Leoni again invests heavily in global expansion

Sales and earnings growth in fiscal 2014

Nuremberg, 17 March 2015 – Leoni, the leading European provider of cables and cable systems to the automotive sector and other industries, raised both sales and profit in its 2014 financial year. Based on unabatedly heavy demand from the automotive industry and an economic recovery in key industrial sectors, the Group’s sales rose in line with budget by nearly 5 percent to EUR 4.1 billion (2013: EUR 3.92 billion), thus hitting a new high. Earnings before interest and taxes (EBIT) increased by just 12 percent from EUR 163.1 million in the previous year to now EUR 182.5 million because of substantial exceptional charges. Consolidated net income rose to EUR 115.1 million (2013: EUR 105.9 million). The Company intends to pay out a dividend of EUR 1.20 (previous year: EUR 1.00) per share.

“Leoni again posted a sales record in its 2014 financial year and in so doing made gains especially outside Europe," said Dr Klaus Probst, CEO & President of Leoni AG at the group of companies' balance sheet press conference. “On the other hand, we did not improve our operating profit to the extent originally planned because of exceptional charges.”

WSD: position in the Chinese market further enhanced

The Wiring Systems Division increased its sales to EUR 2,399.6 million during the year under report (2013: EUR 2,321.0 million). Business with the export-heavyweight German car industry was once more a mainstay. There was also increased demand from the international commercial vehicle industry; with Scania as a new customer, Leoni now has the leading European truck manufacturers among its customer base. Performance was also encouraging in Business Unit Electromobility, which, over the next three years, will for the first time be supplying high-voltage products for about a dozen new vehicles powered by alternative drive systems.

The division made further progress in China in 2014. A newly built plant in the country’s northeast will supply a German premium carmaker with wiring systems from the end of this year. The division also succeeded in winning initial orders from the two major Asian vehicle manufacturers Hyundai and Geely and thereby in enhancing its competitive position in the world’s largest car market.

In the Americas, too, capacity was enlarged significantly during the year under report. In this region, however, the start-up of a major project resulted in unexpectedly heavy personnel expenses, high reject rates as well as substantial airfreight costs. The drain on earnings in the second and third quarters therefore totalled about EUR 15 million. Performance in the fourth quarter was back on track in this respect. Furthermore, the switchover to the new Euro 6 standard in the commercial vehicle industry incurred exceptional costs because of the increased complexity of the cable harnesses used.

In Europe, the slump in the rouble and weaker business in Russia exerted an adverse effect on profits. The division’s EBIT consequently dipped by about 10 percent to EUR 104.6 million (2013: EUR 116.1 million).

WCS: performance programme launched

The Wire & Cable Solutions (WCS) Division benefited during the year under report from continued, strong global demand for automotive cables as well as the recovery in most of the industrial customer sectors. The division’s external sales rose by nearly 7 percent to EUR 1,703.8 million (2013: EUR 1,596.9 million), with the most significant gain made in Asia.

The division laid the foundations for stepped-up growth outside Europe by building additional production facilities as well as extending existing capacity in Mexico, China and India. Regional structures were established in Asia and the Americas during the year under report to underpin the ongoing globalisation. Commercial and technical-operational functions of the division were pooled into crossover departments to increasingly realise synergies within the framework of its organisational development. The recently launched WCS ON Excellence growth programme will furthermore contribute to raising the whole division’s efficiency over the medium term.

During the year under report, the division’s EBIT already rose by nearly two thirds to EUR 78.1 million (2013: EUR 47.1 million). Alongside the improved capacity utilisation, the benefits of the previous year’s restructuring also exerted positive effect.

Capex: record amount for further growth

In the 2014 financial year, Leoni again invested heavily in property, plant and equipment as well as intangible assets in the record amount of EUR 215.8 million (2013: EUR 168.4 million). The Company expanded its capacity in all three of its world regions. The EMEA (Europe, Middle East and Africa) region accounted for nearly two thirds and Eastern Europe for half or more of that. The biggest capital expenditure increase in percentage terms was in Asia – by more than 50 percent. With a 36 percent year-on-year increase, a disproportionately large amount was also spent in the Americas on expanding production plant. Leoni generated cash from operating activities of EUR 180.8 million (2013: EUR 187.4 million). Due to the spending on capital investment and the larger amount of funds tied up in working capital because of increased inventories, free cash flow dipped to a negative figure of EUR 37.9 million (2013: positive EUR 36.7 million).

Financial situation: equity ratio still at a high level

Leoni’s financial and asset situation continued to present a solid picture in the 2014 financial year. Equity was up by about 11 percent to EUR 917.8 million at yearend (2013: EUR 827.6 million), while the equity ratio was virtually unchanged at 34.4 percent as of the reporting date (31 December 2013: 34.5 percent). Due to the negative free cash flow and the dividend payout, net financial liabilities as at yearend rose from previously EUR 257.0 million to EUR 316.2 million this time. Gearing was consequently up slightly to 34 percent (2013: 31 percent). The return on capital employed (ROCE) was up marginally to 13.7 percent in the year under report (2013: 13.4 percent) and thereby met the target as adjusted in October 2014.

Forecast: growth moderate in 2015 and strong in 2016

Leoni will remain on its growth course in 2015 and expects sales to rise moderately to approx. EUR 4.3 billion, which will be underpinned above all by the Americas and Asia/Pacific. Earnings before interest and taxes will amount to more than EUR 200 million. The Company will yet again invest heavily in its future expansion with capital expenditure of probably EUR 240 million. Free cash flow is nevertheless expected to be neutral because of a larger inflow of cash. The figure targeted for the return on capital employed is a slightly improved one of 14 percent. The equity ratio is likely to grow to more than 35 percent.

As already communicated years ago, the 2016 financial year will see a strong growth surge to sales of EUR 5 billion. The resulting additional profit contribution combined with further efficiency gains as well as significantly lower pre-production costs for new wiring system projects will make a 7 percent EBIT margin possible.

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Leoni performance overview

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| --- | --- | --- | --- |
| **Group key figures** | **2014** | **2013** | **Change** |
| Consolidated sales [€ million] | 4,103.4 | 3,917.9 | +4.7 % |
| EBIT [€ million] | 182.5 | 163.1 | +11.9 % |
| Adjusted EBIT (1) [€ million] | 192.7 | 198.7 | (3.0) % |
| EBIT margin [%] | 4.4 | 4.2 | -- |
| Consolidated net income [€ million] | 115.1 | 105.9 | +8.7 % |
| Free cash flow (2) [€ million] | (37.9) | 36.7 | (203.0) % |
| Return on capital employed [%] | 13.7 | 13.2 | -- |
| Capital expenditure on property, plant and equipment as well as intangible assets [€ million] | 215.8 | 168.4 | +28.1 % |
| Employees (as at 31 Dec.) | 67,988 | 61,591 | +10.4 % |

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*

☞ *Related illustration material and further information can be downloaded next to this release at* [*www.leoni.com/en/press/releases/details/leoni-again-invests-heavily-in-global-expansion/*](http://www.leoni.com/en/press/releases/details/leoni-again-invests-heavily-in-global-expansion/)☞ *The complete annual report can be downloaded from* [*www.leoni.com/en/financial-publications/*](http://www.leoni.com/en/financial-publications/)

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 68,000 people in 31 countries and generated consolidated sales of EUR 4.1 billion in 2014.

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