Leoni adjusts guidance for 2018

* Volatile market conditions and ongoing pre-production spending weighing on 2nd half
* Adjusted sales target of about EUR 5.0 billion up slightly on previous year
* Full-year EBIT forecast lowered to the level of the previous year’s figure adjusted for EUR 30 million for one-offs
* Negative free cash flow of up to EUR 150 million before dividend expected

Nuremberg, 22 October 2018 – Leoni, a global provider of energy and data management solutions in the automotive sector and other industries, has adjusted its guidance for fiscal 2018 to the latest market and business developments. The reassessment of sales and EBIT is due mainly to a volatile market setting, which, among other factors, is attributable to a weaker trend in the Chinese car market, international trade conflicts and the impact of the new WLTP cycle.

Despite difficult economic conditions, the Company outperformed the market with organic sales growth of 7.7 percent in the first nine months of 2018. Moreover, the Wiring Systems Division (WSD) generated an order intake worth about one billion euros in the third quarter, about one third of which in the electromobility sector.

In the period from July to September, the beginning production ramp-down for a vehicle model supplied on a large scale as well as reduced orders from European carmakers at the end of the third quarter nevertheless led to flattening sales growth and pressure on earnings. Spending on the production network to underpin future growth with new wiring system projects as well as higher raw material prices furthermore exerted a heavier-than-expected effect on the result. Based on preliminary figures for the third quarter of 2018, sales supported by a high copper price fell short of expectations with a figure of EUR 1.2 billion (Q3/2017: EUR 1.2 billion), as did EBIT with EUR 38 million (Q3/2017: EUR 45 million). Free cash flow in the same period amounted to negative EUR 141 million (Q3/2017: negative EUR 35 million) due to ongoing, substantial investment in new capacity and modernisation as well as an increase in working capital. The increase versus the previous quarter is based principally on larger inventories due to project ramp-ups as well as accumulating buffer stock of critical materials. Measures applied to optimise cash did not yet show the desired effect and are being extended.

At present, it is to be expected that the volatile market conditions and ongoing pre-production spending to realise future growth will result in more burden by yearend. The Board of Directors therefore now projects that consolidated sales will be up only slightly to about EUR 5.0 billion instead of at least EUR 5.1 billion (2017: EUR 4.9 billion). From today’s perspective, EBIT will amount to about the level of EUR 196 million, i.e. the previous year’s figure adjusted for the non-recurring benefit of approximately EUR 30 million. The latest estimate of 2018 EBIT put the result in the lower half of the range between EUR 215 and 235 million.

Leoni will not achieve its ambitious goal of generating neutral free cash flow before the dividend payout in the current financial year. The Company now anticipates a negative figure of up to EUR 150 million before the dividend. The capex ratio is still projected at 5 percent of sales (excluding spending on the Factory of the Future). Leoni is thereby establishing the conditions for growing more strongly than the market in the future as well.

A full report on the final third-quarter results will be provided with release of the quarterly statement as scheduled on 14 November 2018.

*(3,615 characters incl. blanks)*

About the Leoni Group

Leoni is a global provider of products, solutions and services for energy and data management in the automotive sector and other industries. The value chain encompasses wires, optical fibers, standardised cables, special cables and assembled systems as well as intelligent products and smart services. As an innovation partner and solutions provider, Leoni supports its customers with pronounced development and systems expertise. The market-listed group of companies employs more than 88,000 people in 31 countries and generated consolidated sales of EUR 4.9 billion in 2017.



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