

Lenze



*Annual Report*

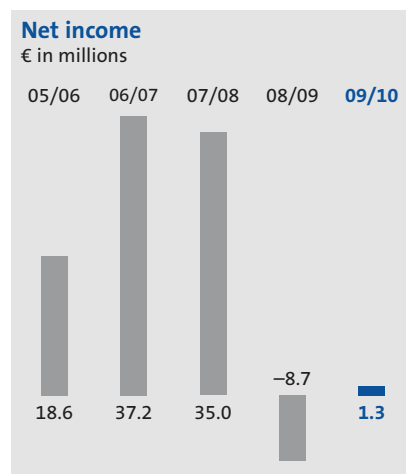
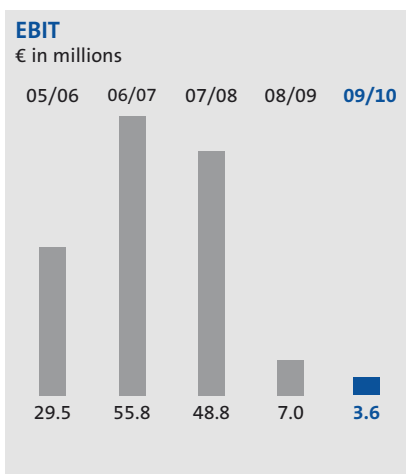
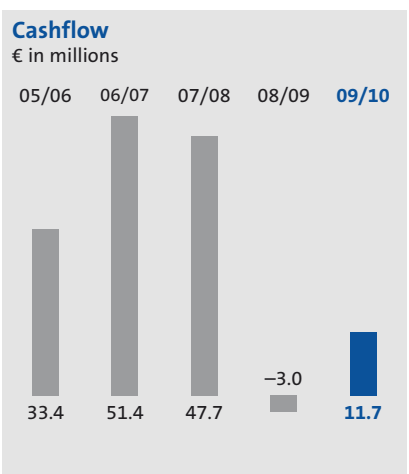
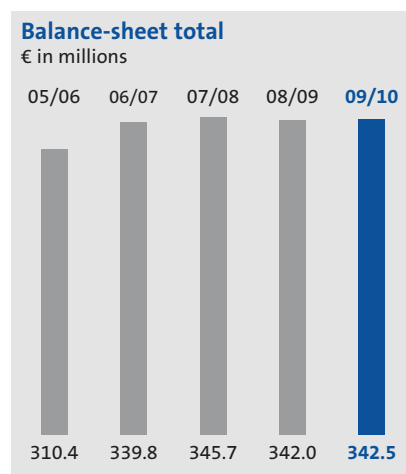
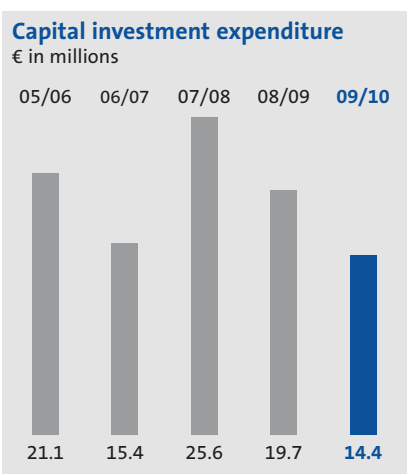
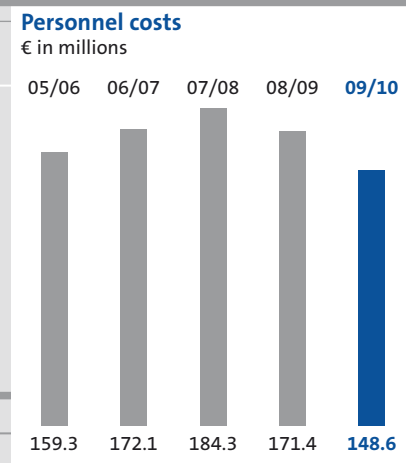
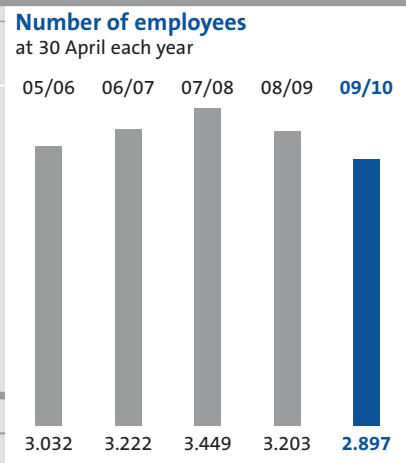
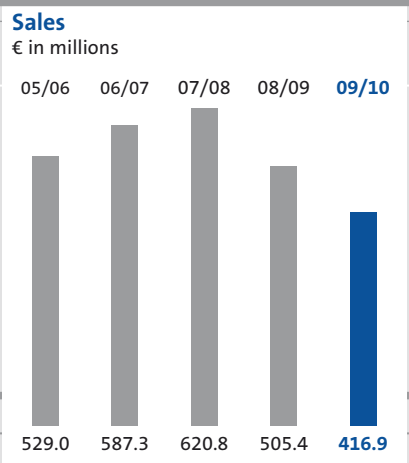
**2009/2010**

**Lenze**





Since it was founded over 60 years ago, Lenze has been a family business owned by the founding family. The family will continue to be responsible for the concern in the future, too, keeping the special character of a family business.





Letter to readers	7
Supervisory Board's report	8
Partner for Drive and Automation Solutions	12
Management report	14
Consolidated financial statements	30
Balance sheet	30
Income statement	31
Statement of changes in equity	32
Cash flow statement	33
General	34
The Lenze Group at 30 April 2010	35



**Dr. Erhard Tellbüscher, Graduate Engineer**



**Frank Maier, Graduate Engineer**

Dear Reader,

Following a difficult year in 2009, which was marked by the global financial and economic crisis, we are pleased to say that both the economy as a whole and the industries and markets relevant for us are showing a positive development. In the fourth quarter of the 2009/2010 financial year we recorded a clear improvement in incoming orders, a trend which has continued in the current financial year. We assume that the general economic climate and the economic situation of our customers will remain stable and continue to recover.

We are happy to have overcome the financial and economic crisis under our own steam. Thanks to the cost adjustments we made, together with the increase in orders, we were able to achieve a positive development in our results.

The financial year was geared towards achieving a balance between reducing costs and making investments in long-term goals. We reduced our investments in the last financial year slightly. This is due to the fact that important product developments have already been completed, as have the corresponding investments in production systems. At the same time we also succeeded in furthering our long-term goals. Not only did we launch a large number of new products, we also pushed ahead with the internationalisation of our Group: our take-over of a sales and service partner in Brazil was an important move in a country which will become a key market in the future.

Energy conservation is one of the major challenges, both today and in the years to come. This tells us why energy efficiency was a dominant theme in the last financial year, and it will continue to be one of our most important undertakings in the future. Our products are developed using state-of-the-art technological standards and ideas. We call these ideas and technologies "Lenze BlueGreen".

Today we can offer our customers a refined portfolio of products and services for our drive and automation platform L-force, and we can provide them with expert advice from our staff as well as the most appropriate methods and instruments to go with it: this is an outstanding starting point for the realisation of modern machine concepts.

Aerzen, 3. September 2010



Dr. Erhard Tellbüscher  
Chief Executive Officer, Lenze SE

## **The financial year from 1 May 2009 to 30 April 2010**

The Supervisory Board met four times in the reporting period to advise the Executive Board and monitor its management work. 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 requiring decisions to be made by the Supervisory Board. The briefing process also covered the area of risk management in the Group. On the basis of these briefings, the Supervisory Board regularly discussed the company's development with the Executive Board and formed its own impression of the state of the company. In particular, the Supervisory Board looked in detail at the effects of the global financial crisis on the Lenze Group and its corporate planning. The Supervisory Board discussed the lawfulness of the company management with the auditors in the context of the significant business transactions and events in the financial year. In its discussions with the Executive Board, the Supervisory Board was persuaded of the effectiveness of the Lenze Group's organisation with regard to the compliance, the appropriateness and the efficiency of the management.

## **Modifying conversion into Lenze SE**

In the 2009/2010 financial year, Lenze AG was converted into a Societas Europaea (SE) by means of a modifying conversion in accordance with Article 37 of the Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European Company (SE). The conversion into Lenze SE came into effect with registration in the Trade Register on 14 October 2009.

## **Supervisory Board meetings**

The Supervisory Board met four times to confer during the reporting period. The board meetings took place on 7 May 2009, 15 September 2009, and on 7 May 2010. The balance-sheet meeting was held on 7 September 2010.

In four cases decisions were made on urgent matters by means of written communication.

## **Year-end and consolidated financial statements**

The Executive Board drew up the year-end and consolidated financial statements and the management report for the 2009/2010 financial year. Because the necessary legal conditions have been met for an exemption from the obligation to produce a consolidated financial statement in accordance with the German Commercial Code (section 315a, subsection 3 HGB), the consolidated financial statement was drawn up in accordance with International Financial Reporting Standards (IFRS). These documents have been checked and audited along with the book-keeping by the Karl Berg GmbH auditing company, Düsseldorf and Leipzig. With regard to the existing early risk-detection system, the auditors certified that the Executive Board has taken the necessary 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 which can threaten the survival of the company.

The Supervisory Board has scrutinised both the year-end and consolidated financial statements, the management report and the Group management report for Lenze SE's 2009/2010 financial year, as well as the proposal for the appropriation of net income as shown in the balance sheet, taking into account the auditors' audit report and discussions with the auditors. The Supervisory Board accepts the result of the audit by the balance-sheet auditor. After the audit had been completed and the result presented, the Supervisory Board raised no objections and approved the year-end and consolidated financial statements. The year-end statement is thus certified.

### Changes in the Supervisory Board and Executive Board

Operating from the basic principle of continuity of office, there have been no changes in the constitution of the Supervisory Board and Executive Board as a result of the modifying conversion into Lenze SE in the reporting period. Accordingly, the following people have been appointed as members of Lenze SE's first Supervisory Board: Dr. Ulrich Wolters (Chairman), Dr. Harald Klotzbach, Dr. Peter Lohse, Dr. Jürgen Krumnow, Dirk Brockmann and Dirk Schröder, each for one term of office until the end of the General Meeting, which decides on their formal approval for the third financial year after the start of their term of office; the financial year in which the term of office begins is not counted. As a precautionary measure, the appointment of the above-mentioned members was confirmed in the General Meeting of 15 September 2009. Supervisory Board members Dirk Brockmann and Dirk Schröder were appointed in accordance with subsections 2.3.1 and 2.3.2 in section B of the "Lenze SE Agreement on the Participation of Employees" of 31 July 2009.



Dr. Ulrich Wolters



Dr. Jürgen Krumnow



Dr. Peter Lohse

In accordance with the Supervisory Board's decision on 15 September 2009, the following appointments to the Executive Board were confirmed: Dr. Erhard Tellbüscher (Chairman) until 31 December 2013 and Michael Mölleken until 31 December 2010. In addition, Frank Maier was appointed as member of the Executive Board from 1 October 2009 until 30 September 2012.

Michael Mölleken left the Executive Board prematurely on 31 December 2009.

The Supervisory Board would like to thank the Executive Board, the other members of the management, and all the employees in the Lenze Group for their work and commitment.

Aerzen, 7 September 2010

For the Supervisory Board



Dr. Ulrich Wolters  
Chairman



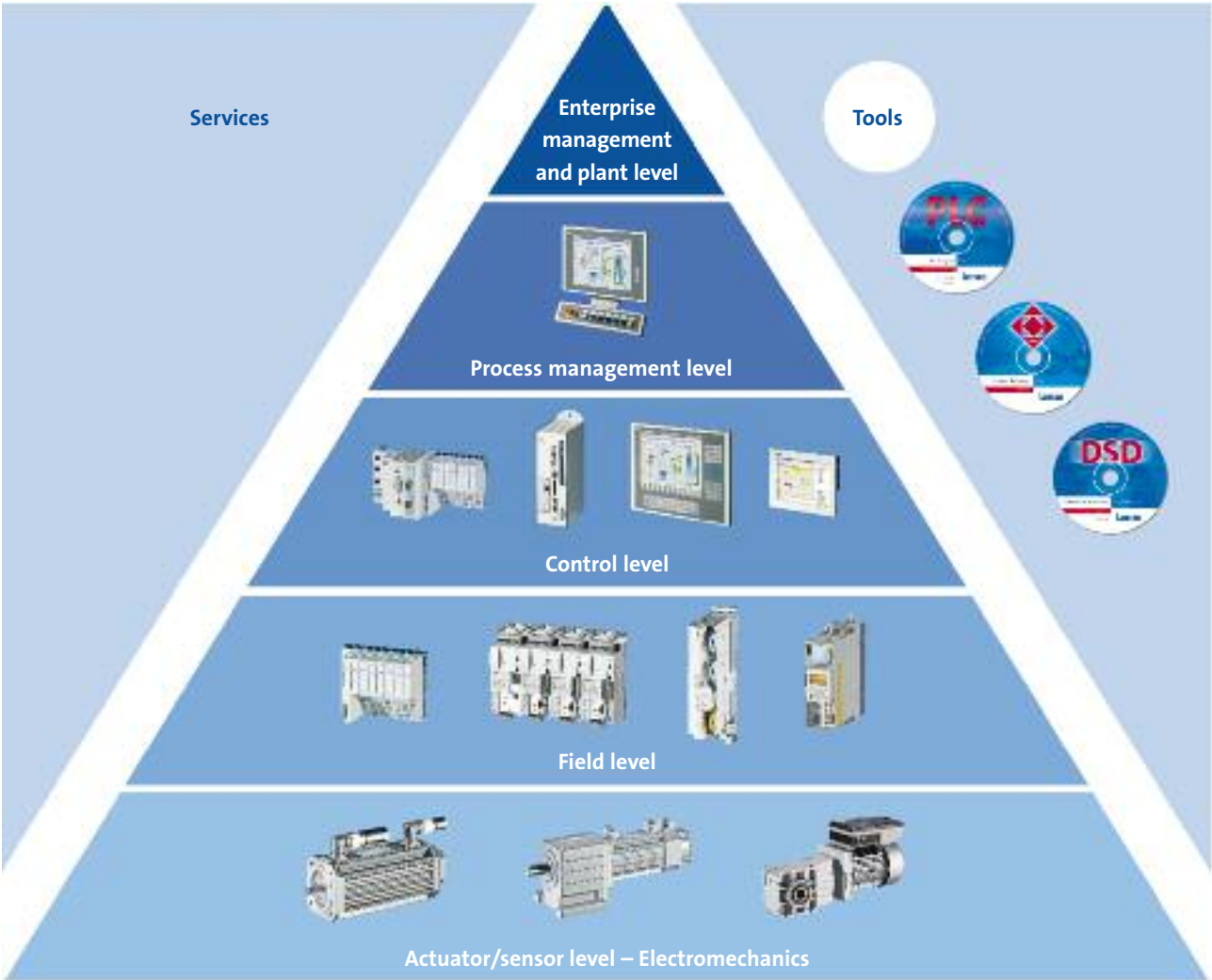
Dirk Schröder



Dr. Harald Klotzbach



Dirk Brockmann



## Driving, controlling, moving

We are one of the most innovative companies in the industry, with more than 60 years of experience in the field of drive technology. Building on this wealth of experience and our vast store of practical knowledge, we have steadily and continuously developed into a supplier of customer-oriented drive and automation solutions.

Based at its headquarters in Hameln, Lenze is represented globally in 60 countries around the world, with its own sales companies, development sites and production plants as well as a network of service partners.

Lenze's research and development work sets very high standards in the implementation of the most modern drive and automation technology for market-oriented products. Our expertise is one of our greatest strengths, enabling our highly qualified staff to develop customer-oriented solutions, and to do so all over the world.

Lenze offers a wide range of components, systems and services. Our drive and automation technology is being used in a very wide variety of industries and segments: for example in the conveyor, robotics, handling or packaging technology machine segments, and in the intralogistics, automotive and consumer goods applications areas.

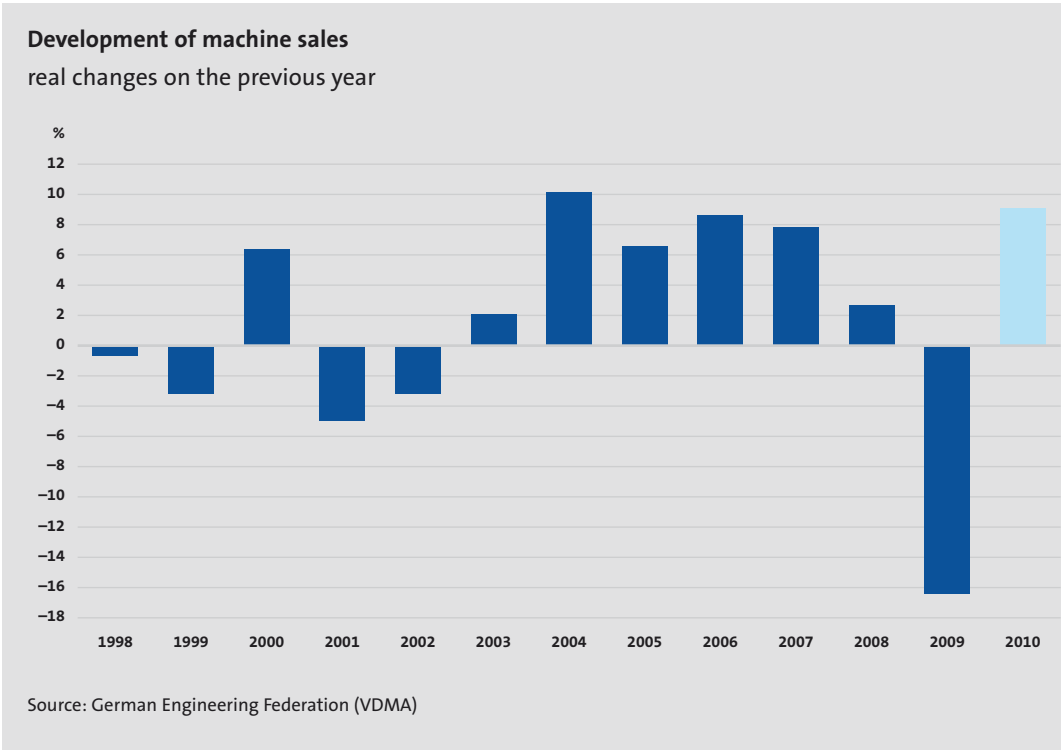
Our products have been designed to be compatible with each other and can be combined to meet individual needs. As a solutions partner, Lenze provides comprehensive support, from the optimum selection of the right product or system to the designing stage and the start of production and beyond.

The development of L-force has enabled us to react to the need for increasingly complex systems and production processes. L-force is both a new-style family of drive and automation products and also a new, fully self-contained portfolio of Lenze solutions.



## General economic conditions

In its first two quarters, the 2009/2010 financial year was still clearly feeling the fallout from the global economic crisis that had been affecting corporate development since the first six months of the previous financial year. The slump in demand in the global mechanical engineering industry led to a considerable fall in sales among our customers in all areas of business. Also, the financial institutions had become significantly more restrictive in granting credit as a result of the global financial crisis. This made corporate financing more difficult for all market participants and made it more expensive to secure liquidity, despite the very low interest rates in the Eurozone.



In the second half of our 2009/2010 financial year, signs of a recovery became evident, which led to significant real growth in the final quarter compared with the previous year's weak final quarter and also compared with the first three quarters of the then current financial year. This shows that the drive technology industry reacted in a more volatile way than the mechanical engineering industry as a whole, both during the slump phase and the recovery phase.



## Profitability

Profitability in the 2009/2010 financial year was affected by the developments in global markets described above and by the structural measures carried out in the 2009/2010 financial year to enable us to adapt.

Profitability	2009/2010		2008/2009		Change	
	€ in millions	%	€ in millions	%	€ in millions	%
<b>Sales revenue</b>	<b>416.9</b>	<b>101</b>	<b>505.4</b>	<b>101</b>	<b>-88.5</b>	<b>-18</b>
Changes in inventory	-3.9	-1	-3.3	-1	-0.6	20
Capitalised service	0,0	0	0.4	0	-0.4	-91
<b>Total proceeds</b>	<b>413.0</b>	<b>100</b>	<b>502.5</b>	<b>100</b>	<b>-89.5</b>	<b>-18</b>
Cost of materials	-185.9	-45	-233.8	-47	47.9	-21
<b>Gross profit</b>	<b>227.1</b>	<b>55</b>	<b>268.7</b>	<b>53</b>	<b>-41.6</b>	<b>-16</b>
Personnel costs	-148.6	-36	-171.4	-34	22.8	-13
Depreciation and amortisation	-13.2	-3	-13.9	-3	0.7	-5
Other expenses and income	-61.7	-15	-78.1	-15	16.4	-21
<b>Earnings before interest and special items</b>	<b>3.6</b>	<b>1</b>	<b>5.3</b>	<b>1</b>	<b>-1.7</b>	<b>-31</b>
Special items*	1.0	0	-15.6	-3	16.6	-
<b>Operating result (EBIT)</b>	<b>4.6</b>	<b>1</b>	<b>-10.3</b>	<b>-2</b>	<b>14.9</b>	<b>-</b>
Financial result	-2.2	-1	-0.9	0	-1.3	-
<b>Earnings before tax</b>	<b>2.4</b>	<b>0</b>	<b>-11.2</b>	<b>-2</b>	<b>13.6</b>	<b>-</b>
Income tax	-1.1	0	2.5	0	-3.6	-
<b>Earnings after tax</b>	<b>1.3</b>	<b>0</b>	<b>-8.7</b>	<b>-2</b>	<b>10.0</b>	<b>-</b>

\* changed in prior year (including an item from the investment income)

The *sales revenue* in the 2009/2010 financial year came to €416.9m compared with €505.4m the previous year. However, there was a big difference between the first half of the year and the second half in the way business developed: in the first two quarters we recorded a fall in sales amounting to more than 30%, but a fall of only 12% in the third quarter, and, in sharp contrast, growth of 21% in the last quarter compare with the



same period in the previous year. Fluctuations in currency exchange rates encumbered sales growth by about € 2 m compared with the prior year.

The *gross performance* declined to € 413 m after achieving € 502.5 m the previous year. This is attributable both to the fall in sales revenue and to the liquidation of inventories.

*Materials usage*, which measures the relation between the cost of materials and the gross performance, came to 45.0 % in the year under review compared with 46.5% the year before. The main reasons for the decline in the rate of materials usage include a change in the customer mix, in the sense that there was less revenue from volume customers, and the previous year's increased provision for risk on inventories.

*Personnel costs* fell again in the 2009/2010 financial year, this time from € 171.4 m the previous year to € 148.6 m, a difference of just under € 23 m. When we take into account the effect of the wage and salary increases, which amounted to approximately 2%, the decline in personnel costs comes to € 26 m. This is attributable to the cost-adjustment measures necessitated by the crisis. In this connection, the number of people employed in the Lenze Group at the end of the year under review compared with the same point in the previous year fell by 306 to 2,897. In Germany, short-time working was used until the end of 2009 to reduce costs. Despite these measures, which had to be taken at short notice, the ratio of personnel costs to revenue rose from 34% in the previous year to 36% in the year under review.

Parallel to the fall in personnel costs, the expenditure on outside staff, which is recorded under 'other expenses', was reduced again, this time by approximately € 1 m.

*Depreciation and amortisation* fell slightly by € 0.7 m to € 13.2 m compared with the previous year.

The *other income and expenses*, including investment income, fell significantly by more than € 16 m, or 21 % of the total proceeds, from € 78.1 m in the previous year to € 61.7 m. This was as a result of the cost-cutting programme that had already been launched the year before.

In spite of the economic crisis, we have for the most part maintained our commitment in the area of research and development. Whereas in the



previous year expenditure came to just over €37 m, we spent €32 m on developing new products and further refining our existing product portfolio. This means that in relation to sales revenues, expenditure on research and development in the year under review increased to just under 8% compared with just over 7% the previous year.

Although there was a significant drop in volume, we were able to keep the operating result before interest, tax and special items relatively unchanged at €3.6 m in the 2009/2010 financial year compared with €5.3 m the previous year. The drastic drop in the total proceeds by €89.5 m and the consequent fall in the gross performance by €41.6 m was almost completely compensated for by the implementation of the cost-cutting measures. Accordingly, we were able to achieve a positive operating result even though, in contrast to the previous year, the whole of the year under review was affected by the global economic crisis.

The financial crisis that had begun in the previous financial year meant that we had to take medium-term measures to secure financing so as to be equipped for future growth. As a result of this, the net investment expenditure increased to €2.2 m.

Taking into account deferred taxes, tax expenditure in the 2009/2010 financial year comes to €1.1 m.

The Group's earnings for 2009/2010 after taxes and before minority interests come to €1.3 m.



## Net worth position

The Lenze Group's assets amounted to € 342 m at the end of the 2009/2010 financial year, almost unchanged from the previous year.

Net worth position	2009/2010		2008/2009		Change	
	€ in millions	%	€ in millions	%	€ in millions	%
<b>Assets</b>						
Non-current assets	135	40	134	39	1	1
Current assets	207	60	208	61	-1	-1
<i>Inventories</i>	78	23	88	26	-10	-12
<i>Trade receivables</i>	66	19	57	17	9	16
<i>Cash</i>	53	15	49	14	4	9
<i>Other assets</i>	10	3	14	4	-4	-33
<b>Balance-sheet total</b>	<b>342</b>	<b>100</b>	<b>342</b>	<b>100</b>	<b>0</b>	<b>0</b>
<b>Equity and liabilities</b>						
Equity capital	204	60	200	59	4	2
Non-current liabilities	54	16	50	14	4	9
Current liabilities	84	24	92	27	-8	-8
<b>Balance-sheet total</b>	<b>342</b>	<b>100</b>	<b>342</b>	<b>100</b>	<b>0</b>	<b>0</b>

The *non-current assets* increased only slightly by € 1 m to € 135 m. These figures include just under € 5 m for the building activation of our logistics centre in France, because the leasing agreement it is based on was recorded as a finance lease. The non-current financial liabilities also rose correspondingly by about € 4 m.

The *current assets* are also almost unchanged. The receivables underwent a sales-related increase which was compensated for by a reduction in inventories, while the other receivables fell by € 4 m as a result of the collection of tax refund claims. The cash and cash equivalents increased by € 4 m, meaning that the Lenze Group has cash and cash equivalents worth a total of € 53 m at the end of the 2009/2010 financial year.

With regard to equity and liabilities, the Lenze Group records equity capital amounting to € 204 m at the end of the year under review. This represents an equity capital ratio of 60% compared with 59% in the



previous year and means that the Lenze Group has an above-average level of equity capital at its disposal.

The *non-current liabilities* were reduced by € 8 m. This is primarily attributable to the use of liability reserves accrued for restructuring measures over the last year.

Equity and non-current liabilities cover 76% of the overall assets at the balance-sheet date, compared with 73% in the previous year.

## Financial situation

Cash flow statement	2009/2010	2008/2009	Change	
	€ in millions	€ in millions	€ in millions	%
Net cash flow (before taxes)	15	19	-4	-25
Change in net working capital	-3	23	-26	>100
Investments (without acquisitions and disposal of business)	-7	-17	10	-56
Net cash flow after investments	5	25	-20	-82
Tax payments	2	-14	16	>100
Distribution of profit	0	-11	11	-98
Acquisitions (-) / Disposal of business (+)	0	3	-3	>100
Repayment of net financial liabilities	-7	-3	-4	>100
Utilisation of the operative cash flow	-5	-25	20	-82

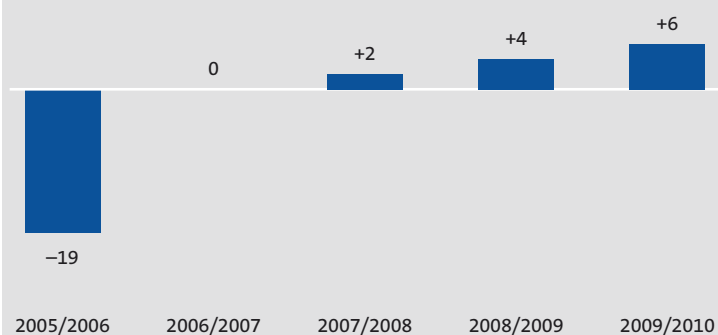
The Lenze Group's financial situation remains extremely stable.

The net working capital increased by € 3 m for sales-related reasons. Following the substantial investments we had made in the previous years, our investments in the year under review were modest. Taking into account these investments, which amounted to € 7 m, there was a net cash flow of € 5 m from the operative business compared with € 25 m in the previous year.

The generated cashflow and tax refunds totalling € 2 m were utilised to reduce financial liabilities.



## Net financial balance in € millions



We were able to increase the net financial balance again at the end of the year under review to € 6 m, even after taking into account the increase in the current and non-current financial liabilities from finance leasing, which amounted to just under € 5 m.

## Personnel

The number of staff employed in the Lenze Group at the end of the financial year fell by 306 people from 3,203 in the previous year to 2,897. This is primarily attributable to cost-adjustment measures. The average number of staff employed in the year under review totalled 2,972 compared with 3,346 employees in the prior year. The average number of staff employed in Germany in the 2009/2010 financial year fell from 1,862 to 1,635 people.

This means that the proportion of the total workforce employed in Germany declined from 56% in the previous year to just under 55%.



## Risk reporting

A conscious and controlled approach to business opportunities and risks is part of our day-to-day work. It involves giving top priority to avoiding risks that could threaten the survival of the company. In order to ensure that this is done, we have installed a risk-management system that systematically detects and assesses risks at an early stage. It covers our internal auditing and corporate controlling systems and is integrated into our existing organisational and management structures.

Our risk system examines both strategic risks, especially in relation to developments in technology and the market, and also operative risks. We divide operative risks into specific risk groups: research and development, procurement, production and logistics, sales, personnel, information technology, and finances. For each of these risk groups we have systematically worked out the potential risks and we regularly check to see whether potential risks to our business are becoming more concrete. If this is the case, we immediately implement counter-measures on the basis of a careful analysis and assessment of the risk, and then we monitor their effect.

At Lenze, we are currently focussing in particular on the following areas of risk:

### *Loss of receivables*

Merchandise-credit insurance companies are becoming less willing to provide cover, and because they insure a large part of our trade receivables, this situation has increased the risk of loss. In order to limit this risk, we have increased risk-oriented transparency with regard to our customer receivables, increased the precision of our Group-wide guidelines for dealing with trade receivables, and we have implemented specific safety measures in individual cases. At the same time, we continue to take full advantage of the available insurance protection.



### *Failure of suppliers*

The reliable supply of components and other pre-production materials is an important prerequisite for being able to earn profits. We have analysed the risks in this area on the basis of a deep, comprehensive Group-wide assessment of our suppliers, using criteria that can provide us with indications of a possible supplier failure in the future. Wherever the likelihood of failure has reached a critical level, appropriate measures are taken to guarantee supplies. These necessary measures include establishing other sources of supply, relocating tools, or increasing stocks.

### *Stock utilisation*

The outflow of stock has slowed down because of the decline in sales, and this harbours the risk of a substantially increased need to devalue or scrap the stock. In addition, cash resources are being tied up in stocks. In order to adjust the amount of stock in accordance with the changes in sales volume and to ensure we can avoid devaluing and scrapping stock, we have systematically reduced the inflow of merchandise, increased the risk-oriented transparency of the stock, reviewed the goals relating to the range of stock coverage and in some cases adjusted them, stored stock in central storage areas, and carried out specific recycling measures. The situation has changed since the end of 2009 because of the accelerating sales. It has now become more important to secure the ability to supply. We have also begun focussing on the utilisation of all the channels of procurement and on proactive merchandise planning.

## *Erosion of margins*

The lower levels of capacity utilisation among our customers as a result of the economic crisis are being accompanied by demands for price adjustments from suppliers. When revenues are falling at the same time, this represents a particularly serious risk. Such an approach is not adequately geared to the future. We have therefore developed a concept that puts our customers in a stronger competitive position. We call this concept Drive Solutions. Its effect is to ensure that our customers have lower overall costs but also more powerful machines and processes. In this way we can have a positive effect on margin erosion.

## *Protection of liquidity*

Sustaining the capacity to pay is an essential condition of being able to sustain a company's capacity to do business. In order to be able to meet financial obligations, liquid funds totalling approximately €53 m are available at the balance-sheet date. In addition, we have implemented measures to secure liquidity now for the financing of growth in the future. Employing a modest investment policy and active working capital management, we therefore reached agreement with our commercial banks for bilaterally fixed credit lines with a repayment period of two to three years, after taking out long-term loans the previous year.

We asked our auditing company to check our risk-management system in the 2009/2010 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 can threaten the survival of the company”.



## Research and development

It is the aim of Lenze's development work to provide our customers with an integrated portfolio of state-of-the-art drive and automation technology. Our customers appreciate the great reliability of our components, the portfolio of products that are compatible with each other, and the easy usability of those products. The Lenze Group gears its development work towards these goals. In doing this, we take into account that traditional boundaries between products are disappearing and that we have to design functions so that they can be realised on different platforms.

The total expenditure on research and development in the period under review amounted to approximately € 32 m. This represents a 7.6 % share of the turnover, slightly more than in the previous year. The almost completed development of our 8400 inverter platform made it possible to reduce the cost of materials through insourcing. In absolute terms, expenditure fell by € 5.4 m compared with the previous year.

For over ten years now, Lenze has been integrating control functions into its inverters. We are extending our servo technology flagship, the L-force Servo Drives 9400 range, to include PLC technology for drive-based automation. Over the last few years we have set up an automation platform in order to be able to provide automation functions on centralised, PC-based architectures, too. This means that centralised and decentralised control concepts can be used intelligently for the best-possible solutions required in systems and machines. Hybrid concepts offer our customers the flexibility they need for their concepts. The platforms provide a very good level of usability by employing the same software and offering the same degree of functionality.

In the period under review, we significantly extended the range of our system. The L-force I/O-System 1000 was enhanced by a number of functions and communications systems. It has now been complemented by the L-force Controller 3200C, which will make it possible to set up a very compact control unit. Here we are using the latest processor technology on the basis of the Intel-Atom platform and employing the



CoDeSys 3.x control software. In addition we have extended our EL100 range of PC-based operating and control stations. This has considerably strength-ened our automation platform. It offers a high standard of modern, helpful technologies.

The most important part of the Lenze portfolio is still drive technology, i.e. inverters and electrical engineering with its motors and gearboxes. Our analyses show that our customers in the mechanical engineering industry primarily buy products from us in the three categories frequency inverters, servo drives and geared motors, and they use them together in their machines. For this reason we offer our customers a standardised set of product features and products that can be combined with each other. Our platform boasts unique features, and in order to develop these further we are investing a lot of time in a very intensive portfolio management.

The result of our portfolio management is a set of modules that cover a large number of functions in systems. Powerful design and configuration tools make it extremely easy for our sales staff and customers to put this large number of possible combinations to good use.

The name L-force stands for all these qualities and features. The L-force features are also used in the 8400 range of inverters for decentralised applications, such as in intralogistics or automotive production, for example. In the period under review, we introduced the 8400 protec, designed for wall mounting, and the 8400 motec in a package with an optimised motor and gearboxes.

In addition to the 8400 range of decentralised inverters, we offer the SMV range of inverters. These are especially intended for use in regions where selling is done via distribution channels. The SMV, which we also supply in higher safety classes, has a comprehensive but easy-to-use set of functions, including communications systems. We have extended its power range to 30 kW.

A dominant theme in the last financial year was energy efficiency. As from the year 2011, the minimum efficiency level legally required in three-phase AC motors will be IE2. We have accordingly developed and launched the MH series of motors. Also, our DSD design program (Drive



Solution Designer) provides an energy performance certificate that calculates the effect of different drive concepts on the energy consumption of a specific application. The customer is shown the level of energy consumption and the costs for a complete drive system. This means that alternatives can be worked out and, by combining specific components and processes within a system, customers can see which combination provides the most efficient use of energy. We have given our programme of energy-saving solutions and products a special name: Lenze BlueGreen.

As we reported in the previous financial year, we are already active in the area of electrical mobility. Here we are witnessing the development of a completely new field of application for controlled electrical drives, which in ten years can clearly overtake the use of industrial drive technology. For quite a long time now, we have been using power inverters for main drives in pilot hybrid buses. They achieve savings of up to 30 % in terms of fuel consumption. Power inverters can also be used with auxiliary equipment in utility vehicles (e.g. air-conditioning). We have already moved beyond the pilot phase here and are getting ready for series production. Electrical mobility will open up new technologies and new areas of application in the future.

Drive and automation technology is an area of constant change with great potential for the future. Technologically, the main areas of focus are shifting: for example, from electrical to mechatronic engineering. New areas of application are appearing, such as electrical mobility. Lenze is a leading, innovative supplier, and through our research and development work we are ensuring that we can consolidate and extend that position.



## Prospects for the new financial year

The fourth quarter of the last financial year was already showing surprisingly good growth. At the beginning of the 2010/2011 financial year, there was an even more significant increase in incoming orders. Compared with the same quarter in the previous year, the first quarter recorded growth of more than 80 %.

According to mechanical engineering industry statistics (VDMA), growth in drive technology was much greater than the average growth rate in mechanical engineering generally. This leads us to believe that, alongside the good growth rate, we should ensure security of delivery after reducing the stocks. Our customers' order books are filling up again, but we are expecting a slowing down of growth rates as from autumn 2010.

Growth rates in the U.S., European and Asian regions vary considerably. Whereas in the U.S. growth is very modest, Europe, and Germany in particular, has experienced a great upsurge. In China and India, growth began much earlier than in Europe. Currently in China there is already talk of the economy as a whole cooling off.

The strong growth in our business is also attributable to the fact that we were able to open new markets and gain new customers even in the crisis period.

We are quite positive in our prognosis for the remainder of the 2010/2011 financial year. Our newly created cost structures and the large number of new products will bring us more growth and have a positive effect on our financial results. However, the shortage of resources is having a restrictive effect, as is the increasing cost of materials.

It is to be expected that growth will become less dramatic than it has been in recent months, and the developments in costs mean we will have to invest further efforts in reducing our costs. Our good position, the new products, the new markets and the new customers all enable us to be positive about the future.

*Lenze SE prepares the consolidated financial statements of the Lenze Group in accordance with section 315a subsection 3 of the German Commercial Code (HGB) in conjunction with the International Financial Reporting Standards (IFRS) as decreed by the International Accounting Standard Board (IASB). The consolidated financial statements presented in this annual report represent an abridged version of the consolidated financial statements, and it does not contain all the components of consolidated financial statements required by law.*

*The Karl Berg GmbH auditing company, Düsseldorf, issued its Auditor's Report on 8 August 2010.*

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

## Balance sheet

€ in thousands	30 April 2010	30 April 2009
<b>Assets</b>		
Intangible assets	37,162	37,135
Property, plant and equipment	81,472	80,727
<i>Investments in associate companies</i>	2,431	1,970
<i>Other investments and long-term loans</i>	1,644	2,715
Non-current investments	4,075	4,685
Other non-current assets	262	1,631
Deferred tax assets	12,593	9,525
<b>Non-current assets</b>	<b>135,564</b>	<b>133,703</b>
Inventories	77,992	88,138
Trade receivables	65,724	56,618
Other current receivables and other assets	8,818	8,093
Current tax receivables	1,163	6,903
<i>Securities</i>	3,231	1,731
<i>Cash and cash equivalents</i>	50,000	46,855
Liquid funds	53,231	48,586
<b>Current assets</b>	<b>206,928</b>	<b>208,338</b>
	<b>342,492</b>	<b>342,041</b>
<b>Equity and liabilities</b>		
Subscribed capital	32,000	32,000
Capital reserves	43,805	43,805
Revenue reserves	132,014	130,895
Accumulated income and expense recognised directly in equity	-5,319	-7,509
<b>Equity attributable to the shareholders of Lenze SE</b>	<b>202,500</b>	<b>199,191</b>
Minority interests	1,318	1,080
<b>Equity</b>	<b>203,818</b>	<b>200,271</b>
Provisions for pensions and similar obligations	6,428	5,754
Other non-current provisions	7,280	6,691
Non-current financial liabilities	40,315	36,760
Other non-current liabilities	60	807
Deferred tax liabilities	251	212
<b>Non-current liabilities</b>	<b>54,334</b>	<b>50,224</b>
Current provisions	45,936	54,524
Current financial liabilities	7,270	8,035
Trade liabilities	22,071	18,948
Other current liabilities	9,063	10,039
<b>Current liabilities</b>	<b>84,340</b>	<b>91,546</b>
	<b>342,492</b>	<b>342,041</b>

## Income statement

€ in thousands	2009/2010	2008/2009
Sales revenue	416,876	505,380
Increase/decrease in finished goods and work in progress	-3,959	-3,307
Other own work capitalised	33	383
<b>Total proceeds</b>	<b>412,950</b>	<b>502,456</b>
Cost of materials	-185,847	-233,777
<b>Gross profit</b>	<b>227,103</b>	<b>268,679</b>
Personnel costs	-148,567	-171,355
Depreciation and amortisation	-13,165	-13,858
Other operating expenses	-75,258	-96,646
Other operating income	13,155	19,687
Income from participating interests	377	489
<b>Profit before special items</b>	<b>3,645</b>	<b>6,996</b>
Special items	1,021	-17,305
<b>Operating profit (EBIT)</b>	<b>4,666</b>	<b>-10,309</b>
Financial result	-2,239	-877
<b>Profit before taxes</b>	<b>2,427</b>	<b>-11,186</b>
Income tax	-1,174	2,483
<b>Profit after taxes</b>	<b>1,253</b>	<b>-8,703</b>
Minority interests	-362	-362
<b>Net profit after minority interests</b>	<b>891</b>	<b>-9,065</b>

## Statement of changes in equity at 30 April 2010

€ in thousands	Subscribed capital	Capital reserves	Revenue reserves	Accumulated income and expense recognised directly in equity				Lenze SE share	Minority interests	Total equity
				Currency translation	Pensions	AFS securities	Cashflow Hedges			
<b>Balance 30 April 2008</b>	<b>32,000</b>	<b>43,805</b>	<b>151,620</b>	<b>-8,298</b>	<b>-502</b>	<b>14</b>	<b>-346</b>	<b>218,293</b>	<b>1,512</b>	<b>219,805</b>
Other comprehensive income, gross	-	-	-	964	-119	-	-	845	-249	596
Deferred tax	-	-	-	-	-2	-	-	-2	-	-2
Other comprehensive income, net	-	-	-	964	-121	-	-	843	-249	594
Net loss for the year	-	-	-9,065	-	-	-	-	-9,065	362	-8,703
<b>Consolidated result</b>	<b>-</b>	<b>-</b>	<b>-9,065</b>	<b>964</b>	<b>-121</b>	<b>-</b>	<b>-</b>	<b>-8,222</b>	<b>113</b>	<b>-8,109</b>
Reclassification	-	-	-780	780	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	-	-	-	-198	-198
Profit distribution	-	-	-10,880	-	-	-	-	-10,880	-347	-11,227
<b>Balance 30 April 2009</b>	<b>32,000</b>	<b>43,805</b>	<b>130,895</b>	<b>-6,554</b>	<b>-623</b>	<b>14</b>	<b>-346</b>	<b>199,191</b>	<b>1,080</b>	<b>200,271</b>
Other comprehensive income, gross	-	-	-	2,525	-602	-17	484	2,390	119	2,509
Deferred tax	-	-	-	-	162	4	-138	28	-	28
Other comprehensive income, net	-	-	-	2,525	-440	-13	346	2,418	119	2,537
Net income for the year	-	-	891	-	-	-	-	891	362	1,253
<b>Consolidated result</b>	<b>-</b>	<b>-</b>	<b>891</b>	<b>2,525</b>	<b>-440</b>	<b>-13</b>	<b>346</b>	<b>3,309</b>	<b>481</b>	<b>3,790</b>
Reclassification	-	-	228	-202	-26	-	-	-	-	-
Profit distribution	-	-	-	-	-	-	-	-	-243	-243
<b>Balance 30 April 2010</b>	<b>32,000</b>	<b>43,805</b>	<b>132,014</b>	<b>-4,231</b>	<b>-1,089</b>	<b>1</b>	<b>-</b>	<b>202,500</b>	<b>1,318</b>	<b>203,818</b>

## Cash flow statement

€ in thousands	2009/2010	2008/2009
Profit after tax	1,253	-8,703
Change in non-current provisions	594	520
Depreciation and amortisation	13,165	13,858
Other non-payment-related expenses and income	-3,019	-7,138
Profit from disposal of fixed assets	-302	-1,559
<b>Gross cash flow</b>	<b>11,691</b>	<b>-3,022</b>
Change in inventories	10,861	17,788
Change in receivables and other assets	-1,712	31,426
Change in other provisions	-8,692	-3,726
Change in trade liabilities and other liabilities	2,175	-14,426
<b>Change in working capital</b>	<b>2,632</b>	<b>31,062</b>
<b>Net cash flow from operating activities</b>	<b>14,323</b>	<b>28,040</b>
Purchase of intangible fixed assets	-1,276	-1,191
Purchase of property, plant and equipment	-7,671	-17,996
Purchase of investments	-753	-560
Acquisition (-)/disposal of business operations (+)	-217	2,750
Proceeds from disposal of fixed assets	2,355	2,939
<b>Net cash flow from investments</b>	<b>-7,562</b>	<b>-14,058</b>
Profit distribution	-243	-11,227
Change in non-current financial liabilities	-882	160
Raising/redeeming bank loans	-1,344	30,177
<b>Net cash flow from financing activities</b>	<b>-2,469</b>	<b>19,110</b>
<b>Change in cash and cash equivalents</b>	<b>4,292</b>	<b>33,092</b>
Change due to exchange-rate fluctuations	353	319
Change due to changes in the consolidated group structure	-	-10
<b>Liquid funds at 1 May</b>	<b>48,586</b>	<b>15,185</b>
<b>Liquid funds at 30 April</b>	<b>53,231</b>	<b>48,586</b>
Cash and cash equivalents	50,000	46,855
Securities	3,231	1,731

## 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 May 1st to April 30th. The consolidated financial statements are prepared in euros. All amounts in the balance sheet, income statement, cash flow statement and the statement of changes in equity are stated either in thousands of euros (€ k) or in millions of euros (€ m).

The core business of the Lenze Group comprises the manufacture of mechanical and electronic drive and automation systems, covering the total added-value chain from projection to installation.

## Application of 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), the consolidated financial statements of Lenze SE are prepared 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 within the framework of the endorsement process by the European Commission. 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. All the requirements of each of the compulsory standards applicable at the balance-sheet date have been completely fulfilled with the exception of IAS 24 (disclosure of the remuneration of and the consequent liabilities towards the former and present members of the Executive Board and Supervisory Board).

Lenze SE, Aenzen	
100% Lenze Operations GmbH, Aenzen	
100% Lenze GmbH & Co KG Kleinantriebe, Aenzen	
100% Lenze Drive Systems France SARL, Ruitz (France)	
100% Lenze Drives GmbH, Extertal	
100% Lenze Automation GmbH, Aenzen	
100% Lenze Vertrieb GmbH, Aenzen	
100% Lenze GmbH & Co KG Südtechnik, Waiblingen	
100% Lenze GmbH & Co KG Anlagenbau, Aenzen	
100% Lenze Service GmbH, Aenzen	
100% Lenze Bremsen GmbH, Aenzen	
100% Lenze GmbH, Aenzen	
100% Lenze Austria Holding GmbH, Asten (Austria)	
100% Lenze Antriebstechnik GmbH, Asten (Austria)	
100% Lenze Verbindungstechnik GmbH, Asten (Austria)	
100% Lenze Anlagentechnik GmbH, Enns (Austria)	
100% Lenze Hajtastechnika Kereskedelmi Kft, Budapest (Hungary)	
100% Lenze s. r. o., Humpolec (Czech Republic)	
100% Lenze Zadvizhvasta Technika EOOD, Plovdiv (Bulgaria)	
100% Lenze mehatronika pogonska tehnika, Zagreb (Croatia)	
100% Lenze pogonska tehnika, d.o.o., Celje (Slovenia)	
100% Lenze DETO Drive Systems GmbH, Asten (Austria)	
100% Lenze OOO, Moskau (Russian Federation)	
100% Lenze Drive Systems (Shanghai) Co. Ltd., Shanghai (China)	
100% Lenze do Brasil Holding Ltda., Sao Paulo (Brazil)	
100% Lenze Brasil Automacao Ltda., Sao Paulo (Brazil)	
100% Schmidhauser AG, Romanshorn (Switzerland)	
100% Lenze Holding B. V., 's-Hertogenbosch (Netherlands)	
100% Lenze B. V. Aandrijfttechniek, 's-Hertogenbosch (Netherlands)	
100% Lenze U. K. Ltd., Bedford (United Kingdom)	
100% Lenze Ltd., Bedford (United Kingdom)	
100% Lenze b.v.b.a., Sint-Niklaas (Belgium)	
100% Lenze U. S. Holding Corporation, Uxbridge, Mass. (USA)	
100% Lenze AC Tech Corporation, Uxbridge, Mass. (USA)	
100% AC Technology International Ltd., Shrewsbury (United Kingdom)	
100% Lenze Americas Corporation, Uxbridge, Mass. (USA)	
100% Lenze Canada Corporation Ltd., Saint John (Kanada)	
51% Lenze Polska Sp. z o.o., Katowice (Poland)	
90% Lenze UAB, Kaunas (Lithuania)	
100% Lenze Tarnów Sp. z o.o., Tarnów (Poland)	
100% Lenze Gerit S. r. l., Mailand (Italy)	
100% Lenze Motori Riduttori S. r. l., Villafontana (Italy)	
100% Lenze S.A., Aulnay s/s Bois/France	
100% Lenze Transmisiones S. A., Barcelona (Spain)	
100% Lenze Transmissioner AB, Linköping (Sweden)	
100% Lenze A/S, Brøndby (Denmark)	
100% Lenze (Shanghai) Trading Co. Ltd., Shanghai (China)	
100% Lenze S.E.A., SDN BHD, Petaling Jaya (Malaysia)	
100% Lenze Mechatronics Private Limited, Pune (India)	
49% Lenze Bachofen AG, Uster (Switzerland)	



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We would like to thank those employees who allowed themselves to be photographed.