Interim Report
2nd quarter and 1st half 2017

The Quality Connection

LEONI

Highlights: 1st half 2017

- **Consolidated sales grow 9 percent to € 2.4 billion**
- **Sale of Business Group Electrical Appliance Assemblies drives EBIT increase to € 136.8 million**
- **Dynamic order intake in the Wiring Systems Division**
- **Foundations for the Factory of the Future laid in Roth**
- **EBIT guidance for fiscal 2017 raised to € 190 to 210 million**

LEONI – The Quality Connection

The LEONI Group operates worldwide, providing wires, optical fibers, cables and cable systems as well as related services for applications in the automotive sector and other industries. The Company employs more than 82,000 people in 31 countries. LEONI develops and manufactures technically sophisticated products for the motor vehicle industry – ranging from the single-core cable through to the complete wiring system with integrated electronics. The product range also encompasses wires and strands as well as optical fibers, standardised cables, special, hybrid and optical cables as well as completely assembled systems for customers in different industrial markets. Products specifically for application in environmentally friendly technologies are meanwhile gaining in significance.

Titelbild:
The official foundation-laying ceremony on 19 June 2017 gave the go-ahead for rebuilding of the WCS Division's cable production facility as well as technical and competence centre at its location in Roth.

Rounding differences may for arithmetical reasons occur in the tables, charts and references versus the mathematically precise figures (monetary units, percentages, etc.).

This Interim Report is published in German and English. The original is in German language. In case of doubt or conflict, the German language version will prevail.

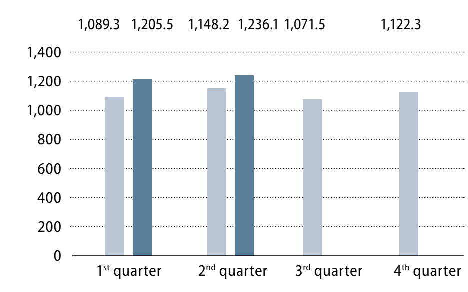
Content

Group key figures

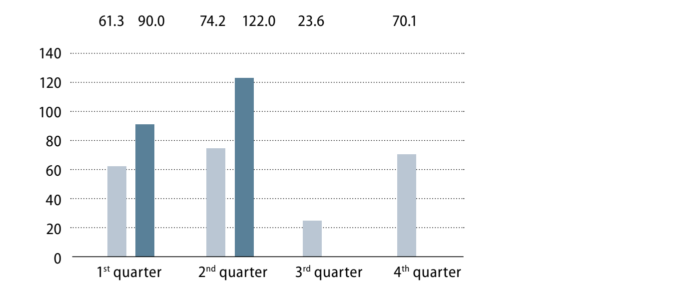
	2nd quarter			1st half		
€ million	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Sales	1,236.1	1,148.2	7.7 %	2,441.5	2,237.5	9.1 %
Earnings before interest, taxes and depreciation/amortisation (EBITDA)	122.0	74.2	64.4%	212.0	135.5	56.5 %
Earnings before interest and taxes (EBIT)	83.9	37.6	> 100.0 %	136.8	61.9	> 100.0 %
Adjusted earnings before interest and taxes (EBIT) *	62.3	60.0	3.8 %	114.0	90.3	26.2 %
Earnings before taxes (EBT)	76.2	32.0	> 100.0 %	123.9	50.8	> 100.0 %
Consolidated net income	58.6	24.3	> 100.0 %	92.2	35.9	> 100.0 %
Capital expenditure	69.3	52.2	32.8 %	115.8	90.9	27.4 %
Equity ratio (%)	31.9 %	32.5 %	—	31.9 %	32.5 %	—
Earnings per share (€)	1.80	0.75	> 100.0 %	2.82	1.10	> 100.0 %
Employees as at 30/06/ (number)	81,581	76,239	7.0 %	81,581	76,239	7.0 %

* *Earnings adjusted for the impact of purchase price allocation, restructuring, gains on business disposals, income from business combinations including related derivatives and insurance compensation*

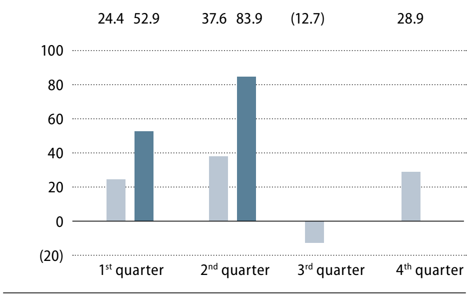
Consolidated sales € million



Consolidated EBITDA € million



Consolidated EBIT € million



The LEONI share

Overview of key LEONI share data

First listed on	1 January 1923
Ticker symbol	LEO
ISIN	DE0005408884
WKN	DE540888
Class of shares	Ordinary bearer shares with no par value
Market segment	Prime Standard
Index	MDAX
Share capital	€ 32,669,000
Number of shares	32,669,000

Key LEONI share figures

		2nd quarter		1st half	
		2017	**2016**	**2017**	**2016**
Net result	*€/share*	1.80	0.75	2.82	1.10
Equity	*€/share*	30.29	28.78	30.29	28.78
High [1]	*€/share*	55.20	32.11	55.20	34.93
Low [1]	*€/share*	45.08	24.61	34.95	23.76
Closing price [1] at end of quarter	*€/share*	45.08	24.61	45.08	24.61
Average daily trading volume	*no. of shares*	260,767	243,824	261,404	303,658
Market capitalisation at end of quarter	*€ million*	1,472.7	804.0	1,472.7	804.0

[1] XETRA closing prices of the day

Markets on an uptrend despite correction

Sentiment on the equity markets worldwide was largely positive in the first half of 2017. Such key international market barometers as the Dow Jones, the NASDAQ and the EuroStoxx indices were well up from the end of 2016 at the half-year mark, even though there were in some cases sharp corrections in June. The situation on the German markets was similar: the country's leading DAX index ultimately gained by 7 percent during the period under report, while the MDAX index of SMEs was up by more than 10 percent. The automotive shares comprised in the DAX 'Automobiles' sector index, on the other hand, were down by nearly 2 percent overall. The sub-index for the automotive component supply industry rose by about 6 percent.

LEONI share up by over 33 percent

The LEONI share initially maintained its uptrend of early in the year in the second quarter, too. Starting from a low of € 34.95 at the beginning of January, it rose continually and reached its year's high to date of € 55.20 on 10 May 2017. Following the dividend payout, the price dipped up to the half-year mark. On 30 June 2017, LEONI's share was priced at € 45.08. Overall, our share therefore appreciated by more than 33 percent in the first half of 2017.

In the first six months of 2017, the market capitalisation of the approximately 32.7 million LEONI shares rose from about € 1,106 million (31/12/2016) to nearly € 1,473 million (30/6/2017).

Vibrant trading in LEONI shares

An average of 261,404 LEONI shares changed hands per trading day in the period from January to June of the current year, as opposed to 303,658 shares in the same period of 2016. A total of 32.9 million shares were therefore traded in the first half (previous year: 38.3 million shares)

Mostly favourable analyst ratings

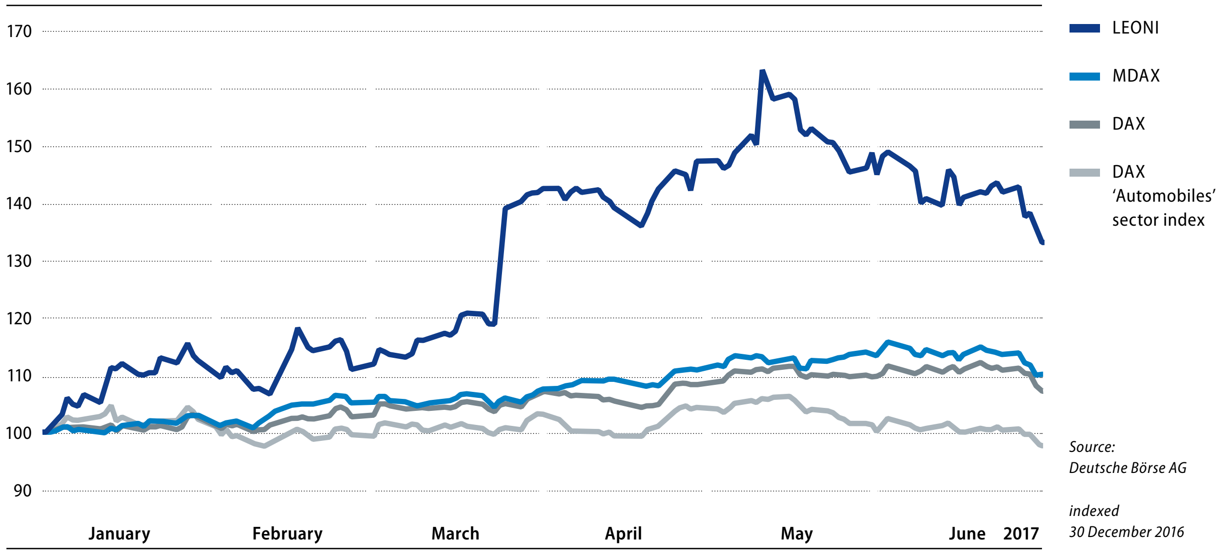
Professional financial market players on the whole rate LEONI's share favourably. The overwhelming majority of the currently 20 studies (as of mid-July 2017) issued by banks and financial institutions recommend to either hold or buy our share. Specifically, there are presently six buy ratings and ten either neutral or hold ratings. Only four investment specialists advised to sell.

Shareholder structure: LEONI shares widely held

All 32,669,000 LEONI shares continue to be in free float; about two thirds are held by institutional investors, with the other third owned by private investors. About 60 percent of our shares are held in Germany. The remainder is evenly distributed across other European countries, with more so in the United Kingdom, as well as the United States. On 30 June 2017, the following investors exceeded the 3-percent reporting threshold: the US investment firm T. Rowe Price, UK-based Schroders PLC, Classic Fund Management Aktiengesellschaft of Liechtenstein, Switzerland-based UBS Group AG, Hans Wilms Beteiligungs GmbH of Germany and US-based Dimensional Holdings Inc.

All voting rights announcements received during the period under report, as well as earlier ones, are accessible on our website (www.leoni.com/en/investor relations/voting-rights-announcements).

1st half 2017 performance



Source: Deutsche Börse AG

indexed 30 December 2016

Half-year financial report

Interim group management report

Overview of conditions and business performance

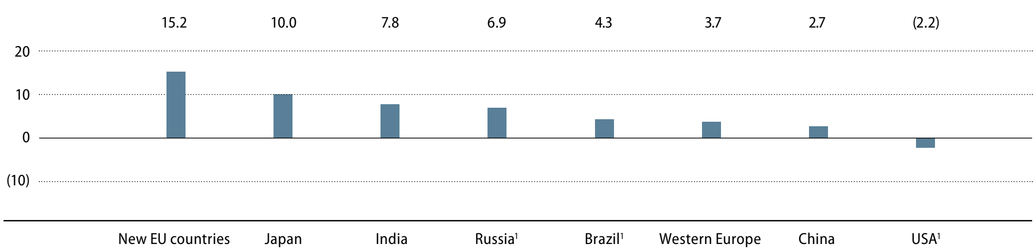
Macroeconomic setting

The global economy continued to perform well in the year to date despite numerous risks. The International Monetary Fund (IMF) says that in many developing and emerging countries, above all China and Brazil, but also in such major industrialised countries as Canada, France and Germany, growth was stronger than expected in the first quarter of 2017. The indicators for the second quarter also pointed upward. The exceptions were the United States – due to the unclear direction of the government and the Federal Reserve – as well as the United Kingdom because of the uncertain Brexit fallout.

Business by sector

In the global **automotive industry**, which is LEONI's most important customer sector as it accounts for about 80 percent of its sales, the situation in the first six months of 2017 was on the whole likewise favourable. According to the German Association of the Automotive Industry (VDA), the outcome after six months was especially good in Europe – where there was an overall sales increase of about 5 percent. There was also encouraging sales growth in Japan, India as well as the previously crisis-hit countries of Russia and Brazil. By contrast, new vehicle registrations in the important Chinese market were only up by about 3 percent in the first half of the year, down from a double-digit rate in the previous year. In the United States, the sales figures for the first six months of 2017 we even down by more than 2 percent.

Trend of car sales in the key countries January to June 2017 / 2016 %



[1] *Light vehicles (cars and light commercial vehicles)*
Source: VDA

Based on our observations, the global market for **heavy commercial vehicles** has generally also been on an uptrend so far this year. The demand for cable harnesses for trucks and engine production rose in Europe and held steady in the NAFTA area. In the construction and agricultural machinery sector, we registered a globally stable to rising trend.

The financial year has so far also been encouraging in many other **industrial sectors** of importance to LEONI. For instance, order bookings in both the German electrical engineering and electronics industry as well as the machinery and plant engineering sector were, according to their respective trade associations, up considerably in the first five months of 2017. On the other hand, the low price of oil continued to depress the petrochemical industry.

Overview of LEONI Group's business performance

Following the strong start to the year, LEONI maintained its good trend of business in the second quarter of 2017 and thus on the whole outperformed expectations. Consolidated sales in the period from April to June were up by nearly 8 percent year on year to € 1,236.1 million. Over the whole of the first half, the amount of business rose by more than 9 percent to € 2,441.5 million. LEONI generated most of this growth from its own resources. It was based on the continued, good demand from the automotive industry. The higher price of copper furthermore exerted a positive effect.

Both of the Company's divisions generated sales growth during the period under report. The Wiring Systems Division (WSD) boosted its worldwide sales slightly more strongly than expected and registered a substantial increase in order intake. In the Wire & Cable Solutions (WCS) Division, good business involving automotive cables was offset by weak demand in some industrial and infrastructure segments. Due to the disposal of its domestic and electrical appliance cables business (Electrical Appliance Assemblies, ES), which was completed in early May 2017, the sales of this Business Group (BG) were furthermore only included for four months. Overall, the WCS Division's sales nevertheless increased thanks to the substantially favourable copper price effect.

Year on year, the LEONI Group's earnings before interest and taxes (EBIT) rose from € 37.6 million to € 83.9 million in the second quarter of 2017 and from € 61.9 million to € 136.8 million over the entire first half. Alongside additional profit contributions due to the increased sales and the operational improvements in the Wiring Systems Division, non-recurring factors played a key role in this growth: the disposal of BG Electrical Appliance Assemblies generated a positive effect of € 24.8 million in the second quarter of 2017. There was furthermore exceptional income in the first quarter from a fidelity insurance policy payout in the amount of € 5.0 million relating to the fraud case uncovered in 2016. By contrast, in the same period of 2016 heavy restructuring charges (€ 21.1 million) incurred mostly in the Wiring Systems Division had an adverse effect.

The LEONI Group's strategy, business activity and its product range as well as its most important markets are comprehensively presented in the Annual Report 2016 and have not materially changed in the period under report. The current report can be read on and downloaded from LEONI's website under the heading Investor Relations / Financial publications or requested from LEONI AG.

» Annual Report 2016 page 61 et seq.

» www.leoni.com

Reports by division / Segment report

Wiring Systems Division

Sales up 10 percent to € 1.5 billion in the first half

The external sales of the Wiring Systems Division (WSD) rose by about 8 percent year on year to € 774.2 million in the second quarter of 2017. The division generated a gain of just over 10 percent to € 1,504.9 million in the first six months. Organic growth accounted for most of this sales increase. Chinese company Wuhan Hengtong Automotive, in which we hold a majority stake and which has been consolidated since November 2016, contributed € 11.3 million.

We succeeded in broadening our business with almost all customer groups during the first half of 2017. This involved growth in sales that outpaced the market of vehicles produced above all to key European carmakers. There were furthermore strong increases in shipments to the international commercial vehicle industry as well as of electrical and electronic components. Sales of cable harnesses and wiring systems for vehicles with electric and hybrid drive rose to € 19.4 million in the period from January to June. By region, business volume increased especially in Asia, but there were also slight gains in the Americas and the EMEA (Europe, Middle East and Africa) area.

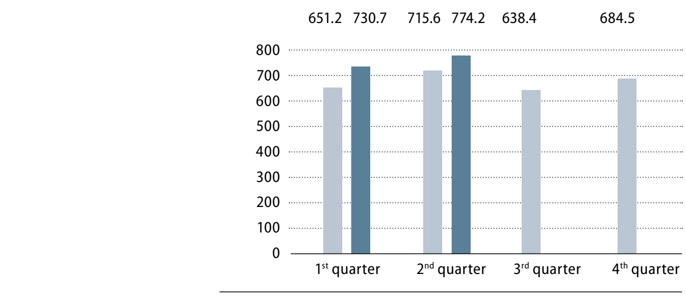
New projects starting on schedule

As planned, LEONI started series production for several new customer projects in the second quarter of 2017, some of which already made initial contributions to sales. Among other products, we launched production of wiring systems products and cable harnesses for various new models of Asian and European manufacturers. Most of these vehicles involve premium cars, SUVs and vans. We also launched several projects for the commercial vehicle and international component supply industry.

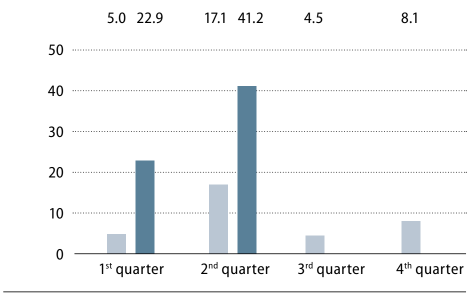
Wiring Systems sales performance

	€ million	in %
H1/2016 sales	**1,366.8**	
Organic growth	130.6	9.6
Contribution of new subsidiaries	11.3	0.8
Currency effects	(11.2)	(0.8)
Copper price effects	7.5	0.5
H1/2017 sales	**1,504.9**	**10.1**

Wiring Systems external sales € million



Wiring Systems EBIT € million



Segment EBIT rises to € 64.1 million

Compared with 2016, the Wiring Systems Division improved its earnings before interest and taxes from € 17.1 million to € 41.2 million in the second quarter of 2017 and from € 22.1 million to € 64.1 million over the first six months. Along with the additional profit contributions from the increased sales, the measures applied to improve performance also contributed in this respect.

Adjusted Wiring Systems EBIT [1]

	2nd quarter		1st half	
€ million	2017	2016	2017	2016
EBIT	**41.2**	**17.1**	**64.1**	**22.1**
Effect of purchase price allocation (PPA)	2.9	3.3	6.4	6.7
Restructuring expenses /-income	0.3	18.1	0.4	19.7
Adjusted EBIT	**44.4**	**38.6**	**71.0**	**48.6**

[1] Earnings adjusted for the impact of purchase price allocation, restructuring, gains on business disposals and income from business combinations including related derivatives

Order book grows to nearly € 16 billion

The Wiring Systems Division booked extensive new orders from the global motor vehicle industry in the second quarter of 2017. A large order from a premium carmaker operating worldwide, to which we will be supplying wiring systems for new and successor models in Europe from 2020, was of special importance. We also took further orders from various multinational component supply companies. As at 30 June 2017, the Wiring Systems Division's order backlog covering the next five years was up from € 14.0 billion to € 15.6 billion. The exact scope and timing of deliveries will be determined by the actual call-forwards of our customers. There was a strong increase in orders for wiring systems and cable harnesses for cars with electric and hybrid drive: the order backlog in this segment grew to € 628.0 million.

Wire & Cable Solutions Division

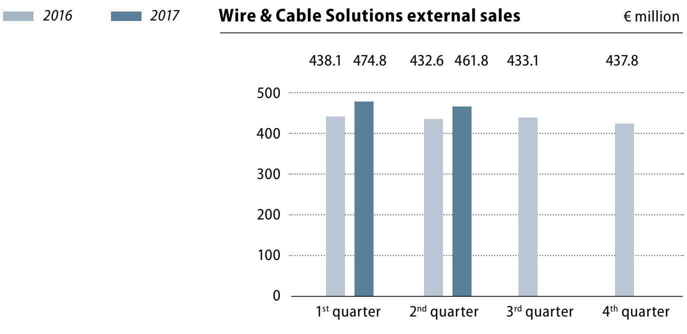
Half-year sales up 8 percent to € 936.6 million

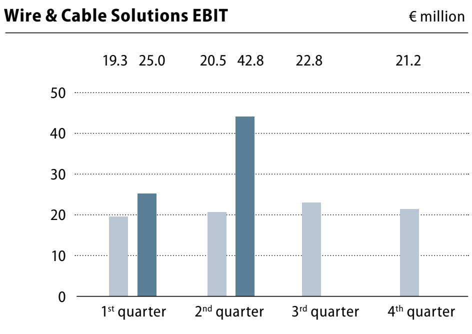
The external sales of the Wire & Cable Solutions rose by about 7 percent year on year to € 461.8 million in the second quarter of 2017. The amount of business rose by approximately 8 percent to € 936.6 million in the first half, with this growth stemming from positive copper price effects. In organic terms, on the other hand, business volume was down by around 2 percent or € 18.9 million. What should be considered is that the sales of cables for domestic and electrical appliances were only included for about four months because of the disposal of Business Group Electrical Appliance Assemblies completed in early May 2017, which equated to a missing share of sales of about € 22 million.

The demand for automotive cables, especially in the area of special cables used, for example, for safety applications and the increasing digitalization in cars, remained at a high level worldwide throughout the period under report. Cables and systems for robotics and automation engineering as well as our copper and glass fiber-based data cables were also in unabatedly strong demand. By contrast, business involving cables for the petrochemical industry weakened more than expected because of the downtrend in the market. A positive momentum for power and infrastructure cables was also missing. In regional terms, sales grew in the EMEA region and in the Americas, whereas they were down in Asia due to the sale of our domestic and electrical appliance cables business.

Wire & Cable Solutions sales performance

	€ million	in %
H1/2016 sales	870.7	
Organic growth	(18.9)	(2.2)
Contribution of new subsidiaries	0.1	0.0
Currency effects	0.6	0.1
Copper price effects	84.1	9.7
H1/2017 sales	936.6	7.6





Earnings before interest and taxes up to € 67.9 million

The Wire & Cable Solutions Division's EBIT rose from € 20.5 million to € 42.8 million in the second quarter of 2017 and from € 39.8 million to € 67.9 million in the first half. On the one hand, the sale of Business Group Electrical Appliance Assemblies yielded a positive effect of deconsolidation of € 24.8 million, which gave earnings in the second quarter a non-recurring boost. On the other hand, the corresponding profit contributions were absent from May. The weak business with the petrochemical industry, the extent of which was unexpected, also weighed on EBIT.

Adjusted Wire & Cable Solutions EBIT[1]

	2nd quarter		1st half	
€ million	**2017**	**2016**	**2017**	**2016**
EBIT	**42.8**	**20.5**	**67.9**	**39.8**
Effect of purchase price allocation (PPA)	0	0.3	0.3	0.6
Restructuring expenses /-income	0	0.7	(0.1)	1.3
Effect of deconsolidation	(24.8)	0	(24.8)	0
Adjusted EBIT	**18.1**	**21.5**	**43.3**	**41.7**

[1] *Earnings adjusted for the impact of purchase price allocation, restructuring, gains on business disposals and income from business combinations including related derivatives*

Order intake rises to € 954.0 million

Compared with the same period in the previous year, the Wire & Cable Solutions Division's order intake increased by about 8 percent to € 954.0 million from January to June 2017 and thus also exceeded sales for the reporting period.

Construction of the Factory of the Future starts

The ground-breaking in April 2017 ushered in the construction phase of our Factory of the Future in Roth, Germany. The foundation-laying ceremony for this modern Competence Centre of the Wire & Cable Solutions Division took place in June. The new plant will underpin both our core cable production business and function as a laboratory as well as development centre for innovative products and solutions. Among other products, the facility is to manufacture state-of-the-art data cables for autonomous driving, high voltage and charging cables for vehicles with alternative drive systems as well as glass fiber cables for telecommunications and infrastructure. In total, LEONI has budgeted to invest about € 90 million in this Competence Centre. The plan is for the new factory to gradually take over ongoing production from the existing plant in the centre of Roth from 2019.

Digital transformation well under way

The focus of the Wire & Cable Solutions Division's digital transformation in the first half of 2017 was on digitalization of its product range and, in the process, especially on developing intelligent cables, the functionality of which means they can for example, thanks to their integrated sensor technology, monitor themselves for temperature, resistance to aggressive media or mechanical wear. Key progress was also made with respect to the organisation, among other aspects by making staff more aware of the importance of our digital transformation and strategic repositioning as a leading provider of secure and intelligent power transmission and data management system solutions.

Group sales and earnings

Consolidated sales rise by 9 percent to € 2.4 billion in the first half

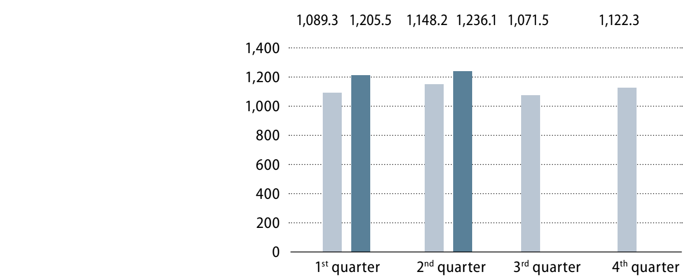
The consolidated sales of LEONI AG rose by nearly 8 percent year on year to € 1,236.1 million in the second quarter of 2017. Thanks to the good start to the year, the cumulative amount of our business over the first six months was up by more than 9 percent or € 204.0 million to € 2,441.5 million. LEONI grew by 5 percent or € 111.7 million from its own resources. New subsidiaries contributed € 11.4 million. This primarily involved our majority holding in the Chinese company Wuhan Hengtong Automotive, which was included for the first time. The increased price of copper had a positive effect of € 91.5 million. Changes in exchange rates had a negative effect of € 10.6 million.

Group sales performance

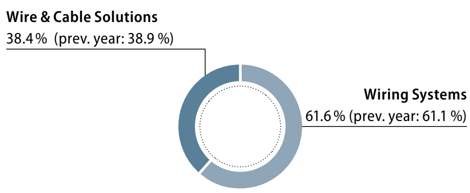
	€ million	in %
H1/2016 sales	**2,237.5**	
Organic growth	111.7	5.0
Contribution of new subsidiaries	11.4	0.5
Currency effects	(10.6)	(0.5)
Copper price effects	91.5	4.1
H1/2017 sales	**2,441.5**	9.1

Helped by the globally solid automotive business, we made gains in all regions between January and June 2017: we generated the biggest increase of nearly 17 percent to € 360.4 million in Asia. In the Americas, our sales were up by around 9 percent to € 374.6 million and in the EMEA region they rose by almost 8 percent to € 1,706.5 million.

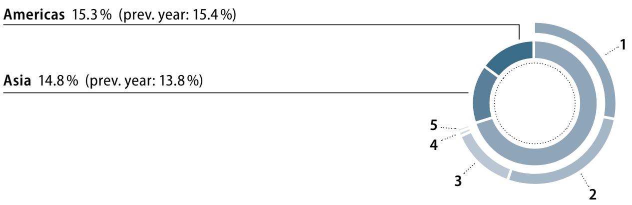
Consolidated sales € million



H1/2017 consolidated sales by division



H1/2017 consolidated sales by region



EMEA total	69.9 %	(prev. year: 70.8 %)
1 Germany	28.3 %	(prev. year: 28.5 %)
2 Remaining Europe	27.1 %	(prev. year: 27.5 %)
3 Eastern Europe	13.3 %	(prev. year: 13.7 %)
4 Africa	0.8 %	(prev. year: 0.8 %)
5 Rest of EMEA	0.4 %	(prev. year: 0.3 %)

EBIT grows to € 136.8 million with help of exceptional factors

The cost of sales in the LEONI Group rose at a slightly slower rate than business volume in the first six months of 2017, i.e. by just under 9 percent to € 2,013.4 million. The improvement in the Wiring Systems Division's performance contributed in this respect. The **gross margin** improved slightly from 17.2 percent to 17.5 percent. Selling expenses increased by approximately 2 percent to € 125.3 million. The increase in administration expenses to € 133.9 million was due above all to higher project and IT costs; their proportion of sales was unchanged at 5.5 percent. Spending on research and development was meanwhile down by 3.5 percent to € 63.9 million for project phase-related reasons.

Other operating income increased from € 11.8 million to € 36.7 million in the first half. Above all, this reflected the effect of deconsolidation of € 24.8 million from the sale of the Wire & Cable Solutions Division's domestic and electrical appliance cables business completed on 2 May 2017. In addition, there was exceptional income of € 5.0 million from pecuniary loss insurance policy relating to the fraud case uncovered in 2016, which was already recognised in the first quarter of 2017.

Other operating expenses were down substantially from € 28.4 million to € 13.4 million. In the previous year, this item included heavy restructuring expenses of € 21.1 million, most of which were incurred in the Wiring Systems Division, whereas the expense recognised in the current reporting period was just € 0.3 million. The increase from € 5.1 million to € 9.4 million in income from associated companies and joint ventures, which includes the pro-rata income of our joint venture in Langfang, China, also exerted a beneficial effect.

Consolidated earnings before interest and taxes were up from € 61.9 million in the pre-year period to € 136.8 million from January to June 2017. Adjusted for the impact of allocating purchase prices, restructuring, deconsolidation and insurance compensation, EBIT increased from € 90.3 million to € 114.0 million.

The financial result including other investment income came to a negative balance of € 12.8 million (previous year: negative € 11.1 million) due to the increased borrowing requirements for business expansion, as a result of which pre-tax earnings rose from € 50.8 million to € 123.9 million. As the proceeds from the disposal of Business Group ES are largely tax-exempt, the tax rate for the period under report was a disproportionately low 25.6 percent (previous year: 29.4 percent). Consolidated net income therefore grew strongly from € 35.9 million to € 92.2 million.

EBIT reported for the **second quarter 2017** rose from € 37.6 million to € 83.9 million. On an adjusted basis, the growth came to a rate of about 4 percent to € 62.3 million.

Group EBIT € million

Adjusted Group EBIT[1]

€ million	2nd quarter 2017	2nd quarter 2016	1st half 2017	1st half 2016
EBIT	**83.9**	**37.6**	**136.8**	**61.9**
Effect of purchase price allocation (PPA)	3.0	3.7	6.7	7.3
Restructuring expenses /-income	0.2	18.8	0.3	21.1
Effect of deconsolidation	(24.8)	0	(24.8)	0
Insurance compensation	0	0	(5.0)	0
Adjusted EBIT	**62.3**	**60.0**	**114.0**	**90.3**

[1] *Earnings adjusted for the impact of purchase price allocation, restructuring, gains on business disposals and income from business combinations including related derivatives*

Financial situation

Year-on-year improvement in free cash flow

The LEONI Group's cash flow from operating activities increased from € 14.9 million to € 56.6 million in the first half of 2017. A larger amount of funds tied in working capital for business-related and copper price-induced reasons offset the positive effect of the good result. The Company invested a total of € 83.6 million, down from € 104.7 million in the same period of 2016. In this respect, the funds provided by the sale of Business Group Electrical Appliance Assemblies more than compensated for the larger sums invested during the period under report. Free cash flow before acquisitions and divestments improved from negative € 89.8 million to negative € 62.2 million in the first six months of 2017.

The cash flow from financing activities, which included the dividend payout of € 16.3 million (previous year: € 32.7 million), amounted to € 8.3 million in the first half of 2017 (previous year: negative € 40.1 million).

On balance, the cash inflows and outflows including exchange rate-related changes to the end of June 2017 resulted in cash and cash equivalents of € 194.4 million (previous year: € 148.1 million).

Consolidated statement of cash flows *(abridged version)*

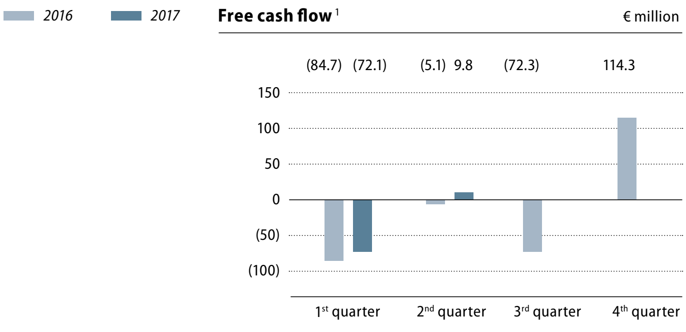
€ million	1st half 2017	1st half 2016
Cash flows from operating activities	56.6	14.9
Cash flows from capital investment activities	(83.6)	(104.7)
Cash flows from financing activities	8.3	(40.1)
Change of cash and cash equivalents	(18.8)	(129.9)
Cash and cash equivalents at end of period	**194.4**	**148.1**

Calculation of free cash flow [1]

€ million	1st half 2017	1st half 2016
Cash flows from operating activities	56.6	14.9
Cash flows from capital investment activities[1]	(118.8)	(104.7)
Free Cashflow	**(62.2)**	**(89.8)**

[1] Before acquisitions and divestments

Free cash flow [1] € million



[1] Before acquisitions and divestments

Capital expenditure rises to € 115.8 million

The LEONI Group's investment in property, plant and equipment as well as intangible assets increased from € 90.9 million in the same period of the previous year to € 115.8 million in the first half of 2017.

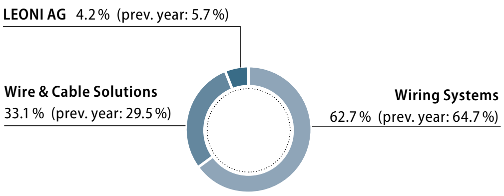
In the Wiring Systems Division, we invested € 72.6 million between January and June of this year (previous year: € 58.8 million). The primary area continued to be worldwide expansion of our capacity relating to new customer projects. The focal points were facility extensions and setting up two new plants in Eastern Europe (Nis, Serbia and Kolomyia, Ukraine) as well as rebuilding of the division's headquarters in Kitzingen.

The Wire & Cable Solutions Division increased its capital spending from € 26.9 million to € 38.3 million. The focus was on expanding special cables production for the automotive industry in Eastern Europe as well as capacity to make select industrial cables. The new factory in Roth, Germany incurred capital spending of about € 6 million during the period under report. Expenditure for this construction project will increase significantly later in the year.

» Reports by division / Segment report page 8 et seq.

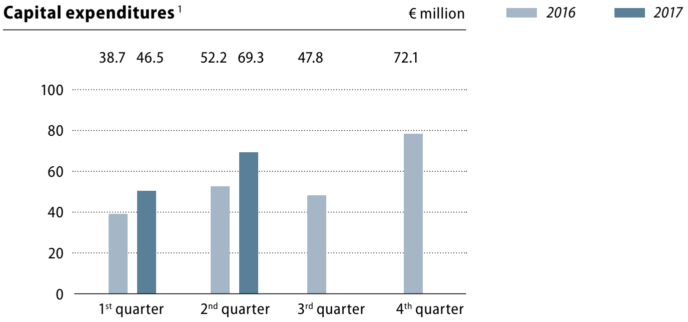
LEONI AG's capital investment was down slightly from € 5.2 million to € 4.9 million.

H1/2017 capital expenditures[1] by segment



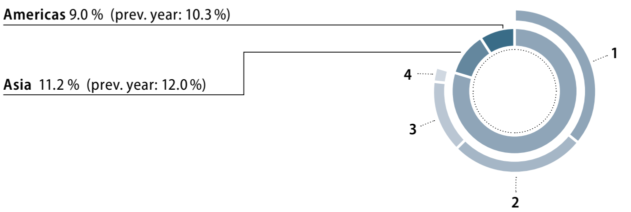
[1] *excl. investments and acquisitions*

Capital expenditures[1] € million



[1] *excl. investments and acquisitions*

H1/2017 capital expenditures[1] by region



EMEA total	79.8 %	(prev. year: 77.7 %)
1 Eastern Europe	36.1 %	(prev. year: 40.2 %)
2 Germany	26.8 %	(prev. year: 25.5 %)
3 Africa	14.2 %	(prev. year: 7.3 %)
4 Remaining EMEA	2.7 %	(prev. year: 4.7 %)

[1] *excl. investments and acquisitions*

Asset situation

Equity ratio increases slightly to 31.9 percent

LEONI AG's consolidated balance sheet as at the end of June 2017 increased by about 5 percent versus the end of 2016 to € 3,103.2 million. Under assets, there was an increase particularly in **current assets** by nearly 8 percent to € 1,713.2 million. The key factor in this respect involved trade receivables, which rose by about 12 percent to € 627.7 million because of our dynamic business in the months of May and June. Inventories were also up by around 16 percent to € 681.2 million as at the reporting date, which was due to the increased price of copper, among other reasons. A larger amount of factoring led to an increase in other financial assets from € 26.5 million to € 48.4 million. This rise in other current assets from € 115.6 million to € 145.5 million was attributable mostly to increased value added tax receivables. On the other hand, cash and cash equivalents were down from € 208.9 million to € 194.4 million. The item 'held-for-sale assets', which comprised the assets of Business Group Electrical Appliance Assemblies in the amount of € 74.7 million, was derecognised following its sale.

» Capital expenditures page 15

Among **non-current assets**, which grew by about 2 percent to € 1,390.0 overall, there were changes above all with respect to property, plant and equipment, which increased by around 3 percent to € 979.5 million because of our investment. There was furthermore a notable increase from € 24.8 million to € 32.6 million in shares in associates and joint ventures. This reflects the good performance of our joint venture in Langfang, China.

On the liabilities side, **current liabilities** rose by about 7 percent to € 1,380.3 million. There were increases in current financial liabilities from € 150.3 million to € 170.2 million and in trade liabilities by about 16 percent to € 897.0 million due to the growth of business. The accumulation of other current liabilities from € 161.0 million to € 197.3 million was caused mainly by increased value added tax liabilities and holiday pay provisions. In return, there was a reduction in other financial liabilities due in particular to the decrease in liabilities to our factoring partners from € 83.0 million to € 38.2 million. The held-for-sale liabilities of BG Electrical Appliance Assemblies amounting to € 41.8 million were furthermore derecognised.

Overall, **non-current liabilities** decreased by about 1 percent to € 733.3 million. A material factor in this respect involved the reduction from € 183.1 million to € 170.1 million in pension provisions, measurement of which was adjusted to the increased market interest rate level. Non-current financial liabilities were roughly at the previous year's level with a figure of € 461.8 million. **Net financial liabilities** thus amounted to € 437.6 million on 30 June 2017 as opposed to € 403.6 million at the end of 2016 and € 478.8 million on 31 March 2017.

The LEONI Group's **equity** on the reporting date was up by over 8 percent to € 989.7 million, which was due to the increase in retained earnings from € 634.5 million to € 710.2 million stemming from the good result. The equity ratio consequently improved from 31.1 percent (31/12/2016) to 31.9 percent.

Asset and capital breakdown

€ million	30/06/2017	31/12/2016
Current assets	1,713.2	1,588.3
Non-current assets	1,390.0	1,359.1
Total assets	**3,103.2**	**2,947.4**
Current liabilities	1,380.3	1,288.5
Non-current liabilities	733.3	743.2
Equity	989.7	915.7
Total equity and liabilities	**3,103.2**	**2,947.4**

Calculation of net financial liabilities

€ million	30/06/2017	31/12/2016
Cash and cash equivalents	194.4	208.9
Current financial liabilities	(170.2)	(150.3)
Non-current financial liabilities	(461.8)	(462.1)
Net financial liabilities	(437.6)	(403.6)

Research & Development

The LEONI Group's spending on research and development of € 63.9 million in the first half of 2017 was down slightly from the previous year's level for project phase-related reasons. The Wiring Systems Division worked hard on developing electromobility concepts for various automotive groups that operate on a global scale. The most significant areas include future wiring system architectures and intelligent power distribution. In the Wire & Cable Solutions Division, work was focussed on digitalization of the product range. The current Annual Report contains detailed information on our R & D work.

» Annual Report 2016 page 109 et seq.

R & D expense € million

Employees

81,581 employees Group-wide

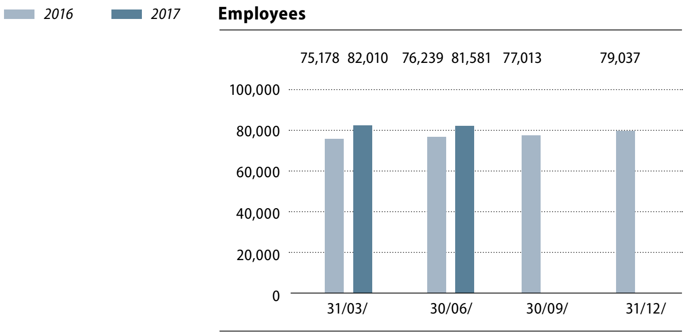
At the mid-year mark in 2017, the LEONI Group employed 81,581 people, i.e. 5,342 more than on 30 June 2016. Compared with the end of the previous year, this equated to 2,544 more staff. Overall, 94.6 percent of the staff that LEONI employs full time worked outside Germany on the reporting date (previous year: 94.3 percent). Furthermore, 4,418 part-time employees worked for LEONI at the end of June 2017 (previous year: 4,127; 31 December 2016: 4,322); mainly in China and Eastern Europe.

The Wiring Systems Division employed 73,308 people on 30 June 2017, i.e. 6,548 people or nearly 10 percent more than a year earlier. Compared with the number on 31 December 2016, this was an increase by 4,025 people. There was recruitment especially for new customer projects at facilities in the Americas, Asia, Eastern Europe and North Africa.

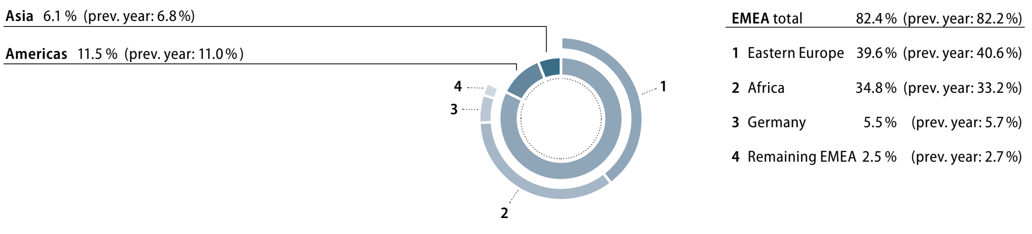
In the Wire & Cable Solutions Division, the number of employees was down by 1,231 people year on year to 7,970, which was due primarily to the sale of Business Group Electrical Appliance Assemblies. The division had 9,458 employees at the end of 2016.

The LEONI AG holding company's workforce grew to 303 people at the mid-year mark, which was 25 staff more than one year earlier and seven more than on 31 December 2016.

Employees



Employees by region as of 30 June 2017



Supplementary report

No events of special significance and with material impact on the LEONI Group's earnings, financial and asset situation occurred after close of this reporting period and until this report was signed.

Sustainability report

LEONI is committed to sustainable and responsible corporate governance aimed at meeting the requirements of all the stakeholders affected by our actions. In 2016, we set up sustainability management at Group level and strategically as well as organisationally realigned our activity with the aim of embedding the idea of sustainability throughout the Company even better and to advance it further. We also revised the corresponding reporting. In early August, LEONI published a new sustainability report on this basis. It can be accessed on our website under the heading Company / Publications.

» www.leoni.com

Risk and opportunity report

The risk and opportunity situation for the LEONI Group has not materially changed since the end of 2016. There are still no risks that would threaten the Company's continued existence. All existing risks and opportunities as well as the structure and set-up of our risk and opportunity management are comprehensively presented in our Annual Report 2016.

» Annual Report 2016
page 114 et seq.

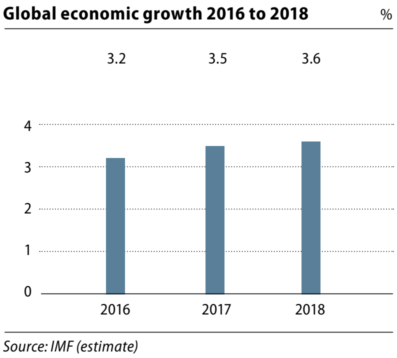
Forecast

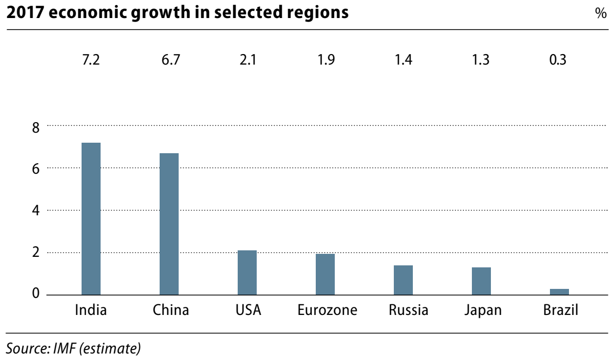
Business and underlying conditions

In the update to its World Economic Outlook published in July, the IMF estimates – as it already did in its projections in the spring of 2017 – a slightly faster rate of global growth than in the previous year of 3.5 percent. Overall gross domestic product in the industrialised countries is likely to pick up by 2.0 percent, with particularly many euro countries, but also Canada and Japan, performing slightly better than forecast in April. By contrast, the prospects in the United States and the United Kingdom have become somewhat gloomier.

For the developing and emerging countries, the IMF estimates overall growth of 4.6 percent with unchanged rates of increase in India and China as well as the indicated recovery in Brazil and Russia.

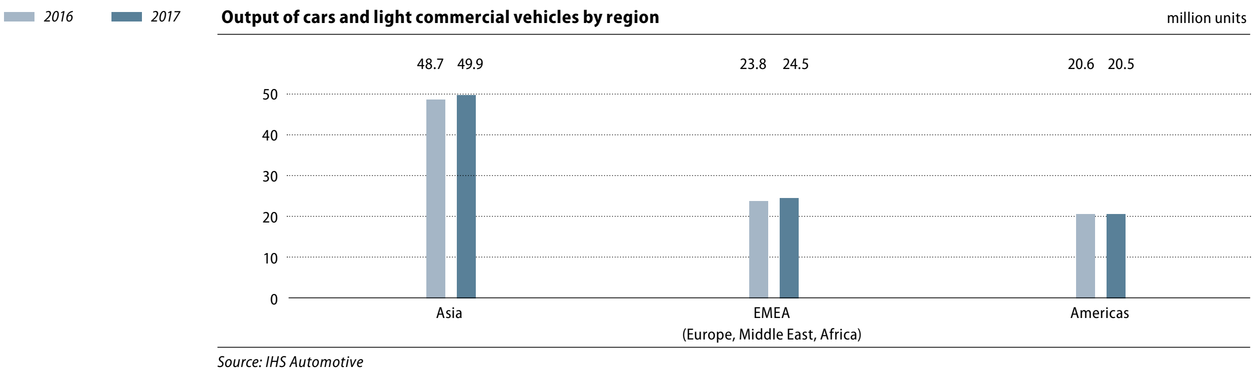
The IMF continues to identify numerous risks that might compromise the upswing. Alongside the unclear consequences of the Brexit negotiations and the difficult-to-predict regulatory as well as fiscal developments in the United States, these also include possible turmoil on the financial markets, mounting geopolitical tensions and increasing protectionism.



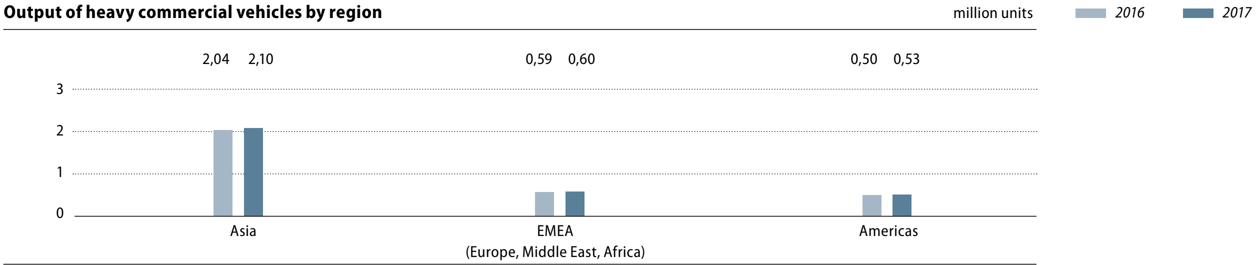


The customer sector of greatest importance to LEONI, namely the global automotive industry, will probably perform well in 2017. The German Association of the Automotive Industry (VDA) believes that global **car sales** will grow by about 2 percent. However, growth projections for China, the largest single market, were scaled back at the mid-year mark, whereas the prospects for new vehicle registrations in Europe have improved slightly. The VDA still projects a flat US market, while the formerly crisis-affected countries of Brazil and Russia should gradually recover. Against this backdrop, IHS Automotive estimates that worldwide **car production** will likewise increase by about 2 percent this year and thus slow down a little in the second half from the first six months of the year. Over the year as a whole, output of cars and light commercial vehicles will probably have been stepped up in Asia and the EMEA area, whereas it will likely be down slightly in the Americas. IHS Automotive believes that production of vehicles with hybrid and electric drive should grow disproportionately strongly, with a projected worldwide increase of approximately 30 percent.

According to IHS Automotive's latest forecasts, global manufacture of **heavy commercial vehicles** will be up by about 3.5 percent in 2017. The strongest rates of growth are to be expected in the Americas, followed by Asia and the EMEA area.



Output of heavy commercial vehicles by region



Source: IHS Automotive

Most of the industrial markets in which LEONI is present will, from today's perspective, also perform well in 2017: the sector associations for the electrical goods industry, machinery and plant engineering as well as the ICT (information and communications technology) sector say that worldwide growth is to be expected. On the other hand, we believe that the conditions underlying the petrochemical industry will continue to be difficult.

The LEONI Group's business performance

Against the backdrop of the Company's good business performance in the first half, LEONI AG's Board of Directors has reaffirmed its sales guidance for fiscal 2017. From today's perspective, **consolidated sales** will be up by approximately 4.5 percent to about € 4.6 billion. If the copper price were to remain at the level of the first six months later in the year, full-year sales will probably exceed the budget target of € 4.6 billion. Broken down by region, we anticipate a significant pick-up especially in Asia. We project a moderate sales increase for the EMEA economic area and a slight decline in the Americas.

Based on the Company's good performance in the first half of 2017, we forecast growth in **consolidated EBIT** from € 78.1 million (previous year) to between € 190 and 210 million. Together with additional profit contributions from more sales and operational improvements in the Wiring Systems Division, we benefited from the two exceptional factors in the first half of 2017: the sale of Business Group Electrical Appliance Assemblies and the insurance compensation. Compared with the previous year, there are also no longer such heavy restructuring expenses or the charges arising from the fraud case. On the other hand, however, there will be spending on various Group-wide optimisation and future-oriented projects, among others covering such areas as strategy, digitalization and IT.

The **Wiring Systems Division** is expected to increase its external sales by approximately 8 percent to about € 2.9 billion in 2017. The division can be expected to generate a significant gain in EBIT to between € 95 and 105 million (previous year: € 34.7 million). Based on the yet again larger number of pending new projects for our customers, we will also enlarge our capacity for wiring systems production in 2017. Along with expanding existing facilities, we will commission new plants in Mexico and the Ukraine. Our joint venture in Langfang, China, will also be completing construction of a new plant. We will furthermore expand our activity in the areas of electromobility, automation and digitalization this year and thereby enhance our position as a provider of intelligent solutions for data and power distribution in vehicles.

The **Wire & Cable Solutions Division** can be expected to generate sales of about € 1.7 billion in 2017 (previous year: € 1.74 billion). The absence of Business Group Electrical Appliance Assemblies' sales and the lack of business with the petrochemical industry will in the process largely be offset by the very positive copper price effect. From today's perspective, the division's EBIT will amount to between € 90 and 100 million (previous year: € 83.7 million). This includes the effect of having sold Business Group Electrical Appliance Assemblies.

» Reports by division / Segment report page 8 et seq.

The focal areas of the Wire & Cable Solutions Division's investment in the second half of 2017 will be worldwide expansion of capacity for special automotive cables and further internationalisation in the industrial segments. We will furthermore invest in our new factory in Roth, Germany. We also intend to improve our position as a leading provider of intelligent and secure power transmission and data management system solutions as well as forge ahead further with our digital transformation.

Except for its raised forecast for consolidated EBIT, the Company has reaffirmed its other statements on overall performance in the 2017 financial year.

LEONI Group guidance

		Actual 2016 figures	Guidance for 2017
Consolidated sales	*€ billion*	4.43	approx. 4.6
EBIT	*€ million*	78.1	190 – 210
Capital expenditure	*€ million*	217.1 [1]	approx. 250
Free cash flow	*€ million*	(40.3)	positive

[1] *incl. acquisitions and investments*

Condensed interim consolidated financial statements 30 June 2017

Consolidated income statement

	2nd quarter			1st half		
€ '000 (except information to shares)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Sales	1,236,063	1,148,219	7.7 %	2,441,532	2,237,512	9.1 %
Cost of sales	(1,012,807)	(934,752)	8.4 %	(2,013,361)	(1,852,291)	8.7 %
Gross profit on sales	**223,256**	**213,467**	**4.6 %**	**428,171**	**385,221**	**11.2 %**
Selling expenses	(62,955)	(62,952)	0.0 %	(125,303)	(123,392)	1.6 %
General and administration expenses	(68,611)	(62,321)	10.1 %	(133,932)	(122,126)	9.7 %
Research and development expenses	(31,991)	(33,636)	(4.9) %	(63,894)	(66,218)	(3.5) %
Other operating income	26,781	5,967	> 100.0 %	35,723	11,802	> 100.0 %
Other operating expenses	(7,227)	(26,299)	(72.5) %	(13,434)	(28,434)	(52.8) %
Result from associated companies and joint ventures	4,646	3,351	38.7 %	9,420	5,076	85.6 %
EBIT	**83,899**	**37,577**	**> 100.0 %**	**136,751**	**61,929**	**> 100.0 %**
Finance revenue	249	225	10.7 %	822	612	34.3 %
Finance costs	(7,905)	(5,805)	36.2 %	(13,848)	(11,806)	17.3 %
Other income / expenses from share investments	0	0	—	183	114	60.5%
Income before taxes	**76,243**	**31,997**	**> 100.0 %**	**123,908**	**50,849**	**> 100.0 %**
Income taxes	(17,660)	(7,662)	> 100.0 %	(31,704)	(14,929)	> 100.0 %
Net income	**58,583**	**24,335**	**> 100.0 %**	**92,204**	**35,920**	**> 100.0 %**
attributable to: equity holders of the parent	58,668	24,342		92,024	35,854	
non-controlling interests	(85)	(7)		180	66	
Earnings per share (basic and diluted)	1.80	0.75		2.82	1.10	
Weighted average shares outstanding (basic and diluted)	32,669,000	32,669,000		32,669,000	32,669,000	

Consolidated statement of comprehensive income

	2nd quarter			1st half		
€ '000	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Net income	**58,583**	**24,335**	**> 100.0 %**	**92,204**	**35,920**	**> 100.0 %**
Other comprehensive income						
Items that cannot be reclassified to the income statement:						
Actuarial gains and losses on defined benefit plans	8,434	(23,782)	> 100.0 %	11,226	(38,949)	> 100.0 %
Income taxes applying to items of other comprehensive income that are not reclassified	(505)	5,193	(> 100.0) %	(1,225)	8,789	(> 100.0) %
Share of the actuarial gains and losses that pertain to associates and joint ventures	0	0	—	0	(15)	—
Items that can be reclassified to the income statement:						
Cumulative translation adjustments						
Losses arising during the period	(25,464)	(3,198)	(> 100.0) %	(22,663)	(26,192)	13.5 %
Less reclassification adjustments included in the income statement	(1,914)	0	(100.0) %	(1,914)	0	(100.0) %
Total cumulative translation adjustments	(27,378)	(3,198)	(> 100.0) %	(24,577)	(26,192)	6.2 %
Cash flow hedges						
Gains and losses arising during the period	4,735	(7,229)	> 100.0 %	10,844	(7,172)	> 100.0 %
Less reclassification adjustments included in the income statement	3,081	2,846	8.3 %	7,999	5,393	48.3 %
Less reclassification adjustments included in the financial position statement	100	0	100.0 %	100	0	100.0 %
Total cash flow hedges	7,916	(4,383)	> 100.0 %	18,943	(1,779)	> 100.0 %
Parts of the items that can be reclassified to the income statement, which pertain to associates and joint ventures	(871)	(105)	(> 100.0) %	(937)	(652)	(43.7)%
Income taxes applying to items of other comprehensive income that are reclassified	(2,103)	1,412	(> 100.0) %	(5,435)	(499)	(> 100.0) %
Other comprehensive income (after taxes)	**(14,507)**	**(24,863)**	**41.7 %**	**(2,005)**	**(59,297)**	**96.6 %**
Total comprehensive income	**44,076**	**(528)**	**> 100.0 %**	**90,199**	**(23,377)**	**> 100.0 %**
attributable to: equity holders of the parent	44,489	(543)	> 100.0 %	90,383	(23,465)	> 100.0 %
non-controlling interests	(413)	15	(> 100.0) %	(184)	88	(> 100.0) %

Consolidated statement of cash flows

	2nd quarter		1st half	
€ '000	**2017**	**2016**	**2017**	**2016**
Net income	58,583	24,335	92,204	35,920
Adjustments to reconcile cash provided by operating activities:				
Income taxes	17,660	7,662	31,704	14,929
Net interest	6,088	5,517	11,740	10,891
Dividend income	0	0	(183)	(114)
Depreciation and amortisation	38,040	36,570	75,220	73,546
Impairment of non-current assets	84	0	1,584	0
Non-cash result from associated companies and joint ventures	(4,646)	(3,351)	(9,420)	(5,076)
Result of asset disposals	92	(481)	166	(870)
Effect of deconsolidation	(24,756)	0	(24,756)	0
Change in operating assets and liabilities				
Change in receivables and other financial assets	(30,502)	(19,419)	(101,280)	(68,652)
Change in inventories	(27,489)	(10,715)	(112,659)	(67,481)
Change in other assets	8,728	(21,273)	(26,826)	(49,469)
Change in restructuring provisions	(2,556)	14,218	(10,134)	14,146
Change in other provisions	2,648	(7,390)	3,268	(14,891)
Change in liabilities	51,430	35,922	156,487	96,206
Income taxes paid	(21,474)	(13,290)	(26,376)	(19,988)
Interest paid	(1,815)	(1,661)	(4,745)	(4,862)
Interest received	186	267	417	567
Dividends received	0	0	183	114
Cash flows from operating activities	**70,301**	**46,911**	**56,594**	**14,916**
Capital expenditures for intangible assets and property, plant and equipment	(60,251)	(52,020)	(119,105)	(105,246)
Acquisitions of subsidiaries less cash and cash equivalents acquired thereof: Purchase price 3,479 €'000 (prev. year: 0 €'000) Cash and cash equivalents acquired 2,340 €'000 (prev. year: 0 €'000)	0	0	(1,139)	0
Capital expenditures for other financial assets	30	(55)	0	(153)
Cash receipts / payments from disposal of assets	(271)	24	274	694
Income from the disposal of a business operation / subsidiaries less cash equivalents paid thereof: Disposal 53,427 €'000 (prev. year: 0 €'000) Disposed cash and cash equivalents 17,087 €'000 (prev. year: 0 €'000)	36,340	0	36,340	0
Cash flows from capital investment activities	**(24,152)**	**(52,051)**	**(83,630)**	**(104,705)**
Cash receipts from acceptance of financial debts	(17,247)	1,432	16,995	25,247
Cash repayments of financial debts	0	(5,365)	0	(32,710)
Financial liabilities disposed with the sale of a business operation	8,619	0	8,619	0
Dividends paid by LEONI AG	(16,335)	(32,669)	(16,335)	(32,669)
Dividends paid to the non-controlling interest shareholders	0	0	(1,024)	0
Cash flows from financing activities	**(24,963)**	**(36,602)**	**8,255**	**(40,132)**
Change of cash and cash equivalents	21,186	(41,742)	(18,781)	(129,921)
Currency adjustments	(4,751)	324	(4,161)	(1,637)
Cash and cash equivalents at beginning of period	177,923	189,540	217,300	279,680
of which carried on the balance sheet under the item 'assets held for sale'	*6,940*	*0*	*8,387*	*0*
of which carried on the balance sheet under the item 'cash and cash equivalents'	*170,983*	*189,540*	*208,913*	*279,680*
Cash and cash equivalents at end of period	194,358	148,122	194,358	148,122

Consolidated statement of financial position

Assets

€ '000	**30/06/2017**	**31/12/2016**	**30/06/2016**
Cash and cash equivalents	194,358	208,913	148,122
Trade accounts receivable	627,738	558,300	635,331
Other financial assets	48,386	26,475	22,844
Other assets	145,522	115,629	136,158
Receivables from income taxes	15,992	16,035	19,287
Inventories	681,230	588,273	608,339
Assets held for sale	0	74,712	0
Total current assets	**1,713,226**	**1,588,337**	**1,570,081**
Property, plant and equipment	979,533	949,863	920,758
Intangible assets	68,007	70,659	75,452
Goodwill	147,897	147,935	149,859
Shares in associated companies and joint ventures	32,595	24,754	16,878
Trade receivables from long-term development contracts	61,397	53,344	51,960
Other financial assets	7,431	7,543	8,241
Deferred taxes	52,571	61,356	64,300
Other assets	40,564	43,642	32,324
Total non-current assets	**1,389,995**	**1,359,096**	**1,319,772**
Total assets	**3,103,221**	**2,947,433**	**2,889,853**

Equity and liabilities

€ '000	**30/06/2017**	**31/12/2016**	**30/06/2016**
Current financial debts and current proportion of long-term financial debts	170,213	150,345	71,146
Trade accounts payable	897,041	773,123	779,359
Other financial liabilities	38,191	82,969	70,398
Income taxes payable	28,968	25,874	27,471
Other current liabilities	197,260	160,993	178,392
Provisions	48,580	53,463	38,644
Liabilities held for sale	0	41,761	0
Total current liabilities	**1,380,253**	**1,288,528**	**1,165,410**
Long-term financial debts	461,765	462,143	525,420
Long-term financial liabilities	13,372	14,103	2,635
Other non-current liabilities	5,577	5,127	10,483
Pension provisions	170,071	183,059	183,773
Other provisions	34,384	33,253	27,876
Deferred taxes	48,092	45,564	33,974
Total non-current liabilities	**733,261**	**743,249**	**784,161**
Share capital	32,669	32,669	32,669
Additional paid-in capital	290,887	290,887	290,887
Retained earnings	710,163	634,474	660,392
Accumulated other comprehensive income	(53,001)	(51,360)	(45,469)
Equity holders of the parent	980,718	906,670	938,479
Non-controlling interests	8,989	8,986	1,803
Total equity	**989,707**	**915,656**	**940,282**
Total equity and liabilities	**3,103,221**	**2,947,433**	**2,889,853**

Consolidated statement of changes in equity

€ '000	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income: Cumulative translation adjustments	Accumulated other comprehensive income: Cash flow hedges	Accumulated other comprehensive income: Actuarial gains and losses	Equity holders of the parent	Non-controlling interestss	Total equity
1 January 2016	**32,669**	**290,887**	**657,207**	**102,776**	**(6,742)**	**(82,184)**	**994,613**	**1,715**	**996,328**
Net income			35,854				35,854	66	35,920
Other comprehensive income				(26,875)	(2,269)	(30,175)	(59,319)	22	(59,297)
Total comprehensive income							(23,465)	88	(23,377)
Dividend payment			(32,669)				(32,669)		(32,669)
30 June 2016	**32,669**	**290,887**	**660,392**	**75,901**	**(9,011)**	**(112,359)**	**938,479**	**1,803**	**940,282**
1 January 2017	**32,669**	**290,887**	**634,474**	**84,906**	**(14,914)**	**(121,352)**	**906,670**	**8,986**	**915,656**
Net income			92,024				92,024	180	92,204
Other comprehensive income				(25,150)	13,508	10,001	(1,641)	(364)	(2,005)
Total comprehensive income							90,383	(184)	90,199
Dividend payment			(16,335)				(16,335)	(1,024)	(17,359)
Addition of non-controlling interests								1,342	1,342
Disposal of non-controlling interests								(131)	(131)
30 June 2017	**32,669**	**290,887**	**710,163**	**59,756**	**(1,406)**	**(111,351)**	**980,718**	**8,989**	**989,707**

Notes to the condensed interim consolidated financial statements for the period from 1 January to 30 June 2017

Principles

These interim financial statements were, in accordance with the International Accounting Standard IAS 34, Interim Financial Reporting as it is to be applied within the European Union, prepared as a condensed interim report. These financial statements do not include all the disclosures and information required for annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2016. LEONI prepares and publishes the interim financial statements in euro (€). The presented interim consolidated financial statements and interim group management report as at 30 June 2017 were subjected to a review by the auditors. The Board of Directors authorised release of the interim consolidated financial statements on 1 August 2017.

1 | Accounting principles

The consolidation, valuation and accounting methods applied are essentially in line with those in the 2016 consolidated financial statements, where they are described in the notes.

The accounting standards that were to be applied to the 2017 financial year for the first time did not have any material effect on the interim consolidated financial statements and are for this reason not specifically explained.

Future, new accounting requirements

A) Accounting requirements endorsed by the European Union (EU)

In May 2014, the IASB published the new IFRS 15, Revenue from Contracts with Customers. The topics identified with respect to IFRS 15 that are of relevance to LEONI were already described in the notes to the 2016 consolidated financial statements. Based on the latest analysis, the reconciliation effects to be expected when applying IFRS 15 for the first time to the opening statement of financial position for 2017 will be no more than minor. They will probably amount to about 1 percent of equity.

In July 2014, the IASB issued its new standard IFRS 9, Financial Instruments. LEONI will apply the new Standard as of the time of it coming into force from 1 January 2018 without presenting a comparative period. At the present time, there is no reason to expect any material, quantitative effect on the statement of financial position or equity. The scope of disclosure requirements will widen significantly.

B) The European Union (EU) has not yet endorsed the following accounting requirements issued by either the IASB or IFRIC:

In January 2016, the IASB issued its new standard IFRS 16. A project group was set up this year, which in the course of the project will work in depth on the precise effects and implementation of the Standard's new requirements.

2 | Scope of consolidation

In addition to LEONI AG, which is based at Marienstrasse 7 in Nuremberg and is registered with the Nuremberg local court under number HRB 202, all the subsidiaries that are either directly or indirectly controlled by LEONI AG are included in the consolidated financial statements.

The acquisition in the first quarter of the year under report of a business in Switzerland that was allocated the Wire & Cable Solutions Division changed the scope of consolidation, as did the disposal in May of seven subsidiaries based in Asia and Europe. These subsidiaries were involved in the production and marketing of cables for the electrical and domestic appliance industry

Explanations

3 | Acquisition and disposal of subsidiaries

LEONI acquired two thirds of the shares in Zürich-based Adaptricity AG. The company contributes software-supported consulting services based on expert electrotechnical knowledge to the Group. The company was first consolidated upon gaining control of it on 15 February 2017. The acquired business will be integrated in the Wire & Cable Solutions Division. The purchase price was € 3,479 k. Taking the acquired cash and cash equivalents totalling € 2,340 k into account, the cash consideration paid was € 1,139 k. The acquisition did not incur any material transaction costs.

The overview below shows the fair values of the acquired assets and liabilities on the date of initial consolidation:

€ '000	**Recognised at acquisition**
Liquid assets	2,340
Trade accounts receivable	34
Inventories	8
Intangible assets	2,261
Total assets	4,643
Trade accounts payable	107
Other liabilities	127
Deferred taxes	381
Total liabilities	615
Net assets	**4,028**
Non-controlling interests	1,342
Acquired net assets	**2,686**
Purchase price	3,479
Negative goodwill	**793**

The purchase price exceeded the sum of pro-rata assets and liabilities, which is why goodwill amounting to € 793 k was recognised for the acquired staff and expected synergies.

On 2 May 2017, LEONI sold its business focused on production for domestic and electrical appliances, i.e. all the shares in its subsidiaries EA Cable Assemblies GmbH, LEONI Cable Belgium N.V., LEONI WCS Southeast Europe d.o.o., LEONI Cable Assemblies Slovakia s.r.o., LEONI Cable (Xiamen) Co., Ltd., LEONI Cable Assemblies (Changzhou) Co., Ltd. and EA Cable Assemblies (Hong Kong) Co., Ltd. The subsidiaries were deconsolidated on the day of their disposal as control over them also passed to the purchaser on this date. The consideration to be paid by the purchaser amounts to € 51,561 k. From the sale, the Group recognised a gain on deconsolidation totalling € 24,756 k. This included an exchange gain in the amount of € 1,914 k, which was reclassified from other comprehensive income to the income statement and presented under other operating income. The overview below shows the deconsolidated assets and liabilities:

€ '000	**Deconsolidated upon disposal**
Trade receivables	34,331
Inventories	17,958
Other current assets	4,624
Property, plant and equipment	14,669
Other non-current assets	525
Cash and cash equivalents	17,087
Deconsolidated assets	89,194
Trade accounts payable	18,775
Other current liabilities	19,773
Current liabilities to LEONI AG	13,271
Long-term financial debts	8,619
Other non-current liabilities	37
Deconsolidated liability	60,475
Net assets	**28,719**
Consideration received	53,427
Purchase price adjustment requirement	(1,866)
Deconsolidated net assets	(28,719)
Deconsolidated OCI	1,914
Effect of deconsolidation	**24,756**

In the first half of 2017, the Group took in a payment of € 53,427 k from its sale of this business, which therefore, when taking the disposed cash and cash equivalents into account, provided the Group with cash of € 36,340 k. The transaction costs incurred totalled € 1,679 k (of which € 614 k in preceding years).

4 | Segment information

The Group has two segments subject to reporting. Detailed information on the segments is contained in the interim group management report as well as the 2016 annual report.

The information by segment was as follows for the period under report:

	2nd quarter		1st half		
€ '000 (employees excluded)	**2017**	**2016**	**2017**	**2016**	**Change**
Wiring Systems					
Sales	774,281	715,677	1,505,014	1,366,989	10.1 %
Less intersegment sales	61	33	124	189	(34.4) %
External sales (sales to third parties)	774,220	715,644	1,504,890	1,366,800	10.1 %
EBIT	41,244	17,086	64,119	22,131	> 100.0 %
EBIT as a percentage of external sales	5.3 %	2.4 %	4.3 %	1.6 %	—
Employees as at 30/06/ (number)	73,308	66,760	73,308	66,760	9.8 %
Wire & Cable Solutions					
Sales	514,050	476,081	1,039,047	961,697	8.0 %
Less intersegment sales	52,207	43,506	102,405	90,985	12.6 %
External sales (sales to third parties)	461,843	432,575	936,642	870,712	7.6 %
EBIT	42,830	20,478	67,860	39,770	70.6 %
EBIT as a percentage of external sales	9.3 %	4.7 %	7.2 %	4.6 %	—
Employees as at 30/06/ (number)	7,970	9,201	7,970	9,201	(13.4) %
Consolidation / LEONI AG					
Sales	(52,268)	(43,539)	(102,529)	(91,174)	(12.5) %
Less intersegment sales	52,268	43,539	102,529	91,174	12.5 %
External sales (sales to third parties)	—	—	—	—	
EBIT	(175)	13	4,772	28	
Employees as at 30/06/ (number)	303	278	303	278	9.0 %
Group					
Sales	1,236,063	1,148,219	2,441,532	2,237,512	9.1 %
Less intersegment sales	—	—	—	—	
External sales (sales to third parties)	1,236,063	1,148,219	2,441,532	2,237,512	9.1 %
EBIT	83,899	37,577	136,751	61,929	> 100.0 %
EBIT as a percentage of external sales	6.8 %	3.3 %	5.6 %	2.8 %	—
Employees as at 30/06/ (number)	81,581	76,239	81,581	76,239	7.0 %

5 | Other operating income and other operating expenses

Other operating income amounted to € 35,723 k (previous year: € 11,802 k). This included the gain on deconsolidation from the sale of the domestic and electrical appliance business in the Wire & Cable Solutions Division in the amount of € 24,756 k as well as insurance compensation of € 5,000 k for the fraud case dating back to the previous year. Government grants accounted for € 1,403 k (previous year: € 2,892 k), which were mainly to subsidise export business in Egypt. Also included is income from providing services for our joint venture in Langfang of € 1,967 k (previous year: € 2,628 k) (cf. also Note 12 in this regard). The previous year's figure included exchange gains in the amount of € 2,103 k.

The other operating expenses in the amount of € 13,434 k (previous year: € 28,434 k) included restructuring costs of € 763 k (previous year: € 21,065 k) mostly for severance payments to staff in Korea. Exchange losses were included in the amount of € 7,174 k.

6 | Financial result

The financial result, i.e. the balance of finance revenue and costs, came to negative € 13,026 k (previous year: negative € 11,194 k). This change is attributable to greater interest expenses due to increased net financial liabilities as well as the increase in exchange losses.

7 | Income taxes

The reported income taxes of € 31,704 k (previous year: € 14,929 k) comprised current tax expense of € 28,246 k (previous year: € 17,951 k) and deferred tax expense due to differences in balance sheet items and changes in loss carryforwards of € 3,458 k (previous year: deferred tax income of € 3,022 k).

The tax rate was 25.6 percent (previous year: 29.4 percent). The tax-exempt sale of the domestic and electrical appliance business was the primary factor benefiting the trend in the tax rate versus the previous year.

8 | Comprehensive income

The overview below shows the gross amounts, income tax effects and net amounts of other comprehensive income:

	2nd quarter						1st half					
	2017			2016			2017			2016		
€ '000	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount
Change in actuarial gains and losses	8,434	(505)	7,929	(23,782)	5,193	(18,589)	11,226	(1,225)	10,001	(38,949)	8,789	(30,160)
Foreign currency translation adjustments	(27,378)	0	(27,378)	(3,198)	0	(3,198)	(24,577)	0	(24,577)	(26,192)	(9)	(26,201)
Changes in unrealised gains/ losses on cash flow hedges	7,916	(2,103)	5,813	(4,383)	1,412	(2,971)	18,943	(5,435)	13,508	(1,779)	(490)	(2,269)
Changes in the share of other comprehensive income accounted for by associates and joint ventures	(871)	0	(871)	(105)	0	(105)	(937)	0	(937)	(667)	0	(667)
Other comprehensive income	**(11,899)**	**(2,608)**	**(14,507)**	**(31,468)**	**6,605**	**(24,863)**	**4,655**	**(6,660)**	**(2,005)**	**(67,587)**	**8,290**	**(59,297)**

In the first half, other comprehensive income reflected particularly currency exchange losses of € 24,577 k (previous year: losses of € 26,192 k) due to translating primarily the Chinese renminbi and the US dollar into the euro reporting currency.

Unrealized gains on cash flow hedges also influenced other comprehensive income. This involved changes in the exchange rates between several currency pairings of key significance to LEONI.

The increase in the discount rate on pension obligations in Germany and the good performance of plan assets in the United Kingdom furthermore resulted in actuarial gains amounting to € 11,226 k (previous year: losses of € 38,949 k).

Taking deferred taxes into account, the overall result was other comprehensive income of negative € 2,005 k (previous year: negative € 59,297 k).

9 | Financial liabilities

The sum of current and non-current financial liabilities was € 631,978 k on 30 June 2017 (31/12/2016: € 612,488 k) and was up for reporting date-related reasons to fund working capital, among other factors.

10 | Assets and liabilities held for sale

The decrease in assets held for sale compared with the previous year was due to the disposal on 2 May 2017 of the domestic and electrical appliance cable business (cf. note 3).

11 | Financial instruments

The tables below show the carrying amounts and the fair values of the financial instruments held in the Group on 30 June 2017 and on 30 June 2016:

		Amounts recognised in balance sheet according to IAS 39					
€ '000	Category in accordance with IAS 39	**Carrying amount 30/06/2017**	Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss	**Fair value 30/06/2017**
Assets							
Cash and cash equivalents	LaR	**194,358**	194,358				**194,358**
Trade receivables	LaR	**627,738**	627,738				**627,738**
Long-term trade receivables from development contracts	LaR	**61,397**	61,397				**61,397**
Other financial receivables	LaR	**43,030**	43,030				**43,030**
Other non-derivative financial assets							
Available-for-Sale financial assets	AfS	**1,115**		1,115			**1,115**
Derivative financial assets							
Derivatives without a hedging relationship	FAHfT	**4,656**				4,656	**4,656**
Derivatives with a hedging relationship	n/a	**7,016**			5,576	1,440	**7,016**
Total equity and liabilities							
Trade payables	FLAC	**897,041**	897,041				**897,041**
Liabilities to banks	FLAC	**233,378**	233,378				**235,964**
Borrower's note loans	FLAC	**398,575**	398,575				**408,853**
Other financial liabilities	FLAC	**43,359**	43,359				**43,359**
Derivative financial liabilities							
Derivatives without a hedging relationship	FLHfT	**3,970**				3,970	**3,970**
Derivatives with a hedging relationship	n/a	**4,259**			4,259		**4,259**
Of which aggregated by categories in accordance with IAS 39:							
Loans and Receivables (LaR)	LaR	**926,523**	926,523				**926,523**
Available-for-Sale financial assets (AfS)	AfS	**1,115**		1,115			**1,115**
Financial Assets Held for Trading (FAHfT)	FAHfT	**4,656**				4,656	**4,656**
Financial Liabilities measured at Amortised Cost (FLAC)	FLAC	**1,572,353**	1,572,353				**1,585,217**
Financial Liabilities Held for Trading (FLHfT)	FLHfT	**3,970**				3,970	**3,970**

€ '000	Category in accordance with IAS 39	**Carrying amount 30/06/2016**	Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss	**Fair value 30/06/2016**
		Amounts recognised in balance sheet according to IAS 39					
Assets							
Cash and cash equivalents	LaR	**148,122**	148,122				**148,122**
Trade receivables	LaR	**635,331**	635,331				**635,331**
Long-term trade receivables from development contracts	LaR	**51,960**	51,960				**51,960**
Other financial receivables	LaR	**24,738**	24,738				**24,738**
Other non-derivative financial assets							
Available-for-Sale financial assets	AfS	**1,065**		1,065			**1,065**
Derivative financial assets							
Derivatives without a hedging relationship	FAHfT	**1,077**				1,077	**1,077**
Derivatives with a hedging relationship	n/a	**4,205**			2,147	2,058	**4,205**
Total equity and liabilities							
Trade payables	FLAC	**779,359**	779,359				**779,359**
Liabilities to banks	FLAC	**197,528**	197,528				**201,907**
Borrower's note loans	FLAC	**399,013**	399,013				**414,878**
Other financial liabilities	FLAC	**42,919**	42,919				**42,919**
Derivative financial liabilities							
Derivatives without a hedging relationship	FLHfT	**16,827**				16,827	**16,827**
Derivatives with a hedging relationship	n/a	**13,312**			13,312		**13,312**
Of which aggregated by categories in accordance with IAS 39:							
Loans and Receivables (LaR)	LaR	**860,151**	860,151				**860,151**
Available-for-Sale financial assets (AfS)	AfS	**1,065**		1,065			**1,065**
Financial Assets Held for Trading (FAHfT)	FAHfT	**1,077**				1,077	**1,077**
Financial Liabilities measured at Amortised Cost (FLAC)	FLAC	**1,418,819**	1,418,819				**1,439,063**
Financial Liabilities Held for Trading (FLHfT)	FLHfT	**16,827**				16,827	**16,827**

The fair values of other non-current receivables maturing after more than one year corresponded to the present values of payments relating to the assets, in each case taking into account the current interest parameters that reflected market and partner-related changes in terms.

Trade liabilities and other liabilities usually matured in the short term; the amounts on the balance sheet represented approximations of the fair value. The fair values of liabilities to banks, the borrower's note loans and the other non-current financial liabilities were determined as the present values of the payments relating to the liabilities based on the respectively applicable yield curves and the Group-specific margins. For this reason, the fair values are to be allocated to hierarchy level 3.

The fair values of the foreign exchange transactions were based on current reference rates observable on the market and taking into consideration forward premiums or discounts. LEONI takes account of the risk of non-fulfilment by business partners and the risk of non-fulfilment on the part of the Group by determining correction values, known as credit value adjustments (CVAs) or debt value adjustments (DVAs), based on applying a premium / discount. The fair values of the interest rate hedging instruments (interest swaps) were based on discounted future cash flows. The applicable market interest rates were used for the maturities of the financial instruments.

Valuation method to determine fair value

The tables below contain an overview of the valuation methods used for measuring the fair value of the financial instruments concerned:

30/06/2017 € '000	Prices quoted on active markets (step 1)	Valuation methods where all principal parameters are based on observable market data (step 2)	Valuation methods where all principal parameters are *not* based on observable market data (step 3)	Total
Financial assets measured at fair value				
Derivative financial assets				
Derivatives without a hedging relationship	368	4,288	0	**4,656**
Derivatives with a hedging relationship	0	7,016	0	**7,016**
Financial liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship	0	3,970	0	**3,970**
Derivatives with a hedging relationship	0	4,259	0	**4,259**

30/06/2016 € '000	Prices quoted on active markets (step 1)	Valuation methods where all principal parameters are based on observable market data (step 2)	Valuation methods where all principal parameters are *not* based on observable market data (step 3)	Total
Financial assets measured at fair value				
Derivative financial assets				
Derivatives without a hedging relationship	330	747	0	**1,077**
Derivatives with a hedging relationship	0	4,205	0	**4,205**
Financial liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship	0	16,827	0	**16,827**
Derivatives with a hedging relationship	0	13,312	0	**13,312**

Neither in the period under report nor in the previous one was there any movement between the individual levels.

Other information

12 | Transactions with related parties

LEONI maintains relationships with joint ventures as part of its ordinary business activity. This involves LEONI as a matter of principle purchasing products and services on market terms. During the period under report, the Company generated income of € 4,448 k (previous year: € 5,813 k) from sales and providing services to associates and joint ventures. These transactions resulted in receivables of € 3,261 k (previous year: € 4,667 k).

LEONI generated income of € 877 k (previous year: € 877 k) from the sale of products and services to members of the Supervisory Board and their companies and made purchases worth € 542 k (previous year: € 317 k) from them during the period under report. All supply and service transactions were concluded on standard market terms.

13 | Board of Directors and Supervisory Board

The Supervisory Board of LEONI AG appointed Martin Stüttem as a new member of the Board of Directors effective 1 April 2017. He has since then been in charge of the Wiring Systems Division.

Dr Werner Rupp resigned his office as Chairman and member of the Supervisory Board of LEONI AG effective at the close of 3 May 2017. Dr.-Ing. Klaus Probst was elected during the Annual General Meeting on 11 May 2017 to succeed on the Supervisory Board, the chair of which he also assumed.

The shareholders also newly elected Dr Elisabetta Castiglioni and Wolfgang Dehen to the Supervisory Board. Dr Ulrike Friese-Dormann, Dr Werner Lang and Prof. Dr Christian Rödl were re-elected to their offices. In April, the workforce elected the following persons as employee representatives on the Supervisory Board: Mark Dischner, Karl-Heinz Lach, Richard Paglia, Carmen Schwarz, Franz Spieß and Inge Zellermaier. The following left the Supervisory Board: Prof. Dr. Klaus Wucherer, Ingrid Hofmann, Gabriele Bauer, Helmut Wirtz and Josef Häring.

Nuremberg, 1 August 2017

Board of Directors

Auditor's certificate

Review report

Translation of the German review report concerning the review of the condensed interim consolidated financial statements and interim group management report prepared in German language:

We have reviewed the condensed consolidated interim financial statements, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of financial position, the consolidated statement of changes in equity and explanatory notes to the condensed interim consolidated financial statements, and the interim group management report of LEONI AG, Nürnberg, for the period from January 1, 2017 to June 30, 2017, which are part of the semi annual financial report pursuant to Sec. 37w WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review. We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Nuremberg, 1 August 2017
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schuberth
Wirtschaftsprüfer
[German Public Auditor]

Schütz
Wirtschaftsprüfer
[German Public Auditor]

Responsibility statement

We hereby declare that to the best of our knowledge, and in accordance with the applicable principles for interim financial reporting, the consolidated financial statements based on observing the principles of proper accounting give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group during the remainder of the financial year.

Nuremberg, 1 August 2017

The Board of Directors

Dieter Bellé Bruno Fankhauser Karl Gadesmann Martin Stüttem

Key dates

Interim Report 2nd quarter and 1st half 2017
9 August 2017

Interim Report 1st – 3rd quarter 2017
15 November 2017

Contact Investor Relations

Frank Steinhart
Phone +49 911 2023-203
Fax +49 911 2023-10203

Jens von Seckendorff
Phone +49 911 2023-134
Fax +49 911 2023-10134

Denise Pfefferler
Phone +49 911 2023-489
Fax +49 911 2023-10489

E-mail invest@leoni.com

LEONI AG
Marienstrasse 7
90402 Nuremberg
Germany
Phone +49 911 2023-0
Fax +49 911 2023-455
E-mail info@leoni.com
www.leoni.com

08.2017/en_50