

Leoni releases figures for the 2018 financial year

- Sales up slightly to EUR 5.1 billion
- EBIT down to EUR 144 million

Nuremberg, 17 March 2019 – Leoni generated sales of EUR 5.1 billion in the 2018 financial year (2017: EUR 4.9 billion), and organic growth of EUR 259 million. Earnings before interest and taxes (EBIT) dipped to EUR 144 million (2017: EUR 227 million included a non-recurring gain of EUR 30 million). The principal reason for this decline involved the exceptional charges incurred at the new production facility in Mexico in the 4th quarter. Higher raw materials prices, increased spending on customer-specific research & development as well as unsatisfactory efficiency in the Wiring Systems Division also adversely affected the result. Leoni shows consolidated net income of EUR 73 million for the 2018 reporting year (2017: EUR 146 million).

Leoni's result for the 2018 financial year was affected especially by the disappointing performance of the new wiring systems facility in Merida. The project ramp-up involving complex product specifications for a new customer entailed bottlenecks in manufacturing. It took substantial, additional expenditure to ensure supply to the corresponding carmaker and is still taking up greater resources and management capacity. Efficiency enhancements at other plants also fell short of expectations and savings targets were not met.

Wiring Systems Division: position in the e-vehicle market underpinned

The sales of the Wiring Systems Division (WSD) rose moderately to EUR 3.2 billion in 2018 (2017: EUR 3.1 billion). The segment's EBIT was down from EUR 118 million in the previous year to EUR 80 million. The Wiring Systems Division bolstered its market position in the promising electromobility segment by supplying components for more mass-production electric vehicles. Among other projects, it commenced production for Audi's e-tron and for the models of another European premium carmaker.

The division booked new orders worth a total of EUR 4.1 billion in 2018. Leoni was also commissioned for the first time to supply the battery internal wiring of an electrically-driven vehicle, and thereby succeeded in entering this trailblazing technology segment. At the end of December 2018, the WSD's order backlog was up to EUR 24.4 billion (previous year: EUR 21.6 billion), of which electric and hybrid vehicles accounted for EUR 5.5 billion.

Wire & Cable Solutions Division: digital transformation progressing

In 2018, the WCS Division generated 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 gain of EUR 24 million). The deterioration of earnings was due, among other factors, to an unfavourable product mix, increased raw material prices and charges arising from measurement of copper inventories as at the reporting date.

The Wire & Cable Solutions (WCS) Division developed its digital solutions, the related technology platform and corresponding business models further in 2018. The focus was on the LEONiQ key technology, which helps to make energy and data flows in cable systems more secure, reliable and intelligent. Leoni is collaborating with Microsoft, among others, to evaluate the readings generated in the cable.

Capex: capacity growth to cover gained orders

To underpin short-term growth given the orders already booked, Leoni invested a significantly larger sum of EUR 343 million in property, plant and equipment as well as intangible assets than in the previous year (2017: EUR 281 million). The focus was on global expansion of the Wiring Systems Division's capacity. The capital expenditure ratio (excluding the EUR 35 million spent of the Factory of the Future in Roth) stood at 6 percent (2017: 5 percent).

Financial and asset situation: solid equity ratio of 31 percent

Due mainly to the disappointing earnings, operating cash flow was down from EUR 245 to 152 million during the 2018 period under report. Free cash flow amounted to negative EUR 147 million (2017: positive EUR 11 million). Equity increased slightly to EUR 1.08 billion in 2018 (previous year: EUR 1.04 billion)

and the equity ratio remained at a solid 31 percent (previous year: 33 percent). The Group's net financial liabilities rose from EUR 406 to 613 million due to the negative free cash flow.

2019 guidance

According to current planning, the Board of Directors is no longer maintaining its guidance for fiscal 2019 presented on 7 February. The detailed guidance issued in the annual report for 2018 is therefore no longer valid either. Against the backdrop of the current significant lack of transparency in the Wiring Systems Division at some locations with regard to cost variances and the future order situation as well as uncertainties in the automotive industry and the uncertain development of demand, the Management Board considers it not prudent to issue a revised guidance for the full year 2019 at this time.

Instead of the balance sheet press conference with the subsequent capital market day originally planned for Tuesday, a conference call for investors, analysts and journalists will take place on Monday, 18 March at 10 am CET in English language, which will be broadcast at <http://view-w.tv/1016-1524-21305/en>.

Leoni performance overview

Group key figures	2018	2017 ⁽²⁾	Change
Consolidated sales [€ million]	5,101	4,925	3.6 %
EBIT [€ million]	144	227	(36.5) %
Adjusted EBIT ⁽¹⁾ [€ million]	148	209	(29.2) %
EBIT margin [%]	2.8	4.6	--
Consolidated net income [€ million]	73	146	(49.7) %
Free cash flow [€ million]	(147)	11	--
Return on capital employed [%]	8.3	14.5	--
Capital expenditure on property, plant and equipment as well as intangible assets [€ million]	343	281	21.9 %
Employees (as at 31 Dec.)	92,549	86,340	7.2 %

(1) Earnings adjusted for the impact of revaluation as part of allocating the prices of the major acquisitions, restructuring, capital gains on the disposal of businesses and income from business combinations including related derivatives as well as the insurance compensation related to the fraud case

(2) Prior-year figures adjusted

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 92,000 people in 31 countries and generated consolidated sales of EUR 5.1 billion in 2018.



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