Leoni burdened by one-time effects – tangible improvement in EBIT and free cash flow in the course of the year expected

- Cash-neutral exceptional items burden EBIT in WSD by EUR 102 million in Q1
- Ramp-up in Merida, Mexico, impacted results by negative EUR 37 million; adverse effects expected to end with the first half
- Leoni aiming for 2020 neutral free cash flow at Group level and positive result in its Wiring Systems Division before VALUE 21 costs
- VALUE 21 fully on plan to achieve sustainable gross cost savings of EUR 500 million per year by 2022

Nuremberg, 14 May 2019 – Leoni stabilised its operating business at the beginning of the year after a poor final quarter of 2018. The Company generated consolidated sales of EUR 1.26 billion in the first quarter of 2019 (Q1/2018: EUR 1.33 billion). The 5-percent year-on-year decline in organic terms is attributable above all to the weaker market conditions for the automotive sector.

EBIT for the first quarter was a loss of EUR 125 million (Q1/2018: earnings of EUR 63 million). This significant decline is attributable primarily to exceptional items in the Wiring Systems Division (WSD), which impacted the Group result by a total of EUR 102 million. Against the backdrop of the changed economic conditions, the weaker market for the automotive industry and its realignment towards strategic customer relationships as part of its VALUE 21 programme, Leoni has reassessed the WSD order book and its market prospects. This reassessment led to non-cash write-downs in the first quarter of tangible and intangible assets by EUR 67 million as well as to provisions of EUR 35 million primarily for losses expected on existing orders in the future, which could become cash relevant over a period of several years.

Furthermore, there were increased personnel and freight costs related to the project ramp-up at the new production facility in Merida, Mexico, at the start of the year. As a result, earnings were negatively impacted by EUR 37 million in the first quarter. During the reported period, the Company more than halved the number of staff seconded to provide support and, recently, managed to significantly reduce special freight costs. Weekly output has meanwhile quadrupled compared with the start of the year and is thereby in line with the agreed targets. Leoni expects a further negative EBIT-impact of approximately EUR 20 million largely to be booked in Q2 2019.

The Wiring Systems Division's EBIT declined to a loss of EUR 139 million (Q1/2018: earnings of EUR 42 million). Excluding the one-off effects and exceptional items from Merida, the Wiring Systems Division's result was balanced. The segment's sales were down by 6 percent to EUR 793 million (Q1/2018: EUR 842 million), caused by the weaker demand for the automotive industry in China and Europe.

In the Wire & Cable Solutions Division (WCS), sales dipped by 4 percent year on year to EUR 469 million in the first quarter of 2019 (Q1/2018: EUR 486 million). Above all, this reflected the weaker automotive cables business in China because of the slowing economy as well as the lower price of copper. Due to the sales decrease, the unfavourable product mix and costs related to expanding its digitalization portfolio, the division's EBIT declined to EUR 14 million (Q1/2018: EUR 22 million).

Adjusted for the non-recurring items and the charges incurred in Merida, Leoni's Group-wide EBIT stabilised compared with the 4th quarter of 2018 – in operating terms – to a figure of EUR 14 million. As reported, the Group result was a loss of EUR 132 million, compared to a profit of EUR 44 million in the previous year.

Strategic realignment as the basis for better returns

"With our strategic realignment, we have established a solid basis for developing our wiring systems business. At the same time, we succeeded in stabilising our operating performance in the first quarter. This is all the more important given the downturn in our markets. We have reached an inflection point and compared with the first quarter will tangibly improve earnings and, in particular, cash usage throughout the course of the year. It is further intended, before VALUE 21 related effects, to achieve a neutral free cash flow in the Group in the coming financial year as well as a positive contribution to the Group result from the Wiring Systems Division," said Aldo Kamper, CEO of Leoni AG. "We are fully on schedule with our VALUE 21 performance and strategy programme to sustainably lower our costs by EUR 500 million before offsetting effects by 2022. The programme is firmly embedded within our organisation. More than 500 staff are directly responsible for individual initiatives and have, in total, identified more than 1,000 initiatives. Implementation of these results-enhancing measures will begin as of June."

Free cashflow and balance sheet items

Investment in property, plant and equipment as well as intangible assets amounted to EUR 78 million in the period from January to March 2019 (Q1/2018: EUR 57 million). Primarily this pertained to the Wiring Systems Division in order to provide capacity in Eastern Europe, North Africa and Central America for projects already booked in the preceding years. Free cash flow amounted to negative EUR 313 million at the end of the first quarter of 2019 (Q1/2018: negative EUR 111 million). In addition to capital expenditures, free cash flow was primarily affected by the negative result for the reported period as well as reversals in net working capital.

On 31 March 2019, the Company had available liquidity of EUR 740 million (31/12/2018: EUR 1 billion), of which about EUR 620 million in unused credit lines, more than three quarters of which firmly committed, and EUR 120 million in cash and cash equivalents. Particularly with respect to Leoni's refinancing requirements, the Company is considering all options for ensuring its long-term financing basis. Due to the quarterly loss and an accounting-related enlargement of the balance sheet by approx. EUR 153 million, the equity ratio was 25.2 percent compared with 31.2 percent at the end of 2018.

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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.

☞ *Please find associated illustrative material directly with this press release at https://www.leoni.com/en/press/releases/details/leoni-burdened-by-one-time-effects/*

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

Leoni performance overview

Group key figures	**Q1 2019**	**Q1 2018**
Consolidated sales [€ million]	1,262	1,327
EBITDA [€ million]	(76)	101
EBIT [€ million]	(125)	63
Adjusted EBIT (1) [€ million]	(123)	65
Consolidated net income [€ million]	(132)	44
Earnings per share [€]	(4.03)	1.34
Free cash flow [€ million]	(313)	(111)
Capital expenditure on property, plant and equipment as well as intangible assets [€ million]	78	57
Equity ratio [%]	25.2	32.8
Employees (as at 31 March)	95,704	87,128

(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

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

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