Leoni launched performance and strategy programme

* Curtailed sales growth in the 3rd quarter in wake of slowing automotive business
* Advance spending on the production network and a volatile market weighing on EBIT
* Negative free cash flow development due above all to disappointing working capital management
* Performance and strategy programme for healthy growth, profitability and cash generation initiated

Nuremberg, 14 November 2018 – Leoni, a global provider of energy and data management solutions in the automotive sector and other industries, generated a slight year-on-year increase in its consolidated sales to EUR 1.21 billion in the 3rd quarter of 2018 (Q3/2017: EUR 1.19 billion) despite restrained business expansion in a tough market setting. After nine months, sales were up by 5.7 percent to EUR 3.86 billion (9M/2017: EUR 3.65 billion), which included 7.7 percent organic sales growth.

Earnings before interest and taxes (EBIT) amounted to EUR 38 million in the 3rd quarter of 2018 (Q3/2107: EUR 45 million). The adverse factors were particularly the reduction in product called forward by European and Chinese carmakers, higher raw material prices as well as the beginning production ramp-down for a vehicle model supplied on a large scale. Advance spending on expanding the production network, which is needed for future growth, also trimmed earnings by more than expected. There was a nine-month decrease in EBIT compared with the same period last year, which included an exceptional EUR 30 million benefit, from EUR 187 to now 163 million.

Consolidated net income amounted to EUR 23 million in the 3rd quarter of 2018 (Q3/2017: EUR 26 million) and to EUR 108 million for the period from January to September (9M/2017: EUR 124 million).

Free cash flow dipped to negative EUR 141 million between July and September 2018 (Q3/2017: negative EUR 35 million). This decrease was based principally on the significantly lower amount of trade payables and less factoring as a consequence of the weakening business, delayed inventory reduction as well as the ongoing, substantial investment in new capacity and modernisation to ensure growth. In the nine-month period, spending on property, plant and equipment as well as intangible assets amounted to EUR 206 million and was thus up by about 10 percent year on year (9M/2017: EUR 187 million).

“The weak third quarter of 2018 has, with a view to the volatile market environment, but also with respect to our own performance, confronted us with challenges that will probably be with us beyond the calendar year. It is therefore all the more important to act decisively now,” said Aldo Kamper, President and CEO of Leoni AG. “We have launched a performance and strategy programme called VALUE 21. The aim is, in a comprehensive, structured and stringent way, to raise the Company’s profitability and its cash flow on a sustained basis. We also intend to align our growth opportunities even more closely with earnings quality.”

WSD: EBIT affected by heavy pre-production spending for future growth

While the sales of the Wiring Systems Division (WSD) were still well up on the previous year in the first half of 2018, they dropped slightly in the 3rd quarter: from EUR 731 million to EUR 725 million now. This reflects the weakening of the car markets in Europe and China as well as decreasing orders for a high-volume vehicle model that is coming to the end of its lifecycle. After nine months, the sales increase was nevertheless one of 6 percent or more, most of which was generated organically. The segment’s EBIT edged down in the period from July to September versus the pre-year period; from EUR 21 to 20 million. Weighing on this result was the ongoing spending on expansion of production capacity, which is needed particularly to execute the projects newly gained in 2017 and thereby to ensure future growth. Looking at the period from January to September 2018, there was an improvement in the segment’s EBIT from EUR 91 to now 107 million thanks to the good profits in the first half. The Wiring Systems Division’s order backlog was still at a high level of EUR 21.3 billion at the end of September 2018 (31 Dec 2017: EUR 21.6 billion), with electrically powered vehicles accounting for nearly one quarter of this figure.

WCS: Continued organic growth

The Wire & Cable Solutions (WCS) Division recorded a sales increase of 5.3 percent to EUR 480 million in the third quarter of 2018 (Q3/2017: EUR 456 million), to which organic growth contributed 4.1 percent. The segment’s sales were up by just over 5 percent after nine months, with the organically-generated business expansion more than offsetting the negative effects of having sold the household appliance cables business in 2017. In the period from July to September 2018, the WCS Division generated EBIT of EUR 18 million as opposed to EUR 23 million in the pre-year period. An unfavourable product mix in the industrial business as well as increased raw material prices impacted on the current reporting period. The division’s EBIT was down from EUR 91 to 56 million after nine months of 2018, which was due primarily to a gain on deconsolidation of EUR 24 million in the previous year as well as adverse measurement effects relating to the copper inventory and changes in exchange rates during the current reporting year. The division’s order receipts increased to EUR 499 million in the period from July to September 2018 (Q3/2017: EUR 462 million), equating to a book-to-bill ratio greater than 1.

Forecast: EBIT to reach previous year’s result adjusted for one-off items

In October, Leoni revised its guidance for fiscal 2018 given the volatile market and the Company’s own performance, in so doing considering both the results of the third quarter and likely performance during the remainder of the financial year. Consolidated sales are consequently forecast to increase only slightly to about EUR 5 billion; EBIT will come to around EUR 196 million, which matches the previous year’s result after adjusting for exceptional items of approximately EUR 30 million. The figure projected for free cash flow before the dividend is a negative one of up to EUR 150 million.

*(6,202 characters with spaces)*

☞ *Related illustration material can be downloaded next to this release at* [*https://www.leoni.com/en/press/releases/details/leoni-lauched-performance-and-strategy-programme/*](https://www.leoni.com/en/press/releases/details/leoni-lauched-performance-and-strategy-programme/)

☞ *The related quarterly statement can found at*[*www.leoni.com/en/financial-publications/*](http://www.leoni.com/en/financial-publications/)

Leoni performance overview

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Group key figures** | **Q3** | | | **9M** | | |
| **2018** | **2017(2)** | **Change** | **2018** | **2017(2)** | **Change** |
| Sales [€ million] | 1,205 | 1,187 | 1.5 % | 3,859 | 3,651 | 5.7 % |
| EBITDA [€ million] | 79 | 81 | (2.6) % | 279 | 299 | (6.6) % |
| EBIT [€ million] | 38 | 45 | (14.5) % | 163 | 187 | (12.8) % |
| Adjusted EBIT (1) [€ million] | 39 | 47 | (18.5) % | 167 | 167 | (0.2) % |
| Consolidated net income [€ million] | 23 | 26 | (13.2) % | 108 | 124 | (13.1) % |
| Earnings per share [€] | 0.71 | 0.83 | (14.5) % | 3.35 | 3.82 | (12.3) % |
| Free cash flow [€ million] | (141) | (35) | (>100) % | (281) | (63) | (>100) % |
| Capital expenditure [€ million] | 80 | 71 | 12.1 % | 206 | 187 | 10.4 % |
| Equity ratio [%] | 32.4 | 33.5 | - | 32.4 | 33.5 | - |
| Employees (as at 30 September) [number] | 90,147 | 83,951 | 7.4 % | 90,147 | 83,951 | 7.4 % |

1. *Earnings adjusted for the impact of revaluation as part of allocating the prices of the major acquisitions, restructuring, capital gains on business disposals and income from business combinations including related derivatives as well as insurance compensation*
2. *Previous year’s figure adjusted (excepting investments and number of employees)*

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 90,000 people in 31 countries and generated consolidated sales of EUR 4.9 billion in 2017.

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