LEONI

Leoni makes good progress in implementing VALUE 21 – challenging market environment impacts operating result

- Weaker market environment impacts sales and earnings development in the second quarter
- The production situation in Merida has stabilised; burdens relating to project ramp-up have almost completely ceased
- Rapid implementation of VALUE 21 results in first costs in the second quarter; approximately 20 percent of initiatives already successfully implemented
- Free cash flow improved significantly during the year as expected
- Strategic development continues to be driven by WCS carve-out process
- Guidance for the financial year 2019

Nuremberg, 14 August 2019 – Leoni generated sales of EUR 1.25 billion in the second quarter of the fiscal year 2019 (Q2/2018: EUR 1.33 billion). Weaker demand led to a 5.6 percent organic decline in Group sales compared to the second quarter of 2018. Both Divisions saw notable declines in sales to the automotive industry. Business with specialty cables and cable systems for the industry sector also saw a slight decline.

Group EBIT in the second quarter of 2019 was EUR -14 million before VALUE 21 costs (totalling EUR 17 million), compared to EUR 62 million in the second quarter of 2018. The significant decline in year-on-year earnings is due, among other things, to a weaker operating performance in the Wiring Systems Division and anticipated burdens of around EUR 22 million for the project ramp-up in Merida. EBIT for the second quarter of 2019 was also adversely affected by lower sales and the associated lack of contribution margin. The reported Group EBIT in the second quarter amounted to EUR -30 million. Cash outflow was significantly reduced in comparison to the previous quarter.

The company reported an available liquidity of EUR 649 million as of June 30, 2019.

Rapid implementation of VALUE 21

“We are making good progress with VALUE 21 and have already implemented approximately 20 percent of our initiatives in the second quarter. We expect that the measures implemented by the end of June will lead to sustainable gross cost savings in the mid double-digit million range in the coming years,” says Aldo Kamper, CEO of Leoni AG. “In a volatile market environment, continuing to successfully execute VALUE 21 on time is even more critical to achieve our goals and stabilise our business in the long term.”

Leoni has a clear roadmap now supported by detailed, bottom-up measures, to achieve sustainable gross cost savings of EUR 500 million per year as of 2022, before offsetting effects. Leoni is on track to achieving this goal as planned. The company intends to implement more than half of the initiatives by the end of 2019 and thus establish a foundation to achieve a large portion of the gross cost savings potential in the subsequent years.

Due to the rapid implementation of the initial VALUE 21 initiatives, costs totalling EUR 17 million were already recognised in the second quarter of 2019.

WSD: Challenges in the Wiring Systems Division impact Group EBIT

Sales in the Wiring Systems Division (WSD) amounted to EUR 778 million (Q2/2018: EUR 829 million) in the second quarter. At EUR -30 million, the segment EBIT of WSD prior to VALUE 21 costs was well below the previous year's figure of EUR 45 million. The significant decline in year-on-year earnings is due, among other things, to the division’s weaker operating performance. Alongside significantly higher wage costs, particularly in Eastern Europe, declines in the volume of individual projects, the weakness of the Chinese market and scheduled ramp-up costs for new projects had a negative impact.

As expected, earnings in the Wiring Systems Division were impacted by EUR 22 million to secure the project ramp-up at the Merida production site. In comparison to the first quarter of 2019, these burdens were significantly reduced

and are now largely completed. The production situation has stabilised and customer orders are now being serviced on schedule. The on-site deployment of the task force was completed by the end of the second quarter. Freight costs are now at a normal level.

Due to the progress in the implementation of VALUE 21, WSD already incurred costs of EUR 11 million in the second quarter of 2019. The reported EBIT of the Wiring Systems Division amounts to EUR -41 million (Q2/2018: EUR 45 million).

WCS: Division's result at previous year's level

Sales in the Wire & Cable Solutions Division (WCS) amounted to EUR 469 million (Q2/2018: EUR 498 million) in the second quarter. EBIT amounted to EUR 16 million prior to VALUE 21 costs (Q2/2018: EUR 17 million). Compared to the previous year, EBIT of the WCS Division was significantly impacted by inventory valuation effects due to lower copper prices as well as a decline in sales and currency fluctuations. The product mix and certain one-off items had a positive impact, including the sale of a building in China.

In the second quarter, EUR 6 million in costs related to VALUE 21 were booked in the WCS Division. The reported EBIT of WCS amounts to EUR 10 million.

Free cash flow and balance sheet items

Free cash flow has improved significantly compared to the first quarter. At EUR -72 million in the second quarter (Q2/2018: EUR -29 million), it is in line with expectations and reflects Leoni's increased focus on cash. In addition to investments for pending customer projects, the free cash flow in the reporting period was significantly influenced by the negative result. Amongst other things, active receivables management led to an improved net working capital (NWC) in the second quarter.

As the outflow of funds was already significantly reduced in the second quarter, the company reported an available liquidity of EUR 649 million as of June 30, 2019. Approximately EUR 539 million were allocated to available credit lines, of which about three-quarters were committed, and EUR 110 million in cash and cash equivalents.

Strategic development continues to be driven by WCS carve-out process

Leoni is driving the carve-out process of its WCS Division and has not yet decided between a stock market listing, sale or partial sale of the business. The company expects to implement one of these options in the fiscal year 2020. Through this, WCS will be in a position to realise its full potential more quickly under a different ownership structure.

Guidance for the financial year 2019

In line with market developments, the company expects sales for the financial year 2019 will be moderately below the previous year's level. Given expectations for a better EBIT development in the second half of 2019, Group EBIT in 2019 prior to exceptional items as well as VALUE 21 costs will be up to a negative mid double-digit million-euro figure. Given the expectation of a balanced free cash flow development in the second half of 2019, Leoni's full-year free cash flow will be in the range of plus or minus a low double-digit EUR million compared to the level reported in the first half of 2019.

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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 as well as the guidance can be found in the Half-Year Report 2019 of Leoni AG (accessible at *https://www.leoni.com/en/financial-publications*).

☞ *Please download the corresponding quarterly report at*
https://www.leoni.com/en/financial-publications

Leoni performance overview

Group key figures	Q2/2019	Q2/2018	Change	H1/2019	H1/2018	Change
Sales [€ million]	1,247	1,326	(6.0)%	2,509	2,654	(5,5)%
EBITDA [€ million]	20	100	(80.0)%	(56)	201	> (100)%
EBIT [€ million]	(30)	62	> (100)%	(155)	125	> (100)%
Adjusted EBIT (1) [€ million]	(26)	64	> (100)%	(150)	128	> (100)%
Consolidated net loss / net income [€ million]	(44)	41	> (100)%	(176)	84	> (100)%
Earnings per share [€]	(1.35)	1.29	> (100)%	(5.38)	2.63	> (100)%
Free cash flow [€ million]	(72)	(29)	> (100)%	(385)	(140)	> (100)%
Capital expenditure [€ million]	102	70	45.7%	180	127	41.7%
Equity ratio [%]	24	32	---	24	32	---
Employees (as at 30 June) [number]	94,863	87,666	8.2 %	94,863	87,666	8.2%

(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

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 around 95,000 people in 32 countries and generated consolidated sales of EUR 5.1 billion in 2018.

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