Leoni keeps profit steady in 2012 despite slump in European car sales

Next growth surge from 2014

Nuremberg, 20 March 2013 - Leoni succeeded in holding its profit steady in the 2012 financial year despite the downtrend in the European automotive sector. The leading provider of cables and cable systems to the automotive sector and other industries generated earnings before interest and taxes (EBIT) of EUR 235.8 million (2011: EUR 237.1 million). The consolidated net income of EUR 156.0 million matched the previous year's figure (2011: EUR 156.0 million). The sale of Leoni Studer Hard AG boosted both pre-tax earnings and net income. In terms of sales, the Company generated a new high of EUR 3.81 billion – and thereby exceeded the previous year's record (2011: EUR 3.70 billion) by about 3 percent – thanks not least to having taken over the joint venture partner Daekyeung completely at the beginning of 2012 and having consolidated the business in full for the first time. Leoni intends to pay out an unchanged dividend of EUR 1.50 (previous year: EUR 1.50).

"Mixed trends in the various industries, customer groups and regions affected our 2012 financial year," said Dr Klaus Probst, President and CEO of Leoni AG, at the Company's balance sheet press conference. "On the whole, Leoni recorded a very good first half of the year. In the second half, the economic downturn in various sectors adversely affected our business. Even so, demand in China, Russia and the United States was unabatedly dynamic – and thus underpinned our disproportionately strong growth in these markets."

WCS: profit driven by extraordinary item

Performance in the markets of importance to the Wire & Cable Solutions Division differed very widely in 2012. The automotive cables business enjoyed very good demand throughout the year; by contrast, trade in Business Group Communication & Infrastructure was down. The division's external sales during the year under report were down slightly to EUR 1,602.6 million (2011: EUR 1,677.7 million). The division's EBIT benefited from the exceptional boost of EUR 28.3 million from the sale of subsidiary Leoni Studer Hard AG and rose by more than 11 percent to EUR 101.3 million (2011: EUR 90.9 million).

WSD: further growth in China, Russia and the United States

The Wiring Systems Division (WSD) grew further during the year under report, especially so in China, Russia and the United States, and increased its sales by 9 percent to EUR 2,206.4 million (2011: EUR 2,023.8 million). The newly added Daekyeung business accounted for two thirds of this growth, namely EUR 120.5 million. However, due to the high integration costs, a performance being not yet on Group level and meanwhile weaker local demand, the subsidiary exerted a negative effect of EUR 25.1 million on the division's earnings. Its EBIT for the year under report amounted to EUR 134.5 million, down from EUR 146.2 million in the previous year.

Cash flow: capex at record level

Leoni invested a record total of EUR 180.9 million in fiscal 2012 (2011: EUR 140.1 million), which equates to a 29 percent increase. Of this total, EUR 154.2 million (2011: EUR 137.4 million) involved property plant and equipment as well as intangible assets; the remaining EUR 26.7 million (2011: EUR 2.7 million) was spent mainly on the purchase of the outstanding shares in Daekyeung. Despite the increased amount of capital expenditure the Group generated, based on the good earnings situation, cash provided by operating activities of EUR 211.7 million (2011: EUR 246.1 million). Free cash flow before acquisitions and divestments of EUR 63.5 million (2011: EUR 121.2 million) was in line with expectations.

Financial situation: gearing down, refinancing assured

Based on its good earnings performance, Leoni boosted its equity by another substantial amount by the end of year under report, to EUR 845.1 million (31 December 2011: EUR 737.5 million). The equity ratio as at 31 December 2012 rose to 35.4 percent (31 December 2011: 31.8 percent) and thus reached its highest level since 2005. Net financial liabilities rose slightly during the year; from EUR 233.9 million to EUR 249.2 million. Gearing improved for the third time in succession and stood at 29 percent at the end of 2012 (31 December 2011: 32 percent). The return on capital employed (ROCE) as at 31 December 2012 was 20.8 percent (31 December 2011: 24.0 percent) and thus still above the long-term target figure of 20 percent.

In 2012, Leoni issued a borrower's note loan in the amount of EUR 250 million on attractive interest terms and was thereby early in securing the Group's long-term refinancing. The Company furthermore applied for a development loan in the amount of EUR 100 million from the European Investment Bank, which has in the meantime been approved and will be used to develop cable systems for energy-efficient vehicles.

Forecast: growth surge to follow a transitional year

Leoni expects 2013 to be a year of transition in preparation for the next growth surge. The Company has budgeted for capital expenditure of EUR 190 million. Based on a conservative forecast, sales will amount to approximately EUR 3.7 billion this financial year, with EBIT coming to about EUR 170 million. This cautious earnings forecast is attributed to smaller profit contributions due to the lower projected sales as well as substantial pre-production costs involving 16 pending start-ups in the Wiring Systems Division.

Leoni is confident of achieving significant sales and earnings growth starting in 2014 and of increasing its revenues to approximately EUR 5 billion in 2016. This will in the process reflect a further shift in our business – away from Europe and towards the emerging markets as well as the NAFTA area. The BRIC countries including South Korea should account for at least 20 percent of consolidated sales in 2016. A 7-percent EBIT margin continues to be the medium-term objective.

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Leoni performance overview

|  |  |  |  |
| --- | --- | --- | --- |
| **Group key figures** | **2012** | **2011** | **Change** |
| Consolidated sales [€ million] | 3,809.0 | 3,701.5 | +2.9 % |
| EBIT [€ million] | 235.8 | 237.1 | (0.5) % |
| Adjusted EBIT \* [€ million] | 225.4 | 260.3 | (13.4) % |
| EBIT margin [%] | 6.2 | 6.4 | -- |
| Consolidated net income [€ million] | 156.0 | 156.0 | 0.0 % |
| Free cash flow \*\* [€ million] | 63.5 | 121.2 | (47.6) % |
| Return on capital employed [%] | 20.8 | 24.0 | -- |
| Capital expenditure on property, plant and equipment as well as intangible assets [€ million] | 154.2 | 137.4 | +12.2 % |
| Acquisitions and financial investments [€ million] | 26.7 | 2.7 | +888.9 % |
| Employees (as at 31 Dec.) | 59,393 | 60,745 | (2.2) % |

 *\* Earnings adjusted for the impact of revaluation as part of allocating the prices of the major acquisitions, restructuring, impairment of non-current assets, capital gains on the disposal of businesses and income from business combinations including related derivatives
\*\* before acquisitions and divestments*

☞ *Related illustration material and further information can be downloaded from* [*www.media.leoni.com*](http://www.media.leoni.com) *next to this release*☞ *The complete annual report can be downloaded from* [*www.leoni.com/?gb12&L=1*](http://www.leoni.com/?gb12&L=1)

About the Leoni Group

Leoni is a global supplier of wires, optical fibers, cables and cable systems as well as related services for the automotive sector and further industries. Leoni develops and produces technically sophisticated products from single-core automotive cables through to complete wiring systems. Leoni’s product range also comprises wires and strands, standardised cables, special cables and cable system assemblies for various industrial markets. The group of companies, which is listed on the German MDAX, employs more than 59,000 people in 32 countries and generated consolidated sales of EUR 3.81 billion in 2012.

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