Leoni enters next phase of growth

2013: a transition year solidly completed and used to invest in the future

Nuremberg, 25 March 2014 – As forecast, fiscal 2013 was a year of transition for Leoni, the leading provider of cables and cable systems to the automotive sector and other industries. The Company laid the foundation for its next growth phase during the year under report. Consolidated sales reached a new high of EUR 3.92 billion (2012: EUR 3.81 billion). The sustained heavy demand from the global automotive industry was the reason for these above-budget sales revenues. At EUR 163.1 million earnings before interest and taxes (EBIT) were, as projected, significantly below the previous year’s amount of EUR 237.9 million, which benefited from the disposal of subsidiary Leoni Studer Hard AG. Among the factors also adversely affecting earnings in fiscal 2013 were restructuring expenses of EUR 21 million, substantial pre-production spending on 16 new wiring system projects as well as the lack of contributions to profit due to the fact that industrial cable plants were not operating at capacity. Consolidated net income amounted to EUR 105.9 million (2012: EUR 157.0 million). The Company intends to pay out a dividend of EUR 1.00 (previous year: EUR 1.50).

“Leoni continued to develop its long-term strategy and applied a large number of forward-looking measures in 2013," said Dr Klaus Probst, President and CEO of Leoni AG, at the company's balance sheet press conference. “We succeeded in posting a new sales record despite the weak economy in our home market of Europe. This was possible only because Leoni’s international footprint is growing and our business in the Americas and Asia performed very well.”

WSD: growth in business with premium manufacturers

The Wiring Systems Division increased its sales by over 5 percent to EUR 2,321.0 million during the year under report (2012: EUR 2,206.4 million). Above all, the demand from the export-heavyweight German car industry, especially so the premium manufacturers, was the key to this growth. There were also significant increases in the sales of cable harnesses and wiring systems that were produced at Chinese plants and mostly supplied to foreign manufacturers based in the country. In the Americas, where the Company up to now served almost exclusively the commercial vehicle market, it made a successful start into the car wiring systems business. The new Business Unit Power Sports was also successfully established.

In particular, restructuring expenses of EUR 12.6 million as well as substantial pre-production spending on an above-average, large number of new projects exerted a negative effect on earnings. As expected, the division’s EBIT was down to EUR 116.1 million (2012: EUR 136.4 million).

WCS: automotive cable sales up, industrial business down

The sales performance of the Wire & Cable Solutions Division was again mixed in the 2013 financial year. The business units that supply the industrial sector with cables and cable systems had to contend with declining demand because their business is still heavily geared towards Europe, where the economy has been weak of late. By contrast, income from the sales of automotive cables was up: while sales were flat in Europe, they rose significantly in Asia and the Americas. Capacity in these two markets was expanded accordingly during the period under report. Overall, the division's external sales remained virtually unchanged at EUR 1,596.9 million (2012: EUR 1,602.6 million).

As expected, the division’s EBIT of EUR 47.1 million was substantially below the previous year’s figure of EUR 101.3 million, which was boosted by the non-recurring income of EUR 28.3 million from the sale of subsidiary Leoni Studer Hard AG. Restructuring expenses of EUR 8.9 million, the weak level of capacity utilisation in the industrial segment as well as an unfavourable mix of automotive cable products also adversely affected earnings during the year under report.

Cash flow: capital investment at record level

Leoni's capital spending came to a record total of EUR 168.4 million (2012: EUR 154.2 million), equating to a 9 percent increase, on property, plant and equipment as well as intangible assets. For example, the Company expanded its automotive capacity in China as well as Mexico and set up an injection moulding line in Slovakia. There was also investment in modernising the wiring systems business headquarter in Kitzingen, in particular to be able to further enlarge the engineering and development departments. Despite this once again increased amount of capital expenditure, Leoni generated cash from operating activities of EUR 187.4 million (2012: EUR 211.7 million). Free cash flow came to EUR 36.7 million (2012: EUR 63.5 million) and thus not quite to the targeted level.

Financial situation: gearing lower once again

Leoni has steadily improved its asset situation since overcoming the business and financial crisis. Equity rose in 2013 to a level of now EUR 827.6 million (2012: EUR 784.0 million). The equity ratio also increased and on 31 December 2013 stood at 34.5 percent (31 December 2012: 32.9 percent) – the highest level since 2006. Net debt grew slightly to EUR 257.0 million by yearend, from EUR 249.2 million in the previous year. Gearing could be slightly reduced again and stood at 31 percent (2012: 32 percent). The return on capital employed (ROCE) came to 13.2 percent on 31 December 2013 (31 December 2012: 20.9 percent) and was thus below the 15 percent target level.

Forecast: balanced sales by region in the long term

In line with its planning, in 2014 Leoni is entering its next phase of growth, which will take the Company to consolidated sales of EUR 5 billion and a 7 percent EBIT margin by 2016. Sales revenues of approx. EUR 4.1 billion and a disproportionately strong increase in earnings before interest and taxes to at least EUR 200 million are projected for the current financial year. The Company has budgeted for capital investment of EUR 200 million.

Leoni estimates free cash flow of about EUR 30 million for 2014. The net income expected for the year should mean another increase in equity, thus taking the equity ratio up to about 36 percent. The return on capital employed will probably be about 16 percent.

The shift in Leoni’s business by region will continue. While Europe still provided about two thirds of consolidated sales in the year under report, this proportion will likely contract to just under 60 percent by 2018. The long-term aim is to have an even distribution of sales between the economic areas of Europe, Asia and the Americas, while business in the European home market is to continue to grow.

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Leoni performance overview

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| --- | --- | --- | --- |
| **Group key figures** | **2013** | **2012** | **Change** |
| Consolidated sales [€ million] | 3,917.9 | 3,809.0 | +2.9 % |
| EBIT [€ million] | 163.1 | 237.9 (3) | (31.4) % |
| Adjusted EBIT (1) [€ million] | 198.7 | 227.5 (3) | (12.7) % |
| EBIT margin [%] | 4.2 | 6.2 | -- |
| Consolidated net income [€ million] | 105.9 | 157.0 (3) | (32.6) % |
| Free cash flow (2) [€ million] | 36.7 | 63.5 | (42.2) % |
| Return on capital employed [%] | 13.2 | 20.9 | -- |
| Capital expenditure on property, plant and equipment as well as intangible assets [€ million] | 168.4 | 154.2 | +9.2 % |
| Acquisitions and financial investments [€ million] | 0.0 | 26.7 | -- |
| Employees (as at 31 Dec.) | 61,591 | 59,393 | +3.7 % |

1. *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*
2. *before acquisitions and divestments*
3. *Adjustment due to amendment to IAS 19*

☞ *Related illustration material and further information can be downloaded from www.leoni.com/Figures-2013.16799.0.html?L=1 next to this release*☞ *The complete annual report can be downloaded from* [*www.leoni.com/?gb13&L=1*](http://www.leoni.com/?gb13&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 about 62,000 people in 33 countries and generated consolidated sales of EUR 3.92 billion in 2013.



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