

# Annual Report 2015/2016

As easy as that.

**Lenze**



Since

Since 1947

Since 1947

Since

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Dear Reader,

We live Industry 4.0 – and we have been living it ever since our company was founded, back in 1947. That was also the year when the transistor was invented, marking the start of the digital era. Technology, demand and regulations have all been transformed since then. But by drawing on the experience gained over seven decades, Lenze is always able to use incessant change as a new opportunity.

One important trend today is the individualisation of demand, and it has far-reaching consequences for trade, logistics, packaging and production. In future, a completely individualised product will no longer be the exception. This is good news for us, because it means that automation is becoming increasingly important. And the effective interplay between hardware, software and human beings will deliver a major competitive advantage. This is especially the case for our customers in the machine-building industry.

Networks are also becoming more significant, and not only from a technological point of view. In the world of tomorrow – as in the world of today and yesterday – the most successful machine builders will be the ones who get better results faster, on every level of the value-added chain. In the face of rapid change, the ability to cooperate will be crucial. Lenze has more than 500 specialists in its workforce, and they provide a level of competence in cooperation that is without equal in the market. This is another reason why we can look ahead to the future with great confidence.

# Letter to readers

Nonetheless, in the year 2015, as in previous years, economic developments did not meet our expectations. The development of sales revenue in the machine- and plant-building industry generally stagnated. Although our business in the focus industries intralogistics and consumer goods showed a positive development globally, and although our investments in the sales organisations proved to be effective, the automotive industry postponed many quite big investments. This meant we were only able to record a slight growth in sales revenue compared with the previous year.

In terms of global politics, the general situation is a continuing source of uncertainty, and this is having a negative effect on the investment climate all over the world. We are therefore not expecting any improvement in the general economic conditions in the current financial year, and we are expecting sales growth slightly higher than last year. In the medium and long term, though, we are much more positive about the prospects. Consumer behaviour is changing, and machine builders in our focus industries intralogistics, consumer goods and textiles are profiting from this change. We can also benefit from the stimulus generated by the Industry 4.0 project, because our wide range of products and services, our expertise with machines, and our customer-oriented teams all mean that we are already a perfect partner for our customers when it comes to building intelligent, networked machines and pushing ahead with digitalised value-added chains.

# Letter to readers

We would like to thank you warmly for placing your trust in us and accompanying us as we develop.

On behalf of the Lenze Group



**Frank Maier**

Innovation



**Christian Wendler**

Chief Executive Officer for Lenze SE  
Marketing and Sales



**Dr. Yorck Schmidt**

Operations and Controlling/Finances



Industry 4.0.  
Since 1947.

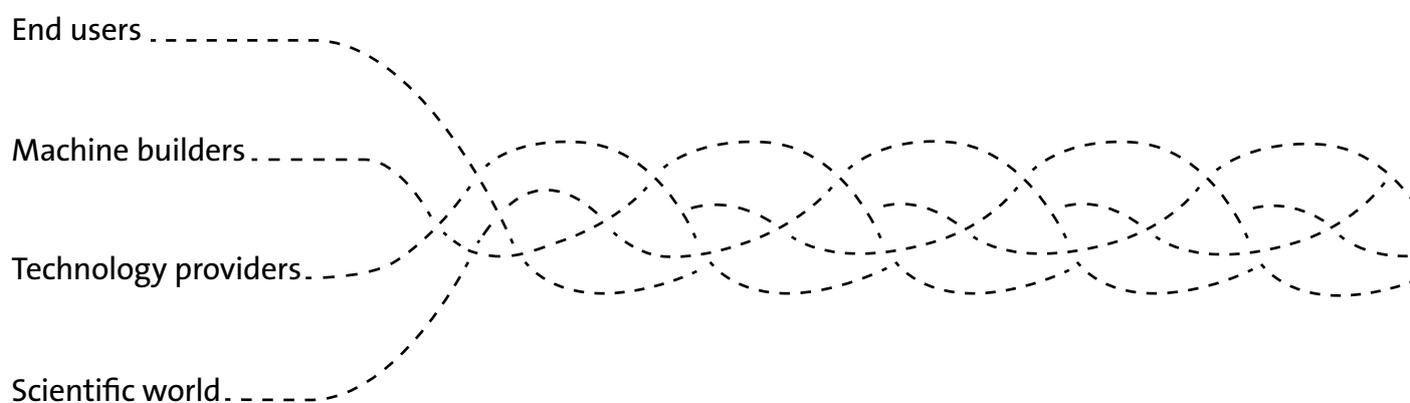
In Germany, people sometimes refer to Industry 4.0 as the fourth industrial revolution. Basically, it is about using modern information and communication technologies to make production processes faster, more flexible, and more efficient.

These are the very same goals that every single one of us at Lenze has felt committed to for many years now. They determine everything we do. This is why we do not see Industry 4.0 as a real revolution, but as a framework for technological developments that will bring us a wealth of opportunities.

We believe that Industry 4.0 is a big wave of innovations that will enable the German machine-building industry to remain the market leader internationally. Find out why on the following pages.

“ Industry 4.0 in all its many facets can only succeed if everyone concerned – the end users, machine builders, technology providers and the scientific world – all pull together. ”

Dr. Thomas Cord, Managing Director, Lenze Automation

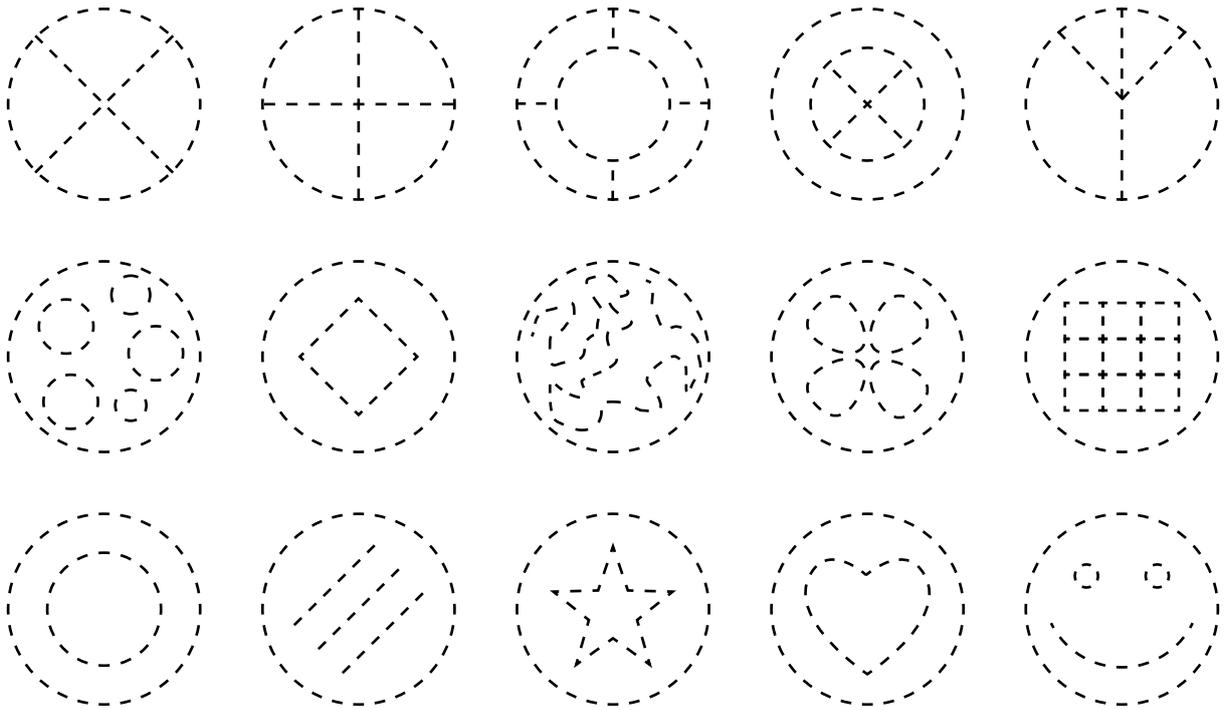


**The world needs modern automation.**

The steadily growing world population, the global trend towards the individualisation of demand, the need for careful use of resources – these and other trends will continue to boost the demand for automation. Industry 4.0 is like a canopy under which many creative automation choices can gather.

“ Intelligent technical  
systems make batch size 1  
economically feasible. ”

Dipl.-Ing. Frank Maier, Executive Board, Lenze SE



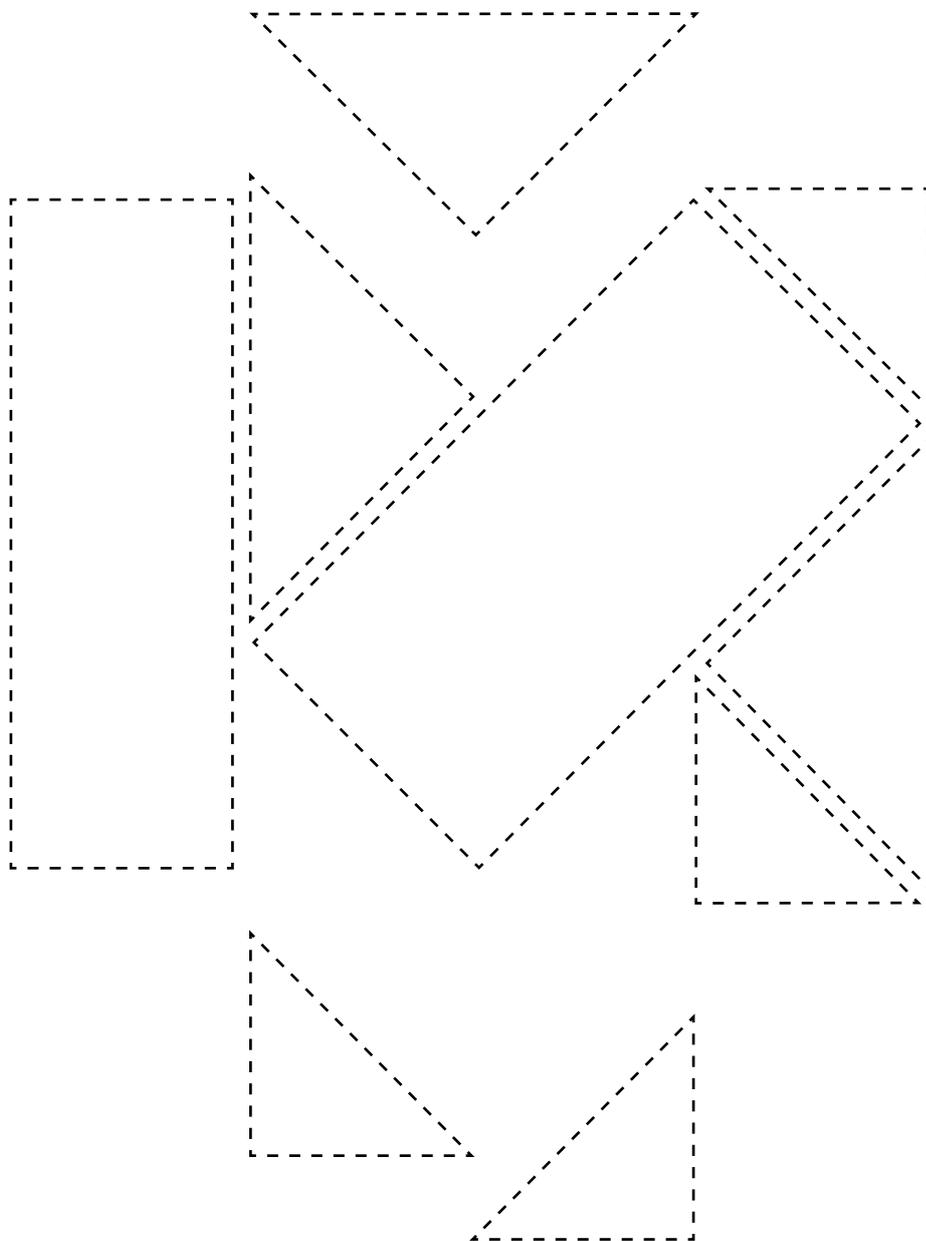
**Batch size 1 will become the new standard.**

**At no extra cost, and without compromising on quality.**

That is the challenge. It means machine builders can only succeed and benefit from this positive trend if they adapt accordingly.

“ High-quality customisable  
software will become  
a key driver of innovation and  
engineering productivity.”

Dr. Armin Walter, Managing Director, Lenze Engineering

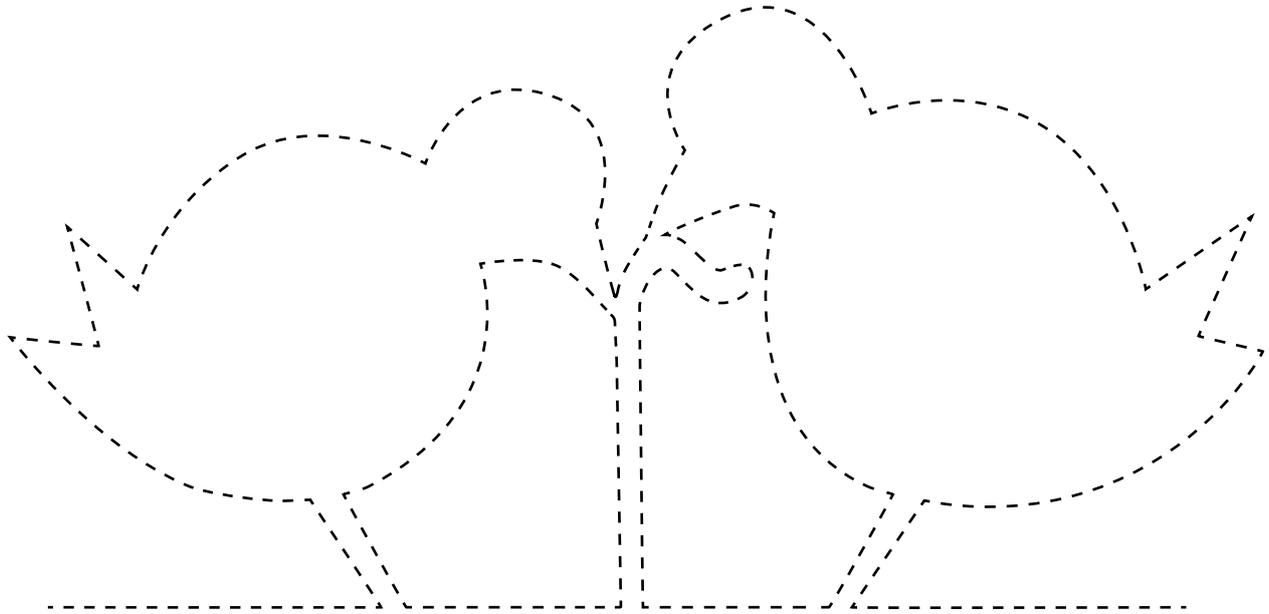


**Software expertise in the machine-building industry is a crucial issue.**

We can customise products and make production processes flexible with the modularised engineering of hardware and software. Machine builders usually do not have enough of the necessary specialised know-how to do this themselves. Technology partners like Lenze can help.

“ We focus on offering our customers this: productivity, reliability and security for the machine’s entire service life. ”

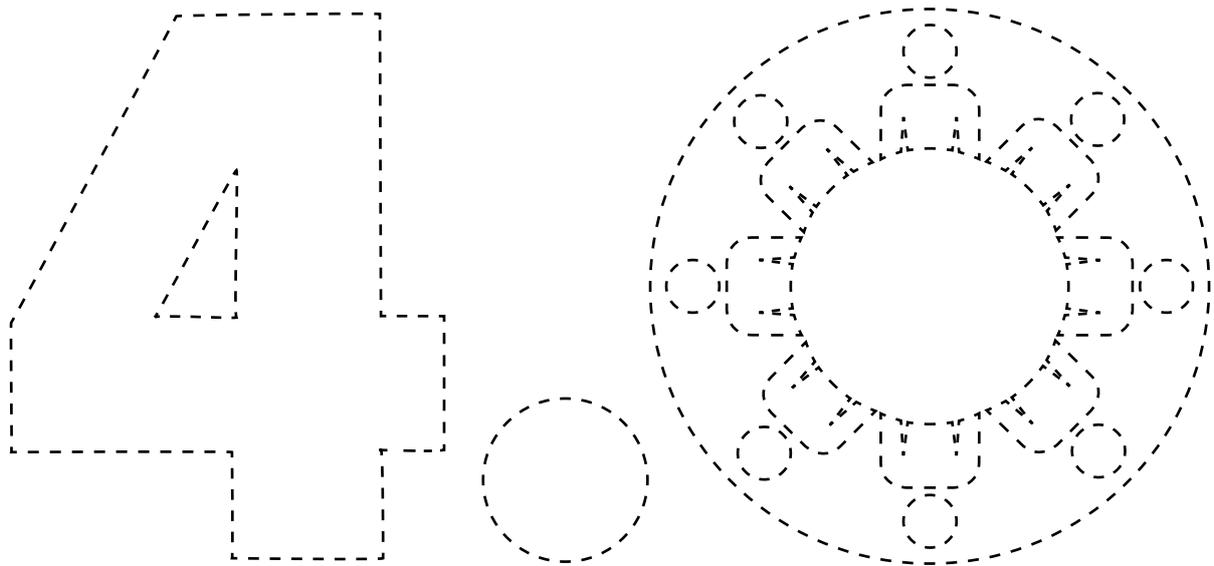
Dr. rer. soc. oec. Yorck Schmidt, Executive Board, Lenze SE

**Cooperation skills as a new core competence.**

The machine-building industry has always been characterised by a high degree of customer orientation, and by translating customer needs into technical solutions. Industry 4.0 is bringing new facets and possibilities to us from outside the familiar world of machine building and generating new opportunities. Machine builders who are quicker and better at cooperating with partners, and at integrating partners more fully, will beat the competition.

“ Lenze – we are the  
people who are  
setting Industry 4.0 in motion. ”

Dipl.-Ing. Christian Wendler, Chief Executive Officer, Lenze SE

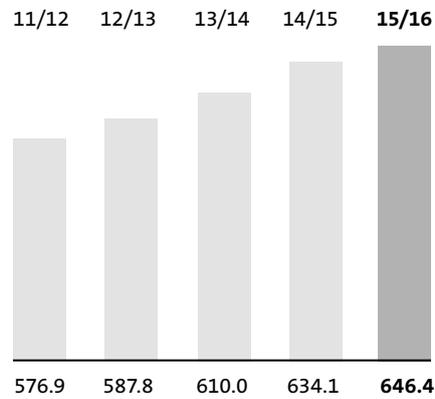
**We will make a success of it.**

Technology partners like Lenze are part of the innovative community in the machine-building industry. With our teams around the world we automate more than 1,000 innovative machine concepts a year, and together with our customers we set new standards for the industry.

# Key numbers

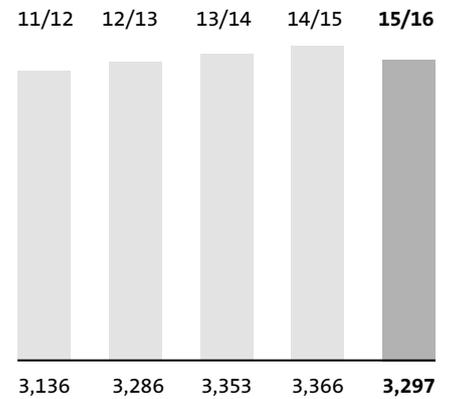
## Sales

€ in millions



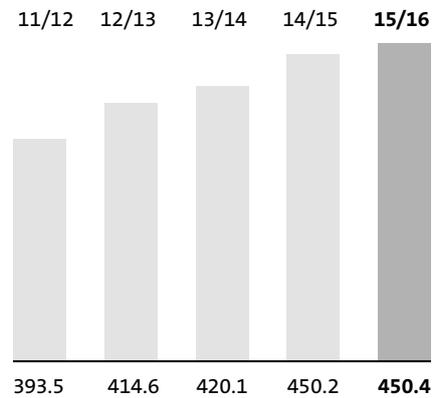
## Number of employees

at 30 April each year



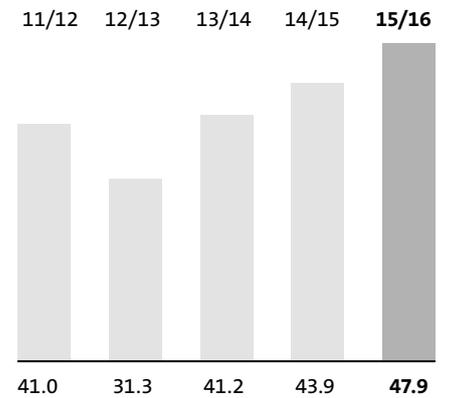
## Balance sheet total

€ in millions



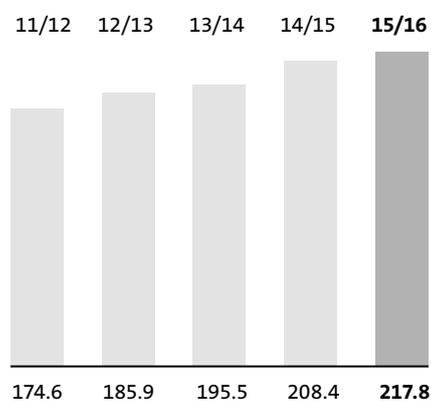
## Cashflow

€ in millions



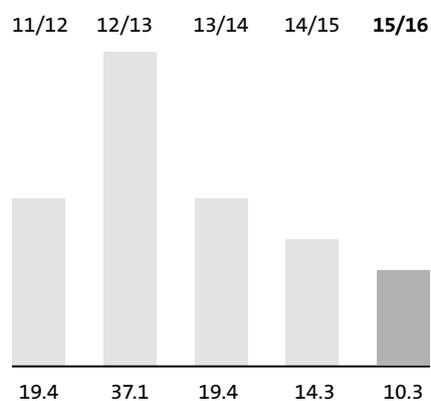
## Personnel costs

€ in millions



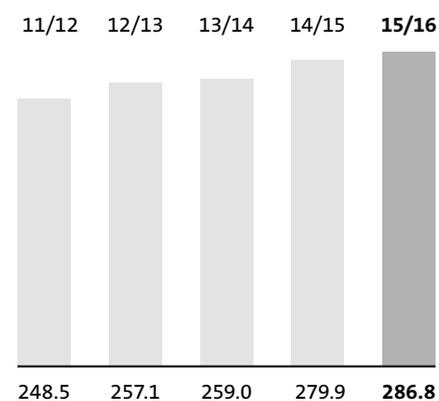
## Capital investment expenditure

€ in millions



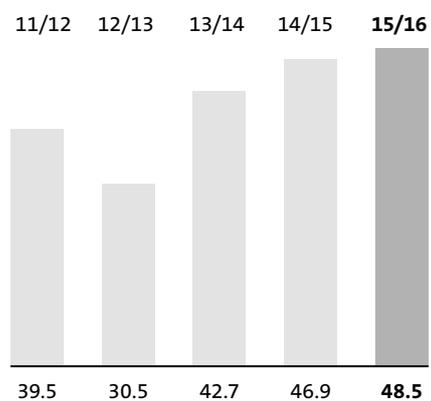
## Equity

€ in millions



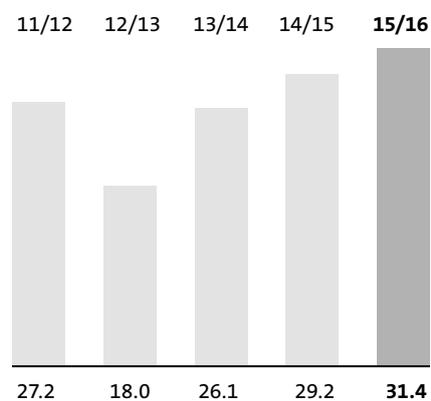
## EBIT

€ in millions



## Net income

€ in millions



## **The financial year from 1 May 2015 to 30 April 2016**

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 beyond the Supervisory Board meetings, informing himself about current developments in the business situation and about the significant business events.

## **Supervisory Board meetings**

In the reporting period, the meetings of the Supervisory Board took place on 13 May 2015, 23 September 2015 and 11 May 2016. The balance sheet meeting was held on 8 September 2016.

In two cases, decisions were made on urgent matters by means of written communication in August 2016.

## **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 (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 (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 (IFRS).

The Supervisory Board has scrutinised the year-end and consolidated financial statements, the management report and the Group management report for Lenze SE's 2015/2016 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 the 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 8 September 2016, Frank Maier was re-elected as a member of the Executive Board of Lenze SE for the period from 1 October 2017 to 31 August 2022. The Supervisory Board of Lenze SE thanks Frank Maier for his successful work so far.

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, 8 September 2016

On behalf of the Supervisory Board



Dr. Jürgen Krumnow  
Chairman



## 1. Business model

The accelerating global trend towards the individualisation of products is becoming evident in more and more areas of application, and it will become noticeably more important in the future. This development significantly affects both the production of goods and the flow of materials. In the long term, the challenges it creates for industry will get bigger. At the same time, batch sizes will continually get smaller, all the way down to single individual products. But they will have to be produced at no extra cost, at the same high level of productivity and quality, and with special consideration for resource efficiency. We see ourselves as the partner of our customers in the machine-building industry, and with our powerful range of products and services we ensure that our customers' engineering tasks become easier and we make the increasing complexity of machines and technology manageable. The basis for this comes from our intelligent drive technology and motion control, which uses the most up-to-date information and communications technologies.

Lenze is one of the few suppliers in the market that supports its customers in all phases of a machine's life cycle. We work with our customers from an early stage, planning and designing intelligent future-proof solutions. Lenze has an international network of sales and application specialists who create a fully integrated set of drive and automation solutions together with the customer. This makes it easier to realise, produce, integrate and service future-proof machines. It also means that wherever in the world Lenze is based, machine builders and end users can always rely on finding excellent machine know-how, innovative ideas and the highest levels of quality. When it comes to machines and industrial production processes, Lenze stands for productivity, reliability, and easy engineering.

# Company fundamentals

Lenze is a globally active specialist in Motion Centric Automation, and we offer our customers a comprehensive range of products and services for industrial automation. Our portfolio is without equal internationally, and it already meets the requirements of Industry 4.0 with intelligent technical systems (from the control and visualisation to electric drives and electromechanics), standardised modular software, and engineering services, all from one source. These competences are embedded in our powerful global infrastructure, which meets the highest standards of quality and enables our customers to efficiently integrate value-added processes. Our portfolio is well prepared to meet the requirements of the future.

## 2. Organisational structure

The Lenze Group is controlled via its holding company, Lenze SE, whose main 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 company has operational headquarters in the most important regions in America, Asia, and Europe, managing the local business and supporting the customers all along the value-added chain. 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 our success. In the field of research and development, we work together with an extensive international network of universities and research institutions.

### 3. Technology and innovation

The goal of our development work is to offer our customers a consistently modular set of inter-coordinated system components. By doing this, we are enabling machine-building companies to see motion control and control functions as integral parts of an overall system and to find a system that is perfectly tailored to their specific application. In our work on new developments or on the optimisation of our own products and systems, our focus is on great innovative power and reliability, on easy handling, and on achieving future-proof solutions.

With this in mind, we steadily continued with the extension of our modular product system in the year under review. The g500 gearbox series was extended to cover 20,000 Nm of torque. Our i500 frequency inverter sets new standards for compactness, modularity and – above all – easy handling, for example with the Smart Keypad App, which can be used to parameterise and diagnose the inverter via a WiFi interface. The recently launched Smart Energy Recovery Unit r700 is a technically and economically attractive contribution to energy efficiency. It is a scalable power recovery unit, and it can be easily integrated into existing installations through retrofitting. This opens up a range of completely new perspectives for the machine user, and it can be put to good use in many applications that were previously not compatible. Lenze FAST, our library of modular software, has been extended to include a robotics core, which the customer can easily use in order to configure the movement of challenging kinematics such as those found in gantry, articulated, delta or SCARA robots. In addition, our new EASY Product Finder is an engineering tool that gives our customers easy digital access to the world of Lenze solutions.

We continued to make steady progress in the internationalisation of our research and development work in the period under review. We promoted cooperation between our development teams in Germany, Switzerland, the USA, China and India by establishing a uniform set of processes and development tools.

Companies all over the world are increasingly focusing on the topic of Industry 4.0, which is becoming a major driving force for modernisation and investment decisions in industrial production. Consequently, Industry 4.0 is increasingly becoming the main focal point of development work in German industry. The importance of this trend is being underlined by government funding. In the year under review, Lenze was again actively involved in a number of individual Industry 4.0 projects with selected universities, and we played a major role in the “Intelligent Technical Systems” cluster of excellence (also known as “it’s OWL”).



lenze

Wir bewegen  
Industrie 4.0

Wir bewegen  
Industrie 4.0

lenze

Wickelgerät  
Reaktor 3000

## 1. General economic conditions

The global market environment continued to be very volatile and was therefore both demanding and challenging. In 2015, as in previous years, economic performance and the dynamics of the global economy did not meet expectations. In the course of the year, the economic forecasts for national economies and for major industries repeatedly had to be revised downwards. In the end, the global economy grew by only 3.1 % compared with the previous year, which represents an even slower growth rate than a year ago (2014: +3.4 %).

Source: IMF World Economic Outlook Update July 2016, and Statista 2016

In the Eurozone, which remains the most important target market for the Lenze Group, the economy continued to recover in the course of the year 2015. The gross domestic product grew in real terms by 1.7 % compared with 0.9 % in the previous year, according to the IMF and Eurostat. The economy profited in particular from the increase in private expenditure on consumables. Despite historically low levels of interest and low energy prices coupled with a slight improvement in the mood of business, investments continued to be modest as a result of the weak global economy and growing uncertainties. Export business profited slightly from a weaker exchange rate for the euro. The macroeconomic recovery process made further progress in Italy, Spain, Portugal and Ireland.

The German economy made a stable start to the year 2015, and economic growth remained steady until the end of the year, so that the gross domestic product grew in real terms by 1.7 % (yearly average). The strongest stimulus in 2015 came again from private consumption. Compared historically, the investments in equipment, which grew by 3.6 %, do not represent a very dynamic development when one considers the good domestic economy and the low levels of interest.

Source: Annual Economic Report 2015/2016 by the German Council of Economic Experts, German Federal Statistical Office

The US economy was strong again in 2015, although without any significant acceleration of growth. The US Department of Commerce said in July 2016 that the growth rate of 2.6 % in real terms was largely driven by consumption. The US is currently preparing for reindustrialisation, which is bringing about an increase in the demand for modern machines, although this will be accompanied by a shortage of the necessary qualified personnel. In the long term, machine-building companies from the US and from Europe will benefit from this reindustrialisation process.

The continued slowdown in growth in China was a major factor in the weak dynamics of the global economy. The Chinese government continued its policy of the “new normal” for growth, which means less growth through export and investment, but instead, more growth through consumption and services. According to official sources, the Chinese economy expanded by only 6.9 % in 2015. This slowdown, compared with the previous higher rates of expansion, was accompanied by a significantly lower growth rate in industrial production. We were not surprised by this development, and we see our prediction from last year as having been confirmed. The economy in India was more dynamic, growing by 7.6 % according to the IMF. The biggest drivers of growth were the financial sector and tourism.

Many countries that depend on the export of raw materials had to cut their expenditure because of the reduction in revenues. In Brazil and Russia, the falling price of raw materials combined with a variety of other negative factors led each country's economy into a deep recession.

Source: IMF World Economic Outlook Update July 2016

## 2. Conditions in the mechanical engineering industry

2015 was generally a year without growth for the machine-building and plant-engineering industry worldwide. As predicted by the VDMA (German Engineering Federation) at the start of 2015, the industry's global sales revenue stagnated overall. The low 2 % real growth rate of sales revenue in China was balanced by a 2 % fall in revenue (adjusted for price) in the US. Real revenues in Europe fell by 1 %, and in Latin America they fell by as much as 18 %. We had actually expected a slight fall in the industry's global revenues in 2015. The VDMA's expectations for 2016 remain generally modest: they are again predicting zero growth globally.

Source: VDMA Statistics, VDMA Economic Update

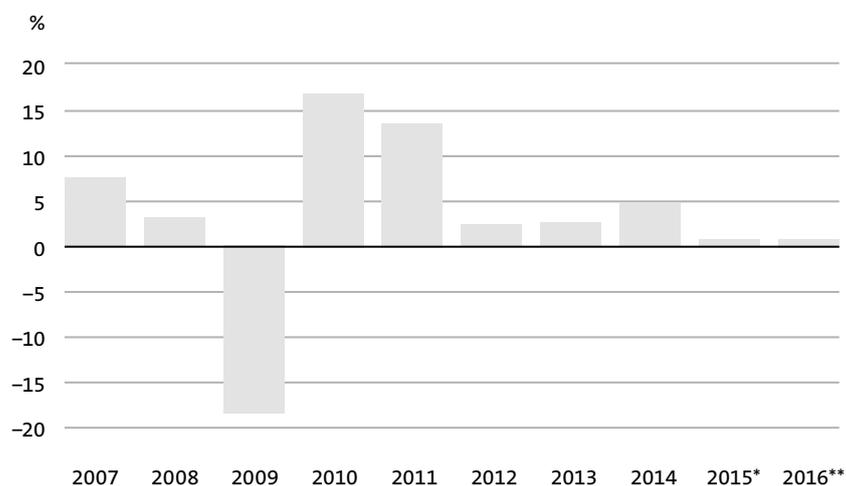
Despite the difficult economic environment, Lenze was able to hold its ground and, as predicted, record a slight increase in sales revenue for the 2015/2016 financial year compared with the previous year.

Business developed positively worldwide, especially in our focus industries – intralogistics, consumer goods, and textiles. Also, our investments in the sales organisations are having a positive effect. The automotive industry, on the other hand, was clearly affected by portfolio-based investment cycles and by delays in automobile manufacturers' projects.

In the long term, we are expecting new opportunities to arise from the dynamics developing within the Industry 4.0 project. Innovation steps are becoming more and more demanding for the machine-building industry because of the new technical possibilities. We can expect the transport logistics and warehouse logistics industries to benefit from this, along with the production and packaging processes for fast-moving consumer goods. Other stimulus for growth is being generated by globalisation.

## Developments in German mechanical engineering

Real changes compared with the previous year



\* interim \*\* prognosis

Source: Federal Statistical Office (Destatis), VDMA, July 2016

### 3. Profitability

Profitability in the 2015/2016 financial year was shaped by the implementation of the corporate strategy and the developments in the global market described above.

Profitability	2015/2016		2014/2015		Change	
	€ in millions	%	€ in millions	%	€ in millions	%
<b>Sales revenue</b>	<b>646.4</b>	<b>101</b>	<b>634.1</b>	<b>101</b>	<b>12.3</b>	<b>2</b>
Changes in inventory	-3.9	-1	-4.4	-1	0.5	-11
Capitalised service	0.6	0	0.6	0	0.0	0
<b>Total proceeds</b>	<b>643.1</b>	<b>100</b>	<b>630.3</b>	<b>100</b>	<b>12.8</b>	<b>2</b>
Cost of materials	-269.1	-42	-268.9	-43	-0.2	0
<b>Gross margin</b>	<b>374.0</b>	<b>58</b>	<b>361.4</b>	<b>57</b>	<b>12.6</b>	<b>3</b>
Personnel costs	-217.8	-34	-208.4	-33	-9.4	5
Depreciation and amortisation	-15.6	-2	-15.6	-3	0.0	0
Other expenses and income	-92.1	-14	-90.5	-14	-1.6	2
<b>Operating result (EBIT)</b>	<b>48.5</b>	<b>8</b>	<b>46.9</b>	<b>7</b>	<b>1.6</b>	<b>3</b>
Financial result	-1.8	-1	-2.8	0	1.0	-36
<b>Earnings before tax</b>	<b>46.7</b>	<b>7</b>	<b>44.1</b>	<b>7</b>	<b>2.6</b>	<b>6</b>
Income tax	-15.4	-2	-14.8	-2	-0.6	4
<b>Earnings after tax</b>	<b>31.3</b>	<b>5</b>	<b>29.3</b>	<b>5</b>	<b>2.0</b>	<b>7</b>

The internal management control focuses on the financial performance indicators sales revenue and EBIT or EBIT margin as a percentage of the sales revenue.

We were able to increase our sales revenue in the 2015/2016 financial year compared with the previous year by € 12.3m, or app. 1.9 %, to € 646.4m. Sales in Europe and America showed a positive development. However, in Asia, which is another major market, we recorded a slight fall in sales.

The gross performance in the financial year under review increased to € 643.1m compared with € 630.3m the previous year.

The material-usage ratio, which measures the relation between the costs of materials and the gross performance, fell to 41.8 % in the year under review after 42.7 % the year before. The decrease is primarily due to changes in the product mix.

The costs for personnel in the 2015/2016 financial year increased by € 9.4m compared with the previous year, rising from € 208.4m to € 217.8m. On the one hand, wage and salary increases were again moderate. On the other hand, foreign currency exchange rates had a significant effect. The average number of people employed fell by 29. The ratio of personnel costs to revenue rose from 33.1 % in the previous year to 33.9 % in the year under review.

The depreciation and amortisation of fixed assets remained the same as in the previous year, amounting to € 15.6m.

The other income and expenses, including investment income, increased by € 1.6m. The greater expenditure is primarily attributable to the effects of currency exchange rates.

The earnings before interest and tax (EBIT) in the 2015/2016 financial year rose from € 46.9m the previous year to € 48.5m. This represents a slightly improved EBIT margin of 7.5 %.

# Economic report

The net financial expenses in the last financial year fell from € 2.8m the previous year to € 1.8m.

After taking into account deferred taxes in the 2015/2016 financial year, tax expenditure came to € 15.4m, which means that the tax rate improved by 0.7 percentage points to 32.9 % compared with the previous year's rate of 33.6 %.

The Group's earnings for 2015/2016 came to € 31.3m before the deduction of minority interests.

Overall, we have fulfilled the forecast made in the previous year (a slight increase in the sales revenue and in the earnings).

## 4. Net worth position

Lenze SE's net worth position at the balance sheet date, 30 April 2016, is shaped by the positive nature of the earnings and the financial situation. The balance sheet total comes to € 450m.

Net worth position	2015/2016		2014/2015		Change	
	€ in millions	%	€ in millions	%	€ in millions	%
<b>Assets</b>						
Non-current assets	152	34	161	36	-9	-6
Current assets	298	66	289	64	9	3
<i>Inventories</i>	99	22	104	23	-5	-5
<i>Trade receivables</i>	103	23	97	22	6	6
<i>Cash</i>	80	18	72	16	8	11
<i>Other assets</i>	16	3	16	3	0	0
<b>Balance sheet total</b>	<b>450</b>	<b>100</b>	<b>450</b>	<b>100</b>	<b>0</b>	<b>0</b>
<b>Equity and liabilities</b>						
Equity capital	287	64	280	62	7	3
Non-current liabilities	48	11	58	13	-10	-17
Current liabilities	115	26	112	25	3	3
<b>Balance sheet total</b>	<b>450</b>	<b>100</b>	<b>450</b>	<b>100</b>	<b>0</b>	<b>0</b>

At 30 April 2016, the Lenze Group records € 287m of equity after € 280m in the previous year. With an unchanged balance sheet total, the equity capital rate comes to 63.7 %.

The fixed assets are completely covered by equity. In addition, 66.7 % of the inventories, receivables and other assets are financed long-term by equity capital. This shows that the Lenze Group is continuing its strategy of maintaining a sustainable level of capital resources.

The non-current liabilities have fallen by € 10m, primarily because of the reduction in non-current liabilities with credit institutions. The sum of equity capital and non-current liabilities covers 74.4 % of the total assets at the balance sheet date. The current liabilities have risen by € 3m to € 115m.

The non-current assets amount to € 152m. The current assets have risen by € 9m to € 298m. At the end of the 2015/2016 financial year, the Lenze Group has at its disposal cash and cash equivalents totalling € 80m.

## 5. Financial situation

The cashflow statement shows the following picture:

Cashflow statement	2015/2016	2014/2015	Change	
	€ in millions	€ in millions	€ in millions	%
<b>Gross cashflow</b>	<b>47.9</b>	<b>43.9</b>	<b>4</b>	<b>9</b>
<b>Change in working capital</b>	<b>-8.5</b>	<b>0.1</b>	<b>-8.6</b>	<b>&lt; -100</b>
<b>Net cashflow from operating activities</b>	<b>39.4</b>	<b>44.0</b>	<b>-4.6</b>	<b>-11</b>
Investments	-6.8	-13.1	6.3	48
Acquisitions	0.0	0.0	0.0	0
<b>Net cashflow from investing activities</b>	<b>-6.8</b>	<b>-13.1</b>	<b>6.3</b>	<b>48</b>
Dividends paid	-18.0	-18.6	0.6	3
Change in bank and financial	-6.5	-9.0	2.5	28
<b>Net cashflow from financing activities</b>	<b>-24.5</b>	<b>-27.6</b>	<b>3.1</b>	<b>11</b>
Change in cash and cash equivalents (incl. effect of exchange rate changes)	7.8	5.2	2.6	50
<b>Liquid funds at 1 May</b>	<b>71.8</b>	<b>66.6</b>	<b>5.2</b>	<b>8</b>
<b>Liquid funds at 30 April</b>	<b>79.6</b>	<b>71.8</b>	<b>7.8</b>	<b>11</b>

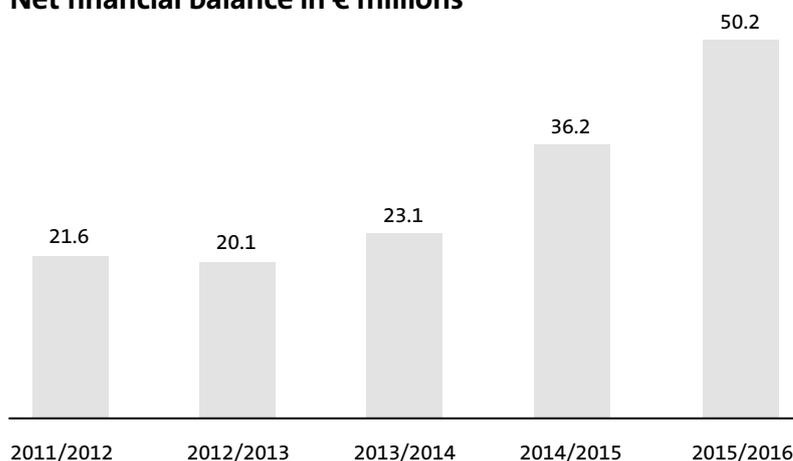
In the 2015/2016 financial year, the Group generated a gross cashflow of € 47.9m after € 43.9m in the previous year.

The cashflow from operating activities in the 2015/2016 financial year came to € 39.4m compared with a cashflow of € 44.0m in the previous year.

The capital expenditure in the 2015/2016 financial year came to € 9.6m. It represents investments in replacing equipment, rationalisation, and tools and machines for new products.

The dividend paid in the 2015/2016 financial year came to € 18.0m.

## Net financial balance in € millions



Overall, the Executive Board believes the profitability, the net worth position and the financial situation of the Lenze Group are satisfactory and represent a good starting point for the further development of the company.

## 6. Non-financial performance indicators

### 6.1 Personnel

Highly qualified personnel are a key success factor in the implementation of our growth-oriented corporate strategy.

Focusing on the continuous development of employees and managers is a Lenze tradition, and the management of training is a central supporting process within our company. By systematically promoting the development of competence in all our employees and by adapting the management of training to the strategic corporate governance, we are in a position to provide support for the achievement of our business goals. The basis for this is provided by an analysis of training needs.

The increasing importance of digitalisation and networking represents a special challenge. It will further increase the demands made on our employees' skills, our work processes, and the global cooperation within the Lenze Group in future. We are already preparing ourselves for this, actively and intensively. Courses and programmes for life-long learning, the development of personal competence, and the expansion of knowledge transfer are designed to enable our employees to use the new technical possibilities as effectively as possible. Also, new ways of working are making for flexible, agile work within networks, improved communication, and an intelligent division of work.

Lenze is positioning itself globally as an attractive employer in order to recruit the skilled employees and engineers that are so important for our success. In 2016, Lenze was once again named "Top Employer Germany" and "Top Employer Engineers" by the independent Top Employers Institute, and we also received a "Top Employer" award from the German news magazine Focus. Our internal training has been audited by the independent recruiting company AUBI-plus from Hüllhorst, Germany, which resulted in Lenze being officially designated as a "Best Place to Learn".

We offer our employees modern, networked, technologically up-to-date workplaces and a competitive level of remuneration. Specialised advanced training and further training, structured succession planning, as well as support and encouragement specifically for young skilled employees all ensure that we will meet our future need for skilled personnel. Our employees are encouraged to work in international teams across the conventional boundaries of departments and divisions, and to transfer to other companies within the Lenze Group. Our family-oriented corporate culture places great importance on the compatibility of family and work, and helps our employees to achieve a work-life balance.

The number of people employed in the Lenze Group fell by 69, from 3,366 at the end of the previous financial year to 3,297 at the end of year under review. On average, we employed 3,354 people in the reporting year compared with 3,383 employees the year before.

The number of people employed in our German companies on average in the 2015/2016 financial year fell by 4 to 1,711 employees. This means that the proportion of our global workforce employed in Germany remains almost unchanged at 51 %.

**Statement on corporate management (section 289a (4), section 315 (5), German Commercial Code [HGB])**

**Proportion of women in the Supervisory Board and the Executive Board**

**Proportion of women in the two management levels below the Executive Board**

In 2015, legislators in Germany passed the so-called Participation Law. This law is meant to lead to the equal right of men and women to participate in leading positions in the private sector and in public service. The supervisory board of every company that is required to have co-determination has to establish the relevant target numbers and the deadlines for achieving a proportion of women in the company's supervisory board and executive board (section 111 (5), Stock Corporation Act [AktG]). The executive board of every

company that is required to have co-determination decides on the proportion of women in the two levels of management below the executive board (section 76 (4), AktG). The deadlines set for achieving the targets must not be longer than five years, and for the first time no later than 30 June 2017.

The Supervisory Board and the Executive Board of Lenze SE have discussed this topic in depth. Both boards are open to the participation of women in leading positions. The current and traditionally observed procedure for appointments to the boards and leading positions (women are not represented there at the moment) is based on a strict orientation towards knowledge, skills and specific aptitude, and this always makes it possible for both men and women to be appointed. The Supervisory Board and the Executive Board regard this procedure as absolutely essential. A commitment to any other criteria by 30 June 2017 would lead to an unreasonable restriction in the selection of candidates. The target percentage will therefore be set at 0%.

## **Lenze Operations GmbH**

### **Proportion of women in the Supervisory Board and among the Managing Directors**

#### **Proportion of women in the two management levels below the Managing Directors**

Following the introduction of the Participation Law in 2015, the Shareholders' Meeting and the Managing Directors of Lenze Operations GmbH also discussed the topic in depth. The shareholders' meeting in every company that is required to have co-determination has to establish the relevant target numbers and the deadlines for achieving a proportion of women in the supervisory board and among the managing directors (section 52 (2), Limited Liability Company Law [GmbHG]). The managing directors of every company that is required to have co-determination have to establish the proportion of women in the two levels of management below the managing directors (section 36 GmbHG). The deadlines set for achieving the targets must not be longer than five years, and for the first time no later than 30 June 2017.

The Shareholders and the Managing Director are open to the participation of women in leading positions. It is always possible for men and for women to take up leading positions and participate in the organs of business (women are not currently represented) on the basis of the same criteria that apply in Lenze SE. In view of the obligation to stipulate target numbers by 30 June 2017, the target percentage will initially be set at 0 %.

## **6.2 Environment**

We are taking responsibility and committing ourselves to acting sustainably and responsibly for the sake of future generations. Just as we ensure that our customers' machines move efficiently, we in the Lenze Group also ensure that our own products are produced in ways that are as resource-friendly as possible. We focus on sustainability and efficiency naturally, as a matter of course, and they form an integral part of our philosophy. This enables us to achieve significant effects starting with our own internal measures and our own portfolio of products, in order to reduce environmentally harmful emissions decisively. Our Environment Management System has therefore been certified in accordance with the ISO 14001 standard.

## Events after the reporting period

No events of special significance occurred after the end of the reporting period.

# Opportunities, risks, and forecast

## 1. Opportunities and risks

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 enable us to use 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

The Industry 4.0 project is an accumulation of various technological developments, and Lenze has been paying special attention to these 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. The innovation steps

for modern machines have to be implemented increasingly quickly and parallel with each other. The Lenze Group has the right set of products and services for this new complexity. As our customers' technology partner, we therefore believe Lenze is excellently placed to exploit the host of opportunities that Industry 4.0 will provide in the coming years.

## **Focus industries**

The Lenze Group's orientation towards attractive focus industries is an important driving force behind the company's stable growth and the basis of our strong market position. This orientation, and the specific expertise that goes with it, enables us to work with our customers on meeting the growing challenges by means of innovations and specific application solutions. This will allow us over the long term to systematically achieve further market penetration. We are focusing on industries that will continue to grow in the future. They are the consumer goods, intralogistics, textile, and automotive industries.

## **Big data management**

Being able to provide, analyse and efficiently manage large amounts of data is one of the central challenges of modern production processes. Our software development company, encoway, is a successful member of the Lenze Group and a specialist in the field of big data management. The company has been established in the market for years, developing software solutions for clever variant management and solutions for modern e-commerce. We will be making greater use of this competence in future, also in our core business.

## **Energy efficiency**

Almost half of all the electrical energy produced today is used by industry, and the lion's share of that is used by electric drives. By employing intelligent drive and automation solutions, we can use energy more efficiently and at the same time reduce the burden on the environment. Our products are "best in class" for energy efficiency, thanks to the optimised interplay of machinery, electronics and software.

# Opportunities, risks, and forecast

## **Global market, global presence**

Customer demand is increasingly located on a global level. We are therefore continuing to actively evaluate the opportunities presented by regional growth markets and expanding our sites and competences in these locations. The crucial factors here are the intensive internationalisation of our team and the expansion of our service and after-sales network. Lenze today is represented in 60 countries and in the relevant continents with sales companies, development and production sites, 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.

## **1.2 Risks**

### **Structure of the risk management system**

The early detection of risks is an integral component of Lenze's business process management. Risks are identified and avoided by monitoring and adhering to key indicators (early risk indicators). Other possible risks, especially those found outside the operative processes, are subdivided into risk categories and permanently assessed.

### **Auditing the risk management system**

We asked our auditing company to audit our risk management system in the 2015/2016 financial year. The audit showed "that the Executive Board has taken the appropriate measures as required by section 91 (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".

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

## **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 reputations. To avoid such risks, the Lenze Group uses a certified system of quality management. This system includes strict quality assurance measures and continual improvements in our processes. Our aim is to minimise as far as possible the probability of guarantee- and liability-related risks occurring.

## **Production risks**

Regular maintenance work and risk inspections combined with damage-prevention measures minimise the risk of downtimes on production lines. A Group-wide insurance policy for material damage and operational downtimes serves to cover potential financial losses.

## **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. This 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 rigorous policy of transferring outlying stocks into our centralised logistics centres.

# Opportunities, risks, and forecast

## **Procurement risks**

Changes in the price of raw materials and the competitive nature of the market lead to latent procurement risks. We safeguard the supply of materials and services by means of the centrally controlled organisational unit called Global Sourcing. The Global Sourcing team enables the Lenze Group to secure a high level of quality and supply performance and at the same time to benefit from the advantages of global procurement markets.

## **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 € 79.6m 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 does 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 we see as being the seriously risky foreign exchange positions.

We reduce currency risks mainly through natural hedging. This means that we flexibly adapt procurement and the utilisation of production capacities in our global locations. Certain currency risks are limited by means of conventional hedging transactions.

## **Legal risks**

Innovation and expertise are two major fundamental factors for safeguarding our 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. Its task is to monitor, assess and prevent the harmful industrial property rights of third parties, and to safeguard our own intellectual property through patents. It is also expected to avoid potential infringements of industrial property rights and any resulting legal disputes, production standstills or licensing costs.

## **General statement on the risk situation**

The risks described above are not of an existence-threatening nature, either individually or in their entirety. Overall, it can be said that there were no significant changes in the risk situation in the 2015/2016 financial year. From a general point of view, we see the Lenze Group's risk situation, especially the product and market risks, as being manageable.

## 2. Forecast

The economists at the VDMA (German Engineering Federation) are forecasting zero growth in the global production of machines in 2016. Prospects for the European manufacturers remain modest, especially since positive effects such as the low interest rates and the decline in the value of the euro are no longer providing extra stimulus. On the contrary: the high value of the dollar and the low oil prices are having a negative effect on the willingness of US industry to invest. The IMF is forecasting a slight flattening of the growth rate in the US to 2.2 % in 2016. This means that the global economy is missing an important source of stimulus, and the German and European machine-building industry is missing an important sales market. The British decision to leave the European Union (Brexit) could have a significantly negative influence on developments in the Eurozone. The uncertainties relating to the lengthy Brexit negotiations will have a restraining effect on investments in many countries, especially in Europe and in particular in Germany. Current developments in Turkey represent another uncertainty factor and are not good for the economic prospects – we assume there will be a slight regression in business there. The situation in most of the developing countries and emerging markets remains difficult with regard to the next twelve months. The VDMA expects India to be the only BRIC country to increase its machine imports from Germany.

Source: VDMA “Maschinenbau Konjunktur aktuell”, IMF WEO Update from July 2016

China released its new Five-Year Plan at the beginning of this calendar year, and it mainly focuses on the transformation of the economy by means of structural reforms and an upgrading of industrial production by generating more technological progress, improvements in environmental conservation, and an increase in the prosperity of the people. With regard to production, the Chinese government believes that industries such as robotics, high-tech machines and systems engineering have great potential for growth.

(Source: 23.03.16 AHK China – News: Main Category, Market Information)

Because this means that automation will increase in importance, we see clear opportunities for Lenze and will further extend our activities in China.

With regard to the focus industries and markets relevant for Lenze, we continue to expect a global growth rate in low single-figure percentage points. Consumer goods, textiles and intralogistics in particular are profiting from the changes in consumer behaviour. We are expecting additional stimulus from Industry 4.0. We believe we are in a good position to take advantage of this, and we are already offering solutions that can be put to good use: assistance systems for fast commissioning and intuitive machine operation; concepts that support the modularisation of machines and give the machine builder the greatest possible amount of flexibility and speed in his development work.

The importance of software is increasing in line with the increase in digitalisation. We are continually investing in the expansion of our software competence and the expansion of our portfolio. With the FAST Application Software Toolbox on the market, we have a modular system that provides frequently required machine functions in the form of standardised technology modules. The various functions of a machine module no longer have to be programmed – the parameters merely have to be changed. FAST enables our customers to integrate even complex machine functions into their machines, easily and without risk to operations. That is a major contribution to innovation and to securing the future.

Key prerequisites for Industry 4.0 and the smart factory are secure data connections between production plants, or machines, and the cloud. It is then also essential to protect the data from misuse. Our highly sophisticated security solutions, which we are developing with partners, are specially designed for this very purpose. Another advantage is that they analyse data and then present the information in a usable form, which is useful for predictive maintenance, for example.

## Opportunities, risks, and forecast

We have further strengthened our portfolio for industrial automation on different levels, starting with universally deployable products (inverter series i500) and moving on to entire product solutions in the field of smart drives (Lenze Smart Motor) and to universally structured modular systems for complete, integrated drive solutions (Lenze Smart Products). In other words, we can offer our customers genuine Industry 4.0 solutions. The new i500 inverter series has been on the market since autumn 2015. It is designed to be a core product for almost all sections of the global machine-building industry, and it sets new standards in terms of its compact size, its ability to be tailored to individual applications, and its easy commissioning. The Lenze Smart Motor in combination with the new g500 gearbox offers an outstanding mechatronic drive package specially designed for horizontal materials-handling technology, and it can also be tailored to individual applications. At the Hannover Messe 2016 we introduced Lenze Smart Products, a complete, integrated drive solution for start-stop applications, out of the box.

We are strengthening ourselves in the most important machine-building markets and continuing to systematically increase our global presence. In the current financial year we are continuing to focus on specific investments in our customer front-end and our range of services.

In view of the numerous external problems weighing on the economy, we see no reason to believe there will be a broad improvement in the economic environment in the 2016/2017 financial year. For China we expect sideward movement after last year's slump in demand in many parts of the machine-building industry. The positive development in our focus industries will continue. With our closeness to customers, our innovations and trend-setting products and services along with our good financial basis, we are well equipped to continue the good corporate development that we have seen in the past years. We are closely watching the economic and political changes in our regional sales markets so that we can quickly take steps, where necessary, to either avoid risks or exploit opportunities. Summing up: on the basis of the information available today, we expect an increase in sales revenue for the Lenze Group in the current 2016/17 financial year, slightly higher than the growth recorded last year. Our profitability (EBIT margin) will again improve slightly because of the numerous efficiency measures taken in the 2016/17 financial year.



# Balance sheet

	30 April 2016	30 April 2015
	€ in thousands	€ in thousands
<b>Assets</b>		
Intangible assets	41,083	42,058
Property, plant and equipment	95,216	102,586
<i>Investments in associate companies</i>	873	967
<i>Other investments and long-term loans</i>	2,642	3,441
Non-current investments	3,515	4,408
Other non-current assets	1,985	990
Deferred tax assets	10,369	10,950
<b>Non-current assets</b>	<b>152,168</b>	<b>160,992</b>
Inventories	99,148	103,708
Trade receivables	103,137	97,321
Other current receivables and other assets	13,151	11,676
Current tax receivables	3,152	2,129
Liquid funds	79,615	71,763
<i>Subtotal</i>	<i>298,203</i>	<i>286,597</i>
Non-current assets held for sale	0	2,586
<b>Current assets</b>	<b>298,203</b>	<b>289,183</b>
	<b>450,371</b>	<b>450,175</b>
<b>Equity and liabilities</b>		
Subscribed capital	32,000	32,000
Capital reserves	43,805	43,805
Revenue reserves	212,965	199,847
Accumulated income and expense recognised directly in equity	-4,624	1,578
<b>Equity attributable to the shareholders of Lenze SE</b>	<b>284,146</b>	<b>277,230</b>
Minority interests	2,702	2,699
<b>Equity</b>	<b>286,848</b>	<b>279,929</b>
Provisions for pensions and similar obligations	21,756	21,355
Other non-current provisions	5,265	5,079
Non-current financial liabilities	19,234	30,000
Other non-current liabilities	0	48
Deferred tax liabilities	1,942	1,396
<b>Non-current liabilities</b>	<b>48,197</b>	<b>57,878</b>
Current provisions	61,379	63,277
Current financial liabilities	10,167	5,567
Trade liabilities	23,716	23,995
Other current liabilities	20,064	19,529
<b>Current liabilities</b>	<b>115,326</b>	<b>112,368</b>
	<b>450,371</b>	<b>450,175</b>

# Income statement

	2015/2016	2014/2015
	€ in thousands	€ in thousands
Sales revenue	646,354	634,133
Increase/decrease in finished goods and work in progress	-3,864	-4,364
Other own work capitalised	572	574
<b>Total proceeds</b>	<b>643,062</b>	<b>630,343</b>
Cost of materials	-269,049	-268,935
<b>Gross margin</b>	<b>374,013</b>	<b>361,408</b>
Personnel costs	-217,796	-208,398
Depreciation and amortisation	-15,623	-15,646
Other operating expenses	-109,181	-109,516
Other operating income	16,601	18,666
Income from participating interests	459	357
<b>Operating profit (EBIT)</b>	<b>48,473</b>	<b>46,871</b>
Financial result	-1,741	-2,816
<b>Profit before tax</b>	<b>46,732</b>	<b>44,055</b>
Income tax	-15,379	-14,811
<b>Profit after tax</b>	<b>31,353</b>	<b>29,244</b>
<i>Minority interests</i>	<i>891</i>	<i>878</i>
<i>Profit attributable to Lenze SE shareholders</i>	<i>30,462</i>	<i>28,366</i>

# Statement of comprehensive income

	2015/2016	2014/2015
	€ in thousands	€ in thousands
<b>Profit after tax</b>	<b>31,353</b>	<b>29,244</b>
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>158</i>	<i>-5,693</i>
<i>Deferred taxes relating to pension plan remeasurements recognised in other comprehensive income</i>	<i>-257</i>	<i>1,017</i>
Changes in income recognised in equity	-99	-4,676
Items that may be reclassified subsequently to profit or loss		
<i>Differences from currency conversion</i>	<i>-6,325</i>	<i>14,911</i>
<b>Other comprehensive income, net of tax</b>	<b>-6,424</b>	<b>10,235</b>
<b>Total comprehensive income</b>	<b>24,929</b>	<b>39,479</b>
<i>Profit attributable to Lenze SE shareholders</i>	<i>24,260</i>	<i>38,316</i>
<i>Minority interests</i>	<i>669</i>	<i>1,163</i>

# Statement of equity at 30 April 2016

	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
<b>Balance 30 April 2014</b>	<b>32,000</b>	<b>43,805</b>	<b>189,401</b>	<b>-4,505</b>	<b>-3,867</b>	<b>256,834</b>	<b>2,195</b>	<b>259,029</b>
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
<b>Consolidated result</b>	<b>0</b>	<b>0</b>	<b>28,366</b>	<b>14,626</b>	<b>-4,676</b>	<b>38,316</b>	<b>1,163</b>	<b>39,479</b>
Dividends	0	0	-17,920	0	0	-17,920	-659	-18,579
<b>Balance 30 April 2015</b>	<b>32,000</b>	<b>43,805</b>	<b>199,847</b>	<b>10,121</b>	<b>-8,543</b>	<b>277,230</b>	<b>2,699</b>	<b>279,929</b>
Other comprehensive income, gross	0	0	0	-6,103	158	-5,945	-222	-6,167
Deferred tax	0	0	0	0	-257	-257	0	-257
Other comprehensive income, net	0	0	0	-6,103	-99	-6,202	-222	-6,424
Net income for the year	0	0	30,462	0	0	30,462	891	31,353
<b>Consolidated result</b>	<b>0</b>	<b>0</b>	<b>30,462</b>	<b>-6,103</b>	<b>-99</b>	<b>24,260</b>	<b>669</b>	<b>24,929</b>
Dividends	0	0	-17,344	0	0	-17,344	-666	-18,010
<b>Balance 30 April 2016</b>	<b>32,000</b>	<b>43,805</b>	<b>212,965</b>	<b>4,018</b>	<b>-8,642</b>	<b>284,146</b>	<b>2,702</b>	<b>286,848</b>

# Cashflow statement

	2015/2016	2014/2015
	€ in thousands	€ in thousands
Profit after tax	31,353	29,244
Change in non-current provisions	1,026	1,324
Depreciation and amortisation	15,374	15,646
Other noncash expense and income	333	-2,362
Profit from disposal of fixed assets	-185	10
<b>Gross cashflow</b>	<b>47,901</b>	<b>43,862</b>
Change in inventories	2,978	-436
Change in receivables and other assets	-11,186	-5,964
Change in other provisions	-1,426	6,699
Change in trade liabilities and other liabilities	1,086	-187
<b>Change in working capital</b>	<b>-8,548</b>	<b>112</b>
<b>Net cashflow from operating activities</b>	<b>39,353</b>	<b>43,974</b>
Purchase of intangible fixed assets	-639	-900
Purchase of property, plant and equipment	-9,577	-13,098
Acquisition (-)/disposal (+) of business operations	0	0
Purchase of investments	-80	-283
Proceeds from disposal of fixed assets	3,463	1,213
<b>Net cashflow from investments</b>	<b>-6,833</b>	<b>-13,068</b>
Dividends paid	-18,010	-18,579
Proceeds from bank loans	2,843	4,417
Repayment of bank loans	-13,691	-8,944
Change in current financial liabilities	4,397	-4,506
<b>Net cashflow from financing activities</b>	<b>-24,461</b>	<b>-27,612</b>
<b>Change in cash and cash equivalents</b>	<b>8,059</b>	<b>3,294</b>
Effect of exchange rate changes on cash and cash equivalents	-207	1,874
<b>Liquid funds at 1 May</b>	<b>71,763</b>	<b>66,595</b>
<b>Liquid funds at 30 April</b>	<b>79,615</b>	<b>71,763</b>

# 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 cashflow 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 12 August 2016.

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 2016

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

<b>Lenze SE, Aenzen</b>
Lenze Operations GmbH, Aenzen
Lenze Drive Systems France SARL, Ruitz/France
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
Lenze Austria Holding GmbH, Asten/Austria
Lenze Operations Austria GmbH, Asten/Austria
Lenze Antriebstechnik GmbH, Asten/Austria
Lenze Verbindungstechnik GmbH, Asten/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, São Paulo/Brazil
Lenze Brasil Automacao Ltda, São Paulo/Brazil
Lenze Argentina Automatización S.A., Buenos Aires/Argentina
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 Americas Corporation, Uxbridge, Mass./USA
Lenze AC Tech Corporation, Uxbridge, Mass./USA
Lenze Canada Corporation, 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, Roissy-en-France/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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**Published by**

Lenze SE, Postfach 101352, D-31763 Hameln

Phone: +49 5154 82-0

Fax: +49 5154 82-2800

E-Mail: [Lenze@Lenze.de](mailto:Lenze@Lenze.de)

Internet: [www.Lenze.com](http://www.Lenze.com)

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