LEONI

Free cash flow improves significantly during the year – challenging market environment continues to impact sales and operating result

- Lower volumes, operational performance issues in WSD, salary inflation as well as planned ramp-up costs impact consolidated sales and operating result
- VALUE 21 on track to deliver annual gross cost savings of EUR 500 million from 2022 – 35 percent of initiatives already implemented
- Free cash flow improved during the year to EUR -12 million in the third quarter and is significantly above the previous quarter

Nuremberg, 13 November 2019 – Leoni generated sales of EUR 1.15 billion in the third quarter of the fiscal year 2019 (Q3/2018: EUR 1.21 billion). Weaker demand led to an approximate 5 percent organic decline in Group sales compared to the third quarter of 2018. Demand declined in both the automotive and industrial sectors.

Group earnings before interest and taxes (EBIT) in the third quarter of 2019 was EUR -15 million before exceptional items as well as before VALUE 21 costs. The negative result is due, among other things, to lower volumes in both divisions, operational performance issues in WSD, salary inflation especially in Eastern Europe as well as planned ramp-up costs. The reported Group EBIT in the third quarter amounted to EUR -67 million (previous year: EUR 38 million). Free cash flow improved noticeably during the year and at EUR -12 million in the third quarter is significantly above the previous year and the second quarter.

“We continue to operate in a challenging market environment. With VALUE 21, we have launched comprehensive measures to improve performance and to save costs. We continue to make important progress in the stabilisation of our business, which is already reflected in the notable improvement in free cash flow,” says Aldo Kamper, CEO of Leoni AG.

Implementation of VALUE 21 remains on track

Leoni remains on track with the implementation of VALUE 21 and was able to implement 35 percent of planned initiatives by 30 September 2019. The initiatives already implemented will lead to gross cost savings of more than EUR 150 million per year, most of which will already take effect next year. The company expects that the implementation of all planned VALUE 21 measures, before offsetting effects, will achieve annual gross cost savings of EUR 500 million, in the years from 2022.

Due to the implementation of VALUE 21 initiatives, Leoni incurred costs totalling approximately EUR 53 million in the third quarter of 2019. In the period from January to September 2019, VALUE 21 costs amounted to EUR 72 million. The majority of the costs incurred in the third quarter are connected to the initiated headcount reduction of more than 500 jobs in high-wage countries. Especially in Germany, compulsory redundancies were largely avoided.

WSD: Weaker automotive industry impacts sales and operating result

In the third quarter, sales in the Wiring Systems Division (WSD) amounted to EUR 701 million (Q3/2018: EUR 725 million). Before exceptional items as well as before VALUE 21 costs, EBIT of WSD amounted to EUR -30 million. Among other factors, the significant decline is attributable to the challenging market environment, salary inflation, planned ramp-up costs and operational performance issues, which Leoni is addressing with its performance and strategy programme VALUE 21. Due to the implementation of VALUE 21, EUR 34 million in costs were incurred in WSD in the third quarter of 2019. At EUR -59 million, reported EBIT of WSD was well below the previous year's figure (Q3/2018: EUR 20 million).

WCS: Muted market development makes itself noticeable

Sales in the Wire & Cable Solutions Division (WCS) amounted to EUR 454 million (Q3/2018: EUR 480 million) in the third quarter. This drop was attributable to a subdued market trend. Above all, this reflected the slowdown of the international automotive industry, which led to weaker demand for automotive cables. Business with specialty cables and cable systems for the industry sector also saw a decline.

In the third quarter, segment EBIT before exceptional items as well as before VALUE 21 costs amounted to EUR 15 million. Reported EBIT of the WCS Division was, among other things, impacted by lower sales. The reported EBIT decreased to EUR -8 million in this period (Q3/2018: EUR 18 million). Due to the progress in the implementation of VALUE 21, costs totalling EUR 20 million were booked in WCS in the reporting period. These costs are primarily related to first provisions for the restructuring of the oil and gas business.

Free cash flow and balance sheet items

Free cash flow has notably improved compared to the development of the first half of 2019. At EUR -12 million in the third quarter, free cash flow is significantly higher than in the same quarter of the previous year (Q3/2018: EUR - 141 million), and the previous quarter (Q2/2019: EUR - 72 million). This is in line with the company's objective of a largely neutral free cash flow development in the second half of the year and reflects the company's sharper focus on cash flow. This positive trend is principally due to a significantly improved net working capital.

Due to significantly reduced cash outflow throughout the year, the company reported an available liquidity of EUR 583 million as of 30 September 2019. Approximately EUR 457 million were allocated to available credit lines (including bank guarantees), of which about three-quarters are committed, and EUR 126 million in cash and cash equivalents.

WCS carve-out progressing

Leoni is continuing to drive the carve-out process of its WCS Division. The company still expects to implement the announced separation of the WCS Division in the 2020 financial year.

Guidance for the fiscal year 2019

The company reiterates the outlook for the full fiscal year 2019 and, in line with the market environment, expects sales for the fiscal year 2019 to be moderately lower than the previous year. Group EBIT in 2019 before exceptional items as well as before 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.

***

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 statement at https://www.leoni.com/en/financial-publications*

Leoni Performance Overview

Group key figures	Q3/2019	Q3/2018	Change	9M/2019	9M/2018	Change
Sales [€ million]	1,155	1,205	(4.2)%	3,664	3,859	(5.1)%
EBITDA [€ million]	(17)	79	> (100)%	(72)	279	> (100)%
EBIT [€ million]	(67)	38	> (100)%	(222)	163	> (100)%
EBIT before exceptional items(1) as well as before VALUE 21 costs(2)(3) [€ million]	(15)	38	> (100)%	(50)	163	> (100)%
Consolidated net loss / net income [€ million]	(88)	23	> (100)%	(264)	108	> (100)%
Earnings per share [€]	(2.69)	0.71	> (100)%	(8.07)	3.35	> (100)%
Free cash flow [€ million]	(12)	(141)	91.6%	(397)	(281)	(41.5)%
Capital expenditure [€ million]	79	80	(0.7)%	259	206	25.5%
Equity ratio [%]	21	32	-----	21	32	-----
Employees (as of 30 September) [number]	92,868	90,147	3.0%	92,868	90,147	3.0%

(1) *Exceptional items in 2019 comprise significant impairment of goodwill, intangible assets, property plant and equipment as well as other assets, material expenses for contingent losses on customer contracts, costs in preparation 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) as well as other expenses incurred by strategic decisions.*

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

(3) *The figure represents the adjustment of EBIT for extraordinary one-off effects in order to improve comparability between periods and the interpretation of operating performance. It replaces the previously published key figure "Adjusted earnings before interest and taxes (adjusted EBIT)".*

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 approximately 93,000 people in 32 countries and generated consolidated sales of EUR 5.1 billion in 2018.

Contact for journalists

Sven Schmidt
Corporate Public & Media Relations
Phone +49 911-2023-467
Fax +49 911-2023-10467
E-mail presse@leoni.com

Contact for analysts and investors

Jens von Seckendorff
Corporate Investor Relations
Phone +49 911-2023-134
Fax +49 911-2023 -10134
E-mail invest@leoni.com