liquid funds at 30 April	71.8	66.6	5.2	8

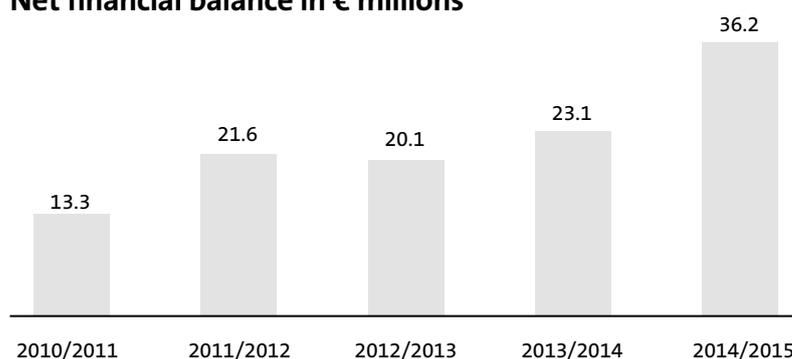
In the 2014/15 financial year, the company generated a gross cash flow of € 43.9m.

The cashflow from operating activities in the 2014/2015 financial year increased to € 44.0m after a cashflow of € 42.5m in the previous year.

The capital expenditure in the 2014/2015 financial year amounted to € 13.1m and covered investments in equipment replacement, rationalisation, and tools and machines for new products.

The dividend paid out in the 2014/2015 financial year came to € 18.6m.

Net financial balance in € millions



6. Personnel

Highly qualified employees are a key success factor in the implementation of our growth-oriented corporate strategy. Lenze is positioning itself globally as an attractive employer. In 2015, Lenze once more received the accolade of being designated a “Top Employer for Engineers”, an award from the independent research company Top Employers Institute. Also, after having its training facilities audited by the independent German recruiting company AUBI-plus from Hüllhorst, Lenze has now become a certified training company, officially designated a “Best Place to Learn”. Lenze offers its employees a competitive level of remuneration, specialised initial training and further training, structured succession planning, and specific support and encouragement for skilled young employees. Also, our employees are encouraged to transfer to other companies within the Lenze Group and to work in international teams across company and departmental boundaries. Our family-oriented corporate culture places great importance on the compatibility of family and work and helps our employees to achieve a healthy work-life balance.

The number of people employed in the Lenze Group at the end of the year increased by 13, from 3,353 in the previous year to 3,366 at the end of the year under review. On average, we employed 3,383 people over the reporting year, compared with 3,335 the year before.

The average number of people employed in our German companies fell by 4 in the 2014/2015 financial year, to 1,715 employees. The proportion of our global workforce employed in Germany therefore remains almost unchanged at 51 %.

Events after the reporting period

There are no events of special significance that occurred after the completion of the reporting period.

Opportunity and risk report

1. Opportunity and risk report

The conscious and responsible approach to business opportunities and risks is part of our day-to-day work. The Lenze Group is determined to make the most of the opportunities that result from change, while at the same time giving top priority to the avoidance of risks that can endanger the survival of the company. In order to ensure this, we have set up a system of risk management. Within this system, every company in the Lenze Group carries out a thorough analysis and assessment of risks. This in turn leads to appropriate measures and actions being taken to reduce any risks that could restrict earnings or threaten the existence of the company. The system's basic principles and our way of applying them are documented in our Guidelines on Risk Management, which cover the systematic early detection and assessment of risks. These guidelines also cover our internal audit system and corporate controlling, and are an integral part of our existing organisational and management structures.

The company's business environment, however, is continuously changing, and this places us under an obligation to detect new opportunities and developments in the markets at an early stage, and to initiate measures that will exploit them to our advantage.

1.1 Opportunities

The Lenze Group's range of products and services and its global presence put it in a good position to participate in the expected megatrends of the future.

The Lenze Group's opportunities arise in particular from the factors described below.

Industry 4.0

Industry 4.0 represents an accumulation of various technological developments to which Lenze has been paying special attention for a number of years now. For Lenze's core customers, who are innovative medium-sized businesses in the machine-building industry, the requirements of Industry 4.0 are especially complex, because they necessitate the rapid introduction of a series of parallel innovations for modern machines. In addition, the horizontal and vertical

integration of the machines into a production network is becoming increasingly important. Today, the ability to competently integrate different technologies into one individual application is more important than ever. As our customers' technology partner, we believe Lenze is supremely able to meet these challenges. Industry 4.0 therefore offers both us and our customers a host of opportunities in the coming years.

Global presence and market

Customer demand is to be found on a global level, so we are continuing to invest in the growth markets, and expanding our sites and competences in these locations. A crucial factor here is the intensive internationalisation of our team and the expansion of our service and after-sales network. Lenze is today represented in 60 countries and in all continents, with sales companies, development and production sites, and logistics centres and service stations. This enables us to offer our customers everywhere the kind of closeness that is the first prerequisite of successful collaboration. To be able to identify the opportunities that arise from trends or from changes in the market or in the competition situation, we make use of the insights gained by our own market intelligence.

Focus industries

Our Motion Centric Automation range of products and services represents a set of intelligent, integrated drive and automation solutions that are geared to the market and to customer needs, and they offer genuine added value both for the machine builder and the machine user. We create solutions together with our customers, solutions that make the customers more competitive. We focus on the industries that will continue to grow in the future: consumer goods, intralogistics and automotive.

Energy efficiency

Our products are "best in class". They are easy to handle, and they fulfil current and future legal and market requirements with regard to energy efficiency. Especially with the interplay of machinery, electronics, and software, it is possible to achieve low levels of energy consumption while at the same time increasing production. We are also refining our advisory competence and offering our customers intelligent, energy-efficient solutions – the Lenze BlueGreen solutions.

Opportunity and risk report

1.2 Risks

Lenze is currently focussing in particular on the areas of risk described below.

Stock utilisation risks

In order to guarantee our ability to supply our customers while at the same time minimising the risk of having to devalue or scrap stock, we make inventory monitoring a key component of our risk-limitation strategies. The monitoring involves measures such as defining stock objectives and optimising stock-management processes by continuously maintaining the pre-defined minimum stock levels for pre-production materials and end products. In the reporting year, we also continued our firm policy of transferring outlying stocks into our centralised logistics centres.

Procurement risks

Increases in the price of raw materials and the competitive nature of the market lead to a latent procurement risk. We safeguarded the supply of materials and services by means of the centrally controlled Global Sourcing organisational unit. The Global Sourcing team enables the Lenze Group to secure a high level of quality and supplier performance while at the same time benefiting from the advantages in the big growth markets.

Guarantee and liability risks

If a customer uses faulty products, it can lead to damage, unscheduled repair work, or product recalls, which can trigger liability claims or damage to reputations. To avoid such risks, the Lenze Group uses a certified system of quality management. This system includes strict measures for quality assurance measures and continual process improvements in production. Our aim is to minimise as far as possible the probability of guarantee- and liability-related risks occurring.

Safeguarding liquidity

Safeguarding the capacity to meet payment obligations at all times is an indispensable prerequisite for sustaining a company's ability to survive. In order to meet all our financial obligations throughout the Group, liquid funds totalling

approximately € 72m were made available at the balance sheet date. We have also taken measures to ensure today that we already have enough liquidity for future growth. This involves making fixed arrangements for credit lines with our financing partners.

Currency developments

The Lenze Group carries out a significant proportion of its business outside the Eurozone, and currency fluctuations could therefore have a major effect on the company's assets, finances and earnings. It is mainly the US dollar, the British pound, the Chinese renminbi (RMB), and the Swiss franc that are seen to be the seriously risky foreign exchange positions. We reduce currency risks mainly through "natural hedging". This means that we flexibly adapt the utilisation of production capacities and procurement in our global locations. We balance another part of the currency risk by means of hedging.

Legal risks

Innovation and expertise are two major fundamental factors for safeguarding competitive ability and future success. We therefore give top priority to avoiding the harmful leaking of knowledge and the use of Lenze's own innovative ideas by third parties. The department charged with this task is called Patent Management. Working closely together with the relevant specialist departments, it protects our intellectual property. Their task is to monitor, assess and prevent harmful industrial property rights of third parties, and to safeguard our own intellectual property through patents. They are also expected to avoid potential infringements of industrial property rights and any resulting legal disputes, production standstills or licence costs.

Auditing the risk management system

We asked our auditing company to audit our risk management system in the 2014/2015 financial year. The audit showed "that the Executive Board has taken the appropriate measures as required by section 91 subsection 2 of the German Stock Corporation Act, especially with regard to setting up a monitoring system; and that the monitoring system is suitable for the early detection of developments that threaten the survival of the company".

2. Report on expected developments

Our market for drive and automation technology has developed steadily over the last few years. Our own analyses are predicting a continuation of growth for our market segments, achieving low single-digit percentage figures. The new i500 range of inverters, which is due to be launched in autumn, represents a further strengthening of our already very good portfolio of products for industrial automation while also increasing our potential for effective market cultivation. The new inverters enable us to offer broad sections of the global machine-building industry a core product for universal use. In the compactness of its dimensions, in its ability to be tailored to individual applications, and in the easiness with which it can be commissioned, it will set new standards. From the launch of our new products we are expecting very positive effects on the growth of sales revenue.

With our solutions and services for machine automation we create free space for our customers, space they can use to concentrate on their core competences. This means that Lenze customers, who can benefit from the accumulated expertise of over 500 machine specialists, enjoy a crucial advantage in the intensively competitive global markets. Lenze can look back on almost 70 years of history in the market, and automates over 1,000 different types of machine a year.

We are following the growth markets in the machine-building industry and continuing to expand our global presence. In the current financial year, we are focussing on investments in our marketing activities, for example in expanding and reinforcing our marketing capacities and our range of services.

The automotive industry is the trailblazer of Industry 4.0, intralogistics is the industry for the Internet of Things, and the consumer goods industry needs machines that are very modular and flexible, which is also a feature of Industry 4.0. We expect Industry 4.0 to produce a boom in the medium-to-long term, and with our products and services and our focus on these key industries, we believe that we are well prepared.

We are expecting positive effects from the exchange rates. However, these will probably only last for the medium term, because the weak euro generally poses a big danger: whenever a currency loses value, it is possible that deficits in the way companies perform are concealed by a lower price abroad – up to the point where a company's innovative strength and its strength for independent development significantly decline. This is why it is important to continuously reinforce our competitiveness through innovations and productivity.

The German Engineering Federation, VDMA, was unable to uphold its forecast from last autumn, which predicted that the production of machines and systems in Germany would grow by 2 % in real terms, and now the federation is predicting zero growth for the current year. We, though, are even less positive in our forecast and expect a slight decline in important markets. For the coming financial year we see no reason to assume there will be an improvement in the general economic conditions. The crisis in the Eurozone will continue; we see no signs that tension is easing in Ukraine, and the same can be said of the Middle East. We are greatly concerned about current developments in China; in our assessment, China is approaching a point where substantial reorientation is required, and it will largely cease to be a growth motor for the global economy. On the other hand, we expect positive developments in the USA and, to a lesser extent, in Latin America. Nevertheless, in the current 2015/2016 financial year, we expect sales revenue to grow at a rate comparable with the previous years. As a result of the numerous efficiency measures we have introduced, our profitability (EBIT earnings) in 2015/2016 will improve slightly.



Balance sheet

	30 April 2015	30 April 2014
	€ in thousands	€ in thousand
Assets		
Intangible assets	42,058	42,280
Property, plant and equipment	102,586	99,388
<i>Investments in associate companies</i>	967	651
<i>Other investments and long-term loans</i>	3,441	3,399
Non-current investments	4,408	4,050
Other non-current assets	990	662
Deferred tax assets	10,950	6,719
Non-current assets	160,992	153,099
Inventories	103,708	100,177
Trade receivables	97,321	86,448
Other current receivables and other assets	11,676	10,508
Current tax receivables	2,129	3,233
Liquid funds	71,763	66,595
<i>Subtotal</i>	<i>286,597</i>	<i>266,961</i>
Non-current assets held for sale	2,586	0
Current assets	289,183	266,961
	450,175	420,060
Equity and liabilities		
Subscribed capital	32,000	32,000
Capital reserves	43,805	43,805
Revenue reserves	199,847	189,401
Accumulated income and expense recognised directly in equity	1,578	-8,372
Equity attributable to the shareholders of Lenze SE	277,230	256,834
Minority interests	2,699	2,195
Equity	279,929	259,029
Provisions for pensions and similar obligations	21,355	14,298
Other non-current provisions	5,079	4,384
Non-current financial liabilities	30,000	34,445
Other non-current liabilities	48	67
Deferred tax liabilities	1,396	1,187
Non-current liabilities	57,878	54,381
Current provisions	63,277	54,521
Current financial liabilities	5,567	9,073
Trade liabilities	23,995	23,514
Other current liabilities	19,529	19,542
Current liabilities	112,368	106,650
	450,175	420,060

Income statement

	2014/2015	2013/2014
	€ in thousands	€ in thousands
Sales revenue	634,133	609,971
Increase/decrease in finished goods and work in progress	-4,364	-3,144
Other own work capitalised	574	253
Total proceeds	630,343	607,080
Cost of materials	-268,935	-260,687
Gross margin	361,408	346,393
Personnel costs	-208,398	-195,457
Depreciation and amortisation	-15,646	-14,830
Other operating expenses	-109,516	-104,514
Other operating income	18,666	10,776
Income from participating interests	357	360
Operating profit (EBIT)	46,871	42,728
Financial result	-2,816	-3,097
Profit before tax	44,055	39,631
Income tax	-14,811	-13,507
Profit after tax	29,244	26,124
<i>Minority interests</i>	<i>878</i>	<i>698</i>
<i>Profit attributable to Lenze SE shareholders</i>	<i>28,366</i>	<i>25,426</i>

Statement of comprehensive income

	2014/2015	2013/2014
	€ in thousands	€ in thousands
Profit after tax	29,244	26,124
Items that will not be reclassified to profit or loss		
Revaluation from performance-based pension plans		
<i>Pension plan remeasurements recognised in other comprehensive income, before tax</i>	<i>-5,693</i>	<i>-317</i>
<i>Deferred taxes relating to pension plan remeasurements recognised in other comprehensive income</i>	<i>1,017</i>	<i>123</i>
Changes in income recognised in equity	-4,676	-194
Items that may be reclassified subsequently to profit or loss		
<i>Differences from currency conversion</i>	<i>14,911</i>	<i>-3,609</i>
Other comprehensive income, net of tax	10,235	-3,803
Total comprehensive income	39,479	22,321
<i>Profit attributable to Lenze SE shareholders</i>	<i>38,316</i>	<i>21,787</i>
<i>Minority interests</i>	<i>1,163</i>	<i>534</i>

Statement of equity at 30 April 2015

	Subscribed capital	Capital reserves	Revenue reserves	Accumulated income and expense recognised directly in equity		Lenze SE share	Minority interests	Total equity
				Currency translation	Pensions			
	€ in thousands	€ in thousands	€ in thousands	€ in thousands	€ in thousands	€ in thousands	€ in thousands	€ in thousands
Balance 30 April 2013	32,000	43,805	183,943	-1,060	-3,673	255,015	2,097	257,112
Other comprehensive income, gross	0	0	0	-3,445	-317	-3,762	-164	-3,926
Deferred tax	0	0	0	0	123	123	0	123
Other comprehensive income, net	0	0	0	-3,445	-194	-3,639	-164	-3,803
Net income for the year	0	0	25,426	0	0	25,426	698	26,124
Consolidated result	0	0	25,426	-3,445	-194	21,787	534	22,321
Change in the scope of consolidation	0	0	0	0	0	0	44	44
Dividends	0	0	-19,968	0	0	-19,968	-480	-20,448
Balance 30 April 2014	32,000	43,805	189,401	-4,505	-3,867	256,834	2,195	259,029
Other comprehensive income, gross	0	0	0	14,626	-5,693	8,933	285	9,218
Deferred tax	0	0	0	0	1,017	1,017	0	1,017
Other comprehensive income, net	0	0	0	14,626	-4,676	9,950	285	10,235
Net income for the year	0	0	28,366	0	0	28,366	878	29,244
Consolidated result	0	0	28,366	14,626	-4,676	38,316	1,163	39,479
Dividends	0	0	-17,920	0	0	-17,920	-659	-18,579
Balance 30 April 2015	32,000	43,805	199,847	10,121	-8,543	277,230	2,699	279,929

Cash flow statement

	2014/2015	2013/2014
	€ in thousands	€ in thousands
Profit after tax	29,244	26,124
Change in non-current provisions	1,324	250
Depreciation and amortisation	15,646	14,830
Other noncash expense and income	-2,362	622
Profit from disposal of fixed assets	10	-577
Gross cash flow	43,862	41,249
Change in inventories	-436	2,859
Change in receivables and other assets	-5,964	-5,639
Change in other provisions	6,699	6,128
Change in trade liabilities and other liabilities	-187	-2,072
Change in working capital	112	1,276
Net cash flow from operating activities	43,974	42,525
Purchase of intangible fixed assets	-900	-1,386
Purchase of property, plant and equipment	-13,098	-14,881
Acquisition (-)/disposal of business operations (+)	0	-2,169
Purchase of investments	-283	-926
Proceeds from disposal of fixed assets	1,213	1,889
Net cash flow from investments	-13,068	-17,473
Dividends paid	-18,579	-20,448
Proceeds from bank loans	4,417	16,905
Repayment of bank loans	-8,944	-21,454
Change in current financial liabilities	-4,506	-795
Net cash flow from financing activities	-27,612	-25,792
Change in cash and cash equivalents	3,294	-740
Effect of exchange rate changes on cash and cash equivalents	1,874	-58
Liquid funds at 1 May	66,595	67,393
Liquid funds at 30 April	71,763	66,595

Abridged version of the consolidated financial statements

General

The consolidated financial statements of the Lenze Group have been prepared by Lenze SE, based in Aerzen, Hans-Lenze-Strasse 1, as the parent company. In accordance with German law, Lenze SE is registered as a stock corporation under European law in the commercial register of the District Court of Hanover under HRB 204803.

The financial year of Lenze SE and its subsidiaries covers the period from 1 May to 30 April. The consolidated financial statements are prepared in euros. All amounts in the balance sheet, income statement, the statement of changes in equity and the cash flow statement are stated either in thousands of euros (€k) or in millions of euros (€m).

Application of the International Financial Reporting Standards (IFRS)

In accordance with section 315a subsection 3 of the German Commercial Code (HGB) in conjunction with European Union regulations (EC No. 1602/2002), Lenze SE prepares its consolidated financial statements voluntarily in accordance with the International Financial Reporting Standards (IFRS) as decreed by the International Accounting Standard Board (IASB). These IFRS consolidated financial statements exempt the company from the obligation to prepare consolidated financial statements in accordance with the German Commercial Code (HGB).

The IFRS are applied in the form in which they have been transposed into national law by the European Commission within the framework of the endorsement process. In addition, the Commercial Law provisions resulting from section 315a subsection 3 in conjunction with subsection 1 of the German Commercial Code (HGB) have been observed. With the exception of IAS 24 (disclosure of the remuneration of former and present board members and consequent liabilities or claims), the requirements of all the compulsory standards applicable at the balance sheet date have been completely fulfilled.

Audit certificate

Lenze SE prepares the consolidated financial statements of the Lenze Group in accordance with the requirements set out in section 315a subsection 3 of the German Commercial Code (HGB). It reports in compliance with the IFRS (International Financial Reporting Standards), as applicable in the EU, and also in compliance with the requirements of commercial law as set out in section 315a subsection 3 of the HGB. The consolidated financial statements in this Annual Report represent an abridged version of the consolidated financial statements, and they do not contain all the components of consolidated financial statements that are required by law.

The Baker Tilly Roelfs AG auditing company, Düsseldorf, issued its audit certificate for the complete consolidated financial statements on 8 August 2015.

The certificate contains one reservation: the Notes, which do not appear in the abridged version of the consolidated financial statements, do not disclose the total remuneration of current and former board members, or the resulting liabilities and claims. Apart from this one exception, the audit did not lead to any reservations. The complete consolidated financial statements, the Group management report and the auditor's report are disclosed in the Electronic Federal Gazette ("Bundesanzeiger").

Structure of the Lenze Group, 30 April 2015

Please note: The holding is 100% unless otherwise stated.

Lenze SE, Aenzen
Lenze Operations GmbH, Aenzen
Lenze Drive Systems France SARL, Ruitz/France
Lenze GmbH & Co KG Immobilien, Aenzen
Lenze Drives GmbH, Extertal
Lenze Automation GmbH, Aenzen
Lenze Vertrieb GmbH, Aenzen
Lenze Engineering GmbH & Co. KG, Aenzen
Lenze Service GmbH, Aenzen
encoway GmbH, Bremen (85.5%)
Lenze Sales Europe GmbH, Aenzen
Lenze GmbH, Aenzen
BHN Geschwister Belling GmbH, Aenzen
Lenze GmbH & Co. KG Blankschmiede, Aenzen
Lenze Austria Holding GmbH, Asten/Austria
Lenze Operations Austria GmbH, Asten/Austria
Lenze Antriebstechnik GmbH, Asten/Austria
Lenze Verbindungstechnik GmbH, Asten/Austria
Lenze Anlagentechnik GmbH, Enns/Austria
Lenze Hajtastechnika Kereskedelmi Kft, Budapest/Hungary
Lenze s.r.o., Humpolec/Czech Republic
Lenze Slovakia, s.r.o., Nové Mesto/Slovak Republic
Lenze Zadvizhvasta Technika EOOD, Plovdiv/Bulgaria
Lenze mehatronika pogonska tehnika d.o.o., Zagreb/Croatia
Lenze pogonska tehnika, d.o.o., Celje/Slovenia
Lenze DETO Drive Systems GmbH, Asten/Austria
OOO Lenze, Moscow/Russia
Lenze Drive Systems (Shanghai) Co., Ltd., Shanghai/China
Lenze do Brasil Holding Ltda., Sao Paulo/Brazil
Lenze Brasil Automacao Ltda., Sao Paulo/Brazil
Lenze Argentina Automatización S.A., Buenos Aires/Argentina
IOOO Lenze, Minsk/Belarus (90 %)
Lenze Mühendislik Sanyi ve Ticaret A.S., Istanbul/Turkey (91%)
Lenze South East Asia Pte. Ltd., Singapore
Schmidhauser AG, Romanshorn/Switzerland
Lenze B.V. Aandrijfttechniek, 's-Hertogenbosch/Netherlands
Lenze U.K. Ltd., Bedford/UK
Lenze Ltd., Bedford/UK
Lenze b.v.b.a., Bornem/Belgium
Lenze U.S. Holding Corporation, Uxbridge, Mass./USA
Lenze AC Tech Corporation, Uxbridge, Mass./USA
AC Technology International Ltd., Shrewsbury/UK
Lenze Americas Corporation, Uxbridge, Mass./USA
Lenze Canada Corporation Ltd., Saint John/Canada
Lenze Polska Sp. z o.o., Kattowitz/Poland (51 %)
Lenze UAB, Kaunas/Lithuania (90 %)
Lenze Tarnów Sp. z o.o., Tarnów/Poland
Lenze Italia S.r.l., Milan/Italy
Lenze SAS, Aulnay s/s Bois/France
Lenze Transmisiones S.A.U., Barcelona/Spain
Lenze AB, Linköping/Sweden
Lenze A/S, Albertslund/Denmark
Lenze A/S, Raelingen/Norway
Lenze Trading (Shanghai) Co., Ltd., Shanghai/China
Lenze S.E.A. SDN BHD, Petaling Jaya/Malaysia
Lenze Mechatronics Private Limited, Pune/India
Lenze Bachofen AG, Uster/Switzerland (49 %)

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