LEONI

2020 impacted by Covid-19 pandemic – significant recovery in the second half of the year

VALUE 21 measures to achieve gross cost savings target implemented ahead of schedule – recovery in demand expected in 2021

Nuremberg, 17 March 2021 - Leoni's business development in 2020 was significantly affected by the Covid-19 pandemic. In the second quarter in particular, a drastic decline in demand had a significant impact on the operating business development. Despite a sequential recovery in the second half of the year, sales of €4.1 billion remained significantly below the previous year (2019: €4.8 billion). However, EBIT before exceptional items as well as before VALUE 21 costs of €-59 million was above the previous year (2019: €-66 million). The thorough implementation of VALUE 21 continues and the programme is well on track. At the end of the fourth quarter 2020, Leoni already implemented measures to achieve the VALUE 21 gross cost savings target of more than €550 million annually by 2022 to secure the realisation of the VALUE 21 medium-term margin target. Free cashflow improved significantly in 2020 to €-69 million (previous year: €-308 million). With that, EBIT before exceptional items as well as before VALUE 21 costs and free cashflow were above analyst consensus for the full year 2020 after a strong fourth quarter. For the current year 2021, Leoni expects a significant increase in Group sales and an improvement in EBIT before exceptional items as well as before VALUE 21 costs. Free cashflow – before effects of possible divestments or acquisitions – is expected to be significantly below the previous year's level, mainly due to exceptional items.

"Despite an extremely challenging environment, we succeeded in stabilising our business development in the past year and made important progress in implementing VALUE 21. We have laid the foundation for the sustainable recovery of the business in the coming years," says Aldo Kamper, CEO of Leoni AG. "In the current year, we expect demand to recover. At the same time, we

acknowledge that the situation remains very dynamic. We will continue to do our homework to step by step get Leoni back on track."

Sequential recovery in H2; exceptional items burden group result

In both divisions, the Covid-19 pandemic led to a significant decline in sales, especially in the second quarter of 2020. Although Leoni's markets gradually recovered in the second half of the year, customer call-offs in 2020 were down on the previous year, both, in the automotive industry as well as the industrial sectors relevant for Leoni. Consolidated sales decreased from €4.8 billion in the previous year to €4.1 billion.

Operating performance in 2020 was affected by the Covid-19-related reduction in sales, but improved sequentially in the second half of the year. Before exceptional items as well as VALUE 21 costs, group EBIT rose to €-59 million (previous year: €-66 million), above analysts' consensus for 2020, following a strong Q4. Including VALUE 21 expenses of €24 million and exceptional items of €196 million, EBIT reported was at €-280 million (previous year: €-384 million).

The exceptional items included impairments of assets of €-63 million (previous year: €-77 million), primarily in the Wire & Cable Solutions Division. Among other things, they are related to the announced sale of Leoni Schweiz AG, which led to impairments of around €28 million in the fourth quarter of 2020. With the expected completion of the transaction in the next weeks, there will be a realisation of accrued currency effects that will almost completely compensate for this negative effect.

In addition, provisions for expected losses from existing orders (contingent losses) of €50 million are included, those are fully attributable to the Wiring Systems Division (WSD). They were formed, among other things, due to projected reductions in the volume of individual projects as a result of the Covid-19 pandemic as well as changed cost estimates and can have an effect on liquidity over a period of several years.

Another exceptional item totaling €-32 million (previous year: €-16 million) resulted from restructuring provisions and other expenses due to strategic

decisions, which were incurred almost exclusively in WCS in 2020. A large part of the provisions was created in the fourth quarter for the announced closure and the intended partial sale of the activities at the Stolberg site.

In addition, there were costs for the refinancing of the Group amounting to €24 million (previous year: €15 million) and for preparing the carve-out of the Wire & Cable Solutions Division units of €5 million (previous year: €6 million). Furthermore, additional expenses of €22 million were incurred for health and safety measures in connection with Covid-19, particularly at large sites in the Wiring Systems division – for example for additional bus transport, protective clothing, masks or disinfectants.

VALUE 21 costs of €24 million mainly comprised consultancy, restructuring and severance expenses and, as expected, decreased significantly compared to the previous year.

WSD: Improved operational performance through VALUE 21

In the 2020 financial year, external sales of the Wiring Systems division fell by 16 percent to €2.5 billion. The decrease is mainly related to the Covid-19 pandemic, which led to a decline in demand in almost all end customer segments. In 2020, the Wiring Systems division reported EBIT before exceptional items as well as VALUE 21 costs of €-92 million (previous year: €- 118 million). The improvement despite the decline in sales was among others related to the absence of high one-off charges incurred at a Mexican location in the previous year. In addition, the measures of the VALUE 21 programme had a positive effect. Among other things, Leoni achieved efficiency increases in production as well as improvements in purchasing performance and successfully negotiated claims with customers. Reported EBIT was €-210 million (previous year: €-370 million) due to the negative impact of exceptional items as well as VALUE 21 costs.

In accordance with the VALUE 21 framework, there was more focus on selecting new projects according to cashflow and earnings criteria in order to limit organic growth to market development and to focus on the utilisation of existing capacities and strategic customer relationships. In addition, the Covid-19

pandemic slowed down the awarding of new contracts in the 2020 financial year and led to postponements by our customers. New orders in WSD totaled an expected project volume of €1.4 billion in 2020 (previous year: around €2 billion).

WCS: Positive operating result despite Covid-19 charges

External sales of the Wire & Cable Solutions Division decreased by 13 percent to €1.6 billion compared to the previous year's figure of €1.8 billion. The main reason for the decline, which was less pronounced for the industrial business than in the automotive industry, was the impact of the Covid-19 pandemic. Copper price and currency effects only had a minor effect. EBIT before exceptional items as well as VALUE 21 costs of the Wire & Cable Solutions division amounted to €34 million in 2020 after €51 million in the previous year. The negative effects of the Covid crisis could to a large extend be offset by countermeasures and effects from the VALUE 21 programme. The reported EBIT was €-69 million (previous year: €-14 million) due to the mentioned exceptional items as well as VALUE 21 costs.

The Wire & Cable Solutions Division received new orders worth €1.6 billion in 2020 after €1.7 billion in the previous year. The book-to-bill was about 1.

Investments reduced significantly

In 2020, capital expenditures for the operating business were significantly reduced and limited to essential investments. Excluding the addition of rights of use under IFRS 16, Leoni's capital expenditures on property, plant and equipment and intangible assets fell to €182 million (previous year: €271 million). The Wiring Systems division accounted for €126 million (previous year: €177 million), primarily for ramp-ups and expansions of sites for upcoming customer projects, and the Wire & Cable Solutions division for €55 million (previous year: €89 million), among other things for the capacity expansion for industrial special cables and automotive data cables.

The addition of rights of use resulting from new leases, including in connection with sale and leaseback transactions, accounted for €145 million across the Group (previous year: €86 million). Total investments amounted to €327 million (previous year: €357 million).

Financial situation and assets: free cashflow significantly higher than in the previous year

Leoni's free cashflow increased significantly to €-69 million in 2020 (previous year: €-308 million). The reasons for the positive development were, in addition to the improvement in the result, the increase in trade payables associated in connection with the business recovery and continued strict inventory management as well as the utilisation of the factoring and reverse factoring lines.

The freely available liquidity at the end of 2020 amounted to €503 million (previous year: €624 million), of which €196 million was cash (previous year: €144 million) and €307 million was free credit lines (previous year: €480 million). Guarantees in the amount of €80 million (previous year: € 74 million) are to be deducted from the freely available liquidity as of the balance sheet date.

VALUE 21 measures to achieve the gross cost savings target implemented ahead of schedule

The VALUE 21 measures to achieve the gross cost savings target of €500 million annually by 2022 had already been implemented by the end of the third quarter of 2020 and thus significantly earlier than planned. By the end of the fourth quarter, measures to achieve more than €550 million in gross cost savings with effect from 2022 have already been implemented. However, the net effects of the initiatives depend on the development of the volumes. In order for the savings potential to be fully realised, volumes have to recover significantly. Against the background of the adverse impact of and uncertainties arising from the Covid-19 pandemic, Leoni is continuously launching new measures to ensure the realisation of the mid-term EBIT and Free Cashflow margin targets of the programme and to further improve performance and efficiency.

By the end of 2020, the programme resulted in costs of €112 million, which is the majority of the total costs of around €120 million.

Separation of WCS units well on track

Preparations for the carve-out of the Wire & Cable Solutions Division continued in 2020. Based on feedback from the market, a partial sale scenario is being

pursued as a priority, as potential investors have signaled more interest in individual parts of WCS due to their wide range of skills and variety of customers.

In 2020, a majority of the conditions for the carve-out into saleable units of WCS was created. A first WCS unit, Leoni Schweiz AG, was sold in February 2021 and tangible interest for further units has been signaled.

Outlook

In its current planning, the Board of Directors expects a significant increase in Group sales in the low double-digit percentage range for 2021 compared to the previous year (2020: €4.1 billion). This expected increase is due to the ramp-up of new wiring system projects and the expected continuation of the recovery in demand in the automotive and industrial industry.

Group EBIT before exceptional items as well as VALUE 21 costs is expected to improve significantly compared to the previous year (2020: €-59 million). The expected revenue increase as well as positive effects from the VALUE 21 programme and the restructuring concept will have a positive impact. The costs for the VALUE 21 programme are expected to be reduced compared to 2020 (2020: €24 million). The negative exceptional items (2020: €196 million) are expected to decrease significantly.

The Board of Directors expects free cashflow to decrease significantly compared to the previous year (2020: €-69 million). The reason is that some exceptional items booked in 2020 will become cash-effective in 2021. One example are the restructuring provisions booked for the restructuring at the Stolberg site. In addition, a higher copper price could have a negative impact on liquidity.

Effects from possible divestments or acquisitions are not included in the outlook of all KPIs.

The outlook assumes that the effects of the pandemic will be overcome in the course of the 2021 financial year and that the sequential recovery of the operating business will continue as well as that there will be no significant effects from possible production interruptions due to the Covid-19 pandemic or disruptions in global supply chains. The risk for supply chain disruptions is

currently higher than usual, especially as it regards the availability of critical components. Furthermore, expectations are based on stable exchange rates and copper prices. With the exception of Leoni Schweiz AG, this outlook is based on the group structure as of 31 December 2020.

Leoni performance overview

	FY 2020	FY 2019	Change
Sales [€ million]	4,134	4,846	(14.7)%
EBITDA [€ million]	(58)	(179)	67.7%
EBIT [€ million]	(280)	(384)	27.2%
EBIT before exceptional items[1] and before VALUE 21 costs[2] [€ million]	(59)	(66)	10.6%
Consolidated net loss / net income [€ million]	(330)	(435)	24.1%
Earnings per share [€]	(10.1)	(13.3)	24.1%
Free cashflow [€ million]	(69)	(308)	77.7%
Capital expenditure [€ million]	327	357	(8.4%)
Equity ratio [%]	7.6	17.7	-----
Employees (as of 31 December) [number]	101,007	94,928	6.4%

(1) Exceptional items comprise material impairment of goodwill, intangible assets, property, plant and equipment as well as other assets, significant expenses for contingent losses on customer contracts, costs to prepare for carving out the Wire & Cable Solutions Division (excl. internal costs), refinancing costs (incl. consultant, bank and solicitor fees; apart from the costs that are attributed to interest expenses), other non-recurring expenses incurred by strategic decisions as well as external additional expenses in connection with the Covid-19 pandemic (for example additional coach transfers, protective clothing, masks and disinfectants).

(2) Costs for the VALUE 21 programme comprise all the related restructuring and severance costs as well as third-party consultant fees.

☞ *Related illustration material can be downloaded next to this release at https://www.leoni.com/en/press/releases/details/2020-impacted-by-covid-19-pandemic/*

About the Leoni Group

Leoni is a global provider of products and solutions for energy and data management in the automotive sector and other industries. The value chain encompasses wires, optical fibers, standardised cables and special cables through to custom-developed wiring systems and related components as well as 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 about 100,000 people in 30 countries and generated consolidated sales of EUR 4.1 billion in 2020.

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