Preliminary figures for financial year 2018, outlook for 2019 and proposal to suspend the dividend

Nuremberg, 7 February 2019 – In the fourth quarter of financial year 2018 Leoni AG, Nuremberg (ISIN DE 0005408884 / WKN 540888) incurred preliminary sales of EUR 1.2 billion and preliminary earnings before interest and tax (EBIT) of EUR -19 million. In the 2018 financial year, the Company generated preliminary sales of EUR 5.1 billion (2017: EUR 4.9 billion), preliminary EBIT of EUR 144 million (2017: EUR 227 million incl. an exception benefit of approximately EUR 30 million) and preliminary free cash flow of EUR -147 million (2017: positive EUR 11 million). The capital expenditure ratio (excluding investment in the Factory of the Future) stood at 6 percent (2017: 5 percent).

For the financial year 2018, the Company had most recently estimated sales of about EUR 5.0 billion, EBIT of approximately EUR 196 million and a negative free cash flow of up to EUR 150 million as well as a capex ratio (excluding investment in the Factory of the Future) of 5 percent. Leoni maintained a stable equity ratio of 31 percent (2017: 33 percent) at the end of financial 2018. The debt ratio (net debt to EBITDA) stands at 2.0 (2017: 1.1).

Based on preliminary calculations, the Wiring Systems Division (WSD) generated sales of EUR 772 million in the fourth quarter of 2018 (Q4/2017: EUR 806 million) and incurred an EBIT of EUR -26 million (Q4/2017: profit of EUR 27 million). In total for the financial year 2018, the division generated sales of EUR 3.2 billion (2017: EUR 3.1 billion) and an EBIT of EUR 80 million (2017: EUR 118 million). These results were unexpectedly affected, particularly in the fourth quarter, by higher-than-planned ramp-up costs, particularly at Leoni’s new plant in Mexico, decline in individual plant performance and under delivery on cost savings targets.

The Wire & Cable Solutions (WCS) Division generated sales of EUR 470 million in the fourth quarter (Q4/2017: EUR 469 million) and an EBIT of EUR 9 million (Q4/2017: EUR 14 million). For the financial year 2018, the division recorded sales of EUR 1.9 billion (2017: EUR 1.9 billion) and EBIT of EUR 66 million (2017: EUR 105 million including a non-recurring adjustment of EUR 24 million). This deterioration of earnings was based, among other factors, on an unfavourable product mix and write-downs related to copper inventories due to price declines.

Based on the preliminary results for the financial year 2018 and the current market environment, the Board of Directors projects sales of about EUR 5.2 billion for 2019. Due to a higher burden, primarily from project ramp-up costs in Mexico, before adjustments from the performance and strategy program Value21, Leoni forecasts an EBIT between EUR 100 million and EUR 130 million and free cash flow (incl. IFRS 16-related adjustments) at the level of 2018. Based on these expectations for 2019, the Company will not meet its previous medium-term targets for 2020.

Taking into account the cash flow situation and the debt ratio, the Board of Directors and the Supervisory Board intend to diverge from their existing dividend policy. It is planned to propose to shareholders at the 2019 Annual General Meeting to suspend the dividend for the financial year 2018.

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Note: The 2017 financials include IFRS 15 adjustments.

This announcement contains certain forward-looking statements that are based on the current assumptions and forecasts of Leoni AG’s management. Various known and unknown risks, uncertainties and other factors could cause Leoni’s actual results, its financial position, growth or performance to differ materially from the estimates presented herein. Leoni assumes no responsibility whatsoever to update such forward-looking statements or to conform them to future events or developments. Explanations of and reconciliations with key financial figures used can be found in the Annual Report 2017 of Leoni AG (accessible at <https://www.leoni.com/fileadmin/corporate/publications/reports/2017/annual_report_2017.pdf>), particularly on pages 63, 68, 73, 74, 137, 159, 170f., 210, 240, 241.

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