ANNUAL REPORT 2019

LEONI

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 QUALITY CONNECTION

KEY FIGURES

Group key figures

	Actual 2018 figures	First forecast for 2019	Updated forecast for 2019	Actual 2019 figures
Consolidated sales	€ 5.1 billion	approx. € 5.2 billion	down moderately YoY	€ 4.8 billion
EBIT	€ 144 million	€ 100 to 130 million[1]	—	€ (384) million
EBIT before exceptional items as well as before VALUE 21 costs	€ 157 million	—	up to a mid-eight-digit, negative € amount	€ (66) million
Free cash flow	€ (140) million[2]	at pre-year level	Level of the first half of 2019 +/– a low, eight-digit € amount	€ (308) million

Consolidated sales

4.8 € billion

Employees

about **95,000**

Production facilities

99 in 31 countries

1 Before VALUE 21 effects
2 Prior-year figures adjusted (presentation change: interest paid and received is classified in full as a financing; cf. › Notes

LEONI

About this report

In its Annual Report 2019, LEONI publishes both financial and non-financial information. The report provides a comprehensive overview of our fiscal-2019 performance in financial, environmental and social terms.

PDF version of the Annual Report

We release our Annual Report exclusively in digital form. It is available as a PDF with complete contents. LEONI's Annual Report appears in German and in English.

» **www.leoni.com**

Navigation tips

This screen-optimised version can be navigated via both the left-hand navigation pane and the indexes in the text.

Indexes in the text:

› Internal index (within the document)

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LEONI

Shareholders' letter

Ladies and gentlemen,

In this Annual Report, we look back on an exceptionally tough year of 2019. We had to confront huge challenges and concentrate hard on getting LEONI back on track, and we reached some key milestones in so doing:

- Our sales and earnings were in line with our forecast and our free cash flow was positive in the second half of the year.
- In a generally challenging financial year, we made significant progress in implementing our VALUE 21 performance and strategy programme.
- An appraisal of restructuring pursuant to the S6 standard of the German Institute of Public Auditors (IDW S6) confirmed our ability to restructure and our ongoing financing.

These are important achievements, but LEONI is still a long way from where our Company must be. In addition, there is the presently extremely tough economic situation due to spread of the coronavirus. We are therefore looking ahead with great caution.

Looking back, operational challenges affected our 2019 Group result especially in the first half of the year. These included charges incurred by the complex ramp-up of a project at our new facility in Mérida, Mexico at the beginning of the year. The sales decline to € 4.8 billion in fiscal 2019 is attributable mainly to the weaker demand from the car industry, which adversely affected our business volume involving both wiring systems and automotive cables. Sales of special cables and cable systems for industry were likewise down. LEONI thus showed a loss before interest and taxes (EBIT) and before exceptional items as well as before VALUE 21 costs of € 66 million. The reported EBIT-level result came to a loss of € 384 million. Along with the VALUE 21-related costs of € 86 million, this also includes non-cash write-down of fixed assets as well as provisions for losses expected on existing orders in the future, which could impact on liquidity across a multi-year period. Measures relating to refinancing and preparing for carve-out of the Wire & Cable Solutions Division incurred further exceptional costs.

Even though sales and earnings were in line with our forecast for 2019, it will once again not be possible to pay out any dividend for 2019 because of the negative result.

The loss and once more substantial capital investment led to negative free cash flow of € 308 million in 2019. However, free cash flow did improve significantly during the year and was positive in the amount of € 74 million in the second half. That exceeded our target of largely neutral free cash flow in the second half and reflects our sharper focus on cash flow.

Our VALUE 21 performance and strategy programme bolstered LEONI during the year and remains a key condition for getting LEONI back on track. The programme continues to run on schedule for achieving annual gross cost savings of € 500 million from 2022. We regret that some of the measures also entailed considerable job cuts. In agreement with our employee representatives, we made these cuts in a way that minimises social hardship and were able to largely avoid compulsory redundancies. Overall, more than 60 percent of the planned initiatives were already applied – across all links in the value chain – by the end of the past financial year. We have made our organisation leaner and given both divisions greater independence.

» Aldo Kamper, CEO and President

Furthermore, we are procuring on better terms, optimising our processes in production and improving our pricing vis-à-vis customers. As part of VALUE 21, LEONI is also selecting and running projects increasingly according to cash flow as well as profitability criteria and is intentionally restricting growth in its Wiring Systems Division to the level of market growth to promote operational and financial stability. We thus succeeded in purposely limiting WSD order receipts to roughly € 2 billion in the past financial year.

On the one hand, progress in implementing the programme weighed on our Company with higher costs in 2019. On the other hand, action like our significantly improved receivables and inventory management led to positive free cash flow in the second half of the year.

Last year's most important milestone was obtaining an appraisal of our restructuring in keeping with the IDW S6 auditing standard, which was concluded in March 2020 and endorsed the course on which our Company has embarked and its ongoing financing. In December 2019, we announced that we would be raising our liquidity by at least € 200 million to ensure financing for our medium-term business. This we succeeded in doing based on close collaboration with our core banks and other providers of finance.

However, the situation for LEONI has changed dramatically within just a few weeks since the confirmation given by the appraisal of our restructuring. Towards the end of March in the current financial year, the economic uncertainties related to spread of the coronavirus and the resulting challenges, especially for the automotive industry, aggravated further. The coronavirus' spread led to major carmakers stopping production, which will cause serious sales decline among many LEONI customers and products.

We anticipate heavy strain on our sales, earnings and liquidity. Previously, our projection for fiscal 2020 involved consolidated sales up moderately on the previous year's figure (2019: € 4.8 billion), consolidated EBIT before exceptional items as well as before VALUE 21 costs improved to a mid-eight-digit euro profit (2019: a loss of € 66 million) and considerably better free cash flow. While the adverse effects cannot yet be reliably estimated, our expectation right now is that there will be significant, negative deviation from our previously budgeted figures.

With a range of measures at the end of March, we promptly took resolute steps to safeguard our business operation as a going concern. These include temporary plant closures in Europe, North Africa and in the Americas as well as introduction of short-time working in Germany as well as comparable action at other European facilities. Our material and personnel costs will drop substantially thanks to rapid implementation of these resolute measures.

Given this extraordinary situation, we are also planning to accept the offer from Germany's federal government of finance to increase our financial scope.

The year 2020 will confront LEONI with major challenge. However, we achieved a lot in the past year and established a strong foundation for our Company to move forward. On behalf of the members of the Board of Directors, I would like to sincerely thank all staff members for their great commitment in these difficult times. I thank you, our esteemed shareholders, for your loyalty. We shall do everything to live up to that.

Stay healthy and well.

Nuremberg, 30 March 2020

Aldo Kamper
CEO and President

COMPANY INFORMATION

COMPANY INFORMATION

LEONI

Supervisory Board report

Dear Sir or Madam,

For LEONI AG, the main challenges of the past 2019 financial year were facing the tough market environment and addressing major entrepreneurial concerns, which led to a significant drop in earnings and a shortage of liquidity. In close coordination between the Board of Directors and the Supervisory Board, the VALUE 21 performance program, which was launched as early as 2018, was further advanced and further important measures were taken to stabilize the liquidity situation. The close cooperation with the Board of Directors in this special situation required an extraordinary number of meetings of the Supervisory Board and its committees.

The Supervisory Board of LEONI AG has diligently and dutifully fulfilled its tasks in accordance with statutory requirements, the provisions of the Company's Articles of Association, the German Corporate Governance Code and the rules of procedure, continuously advised the Board of Directors on its management of the Company and oversaw its work. The collaboration between the Supervisory Board and the Board of Directors was at all times constructive, open and defined by mutual trust. The Board of Directors informed us regularly, immediately and comprehensively, both in writing and verbally, about all matters pertinent to LEONI. In particular, this included the strategy, planning, operating performance as well as the Group's current situation including its risk situation. The Board of Directors explained in detail any deviation in business performance from the plans established and involved the Supervisory Board in decisions of material importance.

To the extent that this was required under the rules of procedure, the Supervisory Board's approval for certain measures was granted following extensive discussion and based on the reports and documents prepared by the Board of Directors in this regard.

The Board of Directors and the Supervisory Board also kept in close touch at all times outside their meetings. The chairmen of both boards consulted regularly on fixed dates, also at short notice and as required by specific circumstances, on any matters requiring agreement. In particular in light of the exceptional entrepreneurial challenges management faced, the number of discussions and fixed dates was raised significantly. The entire Supervisory Board was informed in detail of the content of these discussions during its next meeting at the latest.

Main topics of discussion by the Supervisory Board

The Supervisory Board held eight regular Supervisory Board meetings during the 2019 financial year; specifically on 28 January, 28 February, 7 May, 16 May, 9 July, 25 July, 19 September and 12 December. In addition, it met in another regular Supervisory Board meeting to discuss matters without the members of the Board of Directors ("executive session") on 5 November 2019, and in eleven extraordinary Supervisory Board meetings as required by specific circumstances on 7 February, 15 March, 17 March, 28 March, 2 August, 9 September, 27 September, 2 October, 7 October, 11 November and 10 December.

The employee representatives held a preliminary discussion prior to each regular Supervisory Board meeting. The shareholder representatives also held preliminary discussions on 7 May, 1 July, 9 July and 18 October.

The Supervisory Board was quorate on each occasion. One of the members had been excused for their absence from three of the regular meetings. Apart from the executive session, all members of the Board of Directors attended each of the meetings to the extent that these did not cover topics requiring that they absent themselves. These topics included, among others, deliberations on a change in the composition of the Board of Directors and further clearing up the fraud case uncovered in 2016.

The 2019 financial year was characterized by several topics which each required intensive discussions within the Supervisory Board. In each meeting, we requested the Board of Directors to provide comprehensive reports on the current business situation and discussed in detail the figures presented in each case with the management team. In this context, we had the Board of Directors provide us with background information about the relevant current developments.

In several meetings, we dealt with the future strategy of LEONI AG, the earnings, asset and liquidity position and the financing situation of LEONI AG and its Group:

Subject matters of the deliberations were, in this context, in particular the consequences of the performance in terms of earnings and cash flow that fell significantly short of expectations from the fourth quarter of 2018 and in the first quarter of 2019, and the initiated countermeasures. Against this background, we had ourselves regularly informed about the strategy and performance programme ("VALUE 21") which had been initiated by the Board of Directors as early as in the 2018 financial year.

We have approved VALUE 21 in principle in the meeting on 28 February 2019. Upon that approval, the Board of Directors began preparing the specific sets of measures. Regrettably, the measures taken also included a reduction of the LEONI workforce. In the meetings on 7 May 2019, 19 September 2019 and 12 December 2019, the Board of Directors on each occasion reported on the concrete measures taken, the implementation status of VALUE 21 and the consequences of the measures that had already been taken.

As already reported last year, the transformation of LEONI AG aims at limiting growth in the Wiring Systems Division to a degree that is organisationally and financially attainable and at actively managing portfolios. In this context, we have considered various strategic options for LEONI AG and its Divisions. For the most part, we discussed these options and the respective preparation state and implementation status after having obtained corresponding reports by the Board of Directors in the meetings on 28 February 2019, 16 May 2019, 25 July 2019, 19 September 2019 and 12 December 2019 and in the extraordinary meeting on 27 September 2019.

A key milestone in the context of the strategic transformation of LEONI AG and of its Group was the meeting on 9 July 2019, in which we approved, after in-depth discussion of the advantages and disadvantages of various options, the separation of the Wire & Cable Solutions Division ("WCS") and the preparation of a partial or full disposal of the Division and of an IPO of the WCS.

We were given reports on the implementation status of this project in the subsequent Supervisory Board meetings, in particular, on 19 September 2019 and on 12 December 2019.

Moreover, we have examined in detail the asset and liquidity position of LEONI AG and of its Group. We dealt in depth, particularly in the first quarter of 2019, with the consequences of the difficult economic situation for accounting purposes. We deliberated on these subject matters, up and foremost, in the meetings on 7 May 2019, 9 July 2019, 25 July 2019, 19 September 2019 and 12 December 2019.

The deliberations on the current debt and financing situation, including the possible measures to be taken to secure the financing base in the long term, were closely linked to the asset and liquidity position of LEONI AG. We deliberated on this subject matter, in particular, in the meetings on 16 May 2019, 9 July 2019, 25 July 2019, 19 September 2019 and 12 December 2019. Based on detailed reports by the Board of Directors, we deliberated on the financing options elaborated by the Board of Directors, and the respective preparatory and implementation measures. In particular the meeting on 16 May 2019, held immediately after the Annual General Meeting of LEONI AG, focused almost exclusively on the Company's liquidity and debt management. The extraordinary meetings on 2 August 2019 and 10 December 2019 also dealt with the subject of the financial restructuring.

As part of the overall effort for the financial and operational restructuring of LEONI AG and its Group, the management team is supported by external expertise. The relevant selection of advisers and contracting was specifically addressed by the Supervisory Board in its meetings on 25 July 2019 and 19 September 2019 and in the extraordinary Supervisory Board meetings of 9 September 2019, 2 October 2019, 7 October 2019 and 11 November 2019. The advisers were selected by the Board of Directors in a structured process and the selection was closely followed and approved by the Personnel Committee and the entire Supervisory Board.

Apart from the topics mentioned above, we continuously dealt with two other issues:

On the one hand, we analysed the start-up problems that had arisen in the Mérida wiring systems plant in Mexico and the corresponding countermeasures. In this context, the Board of Directors reported to us in the meetings on 28 February 2019, 7 May 2019, 16 May 2019, 9 July 2019, 25 July 2019 and 19 September 2019.

On the other hand, further clearing up the fraud case in 2016 was the subject matter of several meetings, in particular on 28 January 2019, 28 February 2019, 7 May 2019 and 19 September 2019.

In addition to these main topics, we mainly dealt with the following topics in the regular Supervisory Board meetings:

In the meeting on 28 January 2019, we dealt with the current status of the planning for the 2019 financial year and the medium-term planning for the years as from 2020, including personnel planning. Furthermore, we approved the investment plan for 2019. We also discussed the compensation of the members of the Board of Directors for the 2019 financial year and obtained a report about corporate sustainability, including the implementation of diversity objectives, internal climate protection objectives and compliance measures in the 2018 financial year. In addition, regular preparatory work for the 2019 Annual General Meeting was on the agenda.

In the balance sheet meeting on 28 February 2019, after having thoroughly reviewed the documents and after the Audit Committee's prior inspection of the documents, we approved the financial statements, the consolidated financial statements and the management report of both LEONI AG and the Group. The auditor participated in the deliberations and reported on the key results of the audit. Furthermore, the Supervisory Board report to the Annual General Meeting for the 2018 financial year and the dividend proposal were approved. In addition, we approved the Supervisory Board's resolution proposals for the individual items on the agenda of the 2019 Annual General Meeting, including the resolution proposal regarding an amendment of the Articles of Association of LEONI AG. Besides these regular items, in the balance sheet meeting we also dealt with personnel-related matters at the first management level below the Board of Directors and, again, with the current status of the planning, in particular the medium-term planning. Another topic of the meeting was the Group's current risk situation.

In the meeting on 7 May 2019, we received a report on the preliminary results of the first quarter of 2019. The Board of Directors furthermore reported on its analysis of the unexpected deterioration of the financial situation in the fourth quarter of 2018 and in the first quarter of 2019. In addition, Ms. Jägering was appointed as Chief Financial Officer with effect as of 1 October 2019 and, in that context, the allocation of responsibilities was updated for the Board of Directors. The Supervisory Board also formed a Special Committee to advise and assist the Board of Directors and to monitor the liquidity and debt situation, including the monitoring of the measures initiated by the Board of Directors in that respect.

In the meeting on 9 July 2019, the Supervisory Board dealt with the current status of the multi-year planning.

In the meeting on 25 July 2019, we received an extensive report on the development and the background of the business figures. The Board of Directors further provided an extensive report on the current status of the multi-year planning of LEONI AG and of the Group. Furthermore, it was possible to appoint Ms Jägering as Chief Financial Officer already with effect as of 1 August 2019; the Board of Director's allocation of responsibilities was once again adjusted in this respect.

In the meeting on 19 September 2019, we received a report on numerous individual issues from the Divisions. Another topic addressed was the Group planning process.

The Supervisory Board used the meeting on 5 November 2019 (executive session) to discuss the basic principles of the Supervisory Board's work, the requirements profile and the competencies existing in the Supervisory Board. In addition, the Supervisory Board evaluated the composition of the committees, their duties and their cooperation with the entire Supervisory Board, and the flow of information between the Board of Directors and the Supervisory Board. Furthermore, the Supervisory Board dealt with the findings of the annual efficiency audit.

In addition to resolving on issuing the Declaration of Conformity pursuant to Section 161 AktG of the German Stock Corporation Act (AktG), in our meeting on 12 December 2019, we dealt with the status of the planning for 2020, the medium-term planning for the years as from 2021 and with the investment plan for 2020.

In addition to the topics of the extraordinary meetings already mentioned, it was necessary in the past financial year to hold extraordinary meetings also with regard to two other topics:

In the extraordinary Supervisory Board meeting on 7 February 2019, the Supervisory Board on the one hand dealt with the Board of Director's proposal regarding the dividend policy and allocation of profit, and on the other hand with the issue of the compensation for the members of the Board of Directors.

In the extraordinary meetings on 15 March 2019, 17 March 2019 and 28 March 2019, the Supervisory Board dealt with the extension of the contract of and the succession planning for Mr Gadesmann.

Work of the committees

The Supervisory Board of LEONI AG formed an Audit Committee, a Personnel Committee, a Nomination Committee and a Strategy Committee. In May 2019, the Supervisory Board of LEONI AG furthermore formed an Ad-hoc committee, which was subsequently renamed into Special Committee. In addition, there is the Arbitration Committee in compliance with Section 27 (3) of the German Co-Determination Act (MitbestG).

These governance bodies prepare the topics to be addressed by the entire Supervisory Board and the resolutions on which the Board is to vote during its meetings. The composition of the committees is described in the section headed Supervisory Board and Board of Directors, while the Corporate Governance report provides information on the duties of the committees. Decision-making powers of the Supervisory Board are transferred to the committees to the extent permitted by law. The committee chairmen reported regularly on their work during the Supervisory Board meetings.

The **AUDIT COMMITTEE** convened for four regular meetings and two extraordinary meetings during the year under report. The members of the Audit Committee attended all meetings without any exception. The Audit Committee dealt in depth with the 2018 financial statements and consolidated statements, the management and quarterly reports, the findings of the audit as well as the 2019 six-month report. It prepared the approval of the financial statements and of the audit, including the selection of the focal areas of the audit for the 2019 financial year. Other topics covered the status of the change of auditor for the past financial year, including the release of the report on the process of selecting the future auditors and the oversight and approval of permissible non-auditing services. Furthermore, the committee dealt with the current business situation and the development of liquidity, including the financing situation, with the implementation of the new General Data Protection Regulation and with the non-financial Group information statement. Further clearing up the fraud case uncovered in 2016 was also a subject matter of the Audit Committee's deliberations. Much attention in the meetings was also given to the effectiveness tests carried out in the past financial year pursuant to compliance standards. Furthermore, the committee dealt with the topics of Information Security/IT, Internal Control System, Risk Management, Accounting, Controlling, Treasury Management and Taxes as well as safety at work, health and environmental protection at LEONI.

In a total of nineteen meetings, the **SPECIAL COMMITTEE** dealt in detail with the financial restructuring process of LEONI AG and with the organisational and strategic measures connected to VALUE 21. The committee focussed on monitoring the liquidity and debt situation of LEONI AG and regularly obtained reports from the Board of Directors. It advised the Board of Directors on the measures that were initiated and that are still to be initiated, in particular on the financing options, it monitored the implementation of the measures decided on and worked closely with the Board of Directors. Due to the frequency of the meetings, it was not possible for all members of the Special Committee to attend all meetings. A total of nine meetings were attended by all members. In two meetings, in each case, two members were unable to attend, one member was unable to attend three meetings, and another member of the committee was absent in one meeting. One member was unable to attend four meetings and another member was unable to attend six meetings.

The **PERSONNEL COMMITTEE** met on eleven occasions in 2019. Two members were excused for their absence in one meeting each; however, all other members of the Personnel Committee attended each meeting. The committee primarily dealt with the appointment of a new Chief Financial Officer.

The **STRATEGY COMMITTEE** held three meetings during the past financial year. The principal topic was the strategy of the Group and of the Divisions. Except for one meeting, for which one member was excused, all members of the committee attended all meetings. In the first two meetings, the committee dealt in detail with the Corporate Development Plan for 2019 and the VALUE 21 strategy project. Subject of the discussions was also, in particular, the arrangement and sustainability of the individual measures proposed in the context of VALUE 21, and the consequences, effects and costs associated therewith. In addition, the Strategy Committee dealt with the measures decided on in the context of the transformation process, in particular with the separation of the WCS Division, with the further development of the strategy for the LEONI Group and with the implementation status of the VALUE 21 programme.

The **NOMINATION COMMITTEE** met on a total of three occasions. The members of the Nomination Committee attended all meetings; Ms Dr Ulrike Friese-Dormann did not attend the meeting on 26 October 2019, with Ms Dr Elisabetta Castiglioni attending in her place. In the past financial year, the Nomination Committee dealt with the search for a successor for Ms Dr Friese-Dormann.

There was no cause for convening the **ARBITRATION COMMITTEE** pursuant to Section 27 (3) MitbestG during the reporting period.

Corporate Governance and Declaration of Conformity

The Board of Directors and the Supervisory Board resolved in December 2019 to issue a Declaration of Conformity pursuant to Section 161 AktG. The Declaration of Conformity of 13 December 2019 was made permanently accessible to the shareholders on the Company's website.

During the reporting period, a conflict of interest of a member of the Board of Directors or the Supervisory Board that must be disclosed to the Supervisory Board pursuant to sections 4.3.4 and 5.5.2 of the German Corporate Governance Code arose on one occasion. The Supervisory Board member affected, Prof. Dr Christian Rödl, informed of his potential conflict of interest even before the relevant agenda item was called, left the meeting and did not participate in the decision-making process or the voting either. Moreover, it was ensured by way of a change to the authorisation concept that he was not able to access documents relating to the relevant agenda item in the electronic data room.

For more information on Corporate Governance, please refer to the Corporate Governance Report, which also includes the statement on Corporate Governance.

Audit of the annual financial statements

Upon the proposal by the Supervisory Board, which followed the Audit Committee recommendation, the Annual General Meeting of LEONI AG's shareholders on 16 May 2019 appointed the auditing company Deloitte GmbH Wirtschaftsprüfungsgesellschaft of Munich as auditors for the 2019 financial year. The auditing company audited and granted an unqualified certificate for the 2019 financial statements of LEONI AG as well as the consolidated financial statements and the combined management report. The auditors responsible pursuant to Section 319a (1) sentence 4 of the German Commercial Code (HGB) were Sebastian Kiesewetter and Alexander Hofmann (both starting with the 2019 financial statements). Deloitte had confirmed to the Chairman of the Supervisory Board and to the Audit Committee, before the Supervisory Board proposed the company as auditors at the Annual General Meeting, that there are no circumstances that might compromise their independence or raise doubts about their independence. Deloitte also declared the extent to which, in the preceding financial year, services for the Company other than the audit were either performed or contractually agreed for the subsequent year.

The provisions of the German Commercial Code were applied to prepare the financial statements and the management report of LEONI AG. The International Financial Reporting Standards (IFRS) as they apply in the European Union and, additionally, the commercial law provisions under Section 315e (1) HGB were applied to prepare the consolidated financial statements. The audit was conducted in accordance with Section 317 HGB while observing the generally accepted German auditing standards for the audit of financial statements established by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). The auditors confirmed that the combined management report appropriately describes the situation of LEONI AG and of the Group as well as the opportunities and risks of its future development. The risk early-warning system, which the Board of Directors must establish in compliance with Section 91 (2) of the German Stock Corporation Act (AktG), was also assessed as part of the annual review by the auditors.

The annual financial statements of the Company and of the Group, the combined management report (including the non-financial Group information statement) and the audit reports were made available to all members of the Supervisory Board in good time. The Audit Committee pre-examined these documents during its meeting on 19 March 2020 and reported to the Supervisory Board in this regard during the latter's regular meeting on 23 March 2020. We subsequently discussed the financial statements and reports in depth. The auditing company's representatives took part in both meetings, provided information on the findings of their audits and were ready to provide additional information.

In particular, the findings of key audit matters for LEONI AG and the Group were presented: The main topic of discussion was the situation due to the material uncertainty with regard to the Group's ability to continue as a going concern caused by the tight liquidity situation. In addition, the results of the key audit matters for the LEONI AG and the Group were presented. The key audit matters for the audit of the 2019 group financial statements were (i) impairment testing of goodwill as well as and intangible and tangible assets as well as (ii) provisions for losses from onerous contracts and for the 2019 statutory financial statements valuation of shares in affiliated companies, loans to affiliated companies as well as receivables from affiliated companies.

The Supervisory Board approved the findings of the audit of the financial statements in an extraordinary meeting on 30 March 2020. The final result of the audits of the annual financial statements of the Group and of LEONI AG as well as the combined management report by the Audit Committee and the Supervisory Board did not give rise to any objections. The Supervisory Board approved the annual financial statements of LEONI AG and the consolidated financial statements for the 2019 financial year as prepared by the Board of Directors. The financial statements of LEONI AG have thus been duly adopted. The Supervisory Board supports the Board of Directors' suggestion to propose to the shareholders at the 2020 Annual General Meeting not to pay out a dividend from the distributable profit of LEONI AG for the 2019 financial year.

As part of its audit, the Supervisory Board has also examined the non-financial Group information statement, which had to be prepared pursuant to Section 315b HGB, and found that it meets the applicable requirements and does not give rise to any objections. Previously, an external review had confirmed that no matters have come to the auditors' attention that would cause them to believe that the non-financial Group information statement had not been prepared in all material aspects in accordance with Section 315c HGB.

Changes in personnel

On 17 March 2019, Karl Gadesmann, who has been the Chair Financial Officer of LEONI AG since 2016, resigned his mandate with immediate effect and by mutual agreement with the Company. We once again thank him for his work and his great commitment to the Company. Aldo Kamper, the CEO of LEONI AG, assumed the responsibilities of Karl Gadesmann on an interim basis. With effect from 1 August 2019, the Supervisory Board ultimately appointed Ingrid Jägering as new member to the Board of Directors, as Chief Financial Officer.

As was already reported in the past year, Janine Heide was appointed a member of the Supervisory Board as an employee representative by a resolution on 15 January 2019 to succeed Carmen Schwarz.

Another change in the composition of the Supervisory Board additionally occurred in the preceding financial year. With effect from 8 November 2019, Dr Ulrike Friese-Dormann resigned her mandate. Based on the proposal of the Nomination Committee and by resolution of 12 November 2019, Regine Stachelhaus was appointed member of the Supervisory Board by the Court with immediate effect; in accordance with the requirements of the German Corporate Governance Code, initially on a temporary basis until the close of the 2020 Annual General Meeting. The Supervisory Board thanks Dr Ulrike Friese-Dormann for her commitment and her personal dedication as member of the Supervisory Board. At the same time, it wishes Regine Stachelhaus every success in her new job.

Thanks to the Board of Directors and staff

The Supervisory Board would like to express its special thanks to the entire Board of Directors, all managers and all employees for their commitment in the difficult 2019 financial year. The high degree of tension and the many measures and changes resulting from our strategy and performance programme VALUE 21 have presented all LEONI employees with major challenges. The year 2020 will not be any easier or less challenging in this respect either; therefore, the Supervisory Board wishes all members of our staff much strength and success in coping with the tasks ahead.

Nuremberg, 30 March 2020

Dr Klaus Probst,
Chairman of the Supervisory Board

Supervisory Board and Board of Directors

Supervisory Board

Members of the Supervisory Board	Memberships of other statutory supervisory boards in Germany or of comparable domestic and foreign corporate governance bodies of economic entities
Chairman of the Supervisory Board **Dr-Ing. Klaus Probst** | born 1953 | Heroldsberg former President & CEO of LEONI AG, retired	Grammer AG, Amberg (market-listed, chairman) Zapp AG, Ratingen (not market-listed, ordinary member)
First Deputy Chairman of the Supervisory Board **Franz Spieß** [1] | born 1957 | Büchenbach First senior authorised signatory of the IG Metall trade union's office Schwabach	—
Second Deputy Chairman of the Supervisory Board **Dr Werner Lang** | born 1967 | Ergersheim Managing Director of the MEKRA Lang group of companies, Ergersheim	MEKRA Lang Otomotiv Yan Sanayi A. S., Ankara, Turkey (not market-listed, chairman of the administrative board) Changchun MEKRA Lang FAWAY Vehicle Mirror Co, Ltd., Changchun, China (not market-listed, ordinary member of the administrative board) MEKRArus LLC, Ulyanovsk, Russia (not market-listed, chairman of the Supervisory Board)
Dr Elisabetta Castiglioni | born 1964 | London, UK CEO of the A1 Digital International GmbH & A1 Digital Deutschland GmbH, Vienna, Austria/Munich	Euskaltel S.A., Derio, Spain (market-listed, ordinary member of the Board of Directors) A1 Telekom Austria AG, Vienna, Austria (not market-listed, ordinary member of the Supervisory Board)
Wolfgang Dehen | born 1954 | Donaustauf former CEO of Osram Licht AG, retired	TÜV SÜD AG, Munich (not market-listed, ordinary member)
Mark Dischner [1] | born 1973 | Greding Chairman of the General Works Council of LEONI AG	Sparkasse Mittelfranken-Süd (not market-listed, member of the administrative board)
until 08/11/2019 **Dr Ulrike Friese-Dormann** | born 1971 | Munich Lawyer, partner at Milbank LLP, Munich	—
from 15/01/2019 **Janine Heide** [1] | born 1983 | Bad Camberg Trade union secretary IG Metall trade union, Offenbach office	Caverion Deutschland GmbH, Munich (not market-listed; Deputy Chairman of the Supervisory Board)
Karl-Heinz Lach [1] | born 1958 | Eschweiler Workforce council chairman at LEONI Kerpen GmbH, Stolberg	—
Richard Paglia [1] | born 1966 | Allersberg Senior Vice President Global Purchasing Wire & Cable Solutions Division, LEONI Kabel GmbH	—
Prof. Dr Christian Rödl | born 1969 | Nuremberg Lawyer, tax consultant Managing partner at Rödl & Partner, Nuremberg	Herrenknecht AG, Schwanau (not market-listed, ordinary member) UVEX Winter Holding GmbH & Co. KG, Fürth (not market-listed, member of the board of shareholders)
until 13/01/2019 **Carmen Schwarz** [1] | born 1974 | Arnsberg First authorized representative IG Metall trade union, Arnsberg office	—
from 12/11/2019 **Regine Stachelhaus** | born 1955 | Herrenberg Lawyer, Independent entrepreneur	Ceconomy AG, Düsseldorf (market-listed, ordinary member) COVESTRO AG und COVESTRO Deutschland AG, Leverkusen (market-listed, ordinary member) SPIE Deutschland & Zentraleuropa GmbH, Ratingen (not market-listed, ordinary member) SPIE SA, France (market-listed, ordinary member)
Inge Zellermaier [1] | born 1963 | Allersberg Paramedic, LEONI Kabel GmbH	—

1 Employee representative

Committees of the Supervisory Board	
Arbitration Committee pursuant to Article 27 (3) of Germany's Co-determination Act (MitbestG)	Dr Klaus Probst (Chairman), Franz Spieß, Dr Werner Lang, Inge Zellermaier
Personnel Committee	Dr Klaus Probst (Chairman), Franz Spieß, Wolfgang Dehen, Mark Dischner
Audit Committee	Prof. Dr Christian Rödl (Chairman), Richard Paglia, Dr Klaus Probst, Franz Spieß
Nomination Committee	Dr Klaus Probst (Chairman), Dr Ulrike Friese-Dormann (until 08/11/2019), Dr Elisabetta Castiglioni (from 08/11/2019), Dr Werner Lang
Strategy Committee	Wolfgang Dehen (Chairman), Dr Elisabetta Castiglioni, Karl-Heinz Lach, Richard Paglia, Dr Klaus Probst, Inge Zellermaier
Special Committee from 16/05/2019	Wolfgang Dehen (Chairman), Mark Dischner, Richard Paglia, Dr Klaus Probst, Prof. Dr Christian Rödl, Franz Spieß

Board of Directors

Aldo Kamper
CEO as well as Labour Director;
a member of the Board of Directors
since 1 September 2018

Aldo Kamper (49) studied business administration in Germany, the Netherlands and the United States. He joined OSRAM as Controller in 1994. Various positions at OSRAM Opto Semiconductors followed, among others as Vice President & General Manager of the LED and Specialty Lighting divisions. In 2010, he was appointed CEO at OSRAM Opto Semiconductors. He has been LEONI AG's CEO since 2018.

Ingrid Jägering
Chief Financial Officer;
a member of the Board of Directors
since 1 August 2019

Ingrid Jägering (53) started her career in 1988 at Siemens. For Siemens, BenQ Mobile and Brose she held various senior positions in and outside Germany; most recently as Executive Vice President and CFO of Siemens Wind Power in Denmark until 2012. Thereafter she worked as Managing Director and CFO at MAN Diesel & Turbo and OSRAM Opto Semiconductors. She has been with LEONI AG as CFO since 1 August 2019.

Bruno Fankhauser
is in charge of the Wire & Cable Solutions Division;
a member of the Board of Directors
since 1 February 2016

Bruno Fankhauser (48) studied business administration at the University of Bern, Switzerland and, following commercial positions within the Ascom Group, was appointed Managing Director of Typon Holding AG. In 2001, he joined the Studer Group as Chief Financial Officer, taking over as Chief Executive Officer in 2004. In 2006, he moved to the Management Board of the Wire & Cable Solutions Division of LEONI AG. He was appointed to the Board of Directors in 2016.

Martin Stüttem
Chief Operating Officer of the Wiring Systems Division;
member of the Board of Directors
since 1 April 2017

Martin Stüttem (53) graduated in mechanical engineering and, from 1994, held various senior positions at Zeuna Stärker, Arvin Meritor and EMCON Technologies.
In 2010, he moved to Faurecia where, after various management roles, he was most recently Vice President, Europe Division. He has been a member of LEONI AG's Board of Directors since 2017.

Hans-Joachim Ziems
will be in charge of Restructuring as a member of the Board of Directors from
1 April 2020

After studying business administration, Hans-Joachim Ziems (65) actively participated in shaping development in the consumer electronics sector as an entrepreneur. In 1996, he founded Ziems & Partner Unternehmensberater (management consultants). As an expert in business turnaround, he took on corporate governance mandates and led the restructuring of companies in crisis situations. From April 2020, he will be a member of LEONI AG's Board of Directors as Chief Restructuring Officer.

Annual review

January

LEONI and Hengtong establish joint venture for singlemode fibers
Together with the Chinese Hengtong Group, a provider operating globally of cables and system solutions for the telecommunications and energy sectors, LEONI establishes a new fiber optics business. j-fiber Hengtong GmbH will in future make singlemode fibers for telecommunication and data networks in the European market at LEONI's facility in Jena, Germany. LEONI has thereby boosted its fiber optics business and is responding to the mounting demand for optical fibers for broadband expansion in Europe.

February

Suspension of dividend proposed
Given its unsatisfactory profitability, LEONI steps up the measures to stabilise its business and proposes to suspend the dividend. This is based on the preliminary figures for the 2018 financial year showing that earnings fell significantly short of guidance.

March

Leoni decides to apply its VALUE 21 performance and strategy programme and revises forecast for 2019
Due to the greater costs incurred by ramp-up difficulties at its plant in Merida, Mexico, persistently poor operating performance in the Wiring Systems Division as well as a further downturn in the market, Leoni will no longer keep to its outlook for 2019. Leoni has applied immediate measures and taken staffing decisions to stabilise its business. Furthermore, Leoni presents the cornerstones of its VALUE 21 performance and strategy-enhancement programme. The aim is to lastingly improve both profitability and cash flow as well as to simultaneously align the Company with promising and lucrative areas of business. Along with advancing the strategy of both divisions, the programme articulates four principal objectives: raising the entrepreneurial independence of the divisions, sustained improvement of performance throughout the Group, sharper focus of the Wiring Systems Division on earnings quality and cash-flow profile as well as optimising the Wire & Cable Solutions Division's portfolio.

Karl Gadesmann resigns as CFO
On 17 March 2019, Karl Gadesmann resigned his mandate until 31 December 2019 as Chief Financial Officer of LEONI AG with immediate effect and by mutual agreement. The search for a replacement is launched straight away. The CEO will perform the duties covering this area of responsibility on an interim basis.

April

Strategic partnership with relayr
LEONI and relayr, a specialist in industrial solutions involving the Internet of Things (IoT), will in future work closely together. This strategic partnership involves plans for joint development work on linking intelligent cable and automation systems with innovative IoT technology. The aim is to enable carmakers and suppliers to reduce the unscheduled downtime of their robot lines and to improve their production efficiency.

LEONI presents innovative technologies for electromobility
At the Electric & Hybrid Vehicle Technology Expo, LEONI showcases a comprehensive range of internationally approved products and systems for electric and hybrid vehicles. The focus is on state-of-the-art solutions for fast-charging technology, our digital LEONiQ cable technology as well as power supply with high-voltage cables. LEONI has specifically developed its Hivocar product line, which is being continually extended with new developments and designs, for this purpose.

May

Once-off charges weigh on 1st quarter

Reassessment of the WSD order portfolio and market prospects against the backdrop of a downturn in the market and the realignment sharpened under VALUE 21 towards strategic customer relationships incurred once-off costs of about € 100 million in the first quarter of 2019. In addition, there are further exceptional costs for starting the project in Mérida, which has meanwhile been largely stabilised. The start of our VALUE 21 programme, which also provides for comprehensive cost reduction measures in all business areas, is running to plan.

Ingrid Jägering becomes new CFO

The Supervisory Board appoints Ingrid Jägering as Chief Financial Officer (CFO). She enhances the management team with her broad experience at leading German and foreign industrial and automotive companies, where she was in charge of profound changes and restructuring measures. Most recently Ingrid Jägering was CFO, Managing Director and Labour Director at OSRAM Opto Semiconductors. She takes office at LEONI on 1 August 2019.

Jaguar Land Rover commends LEONI with supplier award

As one of 15 companies, LEONI receives Jaguar Land Rover's 'Supplier Excellence Award'. The UK carmaker thereby commends the flexibility and reliability of its suppliers. LEONI and Jaguar Land Rover are linked by a long-standing partnership, which also involves developing such technologies for future vehicle generations as new electric and electronic architectures.

July

IPO or sale of Wire & Cable Solutions Division planned

The Board of Directors decides, in the context of VALUE 21, to prepare for carving out the WCS Division through an initial public offering or sale. The objective is thereby to create two sharply-focussed entities that can realise their full potential more quickly. LEONI will in the future concentrate on the wiring systems business, where its expertise in the areas of energy and data solutions as well as services is to be enhanced. The WCS Division will get more independence to enhance its position in the market for forward-looking, intelligent cable solutions and services.

August

Rapid implementation of VALUE 21

While presenting its half-year report, LEONI provides information on VALUE 21 progress. The programme is to yield gross savings of € 500 million a year from 2022. There is a clear timetable with specific measures to meet this target. About 20 percent of the initiatives have already been applied by the end of the second quarter.

Outlook for 2019

LEONI issues guidance for fiscal 2019 based on its six-month figures: This anticipates a moderate sales decline in line with the market, a consolidated EBIT-level result before exceptionals and VALUE 21 costs coming to a loss in a mid eight-digit euro amount as well as free cash flow in a range around the level of the first half plus or minus a low eight-digit euro figure.

LEONI expands capacity for high voltage and charging cables for electric vehicles

LEONI lays the foundation for an extension to its WCS facility in Cuauhtémoc, Mexico. The new EMOMex building will initially provide 7,000 m^2 of additional space, most of which will be used for production of charging and high-voltage cables for vehicles with alternative drive. This gears our operations more towards electromobility.

September

Relocation of the Factory of the Future
Following the topping-out ceremony, the first LEONI staff move into our Factory of the Future in Roth, Germany; among them also the apprentices. The main purpose of the Wire & Cable Solutions Division's new center of expertise is to develop and produce state-of-the-art data cables for autonomous driving as well as solutions for even safer and more efficient power distribution in electric vehicles.

November

Regine Stachelhaus new on the Supervisory Board
Regine Stachelhaus becomes a new member of LEONI's Supervisory Board as of 11 November 2019. A self-employed entrepreneur and lawyer, she has comprehensive experience in restructuring and transformation. Her mandate initially runs until the 2020 Annual General Meeting, where she is to be confirmed in her office for the next two years.
She replaces Dr Ulrike Friese-Dormann, who left the Board on 8 November 2019.

Wiring systems by LEONI for the new VW ID.3
LEONI starts series production of wiring systems for the ID.3, Volkswagen's first car to be designed as a purely electric vehicle. The project covers both high-voltage and low-voltage cable harnesses and thus the complete wiring systems. They are made at three LEONI facilities – two new plants in Tunisia and on an existing production line in Romania. The ID.3 was launched at the International Motor Show (IAA) in Frankfurt in September 2019 and is in high customer demand.

Corporate Governance Declaration and Corporate Governance Report

Corporate Governance Report

LEONI aims to ensure responsible and transparent management and control of the company (Corporate Governance) based on statutory requirements, the provisions of the Articles of Association of LEONI AG, the rules of procedure of the Board of Directors and the Supervisory Board and the German Corporate Governance Code in its version of 7 February 2017 ("Code"), which are considered in all decision-making processes.

In accordance with the statutory provisions applicable to German stock corporations (Aktiengesellschaft), LEONI AG has a dual board system under which staff serving as members of the Board of Directors as the executive and management body are not allowed to serve as members of the Supervisory Board as the monitoring body and vice versa. For information on the work of the Board of Directors and of the Supervisory Board including its Committees during the past financial year, on the procedures of these bodies and on the objectives or competence profiles for their composition, please refer to the Corporate Governance statement and the › Supervisory Board report.

Shareholders and Annual General Meeting

Each share in LEONI AG grants, in principle, one vote. At the Annual General Meeting, all shareholders are equally entitled to exercise voting rights in person or have them exercised by an authorised representative of their choice and may enter a dialogue with the members of the Board of Directors and the Supervisory Board on any agenda items. The convening to the Annual General Meeting and the legally required reports and documents, including the Annual Report, are readily accessible for the shareholders on the Company's website together with the agenda, in German and for the most part also in English. All other relevant information is published on LEONI's website or will be sent upon request. After the Annual General Meeting, both the attendance list and the voting results will be published on the Internet.

In order to make it easier for shareholders who are not able to attend to exercise their rights, proxies who are bound by the voting instructions issued to them (weisungsgebunden) are available during the Annual General Meeting to exercise voting rights. On the day of the Annual General Meeting, the internet service will be available – subject to the website's technical availability – until the end of the general debate. This service also enables the shareholders to grant powers of attorney to the proxies appointed by the Company and to amend or revoke same, or to issue instructions to these proxies or to change or revoke the instructions issued.

The CEO's speech and a presentation shown during that speech can be followed online. This presentation will be available on our website » www.leoni.com until the next Annual General Meeting.

Ethics, risk and compliance management

During the year under report, the Board of Directors decided to combine the functions risk management, Internal Control System and compliance management under a single management effective as from 1 January 2020, and has adopted an initiative aimed at integrating the processes. Furthermore, additional subject areas (Group regulations management, customs compliance, data protection, information security, insurance management and sustainability reporting) were allocated to the newly created "Ethics, Risk & Compliance" department. By organisationally and procedurally combining the activities, the effectiveness of the individual systems and programmes is increased. At the same time, efficiency gains are to be achieved by coordinating activities in the context of the risk management processes, by using concepts, systems, processes and resources in a uniform manner and by integrating the reporting. For details regarding the risk management system, the Internal Control System and the Compliance Management System reference is made to the section headed risk and opportunity report in the Group management report.

As part of the compliance management, during the year under report, the Board of Directors dealt with the organisation and the further development of all compliance matters and ensured implementation of the necessary measures. Recommendations for actions that resulted from the external audit of two subsections of the Compliance Management System were translated into improvement projects and the Company began implementing the recommendations. The conclusions drawn from the findings of the external effectiveness test, from the compliance activities that were carried out and from the measures taken with regard to compliance monitoring will be included in the assessment of the effectiveness of the compliance programme and therefore in the compliance risk analysis and assessment. The compliance risk assessment is included in the risk evaluation of the Group as part of the risk management system and also forms the basis for planning the compliance activities in the following year. Moreover, the compliance activity areas of conflicts of interest, money laundering and export control have been further developed and the corresponding measures (e.g. guidelines, processes and trainings) have been implemented.

The Board of Directors regularly informed the Audit Committee and the Supervisory Board on the latest status and on the content, organisation and further development of the risk management system, the Internal Control System and the Compliance Management System. The Audit Committee monitored the corresponding activities and received reports on a case by case basis by the directly responsible persons.

During the year under report, D&O insurance was in place for the members of the Board of Directors and of the Supervisory Board that provides for a deductible per occurrence of at least 10% and a maximum of one and a half times the amount of the individual member's fixed annual compensation.

Transparency
LEONI AG informs its shareholders, the associations of shareholders, financial analysts, the media and the interested public promptly on an equal and comprehensive basis about the Company's development and significant events, for which the Company makes use of a wide variety of media. All mandatory publications and detailed supplementary information are made readily available in each case on LEONI's website. The publications, such as ad hoc announcements, media releases, interim and annual reports, are issued in both German and English. LEONI AG also broadcasts conference calls and the annual balance sheet press conference and the analyst conference live on the internet, where audio and video recordings are easily accessible for a limited period of time. The latest financial calendar with information on the dates of all key publications and events can also be accessed on the website.
» www.leoni.com

Accounting and audit of the financial statements
The 2019 consolidated financial statements and the condensed consolidated interim financial statement included in the half-year report of LEONI AG are prepared in accordance with the International Financial Reporting Standards. The individual financial statements of LEONI AG are consistent with the requirements of the German Commercial Code (Handelsgesetzbuch, "HGB") and the German Stock Corporation Act (Aktiengesetz, "AktG") and any supplementary provisions of the Articles of Association. Further information on the preparation of annual financial statements and on the audit of the financial statements is provided in the › Supervisory Board report that is included in the Annual Report.

The auditor is given only limited mandate to provide non-auditing services. Where necessary, certain non-auditing services are identified using an itemised catalogue of services the provision of which is permissible to a limited degree subject to prior approval by the Audit Committee. The content and scope of the non-auditing services provided are monitored.

Managers' transactions and shareholdings
All members of the Board of Directors and of the Supervisory Board and the persons closely associated with them are obliged pursuant to Article 19 of the European Market Abuse Regulation (Regulation (EU) No 596/2014) to promptly disclose, under certain conditions, any transactions in shares of LEONI AG or in any derivatives or any other financial instruments linked thereto. A process has been established to duly publish any such reported transactions. A list of the transactions that were reported can be found on the website of LEONI AG at » https://www.leoni.com/en/investor-relations/corporate-governance/directors-dealings.

Corporate Governance Declaration pursuant to Sections 289f and 315d HGB[1]

Declaration of the Board of Directors and the Supervisory Board of LEONI AG regarding the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to Section 161 AktG

On 13 December 2019, the Board of Directors and the Supervisory Board issued the declaration regarding the German Corporate Governance Code pursuant to Section 161 AktG shown below:

With the exception stated below, LEONI AG fully complies with the recommendations of the German Corporate Governance Code in its version of 7 February 2017 as published by the German Federal Ministry of Justice and Consumer Protection in the official part of the electronic Federal Gazette on 24 April 2017 ("Code") and will continue to comply with the recommendations also in the future with the stated exception. Since issuing its last Declaration of Conformity on 13 December 2018, LEONI AG has complied with all the recommendations of the Code with the exception stated below.

In accordance with its duties, the Supervisory Board of LEONI AG concerns itself with the appropriateness of the compensation of the members of the Board of Directors, taking into account on a regular basis the developments of the company-internal salary and wage structures, however, without applying the recommendation in section 4.2.2 (2) sentence 3 of the Code in a targeted and structured manner. The Supervisory Board is convinced that the current practice and the statutory requirements pursuant to Section 87 AktG suffice for determining the compensation of the members of the Board of Directors in consideration of the compensation customarily paid. Standards of comparison are only beneficial if they are realistic, provide a basis for orientation, and allow sufficient leeway for assessments on a case-by-case basis. In the Supervisory Board's opinion, the Code's recommendation in Section 4.2.2. (2) sentence 3 does not satisfy these requirements, in particular with regard to an enterprise such as LEONI where the majority of the workforce is employed in non-European countries. A delineation of the upper management and the relevant workforce could, in the view of the Supervisory Board, be manipulated at will, and would result in standards of comparison that are no longer comprehensible. Therefore, the aforesaid recommendation does not serve as an efficient tool for determining the compensation of the members of the Board of Directors.

Nuremberg, 13 December 2019
LEONI AG

For the Board of Directors	For the Supervisory Board
Aldo Kamper	Dr.-Ing. Klaus Probst

1 The Corporate Governance statement pursuant to Sections 289f and 315d HGB is part of the Group management report. Pursuant to Section 317 (2) sentence 6 HGB, the auditor must limit its audit of the information provided pursuant to Sections 289f (2) and (5) and Section 315d HGB to considering only whether or not the information has been provided.

Suggestions of the Code

LEONI AG voluntarily complies with the non-obligatory suggestions of the Code with the following exception.

In deviation from Section 4.2.3 (2) last sentence of the Code, the compensation system for the members of the Board of Directors of LEONI AG provides that the Board members receive annual down-payments on account of the multi-year bonus on the compensation of the members of the Board of Directors equalling 50% of the annual amount. Down-payments made must be repaid at the end of the relevant three-year period if no corresponding multi-year bonus is achieved. Further information on the system for the compensation of the members of the Board of Directors applicable since 1 January 2015 is contained in the compensation report.

Further Corporate Governance practices

In addition to the legal requirements and the Code, LEONI's Corporate Governance is aligned with recognised external standards and various internal sets of rules. These include the UN Global Compact, the LEONI Social Charter and the Diversity Charter, and internal guidelines like the LEONI Code of Conduct and the occupational safety, health protection, and environmental protection policies for LEONI's company divisions that had been transferred to the divisional level in 2019. Further details are provided in the non-financial Group information statement (prepared pursuant to Section 315 HGB) and can be viewed on the website of LEONI AG.

» www.leoni.com

Description of the procedures of the Board of Directors and Supervisory Board and of the composition and procedures of the Supervisory Board Committees

In 2019, the Board of Directors and Supervisory Board of LEONI AG collaborated closely and in mutual trust for the benefit of the Company. The Supervisory Board actively assists and monitors the Board of Directors' work. In the Supervisory Board meetings, the Board of Directors and the Supervisory Board members discuss all key strategic decisions and transactions requiring consent thoroughly and openly while ensuring strict confidentiality. The Board of Directors informs the Supervisory Board regularly, promptly and comprehensively about all relevant matters and about the planning, the business performance, the risk situation and the compliance measures.

Leadership and management

The Board of Directors is responsible for leading and managing LEONI AG. The Board acts in the interests of the Company with the aim of increasing the enterprise value in a sustainable way. For this purpose, it develops a suitable strategy, discusses and agrees on it with the Supervisory Board, and ensures its implementation. The Board of Directors' duties also include effective opportunity and risk management, risk controlling and ensuring compliance (observance of statutory requirements and Company-internal policies) throughout the Group.

On 17 March 2019, Karl Gadesmann left the Board of Directors with immediate effect and by mutual agreement with the Company. His successor as Chief Financial Officer is Ingrid Jägering, who has been a member of the Board of Directors since 1 August 2019. Until Ms Jägering took office, Aldo Kamper assumed the duties of Karl Gadesmann on a temporary basis.

In 2019, the Board of Directors was, thus, composed as follows:

Bruno Fankhauser, business economist (Betriebsökonom) (licentiatus rerum politicarum), 48	
First appointed: 1 February 2016	Appointed until: 31 December 2023
Areas of responsibility:	Head of the Wire & Cable Solutions Division and of the Corporate Digitalization department
Karl Gadesmann, degree in business administration (Diplom-Kaufmann), 57	
First appointed: 1 October 2016	Appointed until: 17 March 2019
Areas of responsibility:	Chief Financial Officer (CFO); head of the Corporate Accounting, Corporate Controlling, Corporate Data Protection, Corporate Finance & Treasury, Corporate Information Management, Corporate Information Security and Corporate Internal Audit departments and head of Purchasing & Facility Management of LEONI AG
Aldo Kamper, MBA, 49	
First appointed: 1 September 2018	Appointed until: 31 December 2021
Areas of responsibility:	Chief Executive Officer (CEO) and Labour Director; head of the Corporate Communications & Marketing (new designation due to the combination of the former Corporate Communications and Corporate Marketing departments), Corporate Compliance, Corporate Human Resources Management (together with Human Resources regarding matters of LEONI AG in Nuremberg, i.e. at holding-level), Corporate Legal and Corporate Strategy and Corporate Investor Relations departments; since 1 April 2019 CEO of the Wiring Systems Division; in the period between 17 March 2019 and 31 July 2019 also Chief Financial Officer (CFO) and head of the Corporate Accounting, Corporate Controlling, Corporate Data Protection, Corporate Finance & Treasury, Corporate Taxes, Corporate Risk & Insurance, Corporate Information Management, Corporate Information Security and Corporate Internal Audit departments and head of Purchasing & Facility Management of LEONI AG; in the period between 17 March 2019 and 10 April 2019 also CFO of the Wiring Systems Division
Ingrid Maria Jägering, industrial business management assistant (Industriekauffrau), 53	
First appointed: 1 August 2019	Appointed until: 31 December 2022
Areas of responsibility:	Chief Financial Officer (CFO); head of the Corporate Accounting, Corporate Controlling, Corporate Data Protection, Corporate Finance & Treasury, Corporate Taxes, Corporate Risk & Insurance, Corporate Information Management, Corporate Information Security and Corporate Internal Audit departments and head of Purchasing & Facility Management of LEONI AG in Nuremberg, i.e. at holding-level
Martin Stüttem, degree in engineering (Diplom-Ingenieur), 53	
First appointed: 1 April 2017	Appointed until: 31 December 2020
Areas of responsibility:	Chief Operating Officer (COO) of the Wiring Systems Division (since 1 April 2019, before that head of the division as CEO) and head of the Corporate Sustainability, Corporate Process Management, Corporate Quality & SHE Management (together with Quality & Knowledge Management regarding matters of LEONI AG in Nuremberg, i.e. at holding-level)

All information about the compensation system for the members of the Board of Directors is contained in the compensation report.

In addition to the Supervisory Board meetings in which the members of the Board of Directors are present, the chairpersons of both Boards consult regularly, also at short notice and as required by specific circumstances, on all relevant current matters. The › Supervisory Board report contains additional information on the collaboration between the Board of Directors and the Supervisory Board. Further information on the tasks and procedures of the Board of Directors and Supervisory Board and on their members and on the composition of the Supervisory Board Committees can also be found on the website of LEONI AG.

The law and the rules of procedure govern the collaboration and the allocation of duties among the members of the Board of Directors. The allocation of responsibilities was updated due to the changes in the composition of the Board of Directors and adjusted accordingly. Moreover, in the 2019 financial year, LEONI AG appointed a representative authorised by a general power of attorney (Generalbevollmächtigter), whose competences mainly result from the general power of attorney granted to him/her and from the corresponding contractual arrangements.

Work of the Supervisory Board
The Supervisory Board of LEONI AG monitors and advises the Board of Directors on the management of the Company. Its work is governed by the law, the Articles of Association, the Code and the rules of procedure.

In accordance with the German Co-determination Act (Mitbestimmungsgesetz, "MitbestG"), the Supervisory Board is subject to the principle of equal representation and consists of six members representing the employees and of six members representing the shareholders. Its composition is guided by the latest Code provisions concerning diversity and appropriate participation of women and by other criteria that ensure qualified supervision and advice of the Board of Directors of LEONI AG.

The Supervisory Board prepared a competence profile that includes targets concerning its composition and that forms part of the Board's rules of procedure. In accordance with this competence profile, the members are to successfully perform the duties of a supervisory board member of an industrial group that operates internationally based on their experience, professional expertise, independence, commitment, integrity and personality. Furthermore, it prepared a diversity concept for the composition of the Board of Directors and the Supervisory Board. In addition to these general criteria, the following requirements for the entire Supervisory Board with regard to specific professional expertise are also fulfilled: At least one member has experience in the global corporate environment and knowledge of the regions and markets of importance to LEONI. At least one member has expertise in the automotive (supply) industry and experience with disruptive market developments. At least one independent member of the Supervisory Board furthermore has specialist expertise in the fields of accounting and auditing (financial expert) and advanced knowledge in the areas of international company law, compliance, risk management, antitrust law, the capital market and M&A. The Supervisory Board members are collectively familiar with the sector in which the Company operates. Information regarding the achievement of the gender quota and further information with respect to the composition of the Supervisory Board can be found in the section › **Information regarding the achievement of the quota set forth in Section 96 (2) sentence 1 AktG, as well as the status of the achievement regarding competence profile, diversity and independence of the members of the Supervisory Board**.

All members of the Supervisory Board comply with the limitation of the total number of supervisory board mandates they may accept in accordance with the recommendation in section 5.4.5 of the Code. The members of the Supervisory Board of LEONI AG, with the exception of one member, each hold a maximum of three other supervisory board mandates at other companies or on supervisory bodies of companies that impose comparable requirements. One members holds a total of four comparable mandates. A precise overview of the mandates held by all Supervisory Board members is provided in the section headed › **Supervisory Board and Board of Directors** in the Annual Report.

To increase the efficiency of the Supervisory Board's work, the following Committees have been established which, except for the Nomination Committee and the Arbitration Committee, met regularly during the year under report: the Audit Committee, the Personnel Committee, the Nomination Committee, the Arbitration Committee and the Strategy Committee. The Committee chairpersons report during the Supervisory Board meetings on the Committees' work. In May 2019, a Special Committee was established to advise the Board of Directors on the refinancing of the Company, including the monitoring of the measures initiated by the Board of Directors in that respect.

The composition of the Committees is described below and they assume the following tasks:

The **AUDIT COMMITTEE** consists of four members – two shareholder representatives and two employee representatives – to be elected by the Supervisory Board and one of whom the Supervisory Board appoints as chair. The Committee meets at least four times a year. The Audit Committee's chairman, Prof. Dr Christian Rödl, is independent and is not also the chairman of the Supervisory Board; as a financial expert, he has professional knowledge in the fields of accounting and auditing. He has not been a member of the Board of Directors of LEONI AG in recent years. The Audit Committee's task is to discuss and review in advance the annual financial statements, the consolidated financial statements, the combined management report and the report of the Board of Directors on the relations with affiliated companies (dependency report) as well as the Board of Director's dividend proposal. The Audit Committee furthermore discusses the half-year and any quarterly financial reports with the Board of Directors. The Audit Committee deals with matters concerning accounting and compliance, risk management and internal auditing and with the Internal Control System including testing the effectiveness of the systems and measures that are respectively in place. It prepares the Supervisory Board's proposal to the shareholders at the Annual General Meeting regarding the nomination of the auditor and submits its reasoned recommendation on this nomination to the Supervisory Board. The Audit Committee furthermore verifies the independence of the auditor and obtains the corresponding declaration of independence. It instructs the auditor to perform the audit and agrees the fees with said auditor, determines the focal areas of the audit and monitors the auditing.

Alongside the chairperson of the Supervisory Board as Committee chair, the **PERSONNEL COMMITTEE** comprises his/her first deputy and one Supervisory Board member to be elected by the shareholder representatives and one Supervisory Board member to be elected by the employee representatives. The Committee meets at least twice a year. Its main tasks are to advise on the appointment and removal of the members of the Board of Directors, the compensation system for the members of the Board of Directors, the principal elements of the service contracts of the members of the Board of Directors as well as to approve contracts with Supervisory Board members in accordance with Section 114 AktG. In the year under report, the Personnel Committee has dealt, in particular, with the replacement of the CFO position and the restructuring of the compensation system for the members of the Board of Directors.

In addition to the Supervisory Board chairperson, who also chairs the Committee, the **NOMINATION COMMITTEE** has two further members, who are elected by the shareholder representatives. When appointing members to the Committee, the Supervisory Board furthermore ensures that both women and men are represented. It is the Committee's task to make recommendations to the Supervisory Board for its proposals to the shareholders at the Annual General Meeting of suitable candidates to be elected to the Board to represent the shareholders. The judgement on a candidate is made based on the competence profile prepared by the entire Supervisory Board, the targets concerning the Board's composition taking into account the applicable statutory requirements, the diversity concept and a questionnaire.

To perform the duties set out in Section 31 (3) sentence 1 MitbestG, the Supervisory Board has formed an **ARBITRATION COMMITTEE** pursuant to Section 27 (3) MitbestG, which consists of the chairperson of the Supervisory Board, his/her deputy and one member elected by the members representing the employees and one member elected by the members representing the shareholders, in each case, by the majority of the votes cast.

The **STRATEGY COMMITTEE** consists of three members of each the shareholder representatives and the employee representatives all of which to be elected by the Supervisory Board. The chairman of the Committee is Wolfgang Dehen, who – as a former managing board member of an internationally active group of companies – has the necessary expertise in the field of strategic decisions. The Committee convenes at least twice each year, in addition to the whole Committee's annual strategy meeting. The Strategy Committee deals in an advisory and preparatory capacity with the corporate strategy. Its principal tasks comprise advising the Board of Directors on the Company's strategic development and its review, preparing strategy meetings and decisions of the Supervisory Board on matters requiring consent concerning acquisitions, divestments, capital expenditure, organisational changes and restructuring as well as advising the Board of Directors on matters involving the corporate strategy and on projects of strategic relevance.

The **SPECIAL COMMITTEE** consists of six members with equal representation of both employee and shareholder representatives. Based on his experience and expertise, Wolfgang Dehen was also appointed as chairman of this Committee. The Special Committee's task is to advise the Board of Directors with regard to the ongoing work in connection with the refinancing of LEONI AG and of its Group and monitoring the asset and earnings situation, including the monitoring of the measures initiated by the Board of Directors in that respect. The Special Committee works closely with the Board of Directors. The Board of Directors reports regularly to the Special Committee on the current financial, asset and earnings situation. As a rule, the Special Committee's meetings are held together with the Board of Directors every two weeks.

More information about the composition of the Committees is contained in the section headed › **Supervisory Board and Board of Directors** in the Annual Report.

The Supervisory Board regularly reviews the efficiency of its work. In the 2019 financial year, the Supervisory Board held an executive session on 5 November 2019 in which no members of the Board of Directors were present. At that meeting, the Supervisory Board also discussed the findings of the efficiency audit which had been conducted in the form of a self-evaluation by questionnaire. Based on the findings of that efficiency audit, the Supervisory Board resolved to implement specific recommended actions to raise efficiency. These recommendations included, among others, measures to promote in-house junior managers, to effectively prepare and hold meetings as well as the objective to hold one of the annual Supervisory Board meetings at a production facility in the future.

Further details of the Supervisory Board's procedures and of the number and key topics of the Committee meetings in 2019 are comprehensively presented in the › Supervisory Board report. Information about the structure and the amount of the compensation is provided in the › Compensation report in the Annual Report.

The Supervisory Board's composition changed during the year under report such that the member of the Supervisory Board representing the shareholders, Dr Ulrike Friese-Dormann, had resigned from her office as member of the Supervisory Board representing the shareholders with effect as of 8 November 2019. The Local Court (Amtsgericht) of Nuremberg appointed Regine Stachelhaus pursuant to Section 104 AktG as substitute member of the Supervisory Board with effect as of 12 November 2019 and limited in time until the 2020 Annual General Meeting. Moreover, Carmen Schwarz resigned from her office as member of the Supervisory Board representing the employees with effect as at the end of 13 January 2019. Janine Heide was appointed as substitute member of the Supervisory Board as an employee representative by a resolution of 15 January 2019 to succeed Carmen Schwarz.

Diversity concept for the Board of Directors and Supervisory Board

LEONI considers diversity a key factor of success for the Company's future viability. Living diversity is a strategic factor to success. Different career and educational backgrounds facilitate the fulfilment of duties and obligations in accordance with statutory requirements, the provisions of the Company's Articles of Association and the rules of procedure. The Company's increasing internationalisation requires leadership of diversely composed teams. Without this capability and experience, it is not possible to take appropriate account of cultural backgrounds within the Group. A balanced age structure ensures a regular regeneration, and simultaneously ensures that knowledge as well as career and life experience are retained for as long as possible in the Company's interest. Gender diversity is, in turn, the consistent continuation of the initiatives launched by the Board of Directors to increase the number of women in management positions. LEONI's activities aim at raising awareness of gender diversity, in particular, among managers but also among the staff, inter alia, by mentoring programmes, e-learning courses and targeted training activities.

Diversity concept for the composition of the Board of Directors

LEONI pursues the objective of appointing a number of women to the Board of Directors that equals a percentage of 15%. This objective is currently achieved with Ingrid Jägering having been appointed as Chief Financial Officer.

With regard to the composition of the Board of Directors, a competence profile and a diversity concept were prepared that are intended to serve as a guideline for future appointments.

Further criteria of the competence profile are:

- diversity in terms of cultural and regional origins as well as religion
- experience in the global corporate environment and knowledge of the regions and markets of importance to LEONI
- experience with disruptive market developments
- variety of career backgrounds, experience and mindset
- equal consideration of external and internal candidates in the selection of potential members
- age: balanced age structure within set parameters for standard retirement age at the time of appointment (currently 65th year)

Manner of implementation with respect to the competence profile and diversity

The implementation of the concept is ensured to a material extent by involving the Supervisory Board in the strategic, financial and current situation of the Company and of its organisation, as provided for by statutory requirements, the provisions of the Articles of Association and the rules of procedure. The allocation of responsibilities, the appointment of members and the succession planning for the Board of Directors are part of the Supervisory Board's duties. The Board of Directors reports regularly during the Supervisory Board meetings on diversity issues and on the development and the potential of the managers within the Group. The afore-mentioned criteria are furthermore taken into account by the Personnel Committee and the Supervisory Board when making decisions regarding internal or external candidates to be appointed to the Board of Directors, but also by the first management level below the Board of Directors as the latter is subject to the Personnel Committee's consent. The implementation of the above-mentioned aspects is ensured in the following way, among others:

- reporting on the personnel and succession planning for the Board of Directors and the first management level including step-in solutions (emergency plan) and personnel planning geared to the Group's strategy
- scanning of the market for suitable candidates for the Board of Directors and the first and second management level with the involvement of experienced recruitment consultants conducting targeted searches for managers who meet the above criteria
- promoting own employees for the first and second management level while considering knowledge, experience and diversity aspects to establish the foundations needed in house for future appointments to Board of Directors positions

In the opinion of the Supervisory Board and the Board of Directors, the measures initiated are suitable for appropriately accounting for the diversity aspect at an early stage of the staff selection and promotion process in the future and for embedding an appropriate structure as regards experience and age on the Board of Directors.

Status of the implementation of the objectives with respect to the competence profile and diversity on the Board of Directors

The new appointment to the position of the Board of Directors' department of finance in the 2019 financial year was based on a widespread external and internal search process during which all of the above-mentioned criteria had been taken into account in the selection decision. Information on Ingrid Jägering and all other members of the Board of Directors can be obtained from their resumes available on the website of LEONI AG.

Diversity concept for the composition of the Supervisory Board

The Supervisory Board is to be composed in such a way that it ensures qualified supervision and advice of the Board of Directors. For this purpose, the Supervisory Board has established a competence profile, a diversity concept and independence criteria in which integrity, commitment and professionalism play a key role.

Competence profile of the Supervisory Board

The candidates who are proposed to be elected as Supervisory Board members should be able, based on their knowledge, capabilities and experience, to perform the duties of a supervisory board member of a group that operates internationally and also to represent the group well in dealings with third parties.

The objective pursued is that the Supervisory Board as a whole combines all the knowledge and experience needed to execute its tasks – this applies, in particular, to knowledge and experience that is important to LEONI with regard to

- general corporate governance
- industries, markets, regions, business areas and models
- new technologies (also, in particular, information technology and digitalisation)
- production and distribution
- procurement, logistics and finance
- law (including compliance)
- human resources
- leadership in a company that operates internationally

At least one member of the Supervisory Board is to have expertise in the fields of accounting or auditing and particular knowledge as well as experience with regard to internal control procedures.

In the event of an impending new appointment to the Board, it must be reviewed which of the listed knowledge criteria are to be enhanced on the Supervisory Board.

Diversity on the Supervisory Board

The aim is to have a sufficient degree of diversity on the Supervisory Board in order to be able to successfully perform tasks in an international setting in mixed-gender teams and thereby to be a role model for the Company as a whole. Where consistency and regeneration are taken into account with respect to (impending) appointments this will contribute to sustainability and new impetus.

The criteria are

- appropriate consideration of women as members of the Supervisory Board and its Committees
- diversity in terms of cultural and regional origins as well as religion
- experience in the global corporate environment and knowledge of the regions and markets of importance to LEONI
- experience with disruptive market developments
- variety of career backgrounds, experience and mindset
- age: balanced age structure within set parameters for standard retirement age (70th year) at the time of election
- standard 15-year limit for service as Supervisory Board members

It is intended to appropriately consider the diversity aspect at an early state of the selection process and to embed an appropriate structure as regards experience and age on the Supervisory Board.

Independence

All shareholder representatives shall be independent within the meaning of Sections 5.4.1 and 5.4.2 of the Code. In particular, they are not to have any personal or business relation with LEONI AG, its corporate bodies, a controlling shareholder or an affiliated company of the latter, which may cause a substantial and not merely temporary conflict of interest.

Conflicts of interest are to be avoided, for example, by ensuring that no directorships or similar positions or advisory tasks are exercised for important competitors of LEONI.

The Supervisory Board members must be able to devote sufficient time to performing the duties associated with their mandate so that they are able to do so with due regularity and care.

The number of former members of the Board of Directors of LEONI AG to serve as members of the Supervisory Board is limited to two.

In the Supervisory Board's view, the aforementioned aspects are suitable tools for achieving the above-mentioned aim. The election of the employee representatives in accordance with the provisions of the German Co-Determination Act also contributes to having a diversity of career backgrounds.

Manner of implementation with respect to the competence profile, diversity and independence

Statutory requirements, the Company's rules of procedure and the Declaration of Conformity pursuant to Section 161 AktG ensure that the objectives are implemented. The Nomination Committee also supports the implementation of the objectives with its work on the appointment of shareholder representatives and regular efficiency audits.

The implementation of the above-mentioned aspects is further ensured in the following way:

- regular efficiency audits within the framework of a self-evaluation and external evaluation
- scanning of the market for suitable candidates for supervisory board mandates with the involvement of experienced recruitment consultants
- exchange of information with the Board of Directors and management levels with respect to diversity (regular reporting in the Supervisory Board)
- onboarding programme for new members of the Supervisory Board

Information on meeting the minimum percentage pursuant to Section 96 (2) sentence 1 AktG and status of the implementation of the objectives with respect to the competence profile, diversity and independence of the members of the Supervisory Board

The members of the Supervisory Board of LEONI AG currently fulfil the abovementioned qualifications. The objectives for the composition of the Supervisory Board such as the sufficient diversity with regard to different professional backgrounds, expertise and experience is fulfilled as well.

The Supervisory Board members have the professional and personal qualifications deemed necessary and the knowledge, capabilities and experience important to LEONI as set out in the competence profile, as well as internationality.

The targeted degree of diversity on the Supervisory Board is appropriately accounted for by, for example, the fact that the Supervisory Board had four female members in the 2019 financial year, two of whom were shareholder representatives and two of whom were employee representatives. The minimum percentage requirement pursuant to Section 96 (2) sentence 1 AktG is thereby fulfilled. The Supervisory Board members' curriculum vitae that are published on the website of LEONI AG and updated annually also show the diversity of the professional and educational backgrounds of the individual Board members. Furthermore, none of the members of the Supervisory Board was older than 70 years or has been a member of the Board for more than 15 years by the time of their respective election.

The Supervisory Board also has an appropriate number of independent members. In the assessment of the Supervisory Board, all shareholder representatives are independent within the meaning of Section 5.4.1. and Section 5.4.2. of the Code. In particular, they have no business or personal relationship with LEONI AG or their institutions, to a controlling shareholder or to an affiliated company that could constitute a material conflict of interest that is not merely temporary. In the assessment of the Supervisory Board, the position of Dr Werner Lang as managing director of Lang Verwaltungsgesellschaft mbH, the general partner of MERKA Lang GmbH & Co. KG, a client of LEONI AG, does not constitute such a conflict of interest. The › Supervisory Board report provides for further information on possible conflicts of interest in individual cases. The members of the Supervisory Board also do not exercise any directorships or advisory functions for important competitors of LEONI AG.

Stipulations pursuant to Sections 76 (4) and 111 (5) AktG

Section 111 (5) AktG provides for the supervisory board of a listed stock corporation to stipulate target values for the percentage of women sitting on the board of directors. Pursuant to Section 76 (4) AktG, the board of directors furthermore stipulates target values for the percentage of women working in positions at the first and second management levels below the board of directors. In addition, pursuant to Section 96 (2) AktG, the Supervisory Board of LEONI must comprise at least 30 percent women and at least 30 percent men.

On the Supervisory Board, the mandatory statutory quota is fulfilled both for the members representing the shareholders and the members representing the employees as both sides have two female members.

In setting its target quotas for the Board of Directors and the two management levels below the Board of Directors, LEONI AG, as a technically oriented company, has taken into account industry-specific circumstances and the current percentage of women in the workforce. The Supervisory Board has targeted a quota for the Board of Directors of 15 percent to be reached by 30 June 2022. This targeted quota is currently met as the Board of Directors currently consists of three male and one female members.

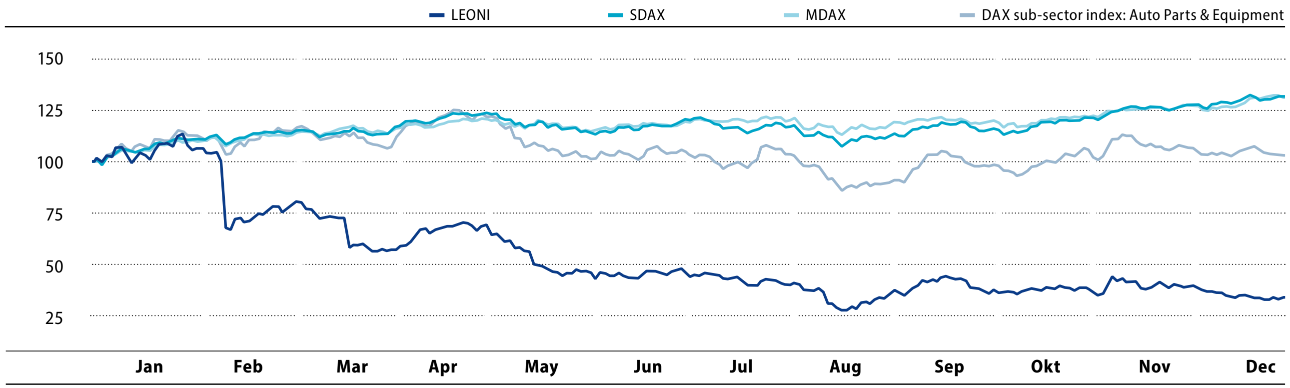
For the next two management levels below the Board of Directors, the Board of Directors had set target quotas of 15 percent for both levels to be met by 30 June 2022. In the past financial year, there was no personnel change on the first management level below the Board of Directors. As of 31 December 2019, no women were employed on the first management level; the target quota is not reached. On the second management level, the percentage of women is 21 percent (as of 31 December 2019). The target quota on the second management level below the Board of Directors has thereby been exceeded.

The LEONI share

Overview of key LEONI share data

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

Share price performance 2019



Indexed 30 December 2018

Multi-year overview of key LEONI share figures

		2019	2018	2017	2016	2015
Number of shares at yearend	in millions	32.669	32.669	32.669	32.669	32.669
Earnings	€/share	– 13.30	2.31	4.44	0.30	2.36
Equity	€/share	19.47	33.10	31.33	28.03	30.50
Dividend	€/share	0 [1]	0	1.40	0.50	1.00
Total payout	€ million	0 [1]	0	45.7	16.3	32.7
Payout ratio	%	0 [1]	0	32	156	42
High for the year [2]	€/share	34.43	65.54	63.40	36.39	62.81
Low for the year [2]	€/share	8.49	25.59	34.95	23.45	32.10
Yearend closing price [2]	€/share	10.35	30.28	62.39	33.85	36.45
Price/earnings ratio [3]		neg.	13.1	14.1	112.8	15.1
Dividend yield [3]	%	0 [1]	0	2.2	1.5	2.7
Market capitalisation on 31 Dec	€ million	338	989	2,038	1,106	1,191
Average daily trading volume	no. of shares	315,110	225,880	208,997	257,733	281,773

1 Subject to approval by shareholders at the Annual General Meeting
2 Xetra closing price of the day
3 Based on the yearend closing price

Market gains

There was an uptrend on the major equity markets in 2019 despite numerous, worldwide imponderables. Marketplaces benefited particularly from the once again loose monetary policy of many central banks around the globe as well as initial agreements in the trade dispute between the United States and China. Such risks as the worldwide increase in debt and political unrest in various countries thereby took a back seat. Significant American and Asian indices like the Dow Jones and the Shanghai Composite recorded just as strong gains as the EuroStoxx and the international MSCI World Index, which made a gain of about 31 percent over the course of the year.

The German indices were also up at yearend: the DAX rose by 26 percent; the MDAX by 31 percent and the SDAX by 32 percent. Against the backdrop of the flagging motor vehicle market, the German automotive and component supplier shares underperformed the overall market considerably. The DAX Automobiles sector index and the sub-index for the automotive component suppliers ultimately closed with gains of 15 and 3 percent, respectively.

LEONI share stabilises after sliding

Unfavourable conditions underlying the automotive sector and especially internal factors weighed on the LEONI share during the year under report. The unsatisfactory earnings and cash flow situation, which was due particularly to the meanwhile resolved ramp-up problems at the facility in Merida, Mexico and the significantly increased costs of starting the large number of new wiring system projects, led to heavy share value losses.

After a slight upside move at the beginning of the year to the 2019 high of € 34.43 at the end of January, the price dipped to the year's low of € 8.49 by mid-August. The LEONI share thereafter stabilised, underpinned by initial successes in implementing our VALUE 21 performance and strategy programme as well as significant progress made in managing liquidity, and gained slightly. At the end 2019, it traded at € 10.35, which equated to a 66 percent decline from the level at the end of the previous year.

On 31 December 2019, the market capitalisation of the approximately 32.7 million LEONI shares was down to € 338 million from approximately € 989 million on the same day one year earlier.

Trading in LEONI shares

In 2019, an average of 315,110 LEONI shares were traded per day on the Frankfurt Stock Exchange and in the XETRA electronic trading system (previous year: 225,880). In total, about 79.1 million shares changed owners during the year under report, up from 56.9 million in the pre-year period. The total trading volume was thus worth a total of approximately € 1.2 billion (previous year: € 2.4 billion).

Shareholder structure and voting rights announcements

100 percent of the roughly 32.7 million LEONI shares continued to be in free float in 2019. The proportion held by private investors meanwhile rose considerably to over 60 percent. The more than 70 percent majority of LEONI shares was in the hands of German shareholders. The remainder was evenly distributed across the rest of Europe as well as the United States.

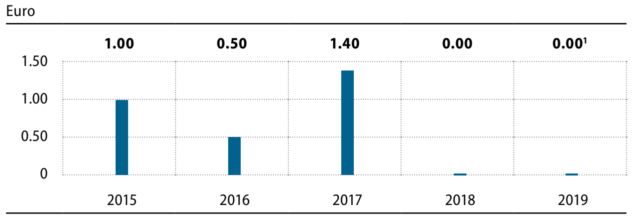
Voting rights announcements received during the 2019 financial year as well as earlier disclosures can be viewed on our website.

» www.leoni.com

Dividend

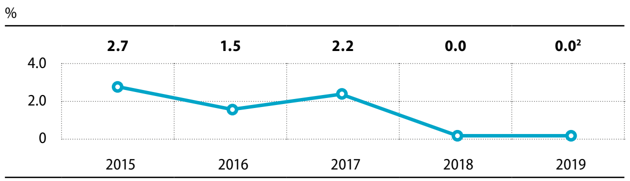
Given the still unsatisfactory financial situation, the Board of Directors and Supervisory Board will propose to shareholders at the Annual General Meeting not to pay any dividend for 2019 as was the case for the previous year.

Dividend



1 subject to approval by shareholders at the Annual General Meeting

Dividend yield[1]



1 based on yearend closing price
2 subject to approval by shareholders at the Annual General Meeting

Ratings of the LEONI share

As in the previous year, specialists representing 19 banks and investment firms regularly analysed and rated our Company during the year under report (as at the beginning of January 2020). Most recently, two financial analysts recommended buying LEONI shares; seven rated them as a hold and ten advised to sell.

Analysten-Coverage as at 13 January 2020

Bankhaus Lampe	LBBW
Commerzbank	MainFirst
Credit Suisse	Metzler
Deutsche Bank	Nord LB
DZ Bank	ODDO BHF
Hauck & Aufhäuser	Pareto
HSBC	Quirin Bank
Independent Research	UBS
JP Morgan	Warburg Research
Kepler Cheuvreux	

Great importance of investor relations work

In keeping with good Corporate Governance, LEONI considers transparency and close communication with shareholders and stakeholders to be very important. We inform our shareholders, analysts and other financial market players, the media as well as the interested public equally and as thoroughly and promptly as possible on the Company's present and projected performance.

Generally speaking, members of the Board of Directors participate regularly in investor and business media events and also engage in one-on-one dialogue with analysts, investors as well as representatives of the media. Given that the operating business and implementing VALUE 21 had top priority for the Board of Directors in the year under report, the focus was more on telephone contact than on roadshows or capital market conferences. On each of the occasions of presenting the 2018 Annual Report as well as the quarterly results there were separate conference calls for analysts and business journalists. We also participated in several roadshows and investor conferences, both in and outside Germany.

The members of the Board of Directors engage in direct dialogue with shareholders at the Annual General Meeting. As in the previous year, attendance and voting at the meeting were recorded digitally in 2019. Our shareholders were also able register prior to the event for having their invitation to the Annual General Meeting sent to them electronically. This can again be done in the current year via this link: » https://www.leoni.com/en/agm2020.

Our website gives shareholders and interested parties the opportunity to follow all of the media and analyst conferences live on the internet. Furthermore, the presentations given during these events and the Annual General Meeting can be viewed there for a limited period. All such relevant publications as ad hoc announcements, media releases as well as annual and interim reports are also available on our website. In addition, there is extensive data and background information on our Company and LEONI's share. This includes basic information as well as current analyst recommendations and the applicable fiscal calendar.
» www.leoni.com

We intend to step our roadshow and conference activity up again in 2020. In addition, hosting the Capital Markets Day for our analysts, which was originally planned for 2019, is now scheduled for this autumn.

GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT

LEONI

1. Principles of the Group

Combined Management Report:
LEONI's combined management report was, in accordance with Section 315 (5) of the German Commercial Code (HGB) in conjunction with Section 298 (2) HGB, combined with the management report of LEONI AG. This management report is therefore called the Combined Management Report. The financial statements of LEONI AG, which are prepared in accordance with the requirements of German Commercial Code, and the combined management report are published simultaneously in the electronic Federal Gazette (Bundesanzeiger). The information provided applies, so far as not otherwise stated, jointly to the LEONI Group and LEONI AG. Sections containing information only on LEONI AG are marked as such.

1.1. Business model

LEONI is a global provider of products, solutions and services for energy and data management in the automotive sector and other industries. Our portfolio comprises wires and optical fibers, cables and cable systems as well as related components, connectors and services. On these foundations, we are increasingly offering our customers intelligent energy and data management solutions for vehicles and industrial applications.

LEONI's business is organised by two divisions (or segments), which are structured differently and operate in differing market environments. They will therefore in future be set up on a standalone, organisationally separate basis (› **Strategy and VALUE 21**).

The **Wiring Systems Division** (WSD) is one of the world's largest providers of complete wiring systems and customised cable harnesses for the motor vehicle industry. Its products and services comprise development and production of sophisticated cable harnesses through to integrated wiring systems, high-voltage (HV) wiring systems for hybrid and electric vehicles, energy distribution components and special connectors. As systems providers, we cover the entire spectrum from design through to series production as well as complementary services. In so doing, we are increasingly positioning ourselves as a provider of vehicle data and energy management solutions to supply our customers with innovative products and services covering the automotive megatrends of electromobility (EMO), connectivity and autonomous driving. We are also reinforcing our expertise in the fields of electronics and software to enhance our position as a systems supplier.

The **Wire & Cable Solutions Division** (WCS) is a leading manufacturer of wire and cable systems that, as part of its strategic transformation, is gradually developing into a provider of secure and intelligent energy transmission and data management system solutions. Its range of products and services encompasses wires, strands and optical fibers, standardised cables, special cables and fully assembled systems as well as related services for customers in the automotive, capital goods, medical technology, telecommunications, energy and infrastructure industries. The focus is on technologically sophisticated products as well as customer-specific applications for niche markets. The portfolio is continually being expanded to include intelligent cables and cable systems, software solutions as well as smart services to take advantage of the opportunities for LEONI arising from digitalization and other global megatrends.

1.2. Principal facilities and changes in the scope of consolidation

The LEONI Group comprises LEONI AG and the two divisions with corresponding subsidiaries. At the end of 2019, LEONI was, with 70 subsidiaries (previous year: 72) in 31 countries (previous year: 32), located in Asia, the America and EMEA (Europe, Middle East and Africa). The Wiring Systems Division had three domestic and 28 foreign companies, seven of which were located in Asia, six in the Americas and 15 in the EMEA region. The Wire & Cable Solutions Division accounted for twelve domestic and 22 foreign companies, of which four in Asia and six in the Americas as well as twelve in the EMEA region. Furthermore, five subsidiaries operate in the EMEA region for both divisions. In addition, there is LEONI AG as the holding company. There were no significant changes to the scope in consolidation during the year under report.

1.3. Organisational structure

LEONI AG acts as the managing holding company. With its corporate functions, it is in charge of overarching tasks for the LEONI Group, which will, as part of the VALUE 21 programme (› Strategy and VALUE 21), in future increasingly be assumed by the divisions. The structure of the two divisions is guided by their respective customer groups and markets, subdivided into business groups and business units. In the **Wiring Systems Division**, a Sales Board consisting of ten Business Units (BUs) with global operations looks directly after the customers in Europe, Asia and the Americas and simultaneously coordinates the placing of orders with the plants, which are responsible for quality and cost efficiency while adhering to set standards. In addition, there are three, BU-overarching Tech Centers, which provide our business units with innovative products and services involving electromobility components as well as energy and data management. The Sales Board is the interface for these products, which means that our customers have only one contact partner for the high-voltage and conventional wiring system as well as component businesses. Additionally, there are Central Functions for the senior management level and the supporting functions. The worldwide production network of the Wiring Systems Division comprises production facilities in numerous countries, chiefly so in China, Mexico, North Africa and Eastern Europe. The locations are chosen based on cost benefit and logistical requirements, and they are situated as near to our customers as possible.

The organisational structure of **Wire & Cable Solutions Division** follows its core, strategic markets, which, alongside the automotive sector, include industrial automation, robotics, medical technology, energy and data infrastructure projects as well as transport and renewable energies. These target groups are cultivated by Business Groups (BGs): BG Automotive Cable Solutions for the automotive industry and by BG Industrial Solutions for the industrial business. In addition, there is BG Wire Products & Solutions with a wide portfolio of wires, high-flex copper strands and braided copper tapes for applications in both industry and the automotive sector. The trailblazing electromobility segment is providing this BG with increasing growth potential in connection with high-voltage solutions as well as battery technology.

The operating business of the Wire & Cable Solutions Division is handled by a total of 17 business units. There are furthermore commercial and technical/operational support functions as well as a Digital Solutions Group, which drives the digital transformation and the division's development towards becoming a solutions provider. The WCS production facilities are located in western and eastern Europe, the Americas as well as Asia. They are situated not only in strategically favourable proximity to our customers, but also in key growth regions of the core markets being cultivated.

1.4. Customers and markets

The LEONI Group's customers principally include motor vehicle manufacturers and their suppliers. This customer group provided about 82 percent of LEONI's total sales in 2019 (previous year: 83 percent). With sales to the five largest customers we generated a business volume of approximately € 1.9 billion during the period under report (previous year: € 2.0 billion), which equated to about 39 percent of consolidated sales (previous year: 39 percent).

The **Wiring Systems Division** supplies the leading carmakers worldwide, from the small to compact and mid-range car brackets and up to models in the premium and luxury segments. In addition, the commercial vehicle industry is of major importance. There are furthermore manufacturers of agricultural and special as well as leisure vehicles. Our components, cable harnesses and wiring systems are created during the design and development phase of a new vehicle in close collaboration with the respective customer. We maintain long-term relationships with our customers based on our extensive, specific know-how in the areas of development, production and distribution of wiring systems as well as our high quality and reliability.

The customer base of the **Wire & Cable Solutions Division** comprises wiring system manufacturers that operate worldwide and many other automotive component suppliers as well as internationally leading providers in a wide variety of capital goods industries, the infrastructure sector, robotics and railway engineering as well as in the renewable energy and major industrial project markets. We maintain long-standing and close relationships with our customers and are in faithful contact with them, especially via our sales and development departments. Increasingly, our customers also include OEMs in a wide range of different industrial sectors that operate globally and are keen to work with us as a solutions provider in a partner-like relationship.

In regional terms, the European, American and Asian markets are of greatest significance to LEONI. Europe – including the Middle East and Africa (EMEA) – is LEONI's most important market with a share of some 69 percent (previous year: 70 percent) of sales. The Americas account for approximately 17 percent (previous year: 16 percent) and Asia for about 14 percent (previous year: 15 percent).

1.5. Competitive situation and advantages

The **Wiring Systems Division** is a leading producer of cable harnesses and wiring systems in Europe. We rank 4th worldwide, according to calculations by the Automotive Wiring Harness Market. Our most significant competitors are Aptiv, Sumitomo and Yazaki. Alongside our good, internationally competitive position also in the electromobility segments, our success in the market is based on great power of innovation and a high real net output ratio, comprehensive logistics and system expertise as well as development centres spread worldwide with proximity to the customer. Another key factor involves our global production network with standardised processes as well as the fact that a high proportion of our production is at locations with favourable wage costs. Our very broad international positioning as well as the variety of vehicle manufacturers and brands we supply also diminish our exposure to regional or customer-specific market cycles.

The **Wire & Cable Solutions Division**, which is a leading cables business in Europe, is the technology and market leader in many of its target areas. In some product segments, such as data and special cables for the car industry and cable systems for robotic engineering, we regard ourselves as global market leaders. From our perspective, we also command leading positions in the market for cables for particular industrial applications; for example, in mechanical engineering, measurement and control equipment as well as medical technology. Our good competitive position is principally based on a vertically strongly integrated value chain, core skills developed over decades such as a broad understanding of raw materials and know-how concerning input materials, engineering and applications as well as command of technologically sophisticated manufacturing processes. Our increasingly international presence and stronger positioning as a provider of intelligent energy transmission and data management system solutions give us additional competitive advantages.

1.6. Strategy and VALUE 21

The LEONI Group's strategy essentially aims to develop its two divisions into stand-alone, leading providers of intelligent energy and data solutions – in line with our vision of 'passion for intelligent energy and data solutions'. 'Passion' stands for full commitment and fervour with respect to the upcoming tasks. 'Intelligent' expresses that LEONI's products offer the customer added value thanks to additional, smart properties. 'Energy and data' are the two areas in which LEONI operates with great expertise - the transmission of energy as well as of data. And 'solutions' highlight the trend of increasingly supporting our customers as a solutions and systems provider.

Raising entrepreneurial autonomy

As part of its VALUE 21 programme, LEONI AG reviewing its existing corporate structure and the strategy for its divisions. That also included scrutiny of the best possible future ownership structure for the Wire & Cable Solutions (WCS) and the Wiring Systems Division (WSD) to determine how both divisions can realise their full potential.

LEONI presently sees only very limited synergies between the two divisions and intends to raise their operational independence. Corporate functions will consequently be transferred from the holding company to the divisions. WCS will concentrate more on advanced and intelligent cable solutions and services, while the Wiring Systems Division will continue to enhance its expertise covering energy and data solutions as well as services.

Against this backdrop, LEONI is preparing to carve out its WCS Division. Following a possible spin-off, LEONI will focus primarily on developing its wiring systems segment. This will establish sharply focussed businesses able to better and more quickly realise individual market and technology developments as well as investment.

Wiring Systems Division as systems supplier and development partner

By focussing on the wiring systems segment, LEONI expects to be better poised to concentrate on optimising its operating business and further enhance its leading position in the market for motor vehicle wiring systems. LEONI will furthermore be able to direct its resources towards developing the company into being a global solution provider for the automotive sector and intends to tap new opportunities in the field of energy and data management. By developing WSD into a systems supplier and development partner to its customers, LEONI is well on its way to in future not only selling products, but further enhancing its own range of services in the fields of engineering, architectural design and simulation. In the field of electromobility, the Company regards itself as well set-up both technologically and in terms of market position to benefit from the progressing switch to electric and hybrid vehicles.

WCS as a leading provider of special cables and connectivity solutions

The WCS Division expects to develop even more strongly in each of its core areas to be a leading provider of specialised cables and connectivity solutions with long-term growth potential. With a broad and varied product and performance portfolio, WCS serves a wide range of growing markets including the healthcare sector, factory automation, the transport industry as well as the automotive market. In addition, WCS is well-positioned with its LEONiQ technology for being in the vanguard for intelligent cable solutions. The WCS Division has grown in key market segments over recent years and has achieved a leading position as a provider of technologically highly sophisticated and intelligent cable solutions as well as services. Our intention with the carve-out is to enable the division to realise its full potential more quickly under a different ownership structure.

VALUE 21
We announced VALUE 21, our comprehensive performance and strategy-enhancement programme, at the end of 2018 and adopted it in 2019 to improve the basis for healthy growth, profitability and cash generation as well as to sharpen our focus on the future markets of digitalization, electromobility and autonomous driving.

Alongside strategic development of the divisions on an entrepreneurially independent basis, our VALUE 21 programme pursues three aims that are of fundamental importance to future growth: sustained improved of performance throughout the Group, sharper focus in the Wiring Systems Division on profitability and cash flow as well as expansion of higher margin business and optimising the portfolio of the Wire & Cable Solutions Division.

Sustained performance improvement
To turn the unsatisfactory earnings and cash flow situation around, the focus of implementing VALUE 21 during the year under report was on improved cash flow and profitability. The programme comprises more than 1,000 initiatives aimed primarily at optimising direct and indirect procurement, raising efficiency in production, logistics and development as well as reducing distribution and IT costs.

For the **Wiring Systems Division**, VALUE 21 provides for giving even greater priority to market opportunities and being more focused on earnings quality and cash flow when choosing new projects. Organic growth is to be restricted to the level of market growth. To this end, we shall concentrate more strongly on strategic customer relationships. The principal factors crucial to accepting new projects will be profitability and the utilisation of our capacity, both existing and presently still under construction. New projects were already selected by these criteria in 2019 (› Segment report).

Just as the restructuring and cost reduction measures, focused growth is to contribute to improving cash flow and the EBIT margin.

In the **Wire & Cable Solutions Division**, our VALUE 21 programme aims, alongside improving performance, to have a clear focus on strategic core markets as well as on expanding higher margin business and corresponding optimisation of its portfolio. In 2019, we therefore analysed our business and product areas with respect to their strategic importance and profitability. Initial portfolio optimisation steps were already taken during the reporting period. For instance, we prepared for spinning off some sub-segments that do not promise any profitable growth, or for shutting them down. Some business activities were also relocated to places with a more favourable cost situation.

Additional information on progress in implementing the divisional strategies is contained in the sections headed › Segment report as well as › Research & Development.

From 2022, implementation of all measures is to yield, compared with 2018, sustained cost savings of € 500 million per year before opposing effects. By the end of 2019, measures with a gross savings potential of more than € 300 million were already applied and the target for the past financial year was thereby surpassed. The programme will probably incur costs of about € 120 million, more than half of which for personnel-related measures. The bulk of the costs will have been incurred in 2019 and 2020. The figure already incurred in 2019 was € 86 million.

1.7. Corporate Governance (statements pursuant to Sections 289f and 315d of the German Commercial Code (HGB))

LEONI's corporate governance is geared to the principles of the German Corporate Governance Code. The Board of Directors is responsible for corporate governance. Its work is monitored by the Supervisory Board. The Board of Directors determines Group strategy and, together with those in charge of the divisions and the individual business units, measures suited to its implementation. Further information is contained in the Corporate Governance report and the statement on Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code (HGB), which is publicly accessible on the Company's website (» http://www.leoni.com/en/ investor-relations/corporate-governance/). Details of the compensation for members of the Board of Directors and Supervisory Boards are presented in the › compensation report.

1.8. Governance of the operating business

The key financial performance indicators for the LEONI Group are sales, EBIT before exceptional items as well as before VALUE 21 costs and free cash flow. Governance of the two divisions is guided by sales and EBIT before exceptional items as well as before VALUE 21 costs. The new key figure of EBIT before exceptional items as well as before VALUE 21 costs represents an adjustment of the result for extraordinary, non-recurring factors to facilitate easier comparability between the periods and better interpretation of operating profitability. The exceptional items comprise significant impairment of goodwill, intangible assets, property plant and equipment as well as other assets, major expenses for contingent losses on customer contracts, costs in preparation for carving out the Wire & Cable Solutions Division (excl. internal costs), refinancing costs (incl. consultant, bank and solicitor fees; apart from the costs that are attributed to interest expenses) as well as other expenses incurred by strategic decisions. Costs for the VALUE 21 programme comprise all the related restructuring and severance costs as well as external consultant fees.

Specific information on performance in terms of these indicators in the past financial year is contained in the section headed › Overview of LEONI's performance. The planning for the 2020 financial year is presented in the › forecast. In the sections hereafter, additionally presented key figures and performance indicators serve to provide better understanding and more explanation of the trend of business as well as the asset, financial and earnings situation.

Business and underlying conditions

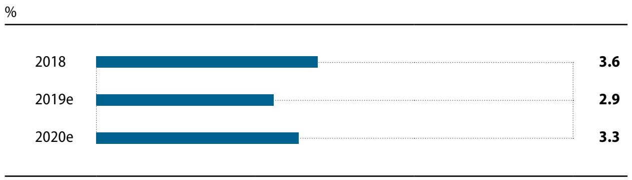
2.1. Macroeconomic setting

Several factors impacted on the global economy in 2019. In particular, the persisting trade disputes between the USA and China as well as the EU, geopolitical tensions in various regions as well as Brexit exerted hampering effect. The resulting uncertainty about the future of supra-national trading systems and international collaboration generally applied the brakes not only to global trade, but also to companies' inclination to invest. In addition, there was, according to the International Monetary Fund (IMF), lack of readiness to invest in some countries; Germany, for example. The expansionary monetary policy of many central banks offset these adverse influences.

While initial agreements in the trade dispute led to slight worldwide easing towards yearend, the International Monetary Fund estimates that 2019 global economic growth nevertheless came to only 2.9 percent and was thus down from the previous year by 0.7 of a percentage point. At the beginning of 2019, the IMF had still forecast 3.5 percent growth, but revised this projection downward several times during the year. The worldwide volume of trade increased by just 1.0 percent (previous year: 3.7 percent) and was thereby as weak as last seen in 2012.

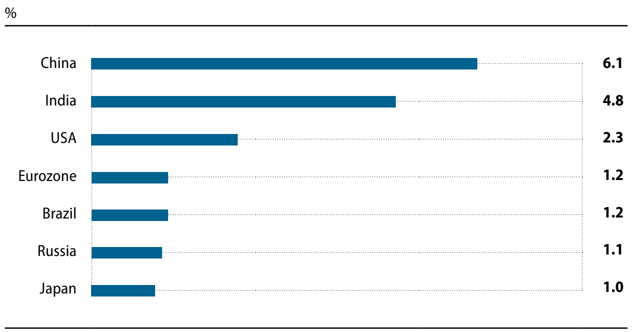
The strongest impetus for economic growth again came from the developing and emerging countries, whose gross domestic product (GDP) rose by 3.7 percent overall (previous year: 4.5 percent). China and India generated the strongest gains, even though the pace slowed in both countries and especially so in India. In the industrialised countries, GDP increased by 1.7 percent (previous year: 2.2 percent), with the United States growing by 2.3 percent but the eurozone managing just 1.2 percent. Growth in Germany underperformed this figure with a rate of 0.5 percent, which was attributable mainly to the major significance of exports.

Global economic growth 2018 to 2020



Source: IMF World Economic Outlook, Update Jan. 2020

2019 economic growth in selected regions



Source: IMF World Economic Outlook, Update Jan. 2020; estimate

2.2. Business by sector

The subdued macroeconomic situation in 2019 was also reflected in the automotive industry. According to preliminary calculations of the German Association of the Automotive Industry (VDA), global **car sales** declined by 5 percent year on year in 2019. While the European market remained stable, new vehicle registrations in the United States dropped by 2 percent and, in China, even slumped by 10 percent. Particularly the international trade disputes and Brexit had a dampening effect on the automotive business.

The **car industry** responded to declining demand by curtailing its output. According to preliminary estimates of the IHS market research institute, nearly 6 percent less cars and light commercial vehicles were manufactured worldwide in 2019 than in 2018. Fewer vehicles rolled off production lines especially in China and the EMEA region, but there were also moderate decreases in the Americas. Cars with alternative drive systems provided an opposing impetus: Here, unit numbers were up by 38 percent worldwide, with particularly strong growth rates in the EMEA region.

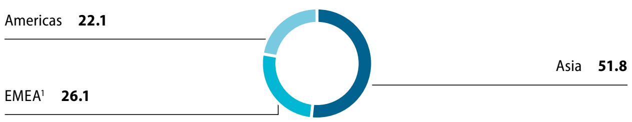
Output of cars and light commercial vehicles by region

million units	2019e	2018
Asia	46.0	49.2
EMEA[1]	23.2	24.6
Americas	19.6	20.4

Source: IHS Light Vehicle Production Forecast, October 2019

Output of cars and light commercial vehicles by region

% 2019e



Source: IHS Light Vehicle Production Forecast, October 2019

According to IHS Automotive, the **commercial vehicle manufacturers** also scaled their production back in 2019. After the strong increases in the previous year, 7.5 percent fewer heavy commercial vehicles were manufactured globally. Whereas China recorded an 11 percent drop and the EMEA region one of 6.5 percent, 4 percent more new, heavy trucks left factories in the Americas. These figures are in line with our own observations showing that the worldwide demand of cable harnesses for trucks, engines, agricultural and construction machinery was either stable or down slightly.

Output of heavy commercial vehicles by region

million units	2019e	2018
Asia	2.10	2.37
EMEA[1]	0.57	0.60
Americas	0.75	0.72

Source: IHS Light Vehicle Production Forecast, October 2019

For the global **electrical goods industry**, the German Electrical and Electronic Manufacturers' Association (ZVEI) estimates another year of growth at a rate of 4 percent in 2019. The emerging countries, meanwhile, are likely to have performed more dynamically with a 5 percent overall gain than the industrialised countries with a 2 percent increase. Demand increased most strongly in Asia, followed by the Americas and Europe. In Germany, the sector's sales rose by a below-par 1 percent. The segments of importance to LEONI, i.e. automation, electromedicine, communication and information technology, each grew by 3 to 4 percent globally.

The German Engineering Federation (VDMA) says that the **mechanical engineering sector** was affected considerably in 2019 by the weak global economy, worldwide trade disputes as well as the profound structural change in the car industry. In the past year, the sector generated flat worldwide sales versus the previous year, while China substantially underpinned the situation. Without the People's Republic, sales are likely to have dropped by 2 percent. Germany's machinery and plant manufacturers closed out the year with a 2 percent decrease in output.

1 Europe, Middle East and Africa

2.3. Other factors

The macroeconomic and sector-specific conditions are of major significance to LEONI's business performance. A range of other factors also play important roles:

The **prices of commodities** (› Procurement), especially of copper, exert an appreciable influence on our sales. We largely pass on the fluctuations in the copper price to our customers through contractual agreements, albeit usually with a time lag. A change in the price of copper will therefore normally result initially in a corresponding effect on LEONI's sales without notable impact on earnings. On the balance sheet, there may – depending on the price of copper – be write-downs on inventory or provisions to cover contingent losses on partial quantities of inventory. The same applies to the raw material of silver, which is used primarily in the refining of wire products. By contrast, the **trend in energy prices** does not have any major group-wide impact on LEONI.

Personnel costs are another very significant influencing factor in the countries in which we produce. They are considered in decisions on choices of location, as are reliable legal and political conditions as well as favourable transport options. Unexpected and considerable wage hikes in some eastern European countries adversely affected our earnings in 2019 (› Segment report).

We keep a very close eye on the **political situation** in the countries of importance to us; countries where we produce and sell. The › risk and opportunity report contains corresponding information.

Alongside the respective national legislation of the countries in which we have a presence, the **legal factor**s that are of importance for LEONI also include international laws. The stricter CO2 emission limits, for example, exert indirect influence as they increase demand from the automotive industry for cables, cable harnesses and wiring systems that are particularly lightweight or lend themselves to alternative drive technologies. This results in the increasing use of sensors and control units, which in turn leads to an additional need for wiring.

Exchange-rate fluctuation can have an impact on sales, which we reduce through appropriate hedging transactions. If exchange-rate parities change substantially, however, they might nevertheless have an effect on results (› Notes).

3. Business report

3.1. Overview of LEONI's performance / General statement on the economic situation and comparison with the forecast

Overview of business performance and general statement by the Board of Directors

In 2019 and against the backdrop of the weaker automotive business, LEONI's consolidated sales were down from € 5.1 billion to € 4.8 billion, of which the Wiring Systems Division accounted for € 3.0 billion (previous year: € 3.2 billion) and the Wire & Cable Solutions Division for € 1.8 billion (previous year: € 1.9 billion).

Various factors heavily affected consolidated **earnings before interest and taxes** (EBIT). Along with the decline in demand, the ramp-up difficulties at a wiring systems facility in Mexico, which incurred extensive, additional expenses, were among these factors reflected in this result. Exceptional items also incurred heavy costs; principally provisioning and impairment charges, as well as for the VALUE 21 performance and strategy programme (› Strategy and VALUE 21). Before exceptional items and VALUE 21 costs, the consolidated EBIT-level result came to a loss of € 66 million (previous year: earnings of € 157 million). In the Wiring Systems Division, the figure was a loss of € 118 million (previous year: earnings of € 92 million) while the WCS Division generated earnings of € 51 million (previous year: € 67 million).

Consolidated EBIT before exceptional items as well as before VALUE 21 costs[1, 2]

€ million	2019	2018
EBIT before exceptional items as well as before VALUE 21 costs	**(66)**	**157**
Exceptional items	(233)	(11)
VALUE 21 costs	(86)	(2)
EBIT	**(384)**	**144**

Including spending on VALUE 21 in the amount of € 86 million) and the exceptional items in the negative amount of € 233 million, the Company reports negative EBIT of € 384 million (previous year: earnings of € 144 million), of which a loss of € 370 million (previous year: earnings of € 80 million) was due to the Wiring Systems Division and a loss of € 14 million (previous year: earnings of € 66 million) was due to the Wire & Cable Solutions Division. This negative result and another large amount of capital expenditure on necessary capacity expansion in connection with pending customer projects led to Group-wide, led to negative free cash flow of € 308 million in the year under report (previous year: negative € 140 million[3]).

1 This key figure represents adjustment of EBIT for exceptional, non-recurring factors to facilitate better comparability between the periods and interpretation of operating profitability. Exceptional items comprise significant impairment of goodwill, intangible assets, property plant and equipment as well as other assets, major expenses for contingent losses on customer contracts, costs in preparation for carving out the Wire & Cable Solutions Division (excl. internal costs), refinancing costs (incl. consultant, bank and solicitor fees; apart from the costs that are attributed to interest expenses) as well as other expenses incurred by strategic decisions. Costs for the VALUE 21 programme comprise all the related restructuring and severance costs as well as third-party consultant fees.
2 Reconciliations for the divisions are contained in the › Segment report
3 Prior-year figures adjusted

The equity ratio was down to 17.7 percent by the end of 2019 (previous year: 31.2 percent) and net financial debt rose sharply to € 1,186 million (previous year: € 613 million). Available liquidity amounted to € 624 million at the end of 2019 (previous year: € 1,001 million). As at the balance sheet date, guarantees amounting to € 74 million (previous year: € 89 million) must be deducted from freely available liquidity. We furthermore refer to comments in the › Risk and opportunity report in the section headed 'Interest rate and financing risks / liquidity risk'.

On the whole, the Board of Directors considers the LEONI Group's earnings, financial and asset situation in the 2019 financial year to have been unsatisfactory. Progress made with the VALUE 21 performance and strategy programme merits a favourable rating. The programme, which was adopted in the first quarter of 2019 and is aimed at healthy growth, more profitability and cash generation as well as sharpening our focus on the future markets of digitalization, electromobility and autonomous driving, already yielded significant improvement in the second half in terms of free cash flow, among other aspects. The target is for VALUE 21 to achieve sustained, gross cost savings of € 500 million p.a. from 2022 as opposed to 2018. Initiatives with savings potential of more than € 300 million were already applied by the end of 2019. LEONI thus has a good basis for meeting its savings target from 2022 and thereby for returning to profitable business performance.

Group key figures

	Actual 2018 figures	First forecast for 2019	Updated forecast for 2019	Actual 2019 figures
Consolidated sales	€ 5.1 billion	approx. € 5.2 billion	down moderately YoY	€ 4.8 billion
EBIT	€ 144 million	€ 100 to 130 million [1]	—	€ (384) million
EBIT before exceptional items as well as before VALUE 21 costs	€ 157 million	—	up to a mid-double-digit million, negative € amount	€ (66) million
Free cash flow	€ (140) million [2]	at pre-year level	Level of the first half of 2019 +/- a low, double-digit million € amount	€ (308) million

Comparison with the forecast

The Group forecast for 2019 issued when preparing the 2018 financial statements estimated sales of about € 5.2 billion, EBIT before the effects of the VALUE 21 performance and strategy programme of € 100 to 130 million and free cash flow at the previous year's level (negative € 140 million [3]). This was not met and withdrawn in March because of the unexpectedly increased costs relating to the ramp-up difficulties at the wiring systems facility in Mérida, Mexico, the expected charges pertaining to restructuring forecasts under VALUE 21 as well as the further downturn in the market for both divisions. The Board of Directors decided not to issue any guidance for the time being because of the uncertain situation. An updated forecast for 2019 was issued in August 2019.

The Board of Directors therein estimated a sales figure moderately down from the previous year, EBIT before exceptional items as well as before VALUE 21 costs in a negative amount of into mid-double-digit million euros and, for free cash flow, a figure at the level of the half-year mark plus/minus a low double-digit million euro amount (30/6/2019: negative € 382 million [4]). The 2019 sales of € 4.8 billion and the negative EBIT before exceptional items as well as before VALUE 21 costs of € 66 million were well below the figures projected in the first, withdrawn forecast, but in line with the updated guidance. Free cash flow was likewise considerably below expectation vis-a-vis the withdrawn, first forecast, but, thanks to the rapid progress of our stepped-up cash management, significantly exceeded our updated forecast with a negative figure of € 308 million.

Initial application of IFRS 16, Leases

LEONI applied the new requirements under IFRS 16, Leases, for the first time in fiscal 2019 and opted to use the modified, retrospective method. The comparatives for the 2018 reporting period were therefore not restated. At the time of transition on 1 January 2019, LEONI recognised rights of use in the amount of the lease liabilities that were adjusted for lease payments made in advance. This enlarged the balance sheet by € 157 million. According to the new standard, leases are recognised on the balance sheet in the form of a lease liability and a corresponding right to use the leased asset. The lease liability is reduced in subsequent periods by the repayment portion of the lease instalments paid; the interest portion is expensed as interest. The rights to use the leased assets are amortised. According to the requirements of IFRS 16, the lease expenses previously included in operating expenses are replaced by write-downs and interest expense, resulting in positive effect on EBIT and EBITDA. From 2019, investment in property, plant and equipment also includes additions from rights of use that stem from conclusion of new lease agreements. Recognition of liabilities relating to leases leads to an increase in current and non-current financial liabilities and thus to an increase in net financial debt. First-time application of IFRS 16 had a beneficial effect on free cash flow because lease expenses are no longer recognised in operating cash flow, but rather presented as principal and interest payments in cash flow from financing activities.

1 Before VALUE 21 effects
2 Prior-year figures adjusted (presentation change: interest paid and received is classified in full as a financing; cf. › Note 1
3 Prior-year figures adjusted (presentation change: interest paid and received is classified in full as a financing

4 Half-year figure adjusted

Furthermore, accounting for rights of use and lease liabilities enlarges the balance sheet, which leads to deterioration of the equity ratio. The principal effects of initial application of IFRS 16 on the relevant key financial figures are presented in summary hereinafter:

€ million	2019	of which: IFRS 16 effect	2019 adjusted for IFRS 16 effects	2018
EBITDA	(179)	45	(225)	303
EBIT	(384)	4	(388)	144
EBT	(419)	0	(419)	121
Free cash flow	(308)	45	(353)	(140)
Capital expenditure	357	86	271	343
Current financial liabilities	(365)	(42)	(323)	(177)
Non-current financial debts	(965)	(155)	(810)	(588)
Net financial liabilities	(1,186)	(196)	(989)	(613)
Total assets	3,599	196	3,402	3,462
Equity ratio	*17.7 %*	*(1.0) %*	*18.7 %*	*31.2 %*

3.2. Group sales and earnings

Consolidated sales down moderately to € 4.8 billion

The consolidated sales of LEONI AG were down by 5 percent to € 4,846 million in 2019. The cause was particularly the weaker demand from the automotive industry, which resulted in volume decline affecting both wiring systems and automotive cables. Sales of special cables and cable systems for industry were likewise down. The effects of changes in the price of copper, exchange rates and the scope of consolidation played a minor role and largely cancelled each other out.

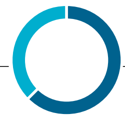
Broken down by region, consolidated sales dipped by 6 percent to € 3,348 million in the EMEA area and by 11 percent to € 670 million in Asia. In the Americas, by contrast, we generated a 4 percent increase to € 828 million.

LEONI Group sales performance

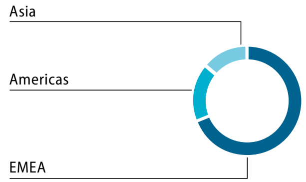
	€ million	%
2018 sales	5,101	
Organic change	(257)	(5.0)
Effects of changes in the scope of consolidation	(17)	(0.3)
Currency translation effects	53	1.0
Copper price effects	(34)	(0.7)
2019 sales	4,846	(5.0)

Consolidated sales by division

%	2019	2018
Wire & Cable Solutions	37.5	37.9
Wiring Systems	62.5	62.1



Consolidated sales by region



%	2019	2018
Asia	13.8	14.8
Americas	17.1	15.6
EMEA total	69.1	69.6
– Rest of Europe	30.0	26.6
– Germany	23.2	27.2
– Eastern Europe	14.7	14.6
– Africa	1.1	1.0
– Rest of EMEA	0.1	0.2

Group EBIT-level result a loss of € 66 million before exceptional items as well as before VALUE 21 costs
Various factors impacted heavily on the LEONI Group's earnings situation during the reporting period. The factors affecting our operating business, alongside the sales decline, were especially the ramp-up problems at our WSD facility in Mérida, Mexico and increased wage costs in Eastern Europe. There was also spending on our VALUE 21 performance and strategy programme totalling € 86 million (previous year: € 2 million) and exceptional items in a negative amount of € 233 million (previous year: negative € 11 million). The VALUE 21 costs comprised mainly consulting and restructuring expenses in the amount of € 30 million and € 53 million, respectively. The principal exceptional items included provisions for contingent losses amounting to € 119 million as well as impairment charges of € 77 million. Provision for contingent loss of about € 80 million was made in the fourth quarter due to the changed conditions underlying a major project. The other provisions for contingent losses pertain mostly to reassessment of the WSD order portfolio and market prospects against the backdrop of the more subdued conditions. Most of the impairment charges amounting to € 77 million were also attributable to reassessment of the WSD order portfolio and market prospects as well as the realignment sharpened under VALUE 21 towards strategic customer relationships. In the WCS Division, assets were written down in the amount of € 20 million. Measures relating to refinancing and preparing for carve-out of the Wire & Cable Solutions Division incurred further exceptional costs.

Consolidated EBIT before exceptional items as well as before VALUE 21 costs[1]

€ million	2019	2018
EBIT before exceptional items as well as before VALUE 21 costs	**(66)**	**157**
Exceptional items	(233)	(11)
of which impairment charges	(77)	(7)
of which provisions for contingent losses	(119)	(4)
of which refinancing costs	(15)	0
of which costs to prepare for WCS carve-out	(6)	0
of which non-recurring charges due strategic decisions	(16)	0
VALUE 21 costs	(86)	(2)
of which consulting fees	(30)	(2)
of which restructuring expenses	(53)	0
of which other expenses	(3)	0
EBIT	**(384)**	**144**

Against this backdrop, the LEONI Group's **cost of sales** increased by 5 percent to € 4,491 million despite the smaller business volume. Gross profit on sales contracted from € 816 million to € 354 million, which equated to a **gross margin** of 7.3 percent (previous year: 16.0 percent).

1 This key figure represents adjustment of EBIT for exceptional, non-recurring factors to facilitate better comparability between the periods and interpretation of operating profitability. Exceptional items comprise significant impairment of goodwill, intangible assets, property plant and equipment as well as other assets, major expenses for contingent losses on customer contracts, costs in preparation for carving out the Wire & Cable Solutions Division (excl. internal costs), refinancing costs (incl. consultant, bank and solicitor fees; apart from the costs that are attributed to interest expenses) as well as other expenses incurred by strategic decisions. Costs for the VALUE 21 programme comprise all the related restructuring and severance costs as well as third-party consultant fees.

Exceptional factors and VALUE 21 costs also played a principal role with respect to general **administrative and selling expenses**, which in total were up 12 percent to € 617 million. The higher freight costs in connection with the start-up difficulties in Mérida also made an impact. **Research and development costs** rose by 7 percent to € 161 million because of further, extensive pre-production spending on future project starts.

There were no significant changes in other operating income (€ 27 million) or other operating expenses (€ 22 million). Income from associated companies and joint ventures, which stemmed principally from our joint venture in Langfang, China was up from € 23 million to € 34 million.

Overall, in 2019, this resulted in a **Group EBIT**-level loss of € 66 million (previous year: earnings of € 157 million) before exceptional items and VALUE 21 costs and a loss of € 384 million (previous year: earnings of € 144 million) after these factors. As finance costs were up from € 24 million to € 36 million because of the increased debt, the pre-tax result was down to a loss of € 419 million (previous year: profit of € 121 million). After income taxes, the Company reported a consolidated net loss of € 435 million as opposed to consolidated net income of € 73 million in 2018. The per-share result was a loss of € 13.30 (previous year: earnings of € 2.31).

3.3. Financial situation

Financial and liquidity management

The LEONI Group's **financial management** is handled centrally by the LEONI AG holding company. It ascertains the capital requirement at group level and takes the required financing measures for the entire group of companies. In exceptional cases we have recourse to regional, special finance deals. The key objectives of financial management are safeguarding the Group's liquidity worldwide, optimising finance costs and revenue as well as controlling and minimising currency and interest rate risks. We use a wide range of instruments to keep our exposure to individual markets or types of finance as low as possible. Generally speaking, LEONI pursues long-term collaboration with international banks and leasing companies that is based on mutual trust. Group subsidiaries are financed mostly in their functional currency. The principal financial liabilities in 2019 were denominated in euros, US dollars, Indian rupees and South Korean won.

We manage the **liquidity** of the LEONI Group via a cash pooling system with pools in the home countries of the currencies of most importance to the Group. Furthermore, LEONI AG executes the bulk of the payments for the Group.

We use such capital market instruments as bonds and borrower's note loans as well as a syndicated loan at the corporate level for the whole Group to meet our long-term financing requirement. Short-term finance is provided by bilateral lines of credit. Our borrowing terms have not materially changed compared with the previous year. In September 2019, we repaid a borrower's note loan in the amount of € 49 million. Other than that, there were no significant changes in our financing structure and no larger-scale capital measures were carried out in fiscal 2019.

The **off-balance-sheet instrument** of factoring, which is managed at head office, is furthermore used to improve liquidity. It is an important addition to the other instruments for short-term liquidity management thanks to its flexibility in terms of sales growth and the associated borrowing requirement. At the end of 2019, factoring reduced trade receivables by € 219 million (previous year: € 200 million). Of the other liabilities, € 60 million (previous year: € 39 million) was due to the receipt of payment for receivables that were sold within factoring agreements. Moreover, reverse factoring transactions are used for supplier financing in connection with copper procurement. As at 31 December 2019, trade liabilities amounting to € 142 million (previous year: € 171 million) were transferred to factoring companies in the context of signed reverse factoring agreements.

Free cash flow came to negative € 308 million in fiscal 2019 (previous year: negative € 140 million). This reduction is attributable especially to the poorer earnings situation because of the weaker automotive industry market, heavy non-recurring expenses relating to restructuring under the VALUE 21 programme, ongoing, substantial investment in capacity expansion in connection with pending customer projects and the unplanned costs incurred by difficulties in ramping up a project in Mérida, Mexico. Furthermore, the uncompetitive cost structure of the oil and gas business at a facility in in Germany, diminishing efficiency due to the rapid increase in wage and salary costs in Eastern Europe as well the ramp-up of low-margin programmes on the order book because of our past dynamic growth strategy had a negative impact on performance in terms of free cash flow.

The accounting-related, first-time presentation of leases on the balance sheet in accordance with IFRS 16 led to an increase in financial debt by € 196 million as at 31 December 2019 and to a positive effect on free cash flow. Overall, therefore, the net financial debt of the whole Group as at 31 December 2019 was up to € 1,186 million (previous year: € 613 million) and freely available liquidity was down to € 624 million (previous year: € 1,001 million). This comprises cash of € 144 million and available credit lines amounting to € 480 million. As at the balance sheet date, guarantees amounting to € 74 million (previous year: € 89 million) must be deducted from freely available liquidity.

1 Prior-year figure adjusted

2 Including guarantees amounting to € 74 million (31/12/2018: € 89 million).

The syndicated loan of € 750 million is available until it matures in June 2023. The bilateral credit lines and loans in the amount of € 276 million in place on 31 December 2019 did not have any fixed maturity on the reporting date or matured in the first two quarters of 2020 and would then have to have been written back. Furthermore, of the borrower's note loan existing on 31 December 2019 in the overall amount of € 588 million, repayment totalling € 196 million will be due in the 2020 financial year, which is likewise to be written back as scheduled. About € 166 million of that amount was already paid back on 18 March 2020. Based on repayment of the borrower's note loans and originally maturing bilateral credit lines and loans as well as a negative free cash flow previously budgeted for the 2020 financial year, the Board of Directors had already identified gaps in liquidity as of the 2020 financial year before the balance sheet date. As a consequence of these developments, there was significant doubt on the balance sheet date in the Company's ability to continue its business activity. In response, the Board of Directors had implemented, launched and planned various packages of measures to avoid the Group's illiquidity.

Based on the expectation that the LEONI Group was overwhelmingly likely to successfully restructure, the LEONI Group on 13 March 2020 received a positive endorsement of its restructuring pursuant to the S6 standard of the German Institute of Public Auditors (IDW S6). This expert opinion on restructuring looked ahead to the end of 2022 contained a positive going-concern forecast. The precondition is that mitigating measures to ensure medium-term liquidity are implemented.

Shortly after this expert opinion on restructuring was issued and in a surprise development, various carmakers announced that they would be curtailing or temporarily stopping car production at their plants because of the coronavirus crisis. Consequently, this can now be expected to impose a significant burden on sales, earnings and liquidity in the 2020 financial year, meaning that more mitigating measures to ensure short and medium-term liquidity are required. More information is this regard is to be found in the › Supplementary report as well as in the › Risk and opportunity report in the section headed 'Interest rate and financing risks / liquidity risk'.

Free cash flow of negative € 308 million

Cash flows from the LEONI Group's operating activities came to negative € 22 million in the reporting period (previous year: positive € 158 million[1]). The decrease was due mainly to the substantially negative result (› Group sales and earnings). On the other hand, there was significant improvement in working capital during the year.

A sum of € 286 million was spent on capital investment (previous year: € 298 million), primarily on expanding our capacity for new customer projects. **Free cash flow** came to negative € 308 million and thus to substantially below the previous year's figure of negative € 140 million[1]. After the heavily negative free cash flow of € 382 million[2] in the first half of 2019, the figure had already improved significantly in the second half of the financial year thanks to our stepped-up cash management.

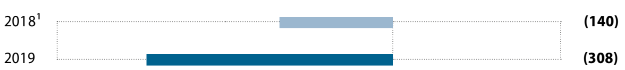
Cash provided by financing activity amounted to € 298 million in the year under report (previous year: € 108 million[1]). The cash inflow of € 536 million, stemming principally from drawing more on existing credit lines, was offset by scheduled repayment of financial liabilities in the amount of € 213 million. Given the unsatisfactory earnings and financial situation, no **dividend** was paid out in 2019. To ensure its financing throughout, LEONI has committed itself not to pay out any dividend until its restructured credit lines are repaid.

1 Prior-year figure adjusted
2 Half-year figure adjusted

After taking exchange rate-related changes into account, the LEONI Group's cash and cash equivalents decreased to € 144 million at the nd of 2019 (previous year: € 152 million).

Free cash flow

€ million



Consolidated statement of cash flows (abridged version) / **Calculation of free cash flow Cashflow**

€ million	2019	2018[2]
Cash flows from operating activities	(22)	158
Cash flows from capital investment activities	(286)	(298)
Free cash flow	**(308)**	**(140)**
Cash flows from financing activities	298	108
Change in cash and cash equivalents[2]	(8)	(32)
Cash and cash equivalents on 31 December	144	152

Available liquidity and net financial liabilities

The freely available liquidity of the LEONI Group amounted to € 624 million on 31 December 2019 (previous year: € 1,001 million). This comprises cash of € 144 million and available credit lines amounting to € 480 million. As at the balance sheet date, guarantees amounting to € 74 million (previous year: € 89 million) must be deducted from freely available liquidity. The credit lines existing on the balance sheet date totalled € 998 million (previous year: € 909 million).

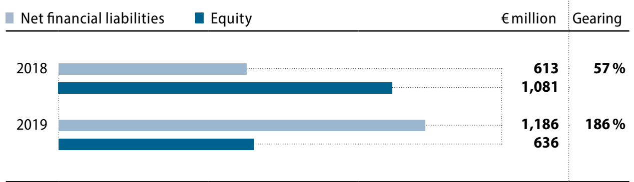
The LEONI Group's net financial liabilities were up from € 613 million to € 1,186 million in 2019, the main reasons for which were the significantly poorer earnings situation and the still large cash outflow for capital investment related to pending customer projects. In addition, there was an accounting-related increase in financial liabilities by € 196 million due to first-time presentation of leases on the balance sheet. Gearing (net financial liabilities as a percentage of equity) increased from 57 percent to 186 percent.

Along with the leases amounting to € 196 million shown on the balance sheet for the first time, the financial liabilities also included borrower's note loans in the amount of € 589 million (previous year: € 639 million) and liabilities to banks in the amount of € 544 million (previous year: € 124 million). The share of financial liabilities at fixed interest rates came to € 321 million (previous year: € 370 million).

Calculation of net financial liabilities

€ million	2019	2018	Change
Cash and cash equivalents	144	152	(8)
Current financial liabilities	(365)	(177)	(188)
Long-term financial debts	(965)	(588)	(377)
Net financial position	(1.186)	(613)	(573)

Equity and net financial liabilities / Gearing



Capital investment of € 357 million in the Group

The LEONI Group's spending on property, plant and equipment as well as intangible assets increased by 4 percent to € 357 million (previous year: € 343 million), of which the Wiring Systems Division accounted for € 244 million (previous year: € 205 million) and the Wire & Cable Solutions Division for € 107 million (previous year: € 114 million). Further information is contained in the › segment report.

Of the Group's total capital expenditure, € 86 million was due to the addition of rights of use as a result of having signed new leases (initial application of IFRS 16).

1 Prior-year figure adjusted
2 Prior-year figures adjusted (presentation change: interest paid and received is classified in full as a financing)
3 Including exchange rate-related change

3.4. Asset situation

LEONI's consolidated balance sheet as at 31 December 2019 was enlarged by 4 percent or € 137 million year on year to € 3,599 million. What should be considered here is that first-time application of IFRS 16, Leases, which impacts mainly on fixed assets and financial liabilities, led to an increase by € 196 million. On a like-for-like basis, there would have been a balance sheet contraction.

Under assets, there was an increase mainly in property, plant & equipment. This item increased by 20 percent to € 1,453 million because of the necessary capacity expansion for new customer projects and the IFRS 16 effect. There was also an increase in deferred taxes. Overall, **non-current assets** grew by 17 percent to € 2,036 million.

On the other hand, the total of **current assets** dropped by 9 percent € 1,562 million. This is attributable firstly to a 13 percent reduction in trade receivables and other financial assets to € 588 million, which, among other things, reflects more factoring than in the previous year. Secondly, inventories were down by 12 percent to € 537 million, reflecting not only the smaller volume of business, but also initial benefit from the VALUE 21 programme.

On the liabilities side, **current liabilities** rose by 7 percent to € 1,598 million, due mainly to a rise in the item comprising current financial debts and the short-term proportion of long-term loans from € 177 million to € 365 million. This resulted in greater use of existing credit lines, reclassification of borrower's note loans in the amount of € 196 million that mature in 2020 from non-current to current financial liabilities and first-time accounting for lease liabilities in the amount of € 42 million. Short-term provisions also rose from € 25 million to € 117 million due mainly to an increase in provisions for contingent losses as well as restructuring provisions related to the VALUE 21 programme. On the other hand, trade liabilities and other financial liabilities decreased by 17 percent to € 901 million.

Non-current liabilities were up from € 882 million to € 1,364 million. Non-current financial debt was up by 64 percent to € 965 million with, on the one hand, long-term loans down because of reclassification to current financial debt and, on the other hand, an increase due to drawing on the syndicated loan as well as first-time presentation of long-term lease liabilities due to the new IFRS 16 Standard having an increasing effect. Pension provisions rose by 18 percent to € 188 million because they had to be remeasured as a consequence of the changed level of market interest rates. There was furthermore a rise in other long-term provisions from € 36 million to € 98 million due principally to increased provisions for contingent losses.

There was a year-on-year reduction in equity from € 1,081 million to € 636 million, which was due mainly to the drop in retained earnings to € 372 million (previous year: € 807 million) because of the consolidated net loss in 2019. As at the end of December 2019, this worked out to an equity ratio of 17.7 percent (previous year: 31.2 percent).

3.5. LEONI AG (abridged version pursuant to HGB)

The individual financial statements of LEONI AG are prepared according to the German Commercial Code (HGB) and the German Stock Corporation Act.

As a Group holding company, LEONI AG does not perform any operating activities, but rather financing and corporate functions. The holding company has stakes in the operating units of the Wire & Cable Solutions Division and the Wiring Systems Division.

Given its function as a holding company, the business situation and performance of LEONI AG is determined by the profit contributions of its segments, namely the Wire & Cable Solutions Division and the Wiring Systems Division. Therefore, no meaningful financial performance indicator is defined for LEONI AG.
The business performance of LEONI AG is essentially subject to the same risks and opportunities as those of the LEONI Group (› **Risk and opportunity report**).

Risks to LEONI AG continue to stem primarily from the recoverability of investments and financial instruments (receivables from and liabilities to associated companies). The performance of the Group has a major impact on LEONI AG's earnings because of the profit and loss transfer agreements that are in place. Considering dividends and profit transfers, the Board of Directors has budgeted for a significantly better result year on year in LEONI AG's financial statements for fiscal 2020. This assumption is based on the planning of the individual Group companies, which is also the basis for forecasting the Group result as well as the dividend policy for the Group companies.

Earnings of LEONI AG

LEONI AG – income statement (HGB)

€ million 01.01. – 31.12. under HGB	2019	2018
1. Sales	195	130
2. Other own work capitalised	1	1
3. Other operating income	30	34
4. Cost of materials Cost of purchased services	(119)	(64)
5. Personnel expenditure:		
a) wages and salaries	(35)	(37)
b) social-security contributions and expenditure for retirement benefits and support payments	(7)	(5)
6. Amortisation of intangible investment assets and depreciation of property, plant and equipment	(10)	(8)
7. Other operating expenses	(106)	(76)
8. Investment income	0	5
9. Income from profit transfer agreements	0	108
10. Income from financial loans	29	26
11. Other interest and similar income	13	9
12. Write-downs on investments	(3)	(3)
13. Expenses due to loss assumption	(288)	(70)
14. Interest and similar expenses	(22)	(16)
15. Income taxes	(3)	(1)
16. Earnings after taxes	(324)	32
17. Other taxes	0	0
18. Net loss / income	(324)	32
19. Earnings brought forward from the previous year	0	1
20. Transfer to other retained earnings	0	16
21. Reversals from other retained earnings	162	0
22. Reversals from statutory reserves	1	0
23. Retained loss / income	**(161)**	**17**

LEONI AG presents sales revenues stemming mainly from onward charging for corporate IT services, management consulting and insurance policies as a single item. Compared with the previous year, sales revenues were up to € 195 million (2018: € 130 million) due to passing on VALUE 21 costs and exceptional costs. Other operating income is composed among other items of income unrelated to the accounting period from reversals of provisions in the amount of € 2 million (previous year: € 8 million) and gains on currency translation amounting to € 11 million (previous year: € 15 million). The cost of materials of € 119 million (previous year: € 64 million) represents spending on purchased services and comprises data processing consulting costs in the amount of € 30 million (previous year: € 34 million) as well as maintenance charges and licensing fees in the amount of € 26 million (previous year: € 17 million). The VALUE 21 costs as well as exceptional costs, furthermore, stem from refinancing and preparing for carve-out of the Wire & Cable Solutions Division in the amount of € 54 million. The increase in the cost of materials by € 55 million compared with the previous year is attributable to the aforementioned VALUE 21 costs as well as exceptional costs. There was no income from investment in associated companies in the 2019 financial year (previous year: € 5 million). Income from financial loans amounts € 29 million (previous year: € 26 million). The interest income of € 13 million (previous year: € 9 million) and interest expenses in the amount of € 22 million (previous year: € 16 million) involve, as was also the case in the previous year, matters relating to associated companies.

The balance of the profit and loss transfer agreements signed with subsidiaries was a loss of € 288 million in fiscal 2019. Of that balance, a loss of € 206 million stemmed from LEONI Bordnetz-Systeme GmbH and a loss of € 83 million was due to LEONI Kabel GmbH.

The 2019 result is net loss of € 324 million, which is due mainly to the loss assumption from LEONI Kabel GmbH and LEONI Bordnetz-Systeme GmbH as well as to recognised valuation allowances for receivables from and loans to subsidiaries in the amount of € 38 million. Compared with the previous year, this is a decrease by € 356 million.

Assets and financial position of LEONI AG

LEONI AG – balance sheet (HGB)

€ million	under HGB	2019	2018
Assets			
Intangible assets		29	33
Property, plant and equipment		3	4
Shares in associated companies		489	489
Loans to associated companies		487	779
Investments		976	1,268
Fixed assets		1,008	1,305
Accounts receivable and other assets		572	341
Cash and bank balances		31	24
Current assets		603	365
Prepaid expenses		10	9
Total assets		**1,620**	**1,679**
Liabilities			
Equity (contingent capital € 6 k)		154	478
Pension plans and similar obligations		21	19
Tax provisions		1	0
Other provisions		32	24
Provisions		54	43
Financial liabilities		1,100	750
Other liabilities		312	408
Total equity and liabilities		**1,620**	**1,679**

Intangible assets were down by € 4 million year on year. The change is due principally to the decrease in software projects.

The key asset items on LEONI AG's balance sheet are shares in associated companies (€ 489 million) and loan receivables from associated companies (€ 487 million). Loans to associated companies were down by € 292 million year on year. This is attributable particularly to repayment of loans by LEONI Kabel GmbH (€ 70 million) and by LEONI Bordnetz-Systeme GmbH € 260 million) as well as new loans to LEONI Schweiz AG in the amount of € 32 million, to LEONI Wiring Systems Southeast d.o.o. (Serbia) in the amount of € 30 million and to LEONI Special Cables GmbH in the amount of € 15 million. Receivable from associated companies rose by € 230 million. This increase was due, in particular, to the receivables from LEONI Bordnetz-ysteme GmbH und Leonische Holding, Inc.

Compared with the previous quarter, bank deposits were up from € 24 to € 31 million.

Equity diminished by € 324 million year on year. This decrease is due to expenses for losses assumed from LEONI Kabel GmbH and LEONI Bordnetz-Systeme GmbH. Equity accounts for 9.5 percent of the balance sheet total. The other retained earnings in the amount of € 162 million as well as the statutory reserve of € 1 million were reversed, resulting in a retained loss amounting to € 161 million.

Liabilities to banks were up by € 350 million year on year. This increase is due to having made a short-term deposit of € 30 million and drawing on the syndicated loan in the amount of € 350 million as well as the related change in overdrafts in the amount of € 16 million. Scheduled repayment of loans and borrower's note loans in the amount of € 49 million exerted an opposing effect. There were no unscheduled repayments of borrower's note loans in 2019. The balance is net financial liabilities of € 1,069 million (previous year € 726 million). This increase is attributable to the facts stated above.

LEONI AG – net debt (HGB)

€ million	2019	2018
Financial liabilities	1,100	750
less cash and cash equivalents	31	24
Net financial liabilities	1,069	726

Other liabilities were down by € 96 million overall, due mainly to the decrease in liabilities to associated companies. In the previous year, liabilities to associated companies in the amount of € 54 million were presented under the item receivable from associated companies. On the other hand, there was an increase in payment receipts from sold receivables of € 12 million on the balance sheet date. LEONI AG sells receivables of its subsidiaries and the factor thereby balances the receivables. Following receipt by the subsidiary of the respective customer payments, the money must be passed on to the factor.

4. Reports by division / Segment report

4.1. Wiring Systems Division

Strategically important projects in 2019

The Wiring Systems Division concentrated in 2019 on systematically implementing our VALUE 21 programme. The objective is to stabilise the earnings and financial situation in the short term as well as to provide ample means for future, strategic projects. The programme is set up on a function-overarching and lasting basis, meaning it will continue to be of key significance in 2020 and 2021, too. Details of the programme as well as information on the progress made in 2019 is are presented in the section headed › Strategy and VALUE 21. Other major development plans as part of our C.A.R.E.S. innovation strategy are described in the section headed › Research & Development.

Performance in 2019

Key figures: Wiring Systems

		2019	2018	Change
External sales	€ million	3,027	3,168	(4.4) %
EBIT before exceptional items as well as before VALUE 21 costs[1]	€ million	(118)	92	–>100.0 %

Sales down slightly to € 3.0 billion

The Wiring Systems Division's external sales dipped by about 4 percent to € 3,027 million in 2019. The generally weaker automotive market, which caused various major customers to postpone their uptake, was the reason for this decline. On the other hand, there were several project starts and ramp-ups, meaning that the decline at LEONI was on the whole less than in the overall market (worldwide car production). The changed copper price as well as effects relating to the scope of consolidation and currency translation had no material impact.

Wiring Systems, sales performance

	€ million	%
2018 sales	**3,168**	
Organic change	(142)	(4.5)
Effects of changes in the scope of consolidation	(17)	(0.5)
Currency translation effects	25	0.8
Copper price effects	(6)	(0.2)
2019 sales	**3,027**	(4.4)

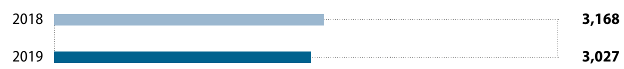
1 This key figure represents adjustment of EBIT for exceptional, non-recurring factors to facilitate better comparability between the periods and interpretation of operating profitability. Exceptional items comprise significant impairment of goodwill, intangible assets, property plant and equipment as well as other assets, major expenses for contingent losses on customer contracts, costs in preparation for carving out the Wire & Cable Solutions Division (excl. internal costs), refinancing costs (incl. consultant, bank and solicitor fees; apart from the costs that are attributed to interest expenses) as well as other expenses incurred by strategic decisions. Costs for the VALUE 21 programme comprise all the related restructuring and severance costs as well as third-party consultant fees.

Most of the business volume was again accounted for by wiring systems and cable harnesses for the international automotive industry, with the sales spread across a large number of vehicle manufacturers and models. The worldwide decline in the motor vehicle market affected demand. Production quantities and consequently also the uptake from LEONI were scaled back especially at facilities in China and Europe. Sales of cable harnesses for the commercial vehicle industry were up slightly on the previous year's level despite the likewise difficult conditions for the sector.

By region, sales were down in EMEA (Europe, Middle East and Africa) by 3 percent to € 2,288 million and in Asia by 21 percent to € 325 million, whereas there was a 19 percent increase to € 415 million in the Americas.

Wiring Systems, external sales

€ million



New products contributing initial sales

Various project starts and ramp-ups, which already contributed sales, partially offset the market-driven volume decline in 2019. Among other things, we commenced series production of wiring systems for small and mid-market models of European manufacturers at facilities in Eastern Europe and North Africa.

The projects started in Mexico also contributed sales. In the EMO segment, we have been supplying product for the Audi e-tron technology platform since the end of 2018. In addition, we started to supply product for a new electric vehicle of a European carmaker, which we are, just as the Audi e-tron, equipping with both the complete low-voltage wiring system and the high-voltage cable harness.

€ 118 million loss before exceptional items as well as before VALUE 21 costs

For 2019, this resulted in a loss before interest and taxes as well as before exceptional items and VALUE 21 costs of € 118 million (previous year: earnings of € 92 million) in the Wiring Systems Division.

Wiring Systems EBIT before exceptional items as well as before VALUE 21 costs

€ million	2019	2018
EBIT before exceptional items as well as before VALUE 21 costs	**(118)**	**92**
Exceptional items	(203)	(11)
VALUE 21 costs	(50)	(1)
EBIT	**(370)**	**80**

The result before interest and taxes of the Wiring Systems Division was in some cases heavily affected by various factors in the period under report. Together with the smaller sales volume and planned, increased cost of ramping up new projects, this reflected the higher wage levels in several eastern European countries, significant price hikes for various input materials and, above all, the problems meanwhile largely eradicated involving a project start-up at the end of 2018 at our facility in Mérida, Mexico. Mainly in the first half of 2019, the site still incurred extensive, additional personnel and freight costs to ensure the project's start.

The costs of exceptional items and VALUE 21 amounted to € 253 million (previous year: costs of € 12 million). The rapid implementation of the first initiatives under the VALUE 21 programme, which aims to significantly improve the WSD's overall performance, incurred costs totalling € 50 million especially for restructuring and consulting during the year under report.

The principal **exceptional items** included provisions for contingent losses amounting to € 119 million as well as impairment charges of € 57 million. Provision for contingent loss of about € 80 million was made in the fourth quarter due to the changed conditions underlying a major project. Losses could consequently, in the course of 2021 and thereafter over a multi-year period, impact on liquidity. The other provisions for contingent losses pertain mostly to reassessment of the order portfolio and market prospects against the backdrop of changed macroeconomic and sector-specific conditions.

The non-cash impairments amounting to € 57 million were also attributable mainly to reassessment of the order portfolio and market prospects as well as the realignment sharpened under VALUE 21 towards strategic customer relationships.

After exceptional items and VALUE 21 costs, the 2019 result was a loss before interest and taxes of € 370 million (previous year: earnings of € 80 million).

Investment for new customer projects

In fiscal 2019, the Wiring Systems Division spent € 244 million on property plant and equipment as well as intangible assets, up from € 205 million in the previous year, although € 67 million in the year under report was attributable to addition of rights of use resulting from having signed new leases (initial application of IFRS 16). This capital expenditure concerned mostly new buildings and extensions at plants in Eastern Europe and North Africa.

Order situation: Selective on new orders in line with VALUE 21

The WSD's order receipts amounted to about € 2 billion in the reporting period (previous year: roughly € 4.1 billion), of which orders for vehicles with electric and hybrid drive accounted for 20 percent (previous year: 27 percent). In line with our strategy as sharpened under VALUE 21, we have started to select new projects more restrictively by cash flow and earnings criteria with the aim in future of limiting our organic growth to the level of market growth as well as of concentrating on making full use of our capacity and on stable customer relationships. We received important new orders from two German premium vehicle manufacturers, among others. These concerned various compact and upmarket vehicle models. This simultaneously compensated for a project that we were able to cancel, without incurring additional costs, because of an anticipated margin that would have been too lean.

The Wiring Systems Division's order backlog covering the entire term of the projects stood at € 22.9 billion at the end of 2019 (previous year: € 24.4 billion), of which cable harnesses for electric and hybrid vehicles accounted for 26 percent (previous year: 23 percent). The exact scope and timing of deliveries will be determined by the actual uptake from our customers.

4.2. Wire & Cable Solutions Division

Strategically important projects in 2019

Our Wire & Cable Solutions Division made progress in the past financial year both in developing further towards being a systems supplier based on intelligent and digitalized products as well as services and in expanding its activity in the future markets of electromobility and autonomous driving. The most important, strategic projects in this respect are presented below. The section headed › Research & Development contains additional information on major development plans. Another focal point of activity involved implementing the VALUE 21 programme, especially in terms of performance and portfolio-related measures as well as preparing for separating the two divisions (› Strategy and VALUE 21).

Advancement of LEONiQ

Having successfully presented LEONiQ among various target customers, we continued to develop this key technology together with partners and customers - supported by new expertise teams for simulation and 'Embedded Systems' of the Digital Solutions Group. We also successfully completed initial feasibility studies for specific customer projects. With LEONiQ, such differing parameters as temperature and mechanical stress along a given cable system can be recorded and evaluated. This will make it possible to pre-emptively service the cable system and lower the risk of unplanned outage in the transmission of energy and data.

Collaboration with relayr

In April, we entered into a strategic partnership with relayr, a specialist in industrial solutions involving the Internet of Things (IoT), covering predictive maintenance solutions for the robot lines of the car and component supply industry. Within the context of our joint development work, our intelligent cable and automation systems based on our LEONiQ technology will be linked with relayr's IoT portfolio. Solutions will thereby be generated that will enable carmakers and component suppliers to reduce unplanned downtime of their robot lines, to raise production efficiency and thereby to improve plant-overarching efficiency. In 2019, the pertinent LEONiQ technology was validated and refined by in-house testing and there were talks with a number of US automotive component suppliers about initial pilot installations.

Production start at the Factory of the Future

The first parts of our Factory of the Future located in Roth near Nuremberg commenced production in the third quarter of 2019. This new WCS Competence Center will be developing and manufacturing particularly state-of-the-art data cables for autonomous driving as well as safer and more efficient power distribution in electric cars. Relocation of most of the administration as well as parts of production was completed by yearend.

Worldwide expansion of capacity for automotive trends

In 2019, we expanded our production capacity in Asia and the Americas to globally broaden our business involving products and solutions for the automotive trend of electromobility and autonomous driving. In China, we established additional capacity for high-voltage cables and charging cables for electric vehicles as well as for data and sensor cables. Some of these plans will not be completed until 2020. In Mexico, we started extension work under the project name of EMOMex for production of high voltage and charging leads, which is to start production in 2020.

Semiconductor industry as a new strategic market segment

After many years of advance development and project work, we succeeded in the reporting period in entering the significant market of the semiconductor industry. For this sector, we will in future be making high-performance cable systems with very specific material properties, which are required for making semiconductors under clean-room conditions.

VALUE 21

Various VALUE 21 initiatives were already implemented in 2019. As part of our portfolio management, we prepared for spinning off some sub-segments that do not promise any profitable growth, or for shutting them down. Some business activities were also relocated to places with a more favourable cost situation. This also entailed restructuring measures as well as savings and efficiency-enhancement initiatives, both direct and indirect, to lower structural costs throughout the division. In addition, there was company-wide action to improve net current assets, especially by optimising our inventory and receivables management.

Performance in 2019

Key figures: Wire & Cable Solutions

		2019	2018	Change
External sales	€ million	1,818	1,934	(6.0) %
EBIT before exceptional items as well as before VALUE 21 costs[1]	€ million	51	67	(23.0) %

Considerable sales decrease to € 1.8 billion

The Wire & Cable Solutions Division generated external sales of € 1,818 million in 2019, which equated to a 6 percent drop from the previous year's figure of € 1,934 million. There were small organic decreases in business volume in both the automotive and industrial businesses. Copper price and currency translation effects virtually cancelled each other out. Broken down by region, there was a 7 percent decline to € 1,060 million in the EMEA area, a 7 percent drop to € 413 million in the Americas and a 1 percent increase to € 345 million in Asia.

1 This key figure represents adjustment of EBIT for exceptional, non-recurring factors to facilitate better comparability between the periods and interpretation of operating profitability. Exceptional items comprise significant impairment of goodwill, intangible assets, property plant and equipment as well as other assets, major expenses for contingent losses on customer contracts, costs in preparation for carving out the Wire & Cable Solutions Division (excl. internal costs), refinancing costs (incl. consultant, bank and solicitor fees; apart from the costs that are attributed to interest expenses) as well as other expenses incurred by strategic decisions. Costs for the VALUE 21 programme comprise all the related restructuring and severance costs as well as third-party consultant fees.

Wire & Cable Solutions, sales performance

	€ million	%
2018 sales	**1,934**	
Organic change	(115)	(6.0)
Effects of changes in the scope of consolidation	0	0
Currency translation effects	28	1.4
Copper price effects	(28)	(1.4)
2019 sales	**1,818**	(6.0)

Business volume comprising standard and special cables for the automotive industry was down by 7 percent overall during the reporting period. We continued to register vibrant demand for high-speed data cables for driver assistance and infotainment systems as well as for high voltage and charging cables for electric vehicles, whereas demand for standard cables exhibited decline for market-related reasons.

In Business Group Industrial Solutions, the volume of business decreased by 4 percent overall. This involved a slight decline in sales of cables and cable systems for automation engineering, robotics and data communication as well as for fiber-optic systems, which the uptrend in the medical and railway technology segments partially offset. Business with the oil and gas industry as well as, especially, parts of the solar industry was subject to heavy pressure on prices and remained unsatisfactory. For this reason, we discontinued assembly of solar boxes in China during the year under report and also prepared for exiting this market segment in India.

We likewise made initial arrangements and provision for restructuring our business with the petrochemicals industry.

Wire & Cable Solutions external sales

€ million

Earnings before exceptional items as well as before VALUE 21 costs of € 51 million

The sales decline and less utilisation of capacity affected the Wire & Cable Solutions Division's earnings before interest and taxes. Rapid implementation of numerous initiatives under the VALUE 21 programme incurred expenses amounting to € 36 million. There were furthermore adverse exceptional items of € 29 million, which included depreciation of fixed assets in the amount of € 20 million as well as costs for preparing to carve out the division from the LEONI Group and refinancing.

On the bottom line, the Wire & Cable Solutions Division reports 2019 earnings before interest and taxes of € 51 million (previous year: € 67 million) and a loss of € 14 million after exceptional items as well as VALUE 21 costs (previous year: earnings of € 66 million).

Wire & Cable Solutions EBIT before exceptional items as well as before VALUE 21 costs

€ million	2019	2018
EBIT before exceptional items as well as before VALUE 21 costs	**51**	**67**
Exceptional items	(29)	0
VALUE 21 costs	(36)	(1)
EBIT	**(14)**	**66**

Investment in automotive trends

The Wire & Cable Solutions Division's capital expenditure on property, plant and equipment as well as intangible assets amounted to € 107 million in 2019 (previous year: € 114 million), of which € 18 million was due to first-time application of IFRS 16. The focal areas were construction of our Factory of the Future in Roth, Germany as well as expanding capacity in Asia, the Americas and Eastern Europe, especially so for data and sensor cables as well as for high voltage and charging cables. In the industrial segment, we expanded production of special cables for the semiconductor industry, among others.

New orders worth € 1.7 billion booked in the financial year

The Wire & Cable Solutions Division's order receipts totalled € 1,732 million in 2019 as opposed to € 1,942 million in the previous year, which works out to a book-to-bill ratio of about 1. There were also significant individual orders particularly from the automotive industry. Along with standard cables, various OEMs and component suppliers also ordered such products as sensor cables for safety systems as well as charging and silicone cables for electric vehicles. From the robotics industry, furthermore, we received a major order for dresspacks for automated car production.

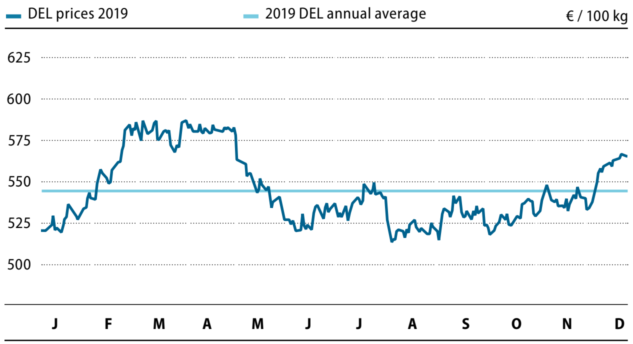
5. Other indicators (incl. non-financial Group information statement)

5.1. Procurement

Procuring materials is of major importance to the LEONI Group. We require mostly metals, plastics and components to make our products. Group-wide, the cost of materials came to € 2,866 million (previous year: € 2,998 million), which worked out to a ratio to sales of 59 percent (previous year: 59 percent).

WCS: Copper a little cheaper on an annual average
In the Wire & Cable Solutions Division, the cost of materials amounted to € 1,293 million in the reporting period (previous year: € 1,415 million), or 65 percent of the segment's sales (previous year: 66 percent). As in the preceding years, copper, which we source from major strategic suppliers, was the most important raw material with an annual volume of about 160,000 tonnes. Its price is geared to that quoted on the London Metal Exchange. The copper price initially rose considerably in 2019: it hit its peak for the year of € 587.25 per 100 kg in early April. Over the subsequent months, the copper price dipped significantly until early August when it bottomed out at € 513.78 per 100 kg. It thereafter picked up slightly again, rising to € 556.77 per 100 kg by yearend. On average, copper cost € 544.48 per 100 kg in the reporting period and was thus a little cheaper in 2019 than the 2018 level of € 559.34 per 100 kg.

Development of copper price 2019 (low DEL price)



Source: http://del-notiz.org

Such other metals as silver, nickel and tin complement our portfolio. Meanwhile, we are witnessing mounting demand for such alloys as CuSn, a mix of copper and tin, which is increasingly being deployed for automotive applications. During the period under report, the prices of silver and nickel rose by 9 percent and 8 percent, respectively, whereas tin became about 2 percent cheaper.

Such standard plastics as PVC/ PE compounds account, with volumes of approximately 52,000 tonnes, for the second-largest proportion of the WCS Division's cost of materials. In addition, there were such special insulation materials as thermoplastic elastomers, fluoropolymers, polyurethane and silicone.

The price levels for these plastics were inconsistent throughout 2019. Whereas some standard plastics temporarily traded at slightly lower prices, special insulation materials remained expensive, although the increase on their prices did slow down significantly. Compared with the previous year, supply was mostly easy.

WSD: Increases in component costs
The Wiring Systems Division's cost of materials came to € 1,760 million (previous year: € 1,794 million), which equated to 58 percent of the division's sales (previous year: 57 percent). As in the preceding years, connectors were the most important group of materials with a 41 percent share of total expenses, followed by cables and conductors with 36 percent and fixings with 9 percent; electronic components accounted for 8 percent and injection moulded parts for a 6 percent share.

The Wiring Systems Division buys cables and conductors for its production of wiring systems mostly from the Wire & Cable Solutions Division, but it also uses third-party suppliers. Such components as connectors and fixings continue to be procured largely from third parties, for which LEONI frequently works with suppliers that are stipulated by customers in the automotive industry as part of being awarded the contract. Given the heavy, global pressure on raw material prices in this area, there were considerable cost increases in 2019. As a matter of principle, we confront this with intensive worldwide negotiations with our suppliers, technical substitution or change of supplier. Furthermore – also in cases of supply bottlenecks – we define and apply programmes to improve performance together with our key suppliers.

5.2. Employees

94,928 employees in the LEONI Group

At the end of 2019, the LEONI Group had 94,928 employees, up from 92,549 people at the same time of the previous year. There were meanwhile opposing effects during the year under report: The staff cuts under the VALUE 21 programme (› **Strategy and VALUE 21**; › **Non-financial information statement / employee matters**) whereby we managed to largely avoid compulsory redundancies with, among other things, a voluntary scheme called 'Sprinter' were offset by recruitment for new projects in the Wiring Systems Division, most of which involved skilled-trade jobs.

The bulk of LEONI's workforce, i.e. 90,048 people or 95 percent, worked outside Germany (previous year: 87,476 people or 95 percent). Germany accounted for 4,880 staff (previous year: 5,073). Group-wide, 8 percent (previous year: 9 percent) of all employees worked in high wage countries and 92 percent (previous year: 91 percent) worked in low-wage countries. Constructive dialogue with employee representatives successfully continued on all levels and in mutual interest, even under the difficult underlying conditions for the 2019 financial year.

In the Wiring Systems Division, the number of employees increased by 2,805 people to 86,186 staff in 2019 because of necessary capacity expansion for new customer projects. The corresponding recruitment took place above all at production facilities in Eastern Europe and North Africa involving directly employed staff.

On the other hand, there were, in accordance with VALUE 21, reductions of agency manpower in high wage countries, although most of the job cuts will not be palpable until early 2020.

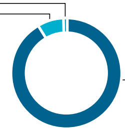
The workforce of the Wire & Cable Solutions division shrunk by 350 staff year on year to 8,457 people, of which about 60 percent of the cuts involved skilled-trade jobs. In addition, there were reductions in the wake of VALUE 21, which mostly involved non-trade staff in high wage countries.

LEONI AG, which is, under VALUE 21, being remodelled from a management company into a leaner financial and governance holding company, employed 285 people on 31 December 2019 (previous year: 361 people).

Group-wide, LEONI had 25,771 people working on temporary employment contracts at the end of 2019 (previous year: 20,892) and a further 3,060 people (previous year: 4,331) on contracts with manpower agencies, thereby enabling quick response to fluctuation in demand, among other things.

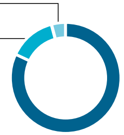
On average and as in the previous year, LEONI's workforce in Germany in 2019 was aged 41 years and with the Company for twelve years (previous year: eleven). During the period under report, 70 employees began their 25th anniversary with the Company (previous year: 17). The ratio of people with disabilities stood at about 4 percent (previous year: 3 percent). 523 people (previous year: 493) worked part-time at LEONI and a further 138 were in partial retirement (previous year: 124).

Employees by division as of 31 December 2019



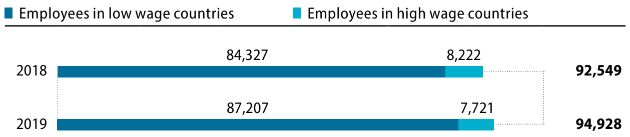
%	2019	2018
LEONI AG	0.3	0.4
Wire & Cable Solutions	8.9	9.5
Wiring Systems	90.8	90.1

Employees by region as of 31 December 2019



%	2019	2018
Asia	4.1	5.0
Americas	13.7	14.9
EMEA total	82.2	80.0
– Africa	40.4	36.0
– Eastern Europea	34.3	35.8
– Germany	5.1	5.5
– Rest of EMEA	2.4	2.7

Trend in the number of employees by wage region as of 31 December 2019



5.3. Research & Development

R&D objectives

LEONI conducts in-depth research and development (R&D) work. The objective is to develop new products and solutions in order to further enhance our leading competitive position in many markets as well as to develop additional customer groups. We are increasingly concentrating on intelligent energy and data management solutions for the motor vehicle sector and other industries.

Focal areas of development

The Wiring Systems Division increasingly focused its R&D work on positioning itself as a concept development partner to the carmakers and on enhancing its corresponding expertise. The areas at the heart of this in 2019 continued to be those connected with our C.A.R.E.S. innovation strategy: connected mobility, autonomous mobility, revolutionizing productivity and automation, electrified mobility as well as intelligent solutions & services. These areas are also of growing importance in project-related development of customised wiring systems. In addition, we continued to work hard on high-voltage battery systems to boost our position in the electromobility sector.

Further development of its offering for electromobility was again an R&D focal area in the Wire & Cable Solutions Division. We intensified our work especially on cooled charging cables and high-voltage cables including corresponding plastic compounds. The field of inductive charging was newly added. Work in the area of automotive Ethernet for data transmission in vehicles also continued. This technology, which facilitates flexible matching of electronic components and driver assistance systems with an increasing data transfer requirement, is a basic element of wiring systems for autonomous driving. We furthermore worked hard on new digital solutions, the related technology platform and corresponding business models, particularly involving our LEONiQ key technology.

R&D spending up to € 161 million in 2019

The LEONI Group's spending on R&D amounted to € 161 million in 2019 (previous year: € 150 million), which, as in the previous year, equated to a 3 percent proportion of consolidated sales. Assets furthermore included € 1.6 million in capitalised development costs (previous year: € 0.7 million), which are of minor significance to the LEONI Group.

Of the Group-wide R&D expenditure, the Wiring Systems Division accounted for € 144 million (previous year: € 133 million), which was 5 percent of the division's sales (previous year: 4 percent). The Wire & Cable Solutions Division incurred development costs of € 15 million (previous year: € 19 million), which, as in the percent year, equated to about 1 percent of the division's sales.

At the end of the reporting period, 1,861 people (previous year: 2,259), or an unchanged 2 percent of the Group's workforce, worked in R&D. Of that total, 1,565 employees (previous year: 1,844) worked in the Wiring Systems Division and 296 (previous year: 415) in the Wire & Cable Solutions Division.

Outcomes of R&D work

In the past financial year, we again completed various customer-oriented development projects and took innovative products to the marketability stage, even though the cost-cutting and restructuring measures connected with our VALUE 21 strategy and performance programme also affected our R&D work. The number of registered proprietary rights came to 45 patents and utility models (previous year: 60), of which 21 from the Wiring Systems Division (previous year 19) and 24 from the Wire & Cable Solutions Division (previous year 41). Information on key new projects of the past year is presented below:

Wiring Systems Division

IINTELLIGENT SOLUTIONS FOR HIGHLY AUTOMATED MOBILITY The Wiring Systems Division expanded its portfolio of intelligent components for high-availability and thereby fail-safe power wiring systems, which are a key element for autonomous driving. It managed to adapt the prototypes of the new kinds of products for various use cases. Our testing methods for safety-critical requirements in the power wiring system were furthermore successfully deployed when testing the latest vehicle concepts.

INNOVATIVE SOLUTIONS FOR E-MOBILITY In the field of electromobility, we further enhanced our components for high-voltage wiring systems and especially our offering for HV storage. We already supply wiring products, such as sensor cable looms and module interconnectors, for this purpose. The plan is to add HV junction boxes and new kinds of solutions in the field of cell and module interconnectors in the future.

POWER WIRING SYSTEM CONCEPT DEVELOPMENT We managed during the year under report to contribute our know-how in the field of power wiring systems that we accumulated in 2018 to joint concept development projects with our customers to redesign a vehicle platform. The corresponding results will be applied in cars that will be manufactured from 2025.

FULLY AUTOMATED PRODUCTION The concept for fully automated production of sub-wiring systems that we developed in the previous year was prototypically realised in 2019. The WSD will be able to establish a unique selling point with this new production technology.

Wire & Cable Solutions Division

NEW HPC CABLE The Wire & Cable Solutions Division forged further ahead with development of a new high power charging (HPC) cable for e-vehicles. Production of development samples, which are currently being tested by customers and approval agencies, means that the project is about to be completed. We have also established a range of high-voltage cables that also comprises silicone cables.

EXPANSION AND GLOBALISATION OF OUR ETHERNET PORTFOLIO Our range of Ethernet data cables, the base technology for connecting electronic components on the way to autonomous driving, was developed further for automotive applications in 2019. We furthermore received approvals from European, American and Asian OEMs for our entire Ethernet portfolio and thereby improved our international market position.

NEW KIND OF MEASURING SYSTEM FOR PREDICTIVE MAINTENANCE Our Digital Solutions Group and Business Unit Fiber Optics together developed the prototype for an innovative, cost-effective optical system for monitoring cables. The technological basis for this is a combination of special optical fibers and our LEONiQ key technologically. This innovative solution is to be taken to the marketability stage in 2020; initial considerations for collaboration with a suitable systems partner are underway.

INTELLIGENT ROBOT ASSEMBLY SOLUTIONS Our WCS Division broadened is range of cable management solutions for industrial robots with a particularly flexible, light-weight and resilient fixing solution. This new bracket, with which the dresspack is fitted to the robot, is suited to all order picking, packaging and palleting applications – especially in the foodstuffs, beverage and pharmaceutical product sectors. It increases the service life of cables and thereby reduces downtimes.

Development projects and collaboration
Both of our divisions were again involved in various, in some cases subsidised, development projects during the year under report. For example, the Wire & Cable Solutions Division participated in the AUTOGRID research project, which is subsidised by the German Federal Ministry for Economic Affairs and Energy. Its object is to develop a robust, real time-capable solution for monitoring and analysing distribution grids to respond to the challenges of the energy revolution and digitalization of electric power supply infrastructures. The Wiring Systems Division's development partnership with the Diehl Group in the field of battery systems of electric and hybrid vehicles was also continued.

LEONI is also a member of various initiatives and technical committees to exchange ideas on the latest technological trends with other companies and the scientific community. In the Wiring Systems Division, these include the 'Automotive Cluster' of Bayern Innovativ GmbH, the Bavarian centre for technology transfer, and the 'eNOVA Strategy Board for Electric Mobility'. In addition, the WSD has been participating since 2019 in the NAV Alliance, a platform for establishing common standards to develop the next generation of in-vehicle network infrastructure for autonomous vehicles. We also continued our partnership with a team participating in the international 'Formula Student' universities design competition. The Wire & Cable Solutions Division was represented on national and international technical committees and panels of such associations as the VDI (Association of German Engineers), the ZVEI (German Electrical and Electronic Manufacturers' Association) and the IEEE (Institute of Electrical and Electronics Engineers) .

5.4. Non-financial Group information statement[1] (pursuant to Section 315b of the German Commercial Code (HGB))

LEONI understands sustainability to mean both long-term as well as profit-oriented business growth and assumption of social as well as ecological responsibility. The objective is to bring the resulting demands into balance. Hereinafter we report in accordance with Section 315b of the German Commercial Code (HGB), the German CSR Directive Implementation Act and the corresponding requirements of German Accounting Standard 20 on principal, non-financial aspects of LEONI AG. They comprise environmental, social and employee matters as well as respect of human rights and combating corruption as well as bribery.

We follow the German Sustainability Code as well as the ten key principles of the UN Global Compact in reporting our non-financial information. There are furthermore LEONI-specific guidelines to which we align our actions with respect to various non-financial aspects. These include the LEONI Social Charter and the LEONI Code of Conduct, which apply Group-wide, as well as the Safety, Health & Environment (SHE) policy of both divisions. Our Group-wide VALUE 21 programme, which was set up to raise LEONI's performance and optimise its strategy and is comprehensively described in the section headed › **Principles of the Group, Strategy and VALUE 21**, yielded general savings throughout the Group during the year. We nevertheless again succeeded in making progress in various areas of sustainability management.

1 Not reviewed by Deloitte as auditors, but subjected to a review by Ernst & Young to obtain limited assurance

Materiality analysis and summary of the relevant topics
Together with the responsible departments, the Corporate Sustainability department examined in the past financial year whether the importance of the non-financial matters that are material to LEONI have changed and whether there are any new matters to be reported. An assessment was furthermore made of the relevance that implementing the VALUE 21 programme had vis-á-vis these matters. This review did not find any significant issues. In this report, we therefore provide information on

- employee matters with the focal points of diversity, employee satisfaction as well as occupational health and safety;
- environmental matters with the focal points of environmental management, energy consumption as well as resource and materials efficiency,
- respect of human rights both within the LEONI Group and the supply chain based on the Social Charter and the key principles of the UN Global Compact as well as
- compliance and combating corruption as well as bribery.

There is no reporting on social matters because of the lacking correlation with our core business. Our annual Sustainability Report, which is simultaneously our UN Global Compact Communication on Progress and is accessible on our » **website**, contains further information on corporate sustainability at LEONI that goes beyond the legal requirements. The 2019 Sustainability Report will probably be issued in the third quarter of 2020.

Inclusion of the Board of Directors

The member of the Board of Directors responsible for the Corporate Sustainability department is kept informed of current developments concerning all relevant, non-financial aspects by regular exchange of information with the heads of division responsible for corporate sustainability and is involved in key decisions. There are furthermore meetings of the Sustainability Steering Committee with all Corporate Central Functions under the responsibility of the Board member, during which non-financial matters at LEONI are continually processed. It is furthermore the task of the Sustainability Steering Committee, which met twice in 2019, to determine the Company's strategic sustainability orientation and to take corresponding long-term decisions. In addition to the Board of Directors, the Supervisory Board was also involved in 2019 and updated on our CSR Orientation 2030.

CSR Orientation 2030

At the beginning of 2019, the Board of Directors adopted our CSR Orientation 2030 – a strategic framework for comprehensive, structured and rigorous further development of the key non-financial matters at LEONI – that was prepared in the previous year by the Corporate Sustainability department together with the responsible departments. It stipulates the individual targets, measures and key performance indicators (KPIs). Our new CSR Orientation was first published in our Sustainability Report 2018, which was issued in mid-2019 and applies to both divisions.

To assess the progress made in implementing our CSR Orientation 2030, we used an IT-supported process with questionnaires to survey both quantitative and qualitative data from 84 sites. All operating facilities as well as research and administrative locations with more than 50 staff are included. The data is centrally consolidated once a year in the Corporate Sustainability department and forms a key basis for discussing the strategic direction of sustainability management. The three main questionnaires on key environmental data, social responsibility and sustainability-related activity were revised and updated in 2019.

Business model and non-financial risks

The LEONI Group's business model is described in the section headed › **Principles of the Group/Business model**.

Risks are identified systematically and early as well as analysed and assessed with respect to the probability of occurrence and effects by applying our multi-stage risk management system. The risks stemming from non-financial aspects are, in line with the CSR Guidelines Implementation Law, assessed from two angles: first, with respect to possible impact on LEONI and, second, for possible effect on environmental, social and employee matters. To make the assessment, the reported non-financial risks in operations are analysed together with the abstract risks as defined by a team of experts. The identified abstract risks will already have been recorded in our risk management system and integrated in the risk process. No highly probable risks within the meaning of the CSR Guidelines Implementation Law with serious, adverse impact on the aforementioned matters were identified in 2019.

Employee matters

LEONI continues to strive to provide its employees with interesting jobs that involve a high degree of personal responsibility in a motivating, encouraging and constructive work environment in order, as an attractive employer, to find skilled and committed employees as well as to retain them within the Company. Diversity and employee satisfaction remain key success factors for our Company's future viability. It is likewise our stated aim to fulfil high standards of occupational health and safety throughout the Group.

Significant restructuring and cost cutting measures in connection with our VALUE 21 programme characterised 2019. The programme provides for shedding about 2,000 jobs worldwide by 2021, of which approx. 500 in high wage countries. The primary objective is to make these job cuts in a way that minimises social hardship. To avoid redundancies as far as possible, an agreement was reached in Germany, for example, to reduce paid working hours over a nine-month period; to convert standard bonuses into time off work as well as to postpone salary and wage increases. A severance agreement was furthermore negotiated with the General Works Council, which is intended to financially back affected staff in re-orienting themselves on the job market.

Nearly 100 employees (on a full-time basis) have made use of this option, known as the Sprinter Programme. Together with natural fluctuation and phased retirement agreements, this reduced the number of jobs in Germany by 383 while avoiding compulsory redundancies almost entirely.

The LEONI Group employed 94,928 people worldwide at the end of 2019 (previous year: 92,549).

Diversity

We regard diversity – with respect to gender, age, cultural background, ethnic as well as career backgrounds and mindset – as key to being able to master the tasks and challenges that are becoming ever more complex in heterogeneous teams. Our focus in this respect is on senior management and here especially on promoting women and their appropriate participation as well as on greater internationalisation and raising the mobility of skills and functions.

As part of our CSR Orientation 2030, we have set ourselves the goal of raising the proportion of women on the top two management tiers (Level 1 and Level 2) to about 20 percent by 2030 and to maintain the already existing, balanced ratio in the overall workforce. We also intend to significantly increase the share of non-German citizens in senior management.

To promote women in senior management, we continue to support those with potential by providing targeted qualifications and with such mentoring as the development programme for female (junior) managers of the Bavarian Industry Association. Our recruitment consultants also remain called upon to identify and introduce female candidates for all positions to be filled. In 2019, women held about 6 percent (previous year: 7 percent) of the senior management positions within the LEONI Group worldwide. Since August 2019, LEONI's Board of Directors has been 25 percent female. As in the previous year, about 54 percent of LEONI's total, worldwide workforce was female (2018: 54 percent).

Further internationalisation of management was again supported in 2019 with international employee development talks and talent conferences as well as intercultural workshops and awareness training. The proportion of non-Germans in senior management currently stands at approx. 22%.

The corresponding measures were continued in 2019, but not stepped up any further because of the comprehensive cost cutting as part of our VALUE 21 programme.

Employee satisfaction

LEONI endeavours worldwide to provide a working environment for all its employees that is free of discrimination in both recruitment and during employment, as well as intended to safeguard the freedom of association and the right to collective bargaining. A blanket ban on discrimination is therefore embedded in our Code of Conduct and in LEONI's Social Charter, among other places. The Social Charter furthermore prescribes support for employees in gaining qualifications and demands that, at a minimum, the respective national, legal requirements with respect to compensation and minimum wages, safety at work and health protection as well as working and holiday times are observed.

Due to our focus on the VALUE 21 programme, there were no measures in 2019 to promote employee satisfaction. The platform with the findings from our first global staff survey in 2017 and the roughly 950 changes meanwhile extrapolated from that survey continue to be available to managers. Where there is specific demand at a facility, the best practices of other locations can be examined and applied. The next full, global survey combined with extrapolation from the findings of specific measures aimed at raising employee satisfaction is planned for 2020/2021.

To enhance LEONI's appeal as an employer, we offer our staff conditions that recognise different lifestyles, such as flexible working time, greater options for working part time or in a home office.

Occupational health and safety

Promoting occupational health and safety as well as adhering to respective standards are key objectives of our SHE policy in both divisions. The specific principles for action contained therein concerning safety at work and health protection were updated in 2019 and are:

- Socially and ecologically responsible action is a core corporate objective.
- Occupational safety, health and environmental protection are part of any management responsibility.
- Providing safe and healthy places of work and working conditions to avoid work-related injuries and illnesses.
- Ongoing improvement of measures relating to occupational safety, health and environmental protection.
- Adhering to all binding obligations concerning occupational safety, health and environmental protection (legal and other requirements). The applicable national standards are minimum requirements in this respect.
- Establishing and promoting mutual trust through dialogue with all concerned interest groups; inside the Company especially with our employees and their representatives.

Despite the plan under our VALUE 21 programme to split our two segments into separate business entities, both divisions adopted our updated SHE policy that has hitherto applied Group-wide. Our pan-Group SHE approach and therefore also the work of our OneSHE network, which comprises those responsible for SHE regionally in both divisions and met once more during the year under report, was completed. The necessary work and environmental protection-related activity will be continued in the operating divisions.

We are increasingly applying internationally recognised standards to ensure the health and safety of our employees. In 2019, the Wiring Systems Division's OHSAS 18001 matrix was extended from 11 to 24 facilities. The widened OHSAS 18001 certificate will probably be issued in the first quarter of 2020. In the Wire and Cable Solutions Division, three facilities are certified; one is OSHAS 18001 certified and two others were certified to the new ISO 45001 occupational health and safety standard for the first time during the year under report. In total, 32 percent of all the facilities surveyed Group-wide had an OH&S management system (previous year: 13 percent). In the Group-wide areas of safety at work, health protection and emergency management, it has been our aim since 2018 to record both accidents at work as well as activity related to health and safety at work at the locations included in the survey (facilities more than 50 employees). This target was met in 2019.

As part of our CSR Orientation 2030, a new target was set for maintaining the accident rate at the respect facilities as well as meeting an improved Group accident rate of 0.5 per 100 employees by 2030. Various related occupational health and safety initiatives again took place during the year under report. They ranged from safety training through to health screening, with each facility setting its particular emphases. The ratio of work accidents remained[1] unchanged at 0.67 per 100 employees in 2019 (previous year: 0.67).

Environmental matters

LEONI recognises its ecological responsibility and regards environmental protection as an important corporate objective. Our environmental management is geared to keeping the impact of all our processes on nature as low as possible. In particular, we strive to achieve reduction in energy consumption and the associated CO2 emissions as our contribution to climate protection as well as a high degree of resource and materials efficiency.

We are running several initiatives to raise employees' awareness of their responsibility concerning ecological aspects. We furthermore aim to promote staff awareness of this issue with various measures at our facilities. Environmental protection at LEONI is to be underpinned by a preventive approach in line with the UN Global Compact. Environmental protection is embedded as a key corporate objective in our Code of Conduct.

1 By international standard, accidents must be reported from the first day of incapacity

In addition, there is the SHE policy of our two divisions, which contains the following principles for action on ecology:

- Ongoing improvement of measures relating to occupational safety, health and environmental protection.
- Reduction of the environmental impact of our products and processes within the confines of what is economically and technically feasible.
- Efficient use of environmental resources and energy.
- Avoidance of waste comes before waste separation and disposal.
- Adhering to all binding obligations concerning occupational safety, health and environmental protection (legal and other requirements). The applicable national standards are minimum requirements in this respect.

Environmental management

At most of our facilities, we run environmental management systems in line with such internationally recognised standards as ISO 14001, EMAS III and ISO 50001 to establish suitable foundations on which to realise these principles and to be able to monitor the ecological impact of our activity.

The Wiring Systems Division set itself the target of having all its operating units ISO 14001 certified by the end of 2019. In the wake further integrating the management systems for quality and SHE, the certification process was reconstituted in 2019 and the impending matrix audit pursuant to ISO 14001 was postponed to the fourth quarter. This meant a three-month period without any valid certification, but had no material impact on the effectiveness of the SHE management system because the operating processes continued to run concurrently.
All operating units included in the certifiers' random sampling successfully passed the audit. The corresponding certificates were issued in January. The intention in the WCS Division is also for all facilities to gradually be audited to the ISO 14001 standard. Our Group certification, in which 30 facilities are included (previous year: 27), was successfully completed during the year under report and the corresponding matrix certificate, which is valid until October 2022, was issued.

Group-wide, 88 percent of our surveyed locations passed ISO 14001 certification by the end of 2019 (previous year: 70 percent). Furthermore, 6 percent of our facilities surveyed fulfil the ISO 50001 standard for energy management systems (previous year: 6 percent) and 6 percent (previous year: 6 percent) subjected themselves to the EU's Eco-Management and Audit Scheme (EMAS III).

Energy consumption

As a contribution to climate protection and line with our principle of making efficient use of environmental resources and energy, it is our objective in general terms to reduce the energy consumed at our production facilities. Accordingly, our plants define, while considering the differing set-ups and peculiarities in terms of infrastructure, suitable energy efficiency projects and apply these.

As part of our new CSR Orientation 2030 and using 2016 as the base year, we are striving to reduce the LEONI Group's relative energy consumption by approx. 15 percent per € 1 million in sales by 2030. We intend to cut Scope 1 and Scope 2 emissions by 20 percent per € 1 million in the same period. We applied a range of energy efficiency projects towards meeting these targets in 2019. Energy efficiency aspects also played an important role in building our new Factory of the Future in Roth, Germany, which went into operation in 2019. Among other means, the plant uses combined heat and power by means of a cogeneration unit. We use an absorption chiller to generate cold; all spaces are furthermore fitted with energy-saving LED illumination. Moreover, we anticipate benefit from already installed heat recovery equipment and using waste heat as well as central control of heat, cold, lighting and blinds.

Despite the increased number of employees, expanded production space as well as more production lines and machinery, the LEONI Group's energy consumption in absolute terms (electricity and other power) during the year under report came to 502,574 MWh (previous year: 511,370 MWh). Energy consumption per € 1 million in sales was down by 3.3 percent year on year.

The resulting Scope 1 and Scope 2 emissions will probably be published later on this year.

Resource and material efficiency
LEONI's operations require a lot of resources. A variety of materials are used for our products and solutions, especially so copper and polymers. We have various longer-terms projects to optimise resource efficiency; for instance, the development of ultra-thin automotive cables with reduced insulation wall thickness and simulation of wiring system architectures to optimise the cross sections of cables. The following section on respect of human rights provides information on our efforts to avoid the use of conflict minerals.

Our waste management plan based on the incurred waste quantity and the proportion recycled annually also continues to be significant with respect to resource and material efficiency. Generally speaking, there are clear guidelines in both divisions that prioritise avoidance of waste. There were various projects to avoid waste at our individual facilities during the reporting period. To the extent that it is not possible to avoid waste, recycling has clear priority over disposal at LEONI. As part of our CSR Orientation 2030, we are also aiming to cut the amount of hazardous waste measured against the 2018 quantity by 10 percent per € 1 million in sales.

Respect of human rights
The LEONI Group commits itself to protection of internationally recognised human rights. Management, all staff and our suppliers are called upon to prevent modern slavery and human trafficking in our business activities. Our Code of Conduct as well as the LEONI Social Charter stipulate than any forced or compulsory labour is prohibited at LEONI. In our statement on respecting human rights, we likewise explicitly declare that we do not tolerate any violations of human rights and will unmistakably sanction any violations.

We continued the activity as part of our Modern Slavery Prevention project as far as was economically feasible. In this regard, we complemented the already existing platform for submitting complaints to include such other issues as discrimination and illegal working conditions at the beginning of 2020.

LEONI requires its suppliers to act sustainably and, in particular, to respect human rights. We issued a corresponding Code of Conduct for business partners in 2019. Broadly, our general terms and conditions require all our suppliers to observe our Social Charter and/or the principles of the UN Global Compact. For instance, a new supplier to either division will be approved only if the supplier accepts either the guiding principles of the UN Global Compact or our Social Charter. LEONI is entitled to terminate the business relationship immediately when any serious and repeated breaches of the principles stipulated therein come to light. No material breaches were found in 2019.

LEONI furthermore endeavours to prevent the use of conflict minerals, which are mined with disregard for human rights, and requires suppliers not to supply any components with raw materials from the Democratic Republic of the Congo or its neighbouring states. This is set out in a Group-wide guideline on conflict minerals, which is operationally applied in the two divisions. Since 2014, we have voluntarily informed customers pursuant to the U.S. Dodd-Frank Wall Street and Consumer Protection Act on the extent to which our products contain such conflict minerals as gold, tantalum, tin or tungsten that stem from mines or smelting works in certain African countries. We ask our customers annually to furnish the necessary information in this regard. We thereby facilitate the traceability of these substances as well as the transparency of the supply chain and support our customers in fulfilling their corresponding requirements.

To raise transparency in our supply chain, we also supported a project of our customer BMW Group in 2019. All stages in the copper supply chain were examined using supply chain mapping.

Compliance and combating corruption as well as bribery
LEONI commits all its employees to responsible, honest and rule-compliant conduct with the intention of observing all laws and avoiding any cases of corruption. The LEONI Code of Conduct and our anti-corruption guidelines contain corresponding rules. To ensure and check that it is observed, LEONI has a systematic Compliance Management System, which contains a number of rules on preventing corruption. Our guideline for combating corruption and bribery, our compliance guideline for business partners as well as our compliance guideline for donations and sponsorship were updated during the period under report. A newly formulated compliance guideline for handling conflicts of interest complements the existing set of rules.

The head of the Corporate Compliance department (Chief Compliance Officer) reports directly to the CEO of LEONI AG and has reporting lines to the Chairman of the Supervisory Board as well as the Chairman of the Supervisory Board's Audit Committee.

We introduced our Compliance Management Dashboard for staff in 2018 and expanded it further in 2019. It already provided, among other things, guidelines for information and confirmation; it distributed training materials, ran compliance checks of business partners as well as documents and approved gifts, invitations, donations and sponsorship. A module for conflicts of interest has now been added. Group-wide, staff can document conflicts of interest encompassing sideline work, shareholdings in LEONI business partners or competitors, shareholdings of related parties and personal relationships. The process provides that the manager checks the conflict of interest together with the HR or Compliance department (depending on the matter) and decides how to deal with it; for example, by ordering risk-minimising measures.

To enhance understanding of the values presented in the LEONI Code of Conduct, we established the Living Code in 2018: an internal, interactive information platform that simultaneously serves as a training platform for the LEONI Code of Conduct. This information platform conveys the most important compliance principles for staff using examples, explanatory videos, charts, check-lists, links etc. Among other subjects, the training developed for the Living Code comprises the subject of anti-corruption and is obligatory for any active employee with a Windows account, which equates to about 20 percent of our staff. In 2019, this training course could also be assigned to employees who do not have internet access. More than 13,300 members of staff completed this training in 2019.

All managers on the highest tiers and other relevant groups of staff (e.g. purchasing and sales) must furthermore take a special e-learning course on anti-corruption. These e-learning courses must be completed regularly at intervals of two to three years.

Indications of possible infringements of internal anti-corruption guidelines or of laws are resolved and – so far as the indication is confirmed – penalised.

6. Risk and opportunity report

6.1. Risk policy

As a company with an international outlook and operating accordingly, LEONI is confronted with risks and opportunities. Risks and opportunities are promptly made transparent using a systematic approach that follows the three-lines-of-defence model. Risks and opportunities are defined as possible, future developments or events that could lead to negative or positive deviation from the Group's forecasts and/or targets. Our objective is to deliberately accept risks only when the associated opportunities can simultaneously make an appropriate contribution to enterprise value.

6.2. Risk management system

LEONI has a multi-stage risk management system that is rounded off with other, supporting control systems. A unit that reports directly to the CFO monitors and coordinates the risk management process at head office. It also determines and describes the Group's overall risk situation. Furthermore, three area Business Partner Risk & Opportunity (BRO) officers, Controlling and the operational managers of all relevant business areas as well as the WSD Project Audit Team are tied into the system.

Risk management is integrated in the existing planning, controlling as well as information systems and covers all companies in the LEONI Group worldwide, while the WCS Division has set up an independent risk management system that performs input work for LEONI AG's risk management. Just as the internal control and the compliance management system, it is thus part of the 2nd line of defence. Alongside risk management in the narrower sense, which is the result of legal requirements, the Company furthermore has a system that goes beyond the minimum standards under German law for monitoring risks, which also evaluates material information from all management systems with respect to opportunities as well as risks and makes it transparent (risk management in the wider sense).

OPPORTUNITY MANAGEMENT Opportunity management at LEONI is a firm component of the risk management process and the GRC (Governance, Risk Management & Compliance) software used. Not only the risks (threats), but also the opportunities are systematically identified as deviations from planned forecasts and/or targets. The opportunity reporting is performed in line with monthly risk reporting and with the help of the GRC software down to the entity level.

RISK IDENTIFICATION AND ASSESSMENT Our risk analysis involves promptly and systematically identifying risks and opportunities as well as analysing and assessing the significant risks and opportunities with respect to the probability of occurrence and quantitative effects. Expert panels with the operational managers and annual risk summit meetings for the holding company and the divisions take place for this purpose. In these risk summits, the findings of the prior risk interviews with the operational management of each business group / business unit and significant central functions as well as expert panel meetings held during the year are considered. This activity is accompanied by regular risk assessments within the GRC software for material risks and opportunities as well as by the Corporate Risk Committee, which meets quarterly.

The risk summit meetings take stock of the risks and opportunities of the divisions and of the Group and update this if need be; they run training sessions and estimate the likely range of market fluctuation (e.g. sales, capital, procurement and human resource market fluctuation). Discussions on risk are regularly held with management of the local subsidiaries concerning process-related risks and opportunities.

The responsibility for identifying and mitigating risk as well as realising opportunities always remains with respective operational management. Risk management functioning as an independent business partner supports the division's operational management and controlling in this process of identifying and quantifying possible effects on income and mitigating measures.

Various probability distribution forecasts that are appropriate in view of the respective circumstances are used for quantitative description of the material risks and opportunities. Apart from a description of risks and opportunities by probability of occurrence and potential loss, use is made accordingly of, for example, triangular distribution and normal distribution (specific to market fluctuation).

An aggregation of the risks by means of Monte Carlo simulation is made for early identification of developments that might threaten the Company's continued existence (cf. Section 91 (2) of the German Stock Corporation Act) and to determine the overall risk. The risk aggregation includes the respective net risks, meaning the risks based on consideration of the risk mitigation measures applied; it determines the extent of LEONI's overall risk.

The Monte Carlo simulation involves once a year allocating the effects of the Company's most significant individual risks on an aggregated basis to the corresponding items of the forecast income statement and balance sheet. Several tens of thousands possible risk-related future scenarios are run in independent simulations.

RISK REPORTING AND MONITORING By way of the quarterly risk reporting to the entire Board of Directors, an assessment of the risk situation based on the net risks larger than € 10 million (in line with the risk matrix in the section headed Opportunity and risk situation) is made and discussed with the Board of Directors. In addition, such net risks together with the risk aggregation are reported to the Supervisory Board annually. The risk report will furthermore be updated (ad hoc announcement) if there is any material change in the Company's risk profile.

Risk reporting is carried out regularly up to the corporate level with the help of SAP's GRC risk management module. The Board of Directors is furthermore given supplementary risk analyses on commercial decisions pertinent to the Supervisory Board (e.g. acquisitions, significant customer projects or important investments).

PROCESS IMPROVEMENT On the Corporate Risk Committee, the principal risk managers report on the key risk areas and provide an assessment of the completeness and plausibility of these risks as well as corresponding measures. Decisions on improvements to the risk management process are also taken on this committee. The effectiveness of the risk management system is reviewed by the Audit Committee as well as regularly by the Internal Audit department. The risk early-warning system is assessed as part of the annual review by the auditors as well.

The external audit begun in the summer of 2017 of the system for managing the risk of the core areas of treasury, human resources and financial statement closing process pursuant to the IDW 981 auditing standard was continued during the period under report and, because of what happened in Mérida, broadened to include project risks in 2019. The appropriateness test was successfully completed on 30 April 2018. The test for effectiveness is to be carried out in 2020.

Further development of the risk management system in 2019:

- Introduction of a schedule of penalties for specific risks that have occurred but that were not reported to their full extent or soon enough;
- Additional plausibility controls carried out for principal risks and risk-minimising measures by members of the Corporate Risk Management Committees;
- A Project Audit Teams established in the Wiring Systems Division.

6.3. Internal Control System

As already outlined under risk management, a company's senior executive is responsible as operating management for the design and functioning of the internal control system – as the 1st line of defence. As a Corporate Function, the Internal Control System (ICS) is assigned to the 2nd line of defence and is structured in line with the general concept published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, which is recognised worldwide. This subsection of the ICS is responsible for the strategic direction and growth based on systematic and global, organisational rules; it advises the operational management of the legal entities with expert knowledge and helps in monitoring the operating effectiveness of the internal control system on all levels of the company. The SAP GRC Process Control module presents the ICS uniformly and facilitates various kinds of reporting in real time.

Among other things together with the risk and compliance management system, the ICS' task is to establish a control system through systematic and organisational rules that

- ensures reliable and efficient processes;
- safeguards the Company with all its assets for shareholders and stakeholders and
- considers rules in a manner compliant with the law.

LEONI's Internal Control System comprises the principles, procedures and measures introduced by management to ensure the effectiveness and profitability of the business activity, the correctness and reliability of both internal and external accounting as well as the adherence to the legal requirements material to the Company.

This is to be achieved through the interaction of manual and automated controls if possible of a preventive nature or, if not otherwise efficiently possible, of an exposing nature. Control activity by a wide variety of internal and external offices is intended to ensure that the ICS is, through permanent monitoring and testing, continuously developed further in a risk-oriented manner and that identified weaknesses are addressed structurally and in good time. At LEONI, this is done with the help of SAP's GRC software, which is available worldwide.

Together with risk management, the Internal Control System likewise supports identification of procedural, inherent risks through to uncovering of weaknesses and avoiding fraud.

The principles underlying the ICS are the four-eyes principle as a minimum requirement or, so far as possible and stipulated, the separation of functions principle with the authority of a person / function clearly defined, the transparency principle and, in keeping with the spirit of German data protection, data economy with respect to necessary information.

In so doing, LEONI pursues a strategy of executing control processes in their entirely and not to limit them just to accounting-related controls and/or risks; among others, strategic / market, operating and compliance controls are also incorporated alongside the accounting-related controls. The Corporate Internal Control Committee carries out audits of all control matters and processes involving the ICS with respect to being up to date, complete and effective. This comprises the key persons responsible for processes.

ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM With respect to the Group accounting process, the following structures and processes have been implemented in the Group: The Board of Directors bears overall responsibility for the internal control and risk management system with respect to the accounting process in the Group. All business segments and units are bound by a firmly defined management and reporting organisation. The principles, the operational and organisational structure as well as the processes of the accounting-related internal control and risk management system are laid down in an internal guideline that is updated at regular intervals to include the latest external and in-house developments. With respect to the accounting process, we deem such features of the internal control and risk management system to be significant that could materially influence the accounting and overall information provided in the financial statements and consolidated financial statements including the management report and the group management report. In particular, this involves the following elements:

- Identification of key areas of risk and control with relevance to the accounting process;
- Monitoring controls for supervising the accounting process and their findings at the level of the Board of Directors and of the strategic business areas;
- Preventive control measures in financial management and accounting as well as in operating performance-related business processes, the principal information for preparing the financial statements and consolidated financial statements including the management report and the combined management report, including function separation and predefined approval processes in relevant units;
- Measures that ensure proper IT-supported processing of accounting-related facts and data;
- Measures for monitoring the accounting-related internal control and risk management system.

REPORTING Formal reporting is done quarterly on the Corporate Internal Control Committee to the CFO. Reporting is based on the assessments submitted via the GRC software by operating management. Time-independent individual reporting is furthermore also possible at any time by means of the system support facility.

PROCESS IMPROVEMENT The Audit Committee regularly examines the internal control system's effectiveness. This may involve the auditors presenting weaknesses in the accounting-related internal control systems found during the annual audit. Furthermore, the Internal Audit department (3rd line of defence) on a random basis checks the process of the Internal Control System (2nd line of defence).

Further development of the Internal Control System in 2019:

- Execution of a system-supported test of design of all controls in SAP GRC and SAP Financial Closing Cockpit for the entire Group;
- Introduction of initial, ongoing processes for monitoring automated controls;
- Further roll-out of SAP Financial Closing Cockpits for the entire Group.

6.4. Compliance Management System

LEONI has a comprehensive Compliance Management System (CMS) to ensure and check responsible, rule-compliant conduct. The CMS is integrated in the risk management and internal control system. It breaks down by prevent, detect and react, and comprises the seven key elements of a contemporary and proper CMS in accordance with the IDW (German Institute of Public Auditors) auditing standard PS 980. The third-party test of our CMS' effectiveness concerning the principal aspects of antitrust law and corruption for selected Group companies was successfully completed in the financial year. Alongside risk analysis and the measures to identify adverse developments early, especially the monitoring of and adherence to the compliance processes and controls (known as Compliance Quality Reviews), the guidelines and training of staff are key elements of the CMS. Using a digital whistleblower system and other communication channels, staff and third parties can report cases of suspected compliance infringement, which will subsequently be investigated in-house. Any confirmed infringements of compliance will be penalised accordingly. More information is contained in the sections headed › Corporate Governance report and › non-financial Group information statement.

6.5. Opportunity and risk situation

The opportunity and risk situation reports on the material opportunities and risks according to the matrix below. The matrix also illustrates the breakdown (number) of the described risks larger than € 10 million:

	Loss potential (net risk)		
Probability of occurrence	< 10 million Euro	10 to 100 million Euro	> 100 million Euro
> 50 %			
> 10 % up to 50 %		- Project and performance risks - Impairment - Interest rate and financial risks - Economic cycle / coronavirus - Fluctuation in personnel cost / VALUE 21 - Pressure to cut prices - Copper price fluctuation - Exchange rates	
up to 10 %		- Compliance risks - Risk of bad debt losses - Loss of a customer - Product liability / recall	Break in the supply chain to a customer

low risk medium risk high risk

Hereinafter we present the principal opportunity as well as risk categories. They also include the respective risks and opportunities stemming from the VALUE 21 programme. So far as neither division is explicitly highlighted, the opportunities and risks concern both divisions.

Strategic and market-related

LOCATION / COUNTRY RISKS The LEONI Group's policy on choice of location is geared closely to the requirements of our customers, which LEONI follows into foreign markets. The pressure on prices and costs compels us towards disproportionately large increases in production capacity located in low-wage countries. This means that customers in many instances must be supplied across several national boundaries. There are also political risks in some countries, for example in North Africa, Mexico, Turkey, South Korea and the Ukraine. Unstable political conditions could at any time result in unrest and also strikes at our production facilities in those locations, or in closed seaports and airports. The option of temporary supply to our customers from other, non-affected countries is severely limited because of the customised products in the Wiring Systems Division. Just-in-time and just-in-sequence delivery as well as the single-source principle of some customers extend the reach of this risk further. Relocation is possible only with a corresponding lead time necessitated by setting up the required production capacity and recruitment. That is why we offer our customers the option of supply from two facilities in different countries. In many cases, however, our customers have decided for economic reasons to continue to share the risk of 100 percent supply from one country. A break in the supply chain to the customer, due for example to unrest, cybercrime or natural disasters, could result in a supply bottleneck persisting several weeks. Owing to the size it has attained, LEONI operates a considerable number of production facilities worldwide, which have backup capacity as is prudent and accepted by the carmakers. Furthermore, preventive measures have been applied at all production facilities and are documented in a global emergency plan. These range from a round-the-clock guard service to extensive fire protection systems. Furthermore, no LEONI facility is located in an area known to be under extreme threat of earthquakes, flooding or other natural disasters.

RISKS AND OPPORTUNITIES DUE TO THE ECONOMIC CYCLE / CORONAVIRUS Customers in the automotive industry and among its suppliers account for the bulk of LEONI's consolidated sales. The current business performance of this sector therefore has great influence on LEONI's business volume and earnings.

Progressing and ongoing spread of the coronavirus could lead to loss of sales and unexpected impact on earnings. Like any company operating worldwide, we must deal with challenges in the supply chain, logistics, limited availability of staff and, in some cases, our customers changing the quantities they take up. We are in constant contact with our customers, suppliers and business partners to avoid disruptions as far as possible. The risk of disruption of the supply chain to our customers is described in detail in the section headed location / country risks. We have deployed a Task Force Team that is working together with the authorities, our customers and suppliers on protecting our staff as well as possible and on maintaining supply to our customers. In addition, we will endeavour to make use of the funding promised by various governments.

A disorderly exit by the United Kingdom from the EU (no-deal Brexit) could have adverse effect on the sales of our customers in the country, lead to rising customs duty and clearance costs as well as to depreciation of the pound. We are monitoring the exit process closely and are, together with our customers, preparing for a no-deal Brexit. However, it must be assumed that, in the event of a no-deal Brexit, it will not be possible for LEONI either to avoid major fallout.

Generally speaking, LEONI has the opportunity to generate more sales than expected in the markets it targets by outperforming the overall market and correspondingly rising demand.

RISKS DUE TO PRESSURE TO CUT PRICES LEONI supplies its products to markets that are characterised by fierce competition. The trend that continues to prevail in the automotive industry towards sharing development costs with suppliers and unexpectedly substantial, but necessary price concessions therefore constitute a risk. We minimise this risk with professional sales performance and negotiations to compensate for reductions in unit sales as well as by passing on increased wage and material costs.

RISKS DUE TO COPPER PRICE FLUCTUATION LEONI uses copper as a key input material in both of its business divisions. The global market price of this raw material, which is subject to significant fluctuation, therefore exerts a major influence on the cost of materials in the Group, which is why this is regarded as a separate risk. If the price of copper rises for a protracted period, the lag in passing this cost on to our customers can exert an adverse earnings effect on the reporting date. Any substantial drop in demand could, if there is a simultaneous dip in the price of copper, lead to us having to sell at lower prices some of our copper inventory bought forward at higher prices. This would likewise exert an adverse effect on earnings. We purchase copper forward only with a corresponding hedged item to safeguard the invoicing plan agreed with our customers. If the price has fallen sharply up to the reporting date, copper inventories may be exposed to the risk of devaluation. A shortage of copper stocks could lead to supply bottlenecks and higher copper prices. LEONI prefers long-term and direct supply relationships with copper suppliers to avoid supply bottlenecks.

RISKS AND OPPORTUNITIES DUE TO FLUCTUATION IN THE COST OF MATERIALS (EXCLUDING COPPER) Rising demand could lead to increases in the costs of our most important raw materials. This can result in demands for higher prices and therefore in increased procurement costs for the corresponding components, and it can furthermore also entail supply bottlenecks in the event of shortages. International competition among our suppliers has hitherto enabled us to largely avoid any increases in the cost of materials. Contact systems, which consist of plastic casings and metal contacts, are made mostly with tools stemming from a single source due either to customer requirements or economic considerations.

Generally speaking, a more favourable trend in commodity prices would benefit LEONI's cost-of-materials ratio and therefore its margins.

RISKS AND OPPORTUNITIES DUE TO DIGITALIZATION Digitalisation (Internet of Things, Industry 4.0) entails risks that could lead to new competitors or substitution of existing solutions.

Yet new trends in technology and society simultaneously present LEONI with good growth opportunities – especially the progressing digitalization in all walks of life and therefore also in many of LEONI's customer sectors. In general, other global trends of importance to LEONI – such as mobility, energy and data management, environmental awareness and shortage of resources as well as industrialisation and automation – also present the Company with additional expansion opportunities in many areas. For instance, the trend in the automotive industry towards hybrid and electric drive systems as well as electrical and electronic innovations in vehicles can exert a positive effect on our future performance.

Operational

RISKS DUE TO NEW CUSTOMER PROJECTS Apart from the project-overarching risks, such as the location / country risks and fluctuation in personnel costs, there are also project-specific cost risks. These can, due to special measures to safeguard our customers' production starts during the ramp-up phase or, for example, miscalculation, impact on the whole term of a project. Failure to ensure that the many annual production starts are on schedule and according to the requirements of our customers could have serious consequences for future business. We endeavour to minimise this risk by means of risk aggregation based on the principal fluctuation margins for major, new customer projects prior to accepting a project, an early warning system based on the risks and opportunities relative to the project's term and, for example, making support capacity available. During the financial year, a project in Mexico caused pressures that were not appropriately recognised as a specific risk on a bottom-up basis in the risk management system by those responsible for the project. In our risk reporting, abstract project risks were prioritized on a top-down basis as primary risk. In response, the Board of Directors applied new penalty mechanisms, involved third-party consultants as well as set up a Project Audit Team (CPAT) with the task of identifying project risks early in all phases of a Wiring Systems Division project. If a customer were to delay a project, this could lead to losses of sales that might be partially or entirely compensated through negotiations only after a time lag.

RISKS DUE INFORMATION TECHNOLOGY Running a company like LEONI that operates on a global scale is only possible with the help of sophisticated IT systems. Constant readiness to supply goods and services – especially to the automotive industry that frequently calls for either just-in-time or just-in-sequence delivery – also depends on availability of the IT systems and their data at all times. Serious disruption such as system outages, attacks on our networks, loss or corrupting of data could result in a break in the supply chain to the customer. LEONI therefore constantly works at optimising its IT system, in terms of both concept and operation. One example of this is having a second, backup computer centre as an emergency system. The threats to our information security are furthermore mounting because of the globally increasing professionalism of computer crime. Like other, major international companies, we are exposed to vigorous cyber-attacks by experienced adversaries who are supported by organised crime and countries that conduct industrial espionage. To minimise these risks, we apply a range of measures including network segmentation, staff training as well as monitoring of our networks and information systems by means, for example, of firewalls and virus scanners. A cyber security insurance policy covers the residual risk.

RISKS DUE TO PRODUCT LIABILITY / RECALL LEONI's output is used primarily for technically sophisticated products and equipment with high safety standards. A failure could have far-reaching consequences ranging from downtime costs to contractual penalties and through to personal injury claims. We minimise the associated product liability risks by taking effective measures as part of process safety and quality management. All plants are ISO 9001 certified and some, depending on the customer group they supply, have such additional certification as IATF 16949 (automotive industry), EN/AS 9100 (aerospace) and ISO 13485 (medical technology). There is also insurance cover for operating, product and environmental liability as well as for product recalls. Product liability cases and recalls are reported without delay, by means of an implemented workflow alert within SAP GRC in the Wiring Systems Division and via a Red Alert Process in the WCS Division, to all concerned units so as to ensure a structured emergency management system.

RISKS DUE TO LOSS OF A CUSTOMER The loss of one or several major customers we supply could temporarily result in losses of earnings / contributions to profit and additional capacity adjustment costs. We have reduced our exposure to a small number of major customers in the Wiring Systems Division with a broader, international customer base. The lengthy contract periods, which usually cover the lifespan of a particular vehicle model range, as well as having established very close and stable customer-supplier relationships, for instance by way of comprehensive development work and outstanding service in terms of delivery, mean that there would normally be early notice of losing a customer and would allow for consequent measures to be applied in good time.

RISKS DUE TO FLUCTUATION IN PERSONNEL COSTS Changes in the availability of staff in high wage and low-wage countries (e.g. an aggravating shortage of skilled people in Germany) as well as a related increase in wage and salary costs at labour-intensive production locations in Eastern Europe, North Africa and Asia present human resource management with challenges. Given the large extent of our production in countries with low wage levels, increases in minimum wages could impact significantly on personnel costs. To maintain the ability to recruit and retain staff by being an attractive employer, effort is being stepped up in countries where we have new projects starting with respect to recruitment, staff retention and promotion – for example with in-house schemes to provide employees with qualifications and aimed at integration as well as additional social benefits.

OPERATIONAL OPPORTUNITIES The LEONI Group's operating strengths include its leading position in the most important markets across Europe, our global footprint in terms of distribution, development and production as well as our broad, international customer base. These factors enable us to benefit globally from favourable market trends. LEONI also focuses sharply on core products and markets, has a consistently high level of expertise along the entire value chain and covers an extensive portfolio of technology. The ›forecast contains more information on the specific opportunities of the two divisions.

Financial

INTEREST RATE AND FINANCING RISKS / LIQUIDITY RISK As a general principle, stringent cash pooling is used to safeguard liquidity. The most important cash flows in the Group are managed and handled by LEONI AG at head office. The Group monitors its current liquidity situation on a daily basis. Monthly, currency-specific, rolling liquidity planning for respective periods of thirteen weeks as well as quarterly planning for respective periods of twelve months is used to control future liquidity requirement. The planning takes into consideration the terms of the finance and the financial assets (e.g. receivables, other financial assets) as well as the expected cash flows from business activity.

As described in the section headed ›Financial situation, the Board of Directors had identified gaps in liquidity as of the 2020 financial year because of repayment of the borrower's note loans and originally maturing bilateral credit lines and loans as well as a negative free flow previously budgeted for fiscal 2020. The Board of Directors communicated in its ad hoc announcement on 10 December 2019 that it intended to increase financing by € 200 million to ensure available liquidity. At the same time, LEONI announced that would apply for an expert opinion on its restructuring in keeping with the IDW S6 auditing standard to confirm its course and financing. As a consequence of these developments, there was significant doubt at the end of 2019 in the Company's ability to continue its business activity. In response, the Board of Directors had implemented, launched and planned various packages of measures to avoid the Group's illiquidity.

The agreement reached on 13 March 2020 for a Revolving Credit Facility 2 (RCF2) made the credit line of about € 52 million not locally required in China available to the LEONI Group as of 16 March 2020. Conversion of the bilateral credit lines and loans without fixed terms in the amount of € 276 million into loan commitments with terms fixed to the end of 2022 provided certain conditions are met by the end of May 2020 was also firmly agreed. LEONI can fulfil these conditions itself and independently of third parties. The existing reverse factoring line in the amount of about € 150 million with a reverse factoring provider was furthermore firmly committed until the end of 2022 in the wake of reaching the agreement on RCF2. In this connection, our trade credit insurers issued statements of goodwill confirming provision of these credit lines as required.

Our factoring volume was furthermore increased by € 50 million at the beginning of March 2020. Moreover, very promising negotiations on agreements for a further increase of up to € 280 million are under way. Favourable board-level decisions have already been taken by one partner and another has issued a binding commitment in this respect. As of the end of January, there are presently receivables of € 212 million available for additional factoring. Before onset of the coronavirus crisis, we would furthermore have had about € 200 million available in August 2020 (weakest summer month due to OEM plant holiday shutdowns), and up to as much as € 267 million by the end of 2022. Given the plant closures due to the coronavirus crisis, only a significantly smaller amount will be now be available for factoring.

As another mitigating measure, we signed several sale-and-leaseback deals that provided a total cash inflow of about € 58 million by the end of March 2020.

Medium-term, our comprehensive VALUE 21 performance and strategy programme will, from 2022, yield sustained, gross cost savings of at least € 500 million per year. Moreover, sharp focus on earnings quality and cash flow profile is to contribute to improving the profitability of new projects. Finally, strategic carve-out of our WCS cables division could result in further cash flow improvement. WCS has grown in recent years and has maintained a leading position as a provider of intelligent cable solutions and services. Our intention with the carve-out is to enable the division to realise its full potential more quickly under a different ownership structure. In addition, we can also sign further sale-and-leaseback deals as required.

Based on the expectation that the LEONI Group was overwhelmingly likely to successfully restructure, the LEONI Group on 13 March 2020 received a positive endorsement of its restructuring pursuant to the S6 standard of the German Institute of Public Auditors (IDW S6). This expert opinion on restructuring looked ahead to the end of 2022 contained a positive going-concern forecast. The precondition is that mitigating measures to ensure medium-term liquidity are implemented. Based on this expert opinion on restructuring as well as the measures already implemented, initiated and planned, the Board of Directors assumed on 13 March 2020 that continuation of the Company's business activity would be assured with a probability bordering on certainty.

Shortly after this expert opinion on restructuring was issued and in a surprise development, various carmakers announced that they would be curtailing or temporarily stopping car production at their plants because of the coronavirus crisis. Against the backdrop of the related sales decline involving numerous customers and products, LEONI decided to temporarily but sharply curtail production at its European, North African and American wiring systems facilities. These measures are to be maintained for as long as the carmakers' production is limited, which is likely to last several weeks. By contrast, the situation at our wiring systems facilities in China has largely normalised. LEONI consequently also anticipates decreases and restricted production for the Wire & Cable Solutions Division's automotive business. Output in the Wire & Cable Solutions Division's industrial business, on the other hand, will be maintained until further notice, even though decline is to be expected here, too. This can now be expected to impose a significant burden on sales, earnings and liquidity in the 2020 financial year, meaning that more mitigating measures to ensure short and medium-term liquidity are required.

LEONI has accepted the offer by the Federal Government and is in the process of applying for financial aid to mitigate the risks of illiquidity brought about by the Covid-19 pandemic. These funds will raise the Company's financial scope and are, at Group level, needed to ensure the continuation of its business operations. The Board of Directors is convinced that these talks on financing can be successfully concluded and that it will be possible to draw on cash support from these programmes by the time the first gaps in liquidity occur.

LEONI furthermore reacted to the current suspension of production among its customers with plant closures in Europe, North Africa and in the Americas as well as introduction of short-time work in Germany as well as similar measures at other European sites. This short-time working, agreed by involving employee representatives, will increase the Company's financial flexibility.

Furthermore, a change in the risk premium on the capital-market interest rate or in the capital-market interest rate and the measures described to ensure liquidity could raise the cost of financing.

RISKS DUE TO BAD DEBT The loss of receivables from a major customer presents a risk. As a precaution, all customers with whom the LEONI Group intends to conclude business on a credit basis are subject to credit screening. Regular analysis of receivables and the structure of the receivables facilitates ongoing monitoring of the risk. For selected customers true sale factoring serves as a further tool to reduce the risk of default.

RISKS DUE TO IMPAIRMENT LEONI subjects assets and goodwill to impairment testing based on the IFRS accounting rules. An increase in the discount rate and/or worsening of earning prospects, due especially to the coronavirus crisis, will cause the risk of impairment to rise.

RISKS AND OPPORTUNITIES DUE TO ACQUISITIONS Risks stemming from planned acquisitions are systemically identified and quantified as part of the respective due diligence examination of the acquisition target. Risk management studies the implications of these risks for the Company's overall risk in advance of any decision to acquire.

Any acquisition simultaneously entails opportunities to be realised.

RISKS DUE TO PENSION OBLIGATIONS The phase of low interest rates could also impact on LEONI's pension funds by causing an increased outflow of funds to reduce any shortfall as prescribed by local regulations.

RISKS AND OPPORTUNITIES DUE TO EXCHANGE RATES We conduct business mainly in euros or in the local currency of the respective country. However, we are increasingly faced with currency risks due to the globalisation of the markets. In the Group's holding company, LEONI AG, the Corporate Finance & Treasury department is responsible for foreign exchange Treasury in collaboration with a currency committee and reports these to corporate risk management. Hedging transactions are executed in line with the existing underlying transactions or the planned transactions. Selection of the hedging instrument to be used is based on regular, in-depth analysis of the underlying transaction to be hedged. The objective is to limit the impact of exchange rate variation on net income. Apart from the actual hedging transactions, we primarily take advantage of the option of netting foreign currency items within the Group to hedge our operating business activity. As a further currency-hedging measure, as a matter of principle we finance our foreign subsidiaries in their respective functional currencies by way of refinancing in the corresponding currency. Economic currency risks furthermore stem from the effects on the price competitiveness of individual facilities (plants) as a consequence of changes in the exchange rate.

Fluctuating exchange rates can, for amounts not hedged with forward contracts, result in a positive effect.

Further details on these financial risks are contained in the › **Notes**.

Compliance

RISKS DUE TO COMPLIANCE INFRINGEMENTS In principle, compliance infringements could entail substantial fines, loss of reputation and claims for damages. Depending on the country, imprisonment of managers and involved staff is also possible. LEONI minimises such risks due to infringements of law and guidelines with an effective compliance management system.

RISKS DUE TO CORRUPTION Given LEONI's worldwide business activity and especially the fact that corruption and extortion are widespread in some of the countries in which LEONI operates, the compliance measures that LEONI has applied could nevertheless prove to be insufficient to prevent or uncover unlawful conduct.

As previously reported, internal compliance-related investigations in 2015 gave rise to the suspicion of illegal conduct in connection with at least one agent who was commissioned by a LEONI Group company belonging to the WCS Division. The matter concerns unexplained commission payments on transactions particularly with Asian customers. LEONI proactively reported this suspicion to the German authorities in 2016 and continued in 2016 and 2017 to resolve the matter in close collaboration with the investigating authorities. At the beginning of 2017, the authorities launched several investigation proceedings against former and current senior managers and staff. Both the internal investigations to resolve these matters and the external investigations were largely completed by the end of 2017.

In 2017, LEONI reached final settlements with the tax authorities on the underlying matter and the tax deductibility of commission payments.

The proceedings against eight former and current employees and directors of a LEONI company were concluded at the end of 2018 and the beginning of 2019, respectively.

There were and are no proceedings against LEONI AG or the concerned Group subsidiaries in connection with this matter.

RISKS DUE TO ANTITRUST LAW LEONI is subject to the requirements under antitrust law in the EU as well as other jurisdictions and is therefore exposed to risks with respect to observance of these requirements as well as the related enforcement actions and claims for damages. Any finding of a breach of requirements under antitrust law could adversely affect LEONI.

As reported, several civil proceedings in the form of class action lawsuits were initiated against LEONI and other wiring systems manufacturers in the United States and Canada since October 2011 due to alleged breaches of antitrust law. LEONI was able to conclude all these proceedings in the 2016 and 2017 financial years without any acceptance of liability by way of settlement agreements. In the United States, there are now just a few proceedings pending involving individual claimants, which, from today's perspective, are likely to have far less impact than the hitherto concluded proceedings. LEONI therefore expects to be able to conclude these outstanding proceedings as well in the near future.

RISKS DUE TO (FAKE CEO) FRAUD Like many other companies, LEONI is also exposed of internal and external fraud, especially theft of money.

As reported, LEONI fell victim in August 2016 to fraudulent acts involving the use of falsified documents and identities as well as the use of electronic communication channels. As a consequence, a total of approx. € 40 million was transferred from the Company to accounts outside Germany.

The Board of Directors continued during the year under report to push and monitor work on clearing up the fraud case at various levels. This included the ongoing efforts to recover the stolen funds as well as cooperation with national and international investigating authorities to bring the perpetrators to justice. During the year under report, furthermore, the Board of Directors forged further ahead with asserting claims for damages under civil law after completion of the external analysis and assessment of possible breaches of duty. The latter is line with claims asserted by the Supervisory Board with respect to a former member of the Board of Directors.

The measures applied may be summarised as follows:

- **Investigations and asset tracing:** The investigations of the authorities in the concerned countries were continued during the year under report and are still ongoing. LEONI continues to support the authorities in finding and clarifying the facts. LEONI also continued its own measures to trace money flows and to recover the funds. Assets totalling about € 983 k (€ 327 k on 31 December 2018) have so far been recovered. The measures to recover the assets are ongoing. At present, however, LEONI does not expect to be able to recover any more significant amount of assets.

- **Assertion of claims for damages:** Based on an opinion issued by the Baker McKenzie law firm, the Board of Directors decided to assert further claims for compensation for the loss LEONI AG incurred and reported the fraud case to LEONI AG's D&O insurers. The assertion and enforcement of claims against employees are ongoing. It is not yet possible to comment on progress and prospects of success.
- **Insurance payouts:** LEONI obtained a payout of € 5 million from its existing fidelity insurance policy. The Board of Directors has submitted farther-reaching claims for compensation to the fidelity insurance provider. Examination and assertion of the claims are ongoing. It is not yet possible to comment on progress and prospects of success.

RISKS DUE TO EXPORT CONTROL AND DUTIES Political and regulatory changes involving, for example, export regulations, customs regulations or embargoes, could affect our business activity in some national markets and compromise our financial position and performance. Any infringements could entail fines, sanctions as well as loss of reputation and claims for damages. We therefore make sure of resolutely observing the corresponding regulations.

Protectionist action, trade wars or sanctions in the countries and regions in which LEONI operates, especially so in the United States and Asia, could lead to greater trade barriers and adversely affect LEONI's business activity. Particularly increases in regional or international trade barriers including duties, the withdrawal of states from bilateral and multilateral trade agreements or their renegotiation could impact negatively on the global economy and therefore lead to less demand for LEONI's products. In the growth markets, like China among others, trade barriers including local-content requirements could affect the demand for LEONI's products and therefore its operating result.

Furthermore, trade barriers or other protectionist measures that increase the Group's production costs or the prices of its products could also compromise the competitiveness of LEONI's products and adversely affect its operating result.

As a global supplier to the automotive and industrial sector, LEONI is exposed to substantial risks related to the performance of the global economy and global political conditions.

RISKS DUE TO CORPORATE GOVERNANCE VIOLATIONS In general, there is the risk that corporate governance bodies and / or staff infringe laws, internal guidelines or the standards of good corporate governance recognised by LEONI.

The Board of Directors' assessment of the opportunity and risk situation

Based on the expectation that the LEONI Group was overwhelmingly likely to successfully restructure, the LEONI Group on 13 March 2020 received a positive endorsement of its restructuring pursuant to the S6 standard of the German Institute of Public Auditors (IDW S6). This expert opinion on restructuring looked ahead to the end of 2022 contained a positive going-concern forecast. The precondition is that mitigating measures to ensure medium-term liquidity are implemented. Based on this expert opinion on restructuring as well as the measures already implemented, initiated and planned, the Board of Directors assumed on 13 March 2020 that continuation of the Company's business activity would be assured with a probability bordering on certainty.

Due to the fallout from the coronavirus crisis, LEONI will depend, alongside the measures to ensure liquidity that it has already launched, particularly on government aid schemes to close gaps in liquidity. Given this dependence on state financial aid, continuation of business activity is threatened. These events and circumstances point to material uncertainty that gives rise to significant doubt in the Company's ability to continue as a going concern and corresponds to risk to continued existence as defined in Section 322 (2) sentence 3 of the German Commercial Code (HGB).

LEONI has accepted the offer by the Federal Government and is in the process of applying for financial aid to mitigate the risks brought about by the Covid-19 pandemic. These funds will raise the Company's financial scope and are, at Group level, needed to ensure the continuation of its business operations. If these mitigating measures were not successfully applied, there would be a risk to the Company's continued existence analogous to Section 322 (2) sentence 3 of the German Commercial Code (HGB) with the consequence of illiquidity. The Board of Directors is convinced, however, that these talks on financing can be successfully concluded and that it will be possible to draw on cash support from these programmes by the time the first gaps in liquidity occur.

The next biggest risk to the entire Company continues to be a break in the supply chain to a customer. In the opinion of the Board of Directors, the risk situation for the LEONI Group aggravated further for 2020 in the area of cyber risk. The greatest opportunity lies in overfulfilment of the VALUE 21 performance and strategy programme.

7. Supplementary report

Based on the expectation that the LEONI Group was overwhelmingly likely to successfully restructure, the LEONI Group on 13 March 2020 received a positive endorsement of its restructuring pursuant to the S6 standard of the German Institute of Public Auditors (IDW S6). This expert opinion on restructuring looked ahead to the end of 2022 contained a positive going-concern forecast. The precondition is that mitigating measures to ensure medium-term liquidity are implemented. The expert opinion is based on a restructuring plan jointly prepared by the Company and third-party experts for the years 2020-2022, which follows on from and partially goes beyond the VALUE 21 performance and strategy programme that is already being implemented. Based on this expert opinion on restructuring as well as the measures already implemented, initiated and planned, the Board of Directors assumed on 13 March 2020 that continuation of the Company's business activity would be assured with a probability bordering on certainty.

Shortly after this expert opinion on restructuring was issued and in a surprise development, various carmakers announced that they would be curtailing or temporarily stopping car production at their plants because of the coronavirus crisis. Against the backdrop of the related sales decline involving numerous customers and products, LEONI decided to temporarily but sharply curtail production at its European, North African and American wiring systems facilities. These measures are to be maintained for as long as the carmakers' production is limited, which is likely to last several weeks. By contrast, the situation at our wiring systems facilities in China has largely normalised. LEONI consequently also anticipates decreases and restricted production for the Wire & Cable Solutions Division's automotive business. Output in the Wire & Cable Solutions Division's industrial business, on the other hand, will be maintained until further notice, even though decline is to be expected here, too. This can now be expected to impose a significant burden on sales, earnings and liquidity in the 2020 financial year, meaning that more mitigating measures to ensure short and medium-term liquidity are required.

The following measures, which are no longer sufficient to ensure short and medium-term liquidity since outbreak of the Covid-19 pandemic, were implemented since the balance sheet date.

Since mid-March, an unrequired local line of credit amounting to about € 52 million has been available globally to the LEONI Group. Furthermore, it was agreed to convert the bilateral credit lines and loans without fixed terms in the amount of € 276 million into loan commitments with terms fixed to the end of 2022 provided certain conditions are met by the end of May 2020. LEONI can fulfil these conditions itself and independently of third parties. In this connection, a reverse factoring line was firmly committed to the end of 2022 and our trade credit insurers issued a statement of goodwill in which provision of these credit lines as required is confirmed. Furthermore, the LEONI Group increased the amount of its factoring by € 50 million and very promising negotiations on agreements for a further increase of up to € 280 million are under way. Several sale-and-leaseback deals were also signed at the beginning of the 2020 financial year. They provided a total cash inflow of about € 58 million by mid-March 2020.

LEONI has accepted the offer by the Federal Government and is in the process of applying for financial aid to mitigate the risks brought about by the Covid-19 pandemic. These funds will raise the Company's financial scope and are, at Group level, needed to ensure the continuation of its business operations. The Board of Directors is convinced that these talks on financing can be successfully concluded and that it will be possible to draw on cash support from these programmes by the time the first gaps in liquidity occur.

LEONI furthermore reacted to the current suspension of production among its customers with plant closures in Europe, North Africa and in the Americas as well as introduction of short-time work in Germany as well as similar measures at other European sites. This short-time working, agreed by involving employee representatives, will increase the Company's financial flexibility.

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

8. Forecast

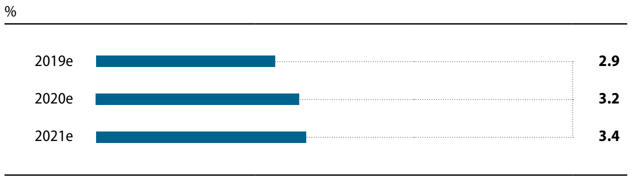
8.1 Business and underlying conditions

At the beginning of this year, the International Monetary Fund (IMF) considered the global economy to have initially stabilised somewhat. Among other factors, this was based on the ongoing, expansive monetary policy of the leading central banks, the first partial agreements in the US-Chinese trade dispute as well as the increasing probability of an orderly Brexit. However, the IMF still described the situation as fragile because the trade quarrels between the United States and China could flare up again at any time. Weather-related natural disasters and geopolitical conflicts such as that between the USA and Iran were stated as additional risk factors that could lead to rising oil prices and diminishing inclination among companies to invest.

Against this backdrop, the IMF estimated in its World Economic Outlook of January 2020 that the global economy would grow by 3.3 percent overall this year and consequently somewhat more strongly than the 2019 rate of 2.9 percent. A 1.6 percent gain was forecast for the industrialised countries, while slightly less momentum year on year was anticipated for the United States and, by contrast, a little more for the eurozone. The IMF projected 1.1 percent expansion for the German economy. In the developing and emerging countries, growth was to amount to a rate of 4.4 percent with China slowing down to 6.0 percent.

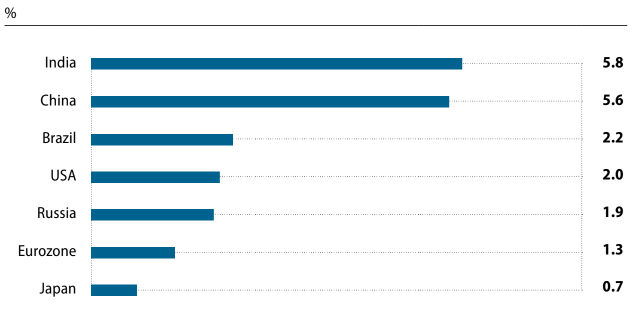
The increasing spread of the Covid-19 pandemic prompted the IMF in mid-February to trim its forecast for China to 5.6 percent and for global GDP growth the 3.2 percent. There have so far been no further adjustments. Given the latest developments, however, significantly greater negative effect cannot be ruled out.

Global economic growth 2019 to 2021



Source: IMF, World Economic Outlook, Update Jan. 2020; IMF, Press Release 22 Feb. 2020

2020 economic growth in selected regions



Source: IMF, World Economic Outlook, Update Jan. 2020; IMF, Press Release 22 Feb. 2020

Business by sector

In the opinion of the German Association of the Automotive Industry (VDA), there will again be lack of growth impetus in the major **automotive industry** markets this year, even though the push towards new electric vehicle models is in full swing. The Covid-19 pandemic is also holding the sector back considerably. At the end of February, the VDA therefore scaled its forecast for 2020 back and now projects a 3 percent worldwide drop in new vehicle registrations. Sales figures are likely to fall particularly in China, but also in Europe and the Americas.

Global **output** of cars and light commercial vehicles will, in the view of IHS Automotive, be roughly at the previous year's level, while the Covid-19 pandemic is not yet considered in these estimates, nor in the ones below for the commercial vehicle industry. According to this, slight increases are expected only in the Americas. In China, at lot fewer vehicles are projected to roll off the line and, in the EMEA region, somewhat fewer. By contrast, the dynamic uptrend for vehicles with alternative drive technologies is likely to continue: IHS estimates a worldwide increase in unit numbers of 63 percent, with output in the EMEA region far more than doubling. Growth rates well into double digits can also be expected in Asia and the Americas. The number of strategic partnerships and collaboration agreements between carmakers and suppliers is likely to increase further to share the development work for these and such other future technologies as autonomous driving and the related costs.

Output of cars and light commercial vehicles by region

million units	2020e	2019e
Asia	**46.1**	46.0
EMEA[1]	**22.9**	23.2
Americas	**19.9**	19.6

1 Europe, Middle East and Africa

Source: IHS Light Vehicle Production Forecast, October 2019

IHS Automotive is less confident about the output of **heavy commercial vehicles.** The research institute projects that the number of vehicles manufactured worldwide in 2020 will be down by 6 percent, with a probable drop of 15 percent in the Americas and one of 5 percent in Asia. There might be a slight, 1 percent increase in the EMEA region. Such a trend is largely in line with our own estimates, according to which business involving trucks as well as the corresponding engines, agricultural and construction machinery in the European and NAFTA markets, which are of major significance to us, will on the whole be either flat or down.

Output of heavy commercial vehicles by region

million units	2020e	2019e
Asia	**2.00**	2.10
EMEA[1]	**0.57**	0.57
Americas	**0.64**	0.75

1 Europe, Middle East and Africa

Source: IHS MHCV Production Forecast, October 2019

In the **electrical goods industry**, and disregarding the Covid-19 pandemic, German Electrical and Electronic Manufacturers' Association (ZVEI) expects 3 percent global sales growth this year, underpinned principally by the emerging countries. The sector is likely to grow by 4 percent in Asia and by 2 percent in both the Americas and Europe. The ZVEI forecasts a 1 percent gain for the German market. Among the segments of importance to LEONI, automation and electromedicine are forecast outperform slightly, whereas communications technology is likely to match the overall market and information technology is expected to underperform it somewhat.

The **mechanical engineering sector** is, according to the German Engineering Federation (VDMA), in a worldwide, cyclical downturn that is being aggravated and overlapped by varied strains and structural changes. Among others, these include the transformation in the automotive industry, China's economic realignment as well as increasing protectionism in the wake of political upheavals and the imposition of trade tariffs. Overall, these factors are causing in some cases significantly diminished demand for capital goods.

Even before outbreak of the Covid-19 pandemic, which the federation describes as a strain that is almost incalculable, the VDMA therefore expected repeated stagnation in 2020 of price-adjusted, global machinery and equipment sales.

8.2. Business performance and future direction

LEONI Group

The original planning for 2020 business performance was based, particularly before the latest developments since mid-March in connection with the Covid-19 pandemic, on the assumptions for the macroeconomic trend as presented in the section headed › **Business and underlying conditions**. Given the ongoing spread and unforeseeable duration of the pandemic, especially the financial fallout on fiscal 2020 cannot yet be reliably quantified. Virtually all of our major customers have announced that they will be suspending their production for several weeks. LEONI has applied various measures to respond to the coronavirus crisis. Future performance in the financial year will nevertheless depend heavily on how long our customers' plant closures last and at what pace they thereafter ramp up again to the expected level. At the present time, therefore, we can only anticipate significantly negative deviation from our previous planning. The Board of Directors will continuously reassess the situation.

LEONI Group forecast

		Actual 2019 figures	Previous planning as of mid-March 2020	Assessment at the time of report preparation
Consolidated sales	Mrd. €	4,8	Moderate year-on-year sales increase	Significant decrease versus previous planning and previous year
EBIT before exceptional items as well as before VALUE 21 costs	Mio. €	– 66	Mid-double-digit, positive million € amount	Significant deterioration versus previous planning and previous year
Free cash flow	Mio. €	– 308	A high double-digit to low three-digit negative million € amount	Significant deterioration versus previous planning and previous year

Year on year, **consolidated sales** were projected to rise moderately this year (2019: € 4.8 billion), to which particularly the Wiring Systems Division would have contributed. The start of extensive, new wiring system projects was to have more than offset the probable, generally subdued demand from the motor vehicle industry. The supply we began at the end of 2019 for a new electric vehicle of a European manufacturer would be of particular significance in this respect. The Wire & Cable Solutions Division should have been able to perform at roughly the level of 2019. Based on assessment of the Covid-19 pandemic as described at the outset, however, we now expect sales in both divisions to fall substantially short of our previous planning and well below the previous year's figures.

We recently projected that **consolidated EBIT before exceptional items as well as before VALUE 21 costs** would improve to a positive mid-double-digit million figure (2019: a loss of € 66 million). Especially the additional sales as well as stabilisation of the Mérida facility were to have been positively reflected. However, given that our previous planning is likely to be substantially compromised by the fallout from the coronavirus crisis, we now assume a major deterioration versus our previous planning and versus the previous year. The Company nevertheless continues to expect implementation of all planned VALUE 21 measures to yield – before opposing effects – sustained, gross cost savings of € 500 million annually from 2022. Further optimisation is coming in procurement, production and logistics as well as in distribution, research & development and IT.

Moreover, the fundamental restructuring of the Wire & Cable Solutions Division's business involving cables for the oil and gas industry that was begun in 2019 will be continued this year and more restructuring measures at various facilities will be applied.

In addition, there will be the costs particularly of refinancing and of our plan to carve out the WCS Division coming to a mid-double-digit million euro amount.

Based on the better operating result, more progress with cash management and reduced capital expenditure, we previously expected to see considerable improvement in the LEONI Group's free **cash flow** in 2020. Given the restructuring measures ongoing from 2019 that will become cash-effective in fiscal 2020 as well as more VALUE 21 costs and exceptional factors, we previously anticipated a negative figure in a high two-digit to low three-digit million euro amount (2019: negative € 308 million). This does not yet include the cash provided by extended factoring as announced towards the end of 2019. In line with the fallout from the coronavirus crisis on EBIT, we also expect free cash flow to be adversely affected by pandemic-related developments and now forecast significant deterioration compared with 2019 as well as with our previous planning. We otherwise refer to our supplementary comments in the sections headed › Financial situation as well as › Risk and opportunity report in the subsection headed 'Interest rate and financing risks / liquidity risk'.

This forecast is also **premised** on the macroeconomic and sector-specific setting, the wage costs in key production countries as well as the prices of important commodities matching our projections. Information on the trend in economic conditions is contained in the section headed › Business and underlying conditions. An average of € 5.20 per kg was budgeted for the price of copper. Possible divestments or acquisitions have not been taken into account.

Performance of the Wiring Systems Division
The Wiring Systems Division's **external sales** were to show a considerable year-on-year increase in 2020 (2019: € 3.0 billion). Such growth, originally exceeding the projected market trend, was based on various new projects starting for our customers. The previous forecast for EBIT before exceptional items as well as before VALUE 21 costs was a break-even result (2019: a loss of € 118 million). It would therefore have shown a significant year-on-year improvement. Alongside the additional sales and mostly absence of the charges at our Mérida facility, this would also have been attributable to favourable product-mix effects as well as progress in terms of operating performance. This could have more than offset the likely personnel cost increases and the once again high pre-production spending on ramping up new projects. Based on assessment of the Covid-19 pandemic as described at the outset, we now expect the division's sales and EBIT before exceptional items as well as before VALUE 21 costs to fall substantially short of our previous planning and also well below the previous year's figures.

We shall continue to forge ahead with implementing our **VALUE 21** programme at full pace to place the Wiring Systems Division on financially stable foundations and thereby to establish the condition for forward-looking investment in technology trends. In addition to action aimed at reducing personnel and material costs, the focus will be on initiatives to enhance efficiency and improve cash flow.

Part of the planned reduction in the amount of **capital expenditure** back to a normal level compared with the preceding years will also concern VALUE 21; for instance, for measures to raise productivity in production. We shall furthermore invest particularly in Eastern Europe and North Africa in completing work on expanding our production capacity for orders already received from our customers.

In the medium term, there are still good **opportunities** for the Wiring Systems Division thanks to such major mobility trends as alternative drive technologies and autonomous driving. As part of our C.A.R.E.S. innovation strategy, we are developing corresponding, future-oriented solutions together with our customers and are increasingly positioning ourselves as a systems provider.

Performance of the Wire & Cable Solutions Division
In the Wire & Cable Solutions Division, 2020 external sales would probably have come to roughly the level of the previous year (2019: € 1.8 billion). For the automotive business we anticipated positive impetus from the persistently strong demand for charging and data cables despite the generally weak trend in the sector. Overall, the industrial business would likewise have been able to expand slightly, although some segments would again have been expected to face heavy price and competitive pressure. We are confronting this with corresponding restructuring and cost cutting measures. Our business involving cables for the oil and gas industry is to be one of the focal areas in this respect. Based on assessment of the Covid-19 pandemic as described at the outset, we now expect the division's sales to fall substantially short of our previous planning and also well below the previous year's figures

We estimated **EBIT before exceptional items as well as before VALUE 21 costs** at a positive mid-double-digit million euro amount (2019: € 51 million). Under this original planning, more sales as well as product mix-related benefits would also have had a positive impact, more than offsetting the projected increase in personnel costs. The initiatives launched under VALUE 21 in 2019 to improve earnings and liquidity as well as optimise the portfolio will be continued and expanded. In addition to the likely resulting costs, there will be further expenses related to refinancing and the planned carve-out. Based on assessment of the Covid-19 pandemic as described at the outset, we now expect the division's EBIT before exceptional items as well as before VALUE 21 costs to fall substantially short of our previous planning and below the previous year's figures.

Capital expenditure is likely to be down and therefore return to normal this year. The focus will be on capacity expansion in Asia, the Americas and Eastern Europe as well as completing special installations of the Factory of the Future in Roth, Germany. We will thereby be responding above all to the mounting demand for data and sensor cables for autonomous driving as well as for high voltage and charging cables for electric cars.

These two megatrends of autonomous driving and electromobility well as digitalization will in the future, too, provide good **opportunities** for the automotive business of the Wire & Cable Solutions Division, which we intend to exploit by continuing to develop our cables and solutions for corresponding applications. We regard the market segments of railway transport , data communication and medical technology as key growth areas in the industrial sector. With our new LEONiQ technology, for which we have budgeted initial, smaller-scale sales in 2020, we shall furthermore resolutely continue our transformation towards being a provider of intelligent data and energy transmission system solutions.

The planned **carve-out of the Wire & Cable Solutions Division** was set in motion during the 2019 financial year and is ongoing.

General statement on future growth

From today's perspective and depending on upcoming developments in connection with the Covid-19 pandemic, there will on the whole be significantly negative deviation from our original planning. Given the whole situation's dynamic development, neither the specific extent nor the duration of adverse effects can at present be reliably determined. The actual impact depends crucially on what is ahead in terms of the coronavirus crises, which the Board of Directors is monitoring continuously to nevertheless successfully keep the started restructuring process on track. In this regard, we otherwise refer to the › Supplementary report as well as, in the › Risk and opportunity report, to the section headed 'Interest rate and financing risks / liquidity risk'.

Forward-looking statements

This report contains forward-looking statements that are based on management's current assumptions and estimates concerning future trends. Such statements are subject to risk and uncertainty that LEONI cannot control or precisely assess. Should imponderables occur or assumptions on which these statements are based prove to be incorrect, actual results could deviate considerably from those described in these statements. LEONI assumes no obligation to update forward-looking statements to adjust them to events following publication of this report.

9. Compensation report

This compensation report describes the main features of the system for compensating the members of the Board of Directors and explains the structure as well as the amount of individual member income. Also described are the details of benefits that have been promised to members of the Board of Directors for the event of termination of their mandate as well as the principles for and amounts of compensation for members of the Supervisory Board.

The compensation report follows the recommendations of the German Corporate Governance Code (GCGC or Code) and contains disclosures required by the German Commercial Code (HGB), The German Accounting Standard (DRS) and the International Financial Reporting Standards (IFRS).

9.1. Compensation for the Board of Directors

The Supervisory Board of LEONI AG diligently and regularly considers, pursuant to Section 87 of the German Stock Corporation Act, the appropriateness of the compensation for members of the Board of Directors. This involves discussion and inclusion in the review of the individual components and their effect on future compensation for members of the Board of Directors. This analysis also comprises a comparison with SDAX companies as well as consideration of the wage and salary structure within the Company. However, it does not consider the ratio of Board of Directors compensation to the compensation for senior management and the workforce as a whole, also over time, as provided for in Section 4.2.2 (2) Sentence 3 of Code. The › current Declaration of Confirmity explains this deviation in detail.

Basic principles of the compensation system

The system for compensating the Board of Directors that is valid for the reporting period has been in force since 1 January and applies until 31 December 2023. It is aimed towards establishing incentives for successful and long-term business growth and increase in enterprise value, in which the members of the Board of Directors are to participate. Exceptional performance is to be rewarded; any failure to meet targets is to result in a considerable reduction of compensation.

In accordance with the Code, we hereinafter explain the principles of the system for compensating the members of LEONI AG's Board of Directors and the specific structure of the individual components. The table below provides an overview of the structure and system:

Component	Measurement basis	Corridor	Precondition for payment	Payment
1. Fixed compensation Fixed salary, Benefits in kind / Fringe benefits	Function, responsibility duration of Board membership, standard	Firmly agreed for the term of the contract	Contractual stipulation	Monthly
2. Short-term compensation component Annual bonus	Task, performance, net income + EBIT margin of the Group	0 to 110 % (Target fully met = 100 %)	1-year planning of the Group, target attainment	100 % per annum in the subsequent year
3. Medium-term compensation component Multi-year bonus	Task, performance, consolidated net income	0 to 115 % (Target fully met = 100 %)	3-year planning of the Group, target attainment on a 3-year average at least 50%	50% annual instalment. 50 % in the 4th year
4. Long-term compensation component Long-term bonus, bonus account	Task, performance, EVA and share appreciation	0 up to cap; penalty rule	Contractual stipulation	Once a year in the subsequent year; 50% of which converted into LEONI shares with a 50-month holding period
5. Pension, disability and other benefits Accrued pension rights	Pensionable fixed salary years of service on the Board defined-contribution plan	Fixed amount	Retirement, disability	—

Fixed compensation

The fixed component is a firm, annual amount of basic compensation that is paid in equal monthly instalments. As all the other compensation components are variable and can drop to nil, the fixed component is the minimum amount of Board of Directors compensation. It is commensurate with the amounts paid by other SDAX companies.

Variable components

In addition to the fixed compensation, there are three variable compensation components, each of which have upper limits in absolute terms and can drop to nil. The weighting between the short and medium-term components is approx. 50/50.

SHORT-TERM COMPENSATION COMPONENT – ANNUAL BONUS:

An annual bonus will be assessed depending on the Group's net income generated, whereas amounts that exceed 110 percent (cap) of the Group's net income budgeted in the planning for the year will be disregarded. The assessed annual bonus can rise by another 10 percent provided the Group generates an EBIT margin of more than 7.5 percent. Assessment of the annual bonus will be discounted by 10 percent for EBIT margins that are less than 4.5 percent but not below 3.5 percent. Should the Group generate an EBIT margin of less than 3.5 percent, the discount on the assessed annual bonus will be 30 percent. In each year of the contract term the annual bonus will have an upper limit in absolute terms; it will be paid in cash and can drop to nil.

MEDIUM-TERM COMPENSATION COMPONENT – MULTI-YEAR BONUS:
The multi-year bonus is geared, depending on the respective year's net income of the Group to the results of a three-year period, while amounts that exceed 115 percent (cap) of the budgeted annual net income amounts will be disregarded. Payment is made in the fourth year after expiry of the three-year period and only if the (arithmetic) average degree of target attainment for the three-year period is at least 50 percent.

50 percent of the annual amount will be paid in the respective subsequent year as an instalment. If the (arithmetic) average degree of target attainment for the three-year period of at least 50 percent is not achieved, the multi-year bonus is forfeited in full, meaning that instalments already paid must be refunded. The multi-year bonus thus conforms to the sustainability requirement set out in both the VorstAG and the Code. In each year of the contract term the multi-year bonus will have an upper limit in absolute terms; it will be paid in cash and can drop to nil.

LONG-TERM COMPENSATION COMPONENT:
A long-term compensation component that takes adequate account of the economic value added (EVA) and the Company's market capitalisation is intended to further strengthen sustained, positive business performance. It is, for one financial year, paid up to a contractually agreed cap. Any excess is retained in a bonus account and serves as credit for the subsequent period. If the Company's performance is negative in a financial year, this will be charged to any credit in the bonus account, which can drop to nil. If the long-term compensation component for a financial year does not reach the cap, it will be topped up with any credit held in the bonus account. Of the gross amount paid out, 50 percent must be invested in LEONI shares that must be retained for a period of 50 months, thereby conforming to the 48-month minimum holding period prescribed by the VorstAG.

ABSOLUTE UPPER LIMIT:
The total compensation, which is the sum of the fixed, short-term, medium-term and long-term components, has, as do the short-term, medium-term and long-term components themselves, an absolute upper limit for each member of the Board of Directors in each year of their contract term.

The total compensation is commensurate with that paid by other SDAX companies and other companies of similar size. It takes account of both good and poor performance. Furthermore, the individual components do not tempt the Board of Directors to take inappropriate risk. In summary, it may be concluded that compensation for the members of LEONI's Board of Directors meets the requirements of both the VorstAG and Code and is set up for sustainability.

Pension, disability and other benefits
In the event of temporary work incapacity due to illness or other reasons, for which the member of the Board of Directors is not responsible, the compensation will, depending on the contractual agreement, continue to be paid for a period of nine months, at most up to termination of the employment contract.

Provided this has been agreed based on an individual contract, there is a pension commitment to the member of the Board of Directors. This commitment encompasses disability, surviving dependents' and retirement benefits. Specifically, this means that:

In the event of permanent work incapacity, the member of the Board of Directors will receive a disability pension. If the member of the Board of Directors dies, the surviving dependents will be paid pensions.

For plans up to the end of 2014 there is, following the end of their 65th (or 63rd with agreed discounts) year of age, an entitlement to payment of retirement benefits, which are computed according to the period of service on the Board of Directors and the pensionable fixed salary. Pensionable is defined as a contractually agreed proportion of the final fixed salary.

Three of the four members of the Board of Directors receive a performance-related bonus payment amounting to 37.5% of their fixed salary. They can choose to have the amount paid to build up and personal pension or, in the wake of compensation deferral, to convert it into entitlement to a corporate age-related and surviving dependents' defined benefit pension in the form of a direct commitment.

For plans from 1 September 2018, an age-related and surviving dependents' defined contribution pension is granted to those members of the Board of Directors who opt for deferred compensation. This involves, in the case of first-time plans, there being for each member of the Board of Directors an absolute limit to the benefit to be paid for each year of the contract term. The retirement benefit system is set up in such a way that the standard retirement age is 67 years and at the earliest 63 years subject to accepting discounts on the pension.

Regardless of any deferred compensation, the member of the Board of Directors will in the event of being incapacitated receive a disability pension if his/her contract of employment terminates as a consequence of disability after their Board of Directors service contract has come into force and before the end of their 63rd year of age.

The disability and other benefits granted to members of LEONI AG's Board of Directors are also commensurate with those of other SDAX companies.

Other

Severance payments upon premature termination of Board of Directors duties in the absence of a material reason are limited to two years' compensation and shall not be more than the annual compensation for the balance of the employment contract (severance cap pursuant to the Code).

In the event of a change of control, the members of the Board of Directors have, so far as contractually agreed, the right to terminate for material reason and shall be entitled to severance payment. This is limited to a maximum of three years' compensation (150 percent of the severance cap pursuant to the Code) and shall even in this event not exceed the annual compensation for the balance of the employment contract.

Cost of compensation in 2019

The compensation for members of the Board of Directors is presented in line with the reference tables of the Code. This involves differentiation between the benefits granted to members of the Board of Directors on the one hand and what is paid to them on the other hand.

The schedule in accordance with the reference table of the Code can be found via the following link:

» **Complete schedule of compensation for the Board of Directors in 2019**

[excerpt from the reference table of the Code]	**Aldo Kamper** President / CEO (from 1 September 2018)				**Dieter Bellé** President / CEO (until 31 January 2018)				**Ingrid Jägering** Chief Financial Officer / CFO (from 1 August 2019)				**Martin Stüttem** Member of the Board of Directors (from 1 April 2017)				**Bruno Fankhauser** Member of the Board of Directors (from 1 February 2016)				**Karl Gadesmann** Chief Financial Officer / CFO (from 1 October 2016)				**Total**	
	2018	**2019**			**2018**	**2019**			**2018**	**2019**			**2018**	**2019**			**2018**	**2019**			**2018**	**2019**			**2018**	**2019**
GRANTED BENEFITS € '000			min	max							min	max			min	max			min	max			min	max		
1. Total compensation pursuant to GCGC																										
Components not performance-related	272	806	806	806	66					218	218	218	502	528	528	528	522	542	542	542	500	523	523	523	1,862	2,617
Performance-related components (targets)	658	1,612	1,244	2,370	127					457	457	685	1,284	1,038	0	1,575	1,284	1,038	0	1,575	1,284	1,038	0	1,575	4,637	5,184
Total compensation pursuant to GCGC	**1,055**	**2,700**	**2,331**	**3,457**	**300**					**754**	**753**	**981**	**1,786**	**1,566**	**528**	**2,103**	**1,806**	**1,768**	**730**	**2,305**	**1,784**	**1,561**	**523**	**2,098**	**6,731**	**8,348**
2. Reconciliation of the compensation from GCGC to IFRS (Expenses)																										
Total compensation pursuant to GCGC	1,055	2,700			300					754			1,786	1,566			1,806	1,768			1,784	1,561			6,731	8,348
Expenses of the compensation pursuant to IFRS	**1,040**	**2,331**			**300**					**754**			**562**	**528**			**782**	**730**			**561**	**523**			**3,246**	**4,865**
3. Reconciliation of the compensation from GCGC to HGB (Art. 314)																										
Total compensation pursuant to GCGC	1,055	2,700			300					754			1,786	1,566			1,806	1,768			1,784	1,561			6,731	8,348
Compensation pursuant to HGB (Art. 314)	**1,009**	**2,331**			**193**					**754**			**691**	**1,219**			**711**	**1,561**			**690**	**1,354**			**3,295**	**7,220**
ALLOCATIONS € '000																										
Components not performance-related	272	806			66					218			502	528			522	542			500	523			**1,862**	**2,617**
Performance-related components (actual figures)	516	1,371			127					458			325	346			325	416			325	416			**1,618**	**3,008**
Total compensation pursuant to GCGC	**913**	**2,458**			**300**					**754**			**827**	**874**			**847**	**1,146**			**825**	**939**			**3,711**	**6,172**

The 'granted benefits' table presents, in the compensation for members of the Board of Directors pursuant to GCGC, which benefits the members would have been granted for 100 percent target fulfilment and which individually attainable upper and lower limits would have applied. This total compensation (GCGC) would have corresponded to an amount of € 8,348 k in fiscal 2019 (previous year: € 6,731 k). As this involves budgeted figures that would only have been matched in the event of 100 percent target fulfilment, these figures must be reconciled with the business performance that actually occurred and conditions precedent. A distinction must be made here between reconciliation of the compensation (pursuant to GCGC) with IFRS and with Section 314 of the German Commercial Code (HGB). Any corresponding adjustment amounts versus the budgeted figures pertaining to all variable compensation components are reported in these reconciliations. This then results in the actually granted benefits pursuant to IFRS or Section 314 HGB.

The compensation pursuant to IFRS in the financial year amounted to € 4,865 k in 2019 (previous year: € 3,246 k) and pursuant to Section 314 HGB to € 7,220 k (previous year: € 3,295 k).

The termination agreement reached between LEONI AG and Mr Dieter Bellé provides for a further settlement payment to Mr Bellé after the end of his period of office in the amount of € 3,222.9 k (salary up the regular end of his period of office on 31/12/2019) in the event that no claims are asserted against Mr Bellé or the D&O insurer due to the CEO fraud, or it is established by a judicial decision with the authority of res judicata that there are no claims for compensation to be asserted against Mr Bellé due to the CEO fraud. The further settlement payment will not come to bear in the event of a settlement between the Company and the D&O insurer.

The 'receipts' table shows what cash amounts the members of the Board of Directors received or will receive from the individual compensation components according to the GCGC. In total, the members of the Board of Directors will be paid compensation for their service on the Board of € 6,172 k for the 2019 financial year (previous year: € 3,711 k). Other compensation comprises the non-monetary benefits in the use of company cars and top-ups on insurance policies.

The fiscal 2019 expense for Board of Directors members' disability and other benefits excluding deferred compensation amounted to € 46 k (previous year: € 138 k). The defined benefit obligation came to € 80 k (previous year: € 41 k). The individual figures are presented in the table below.

Pension commitments (excl. deferred compensation)

	Service costs		Defined benefit obligationt	
€ '000	**2018**	**2019**	**2018**	**2019**
Dieter Bellé [1]	107		0	
Aldo Kamper [2]	31	31	41	61
Ingrid Jägering		15		19
Total	138	46	41	80

1 Commitment to payment of an age-related, disability target group surviving dependents' pension, which is computed according to the pensionable fixed salary. From 2018, the defined benefit obligation is presented under the details for former members of the Board of Directors.

2 Commitment to payment of a disability pension, which is computed according to the fixed salary.

The disability and other benefit expenses in principle comprise service costs and past service costs pursuant to IFRS. The defined benefit obligation (DBO) corresponds to the scope of obligations pursuant to IFRS.

9.2. Supervisory Board compensation

The Articles of Association govern compensation for members of the Supervisory Board. A system of fixed compensation has applied for members of LEONI AG's Supervisory Board since 1 January 2013. It stipulates a fixed amount of € 85 k per ordinary member of the Supervisory Board. The chairperson receives double this amount and the deputy chairpersons receive one and a half times the amount. The compensation for committee work (Personnel, Audit, Strategy and Nomination Committees) comes to € 8 k per ordinary member and to € 16 k per committee chairperson. It is paid only if the committee meets at least once in the year. Attendance of Supervisory Board and Audit Committee meetings will be paid for in the amount of € 1,000 per meeting and Supervisory Board member, with a maximum of ten meetings to be taken into consideration per financial year.

The maximum overall compensation possible for Supervisory Board members including committee work and attendance money comes to € 1,534 k.

Cost of compensation in 2019

€ '000		Fixed compensation (net)	Attendance money	Compensation for committee work	Other	Total
Dr. Klaus Probst [1]	**2019**	170	10	56	0.0	236
	2018	170	10	32	0.0	212
Franz Spieß [2,7]	**2019**	128	10	24	0.0	162
	2018	128	10	16	0.0	154
Dr. Werner Lang [3]	**2019**	128	10	8	0.0	146
	2018	128	6	16	0.0	150
Dr. Elisabetta Castiglioni	**2019**	85	9	8	0.0	102
	2018	85	7	8	2.9	103
Wolfgang Dehen	**2019**	85	9	40	2.4	136
	2018	85	7	16	0.2	108
Mark Dischner [7]	**2019**	85	10	16	0.0	111
	2018	85	7	8	0.0	100
Dr. Ulrike Friese-Dormann [4]	**2019**	73	8	8	1.8	91
	2018	85	7	0	1.5	93
Janine Heide [5,7]	**2019**	81	9	0	1.5	92
	2018	0	0	0	0.0	0
Karl-Heinz Lach [7]	**2019**	85	9	8	0.0	102
	2018	85	7	8	0.0	100
Richard Paglia [7]	**2019**	85	10	24	0.0	119
	2018	85	10	16	0.0	111
Prof. Dr. Christian Rödl	**2019**	85	10	24	0.0	119
	2018	85	10	16	0.0	111
Carmen Schwarz [6,7]	**2019**	3	0	0	0.0	3
	2018	85	5	8	0.1	98
Regine Stachelhaus [8]	**2019**	12	0	0	0.0	12
	2018	0	0	0	0.0	0
Inge Zellermaier [7]	**2019**	85	10	8	0.0	103
	2018	85	7	0	0.0	92
Total	**2019**	**1,189**	**114**	**224**	**5.7**	**1,532**
	2018	**1,190**	**93**	**144**	**4.7**	**1,432**

Addition of the individual payments in € thousands may deviate from the reported totals due to rounding.

1 Chairman of the Supervisory Board
2 1st Deputy Chairman of the Supervisory Board
3 2nd Deputy Chairman of the Supervisory Board
4 Member of the Supervisory Board until 08/11/2019
5 Member of the Supervisory Board from 15/01/2019
6 Member of the Supervisory Board until 13/01/2019
7 Employee representative
8 Member of the Supervisory Board from 12/11/2019

10. Additional disclosures and explanations pursuant to Sections 289 a (1) and 315 a (1) of the German Commercial Code (HGB)

COMPOSITION OF THE SHARE CAPITAL: The Company's share capital amounted to € 32,669,000.00 on 31 December 2019 (previous year: € 32,669,000.00). This is divided into 32,669,000 registered no-par-value shares. The shares are paid up in full. According to Article 4 2) of the Articles of Association, the shareholder's right to securitise his, her or its shareholding is precluded so far as securitisation is not required under the rules of a stock market on which the shares are then admitted. With respect to LEONI AG, Section 67 (2) sentence 1 of the German Stock Corporation Act defines as shareholders only those persons or entities entered in the share register.

All shares are subject to the same rights and obligations. The individual rights and obligations of the shareholders are stipulated by the requirements of the German Stock Corporation Act, especially so its Sections 12, 53a et seq., 118 et seq. and 186.

CONSTRAINTS CONCERNING THE VOTING RIGHTS OR THE TRANSFER OF SHARES: Each share provides one vote at the Annual General Meeting and is key to the shareholders' share of the profit. Treasury shares held by the Company, from which the Company does not derive any rights, are excluded from this principle. In the cases described in Section 136 of the German Stock Corporation Act, the voting rights of the affected shares are nullified by law. Infringements of reporting obligations as defined by Sections 33 (1, 2), 38 (1) and 39 (1) of the German Securities Trading Act (WpHG) may, under Section 44 of the German Securities Trading Act, lead to rights from shares and also the voting right not existing, at least temporarily.

LEONI AG is not aware of any other constraints affecting voting rights, especially so any contractual constraints. Legal requirements apply to the exercise of voting rights by shareholder associations as well as by financial institutions and persons otherwise granted proxy. In particular, Section 135 of the German Stock Corporation Act (AktG) applies.

Transfer constraints exist in so far as shares that members of the Board of Directors and executives receive or have received in the context of a long-term incentive programme are subject to a holding period of 50 months.

LEONI AG has not received report or become otherwise aware of **ANY SHAREHOLDINGS, EITHER DIRECT OR INDIRECT, THAT EXCEED 10 PERCENT OF THE VOTING RIGHTS.**

Nor are there **ANY SHARES WITH SPECIAL ENTITLEMENTS THAT GRANT CONTROL RIGHTS.**

THE CONTROL OF VOTING RIGHTS IN THE CASE OF SHAREHOLDING EMPLOYEES WHO DO NOT DIRECTLY EXERCISE THEIR CONTROL RIGHTS: So far as employees are shareholders, they are entitled to directly exercise the control rights associated with their shares in accordance with the Articles of Association and the law.

STATUTORY PROVISIONS AND RULES IN THE ARTICLES OF ASSOCIATION ON THE APPOINTMENT AND RECALL OF MEMBERS OF THE BOARD OF DIRECTORS AND ON CHANGES TO THE ARTICLES OF ASSOCIATION: The appointment and recall of members of the Board of Directors is governed by Sections 84 and 85 of the German Stock Corporation Act as well as in Section 31 of Germany's Co-determination Act. Pursuant to Article of 5 (1) of the Articles of Association, the Board of Directors has at least two members. Furthermore, pursuant to Article 5 (2) sentence 1 of the Articles of Association, the Supervisory Board appoints the members of the Board of Directors and determines their number. It is entitled to appoint deputy members of the Board of Directors as well as a chairperson and a deputy chairperson of the Board of Directors (Article 5 (2) sentence 2, 3 of the Articles of Association).

Sections 119 (1) no. 5 and 179 (1) of the German Stock Corporation Act stipulate that any amendment of the Articles of Association requires a shareholder resolution at the Annual General Meeting. Pursuant to Section 179 (1) sentence 2 of the German Stock Corporation Act and Article 19 of the Articles of Association, the Supervisory Board is entitled to adopt amendments and additions to the Articles of Association that pertain only to that version. Furthermore, the Supervisory Board is authorised pursuant to Art. 4 (5), subpara. 5 of the Articles of Association to amend the version of the Articles of Association in line with the exercise either in full or in part of an increase in share capital by exercise of authorised capital 2017 and after expiry of the term of authorisation. Furthermore, the Board was authorised by a shareholder resolution at the Annual General Meeting on 7 May 2015 to amend the Articles of Association in line with the respective utilisation of authorised capital 2015 and after expiry of the term of authorisation.

The Annual General Meeting adopts its resolutions by a simple majority of votes and, to the extent that a majority of shares is required, with a simple majority of shares, unless bindingly provided otherwise by law or by the Articles of Association or by Section 103 (1) P. 2 of the German Stock Corporation Act (Article 16 (3 P. 3) of the Articles of Association). Therefore, shareholder resolutions at the Annual General Meeting that amend the Articles of Association also require, in addition to a simple majority of the votes, the majority of the share capital represented upon adoption of the resolution, provided no greater majority is required by law.

POWERS OF THE BOARD OF DIRECTORS TO ISSUE OR BUY BACK SHARES:

Purchase of treasury shares The Company's Board of Directors is authorised, in the cases stipulated in Section 71 of the German Stock Corporation Act, to buy back own shares and to sell shares bought back. A shareholder resolution at the Annual General Meeting on 7 May 2015 pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act authorised the Board of Directors of LEONI AG, with the approval of the Supervisory Board, until 6 May 2020 to acquire own shares accounting for a pro-rated amount of the share capital totalling no more than 10 percent of the existing share capital at the time of this authorisation taking effect or – if this amount is smaller – at the time when this authorisation is exercised. At no time may the total of shares acquired by virtue of this authorisation and other shares of the Company already acquired and still held by the Company or attributable to it pursuant to Sections 71d and 71e of the German Stock Corporation Act (AktG) exceed 10 percent of the Company's share capital. The purchase may also be made through entities that are dependent on or are majority-owned by the Company or by third parties for the account of an entity that is dependent on or majority-owned by the Company. Such purchase may only be made via the stock market or by means of a public purchase offer made to all shareholders and must satisfy the principle of equal treatment of the shareholders. The authorisation may be used in full or several partial amounts spread across several purchase times. The Board of Directors is authorised to use the treasury shares acquired on the basis of this authorisation for all legally permitted purposes including those stated in the authorisation. Shareholders at the Annual General Meeting authorised the Board of Directors to do as follows with the shares acquired on the basis of this authorisation:

1. To resell them through means other than the stock market or by offer to all shareholders, on condition that the acquired shares are sold for cash and at a price that is not significantly lower than the market price for Company shares of the same category at the time of sale. This authorisation to exercise is limited to shares accounting for a pro-rated amount of the share capital totalling no more than 10 percent of the Company's share capital, neither at the time of this authorisation taking effect nor – if this amount is smaller – at the time when this authorisation is exercised. Further details are contained in the authorisation granted by the Annual General Meeting.

2. To transfer them to third parties provided this is done for the purpose of acquiring businesses, parts of businesses or shares in businesses or other assets or for executing business combinations.

3. To fulfil subscription or conversion rights, which arise from exercise of option or conversion rights or fulfilment of option exercise or conversion obligations, which were granted or imposed as part of the issue of warrant-linked or convertible bonds, profit-sharing rights or participating bonds (or combinations of these instruments) of the company or its group companies.

4. To transfer them to employees of the Company or to employees or board members of subordinated, affiliated companies within the meaning of Sections 15 et seq. of the German Stock Corporation Act.

5. To redeem them without any further resolution by the Annual General Meeting. Any such redemption may also be carried out without a reduction of capital by adjusting the pro-rata share of the other no-par-value shares in the Company's share capital. In this case, the Board of Directors is authorised to adjust the number of no-par-value shares stated in the Articles of Association.

6. To pay a scrip dividend.

If the acquired treasury shares are used for one of the purposes stated in Fig. 1 to 4 of this section, shareholders' rights to subscribe shall be excluded. If the acquired treasury shares are used for the purpose stated in Fig. 6, the Board of Directors is authorised to exclude the right to subscribe. If the acquired treasury shares are sold via the stock market, there is no shareholders' right to subscribe either. In the event of disposal of acquired treasury shares by means of a public offer to the shareholders, which is made based on upholding the principle of equal treatment, the Board of Directors is authorised to exclude the subscription right of shareholders for fractional amounts.

The Board of Directors may make use of the authorisations in Fig. 1 to 4 and 6 only with the approval of the Supervisory Board. The Supervisory Board may furthermore stipulate that the Board of Directors' measures on the basis of this authorisation are executed only with its approval.

No use of this authorisation has been made to date. The Company did not hold any treasury shares on 31 December 2019, nor did it on 31 December 2018.

Authorised capital The Board of Directors is authorised pursuant to Article 4 (5) of the Articles of Association to increase the Company's share capital by up to €16,334,500.00 on or before 10 May 2022 with the Supervisory Board's approval by issuing up to 16,334,500 new bearer shares, each with a pro-rated share of € 1.00 in the share capital, on a cash and/or non-cash basis once or repeatedly (Authorised Capital 2017). Shareholders must be granted a right to subscribe. However, the Board of Directors is authorised pursuant to Art. 4 (5) subpara. 2 of the Articles of Association, with the approval of the Supervisory Board, to rule out shareholders' subscription rights in the cases of:

1. A capital increase for cash, if the issue price of the new shares is not materially – within the meaning of Section 203 (1) and (2), Section 186 (3) sentence 4 of the German Stock Corporation Act – below the market price of already market-listed shares of the Company of the same type and with the same status at the time the issue price is set, which is to take place as soon as possible after the new bearer shares are placed. This exclusion of the subscription rights shall in total not exceed 10 % of the Company's share capital, with the lowest amount of Company share capital at the following three times being decisive: on 11 May 2017, at the time this authorisation comes into effect or at the time it is exercised. More detail is contained in Article 4 (5) subpara. 2 (first bullet) of the Articles of Association.

2. A capital on a non-cash basis, especially to be able to offer new shares to third parties in the context of business combinations or furthermore for the purpose (also indirect) of acquiring businesses, operations, parts of businesses or shares in businesses or other assets or rights to acquire assets including receivables from the company or its group subsidiaries.

3. If this is necessary to grant the holders of convertible bonds and/or warrant-linked bonds or participation rights that were or will be issued by the Company or by its direct or indirect group companies a subscription right to new shares to the extent of their entitlement after the exercise of the conversion or option right or after fulfilment of the conversion obligation.

4. In order to exclude fractional amounts from the right of subscription. The pro-rated amount of the share capital accounted for by the shares to be issued while excluding the shareholders' subscription rights shall in total not exceed 10 % of the Company's existing share capital at the time the resolution is passed at the Annual General Meeting. More detail is contained in Article 4 (5) subpara. 3 of the Articles of Association.

Contingent capital The Board of Directors is authorised, based on the shareholder resolution at the Annual General Meeting on 7 May 2015 and Article 4 (6) of the Articles of Association, with the approval of the Supervisory Board, until 6 May 2020 once or several times to issue warrant-linked or convertible bonds, profit-sharing rights or participating bonds (or combination of these instruments; collectively referred to as 'bonds') with a total par value of up to € 500,000,000.00 and to grant the holders the respective partial debentures with the same rights warrant-linked or conversion rights for registered Company shares with a pro-rated amount of the share capital totalling up to € 6,533,800.00 in accordance with the warrant-linked or convertible bond terms. More detail is contained in the authorisation resolution.

The legal right to subscribe to bonds is granted to shareholders in the manner that the bonds are taken on by a bank or the members of a banking syndicate or by a company of equal standing as defined by Section 186 (5) Sentence 1 of the German Public Stock Corporation Act (AktG) with the obligation that they be offered to shareholders for subscription.

The Board of Directors is authorised, however, with the approval of the Supervisory Board to:

1. Exempt fractional amounts, which might arise due to the subscription ratio, from the subscription right of the shareholders and also to exclude subscription right to the extent required so that holders of previously issued bonds with warrant-linked or conversion rights, or warrant-linked or conversion obligations may be granted right to subscription in the amount that would be due to them after exercising their warrant-linked or conversion rights, or fulfilling their warrant-linked or conversion obligations as shareholders.

2. Fully exclude the right of shareholders to subscribe to bonds issued for cash, with warrant-linked or conversion rights or with warrant-linked or conversion obligations if the Board of Directors concludes, after due examination, that the issue price of the bonds does not fall substantially below their theoretical market value, calculated in accordance with recognised, particularly financial mathematical methods. This authorisation to exclude the subscription right shall apply to bonds with warrant-linked / conversion rights or warrant-linked / conversion obligations for shares accounting for a pro-rated amount of the share capital totalling no more than 10 percent of the Company's share capital, neither at the time of the authorisation taking effect nor – if this amount is smaller – at the time when the authorisation is exercised. This upper limit of 10 percent of the share capital is reduced by the pro-rated amount of the share capital accounted for by those shares issued or sold during the term of this authorisation while excluding the subscription right pursuant to or in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act; the other details being contained in the authorisation resolution.

3. So far as profit sharing rights or participating bonds are issued without warrant-linked rights / conversion rights or warrant-linked / conversion obligations, shareholder subscription rights may be excluded entirely if these profit sharing rights or participating bonds are structured in the same way as bonds, i.e. they do not provide any membership rights in the company, they do not grant any share of liquidation proceeds and the yield is not calculated on the basis of the amount of net income, the distributable profit or the dividend. In this case the interest and the issue amount of the profit sharing rights or participating bonds must also correspond with the market terms prevailing at the time of the issue. An issue of bonds that excludes subscription rights under this authorisation may only be exercised so far as the amount of the new shares to be issued on the basis of such bonds, together with the shares that are issued by the Company during the term of this authorisation under another authorisation with exclusion of the shareholders' right to subscribe, or are to be issued on the basis of such bonds during the term of this authorisation and exclusion of the shareholders' right to subscribe, must not exceed 20 percent of the Company's current share capital at the time this authorisation takes effect.

The Company's share capital was divided by up to € 6,533,800.00 into as many as 6,533,800 registered (no-par-value) shares (contingent capital 2015). The contingent capital increase is only to be performed to the extent that option and/or conversion rights are exercised, or that those obliged to exercise the option and/or convert have met their option exercise and/or conversion obligation, or so far as the Company exercises its right under such instruments either entirely or partially to grant shares in the Company instead of paying the cash amount due and provided no other forms of fulfilment are used. More detail is contained in Article 4 (6) of the Articles of Association.

MAJOR AGREEMENTS OF THE COMPANY THAT ARE CONDITIONAL UPON A CHANGE OF CONTROL AS A RESULT OF A TAKEOVER BID: In the event of a change of control as a result of a takeover bid, the borrower's note loans placed in 2012, 2013 and 2015, which were still held in the total amount of € 256.5 million (due to repayment of € 48.5 million in September 2019) , as well as the other loan agreements may be called in immediately. Likewise, the lenders involved in the borrower's note loans placed in 2018 in the total amount of € 331 million can, in the event of a change of control, reclaim their respective shares of the loan, however, at the Company's request, not until after a negotiation period of up to 60 days has expired.

Under the 2018 syndicated loan agreement providing a revolving credit facility in the total amount of € 750 million, the lenders are entitled to terminate and require repayment in the event of a change of control. Similar to the borrower's note loans placed in 2018, this termination right cannot, if the Company's so requests, be exercised until after a negotiation period of up to 60 days has expired.

The right to termination and repayment pertaining to the loans concerned is, under both the borrower's note loans placed in 2018 and the syndicated loan agreement, afforded to each lender individually for their respective share of the loan or facility.

Under the syndicated loan agreement, each lender individually is furthermore entitled, following a change of control, to refuse to pay out any further loans (with the exception of cashless roll-over loans).

Furthermore, in the event of a change of control, some of the major customers, suppliers as well as other joint venture partners also have the right to terminate contractual agreements with the Company prematurely.

AGREEMENTS ON COMPENSATION THAT THE COMPANY HAS REACHED WITH MEMBERS OF THE BOARD OF DIRECTORS OR STAFF FOR THE EVENT OF A TAKEOVER BID: The service contracts of three members of the Board of Directors contain a change-of-control clause. In the event that the Company receives notification pursuant to Article 33 (1) sentence 1 of the German Securities Trading Act (WpHG) whereby the party obliged to report declares that they have reached or exceeded 30 percent or 50 percent of the voting rights in the Company, or notification pursuant to Article 35 WpHG stating that a shareholder has taken control of the Company as defined by Article 29 WpHG, the corresponding member of the Board of Directors is entitled to terminate his or her contract of employment with a notice period of three months to the end of the calendar month and to resign from his or her office as a member of the Board of Directors with the same notice period. The Board member is in this case entitled to payment of a settlement for the remaining term of his or her contract of employment. This is to be based on an amount of annual compensation that comprises (1) the average fixed compensation of the most recently ended and the current financial year, (2) the average annual bonus for the most recently ended financial year and the annual bonus budgeted for the current financial year, (3) the average of the notional annual bonus from the most recently ended financial year and the notional annual bonus budgeted for the current financial year as well as (4) the average of the share bonus for the most recently ended financial year and 80 percent of the maximum payable amount for the share bonus of the current financial year. Such settlement is limited to three years' compensation and shall not exceed the annual compensation for the balance of the employment contract. There shall be no entitlement to a settlement if the change of control takes effect within twelve months prior to the start of the corresponding Board of Directors member's retirement, or the service contract would automatically have ended within the next six months regardless of a change of control, or if the Company extraordinarily terminates the contract for good cause. More information is to be found in the › **Compensation report**.

Nuremberg, 30 March 2020

The Board of Directors

Aldo Kamper | Bruno Fankhauser | Ingrid Jägering | Martin Stüttem

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

€ '000 01/01 to 31/12	Notes	2019	2018
Sales	[6]	4,845,712	5,101,123
Cost of sales		(4,491,438)	(4,284,953)
Gross profit on sales		**354,274**	**816,170**
Selling expenses		(281,328)	(264,214)
General and administration expenses		(335,305)	(285,721)
Research and development expenses		(161,155)	(150,248)
Other operating income	[7] [8]	27,488	29,774
Other operating expenses	[7]	(21,928)	(24,714)
Result from associated companies and joint ventures	[18]	34,008	23,206
EBIT		**(383,946)**	**144,253**
Finance revenue	[9]	566	545
Finance costs	[9]	(35,610)	(24,060)
Other income from share investments		93	184
Income before taxes		**(418,897)**	**120,922**
Income taxes	[10]	(15,941)	(47,677)
Consolidated net loss / income		**(434,838)**	**73,245**
attributable to: Equity holders of the parent company		(434,547)	75,626
Non-controlling interests		(291)	(2,381)
Earnings per share (basic and diluted) in Euro	[29]	(13.30)	2.31
Weighted average shares outstanding (basic and diluted)	[29]	32,669,000	32,669,000

Consolidated statement of comprehensive income

€ '000 01/01 to 31/12		2019	2018
Consolidated net loss / income		**(434,838)**	**73,245**
Other comprehensive income			
Items that cannot be reclassified to the income statement:			
Actuarial gains or losses on defined benefit plans		(24,953)	11,592
Income taxes applying to items of other comprehensive income that are not reclassified		4,120	489
Share of the actuarial gains and losses that pertain to associates and joint ventures		(122)	15
Items that can be reclassified to the income statement:			
Cumulative translation adjustments			
Losses and gains arising during the period	15,956		(852)
Less reclassification adjustments included in the income statement	247		0
Total cumulative translation adjustments		16,203	(852)
Cash flow hedges			
Gains and losses arising during the period	7,924		8,389
Less reclassification adjustments included in the income statement	(8,936)		(1,668)
Less reclassification adjustments in the statement of financial position	0		(6)
Total cash flow hedges		(1,012)	6,715
Parts of the items that can be reclassified to the income statement, which pertain to associates and joint ventures		182	(21)
Income taxes applying to items of other comprehensive income that are reclassified		(761)	(471)
Other comprehensive income (after taxes)		**(6,343)**	**17,467**
Total comprehensive income		**(441,181)**	**90,712**
attributable to: Equity holders of the parent company		(441,101)	93,068
Non-controlling interests		(80)	(2,356)

Consolidated statement of cash flows

€ '000 01/01 to 31/12	2019	2018
Consolidated net loss/income	**(434,838)**	**73,245**
Adjustments to reconcile cash provided by operating activities:		
Income taxes	15,941	47,677
Net interest	34,188	23,298
Dividend income	(93)	(168)
Depreciation and amortisation	204,550	158,590
Impairment of non-current assets	62,322	6,830
Non-cash result from associated companies and joint ventures	(34,008)	(23,222)
Result of asset disposals	(5,548)	(10,147)
Effect of deconsolidation	349	(1,086)
Change in operating assets and liabilities		
Change in receivables and other financial assets	61,314	(40,130)
Change in inventories	68,006	(12,594)
Change in other assets	(3,752)	(82,696)
Change in restructuring provisions	39,159	(3,567)
Change in other provisions	114,691	(6,761)
Change in liabilities	(136,896)	60,481
Income taxes paid	(42,045)	(49,264)
Dividends received	35,102	17,715
Cash flows from operating activities	**(21,558)**	**158,201**
Capital expenditures for intangible assets	(30,381)	(21,294)
Capital expenditures for property, plant and equipment	(271,299)	(294,387)
Acquisitions of associated companies and joint ventures	(600)	0
Capital expenditure on other financial assets	(2,625)	0
Cash receipts from disposals of intangible assets	0	45
Cash receipts from disposals of fixed assets	15,291	17,222
Cash receipts from disposal of assets	39	0
Income from the disposal of a business operation/subsidiaries less cash and cash equivalents paid	3,302	0
thereof: Disposal proceeds € 4,181 k (previous year: € 0 k)		
Cash and cash equivalents paid € 879 k (previous year: € 0 k)		

Consolidated statement of cash flows continued next page

Consolidated statement of cash flows continued

€ '000 01/01 to 31/12	2019	2018
Cash flows from capital investment activities	**(286,273)**	**(298,414)**
Cash receipts from acceptance of financial debts	536,120	763,180
Cash repayments of financial debts	(212,851)	(588,720)
Payments to non-controlling interests	0	45
Interest paid [1]	(25,409)	(20,649)
Interest received [1]	331	283
Dividends paid by LEONI AG	0	(45,737)
Cash flows from financing activities	**298,191**	**108,402**
Change of cash and cash equivalents	(9,640)	(31,811)
Currency adjustment	2,099	(1,519)
Cash and cash equivalents at beginning of period	151,754	185,084
Cash and cash equivalents at end of period	144,213	151,754

1 Prior-year figures adjusted, see note 1

Consolidated statement of financial position

Assets € '000	Notes	31/12/2019	31/12/2018
Cash and cash equivalents		144,213	151,754
Trade accounts receivable and other financial assets	[11]	588,154	673,655
Other assets	[12]	166,395	170,326
Receivables from income taxes		21,927	19,084
Inventories	[13]	536,703	609,290
Contract assets	[6]	104,729	95,181
Total current assets		**1,562,121**	**1,719,290**
Property, plant and equipment	[14]	1,452,921	1,206,316
Intangible assets	[15]	66,582	75,871
Goodwill	[17]	139,202	140,221
Shares in associated companies and joint ventures	[18]	44,694	33,359
Contract assets	[6]	84,753	78,762
Other financial assets		7,872	6,452
Deferred taxes	[10]	98,208	56,136
Other assets		142,185	145,121
Total non-current assets		**2,036,417**	**1,742,238**
Total assets		**3,598,538**	**3,461,528**

Consolidated statement of financial position continued next page

Consolidated statement of financial position continued

Equity and liabilities € '000	Notes	31/12/2019	31/12/2018
Current financial debts and current proportion of long-term financial debts	[20]	364,774	176,550
Trade accounts payable and other financial liabilities	[21]	901,258	1,084,343
Income taxes payable		19,175	22,218
Other current liabilities	[22]	196,324	190,169
Provisions	[23]	116,644	24,538
Total current liabilities		**1,598,175**	**1,497,818**
Long-term financial debts	[20]	965,010	587,880
Long-term financial liabilities		24,743	29,860
Other non-current liabilities		11,071	10,605
Pension provisions	[24]	187,720	158,904
Other provisions	[23]	98,051	35,509
Deferred taxes	[10]	77,630	59,514
Total non-current liabilities		**1,364,225**	**882,272**
Share capital	[25]	32,669	32,669
Additional paid-in capital	[25]	290,887	290,887
Retained earnings	[25]	372,195	806,742
Accumulated other comprehensive income		(61,351)	(54,797)
Equity holders of the parent company		634,400	1,075,501
Non-controlling interests		1,738	5,937
Total equity	[25]	**636,138**	**1,081,438**
Total equity and liabilities		**3,598,538**	**3,461,528**

Consolidated statement of changes in equity

€ '000	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income: Cumulative translation adjustments	Cash flow hedges	Actuarial gains and losses	Equity holders of the parent company	Non-controlling interests	Total
31 December 2017	**32,669**	**290,887**	**782,263**	**43,750**	**(3,375)**	**(112,614)**	**1,033,580**	**8,306**	**1,041,886**
Adjustment IFRS 9			(5,410)				(5,410)	(58)	(5,468)
1 Januar 2018	**32,669**	**290,887**	**776,853**	**43,750**	**(3,375)**	**(112,614)**	**1,028,170**	**8,248**	**1,036,418**
Net income			75,626				75,626	(2,381)	73,245
Other comprehensive income				(898)	6,244	12,096	17,442	25	17,467
Total comprehensive income							93,068	(2,356)	90,712
Dividend payment			(45,737)				(45,737)	0	(45,737)
Payment to non-controlling interests								45	45
31 Dezember 2018	**32,669**	**290,887**	**806,742**	**42,852**	**2,869**	**(100,518)**	**1,075,501**	**5,937**	**1,081,438**
1 Januar 2019	**32,669**	**290,887**	**806,742**	**42,852**	**2,869**	**(100,518)**	**1,075,501**	**5,937**	**1,081,438**
Net loss			(434,547)				(434,547)	(291)	(434,838)
Other comprehensive income				16,174	(1,773)	(20,955)	(6,554)	211	(6,343)
Total comprehensive income							(441,101)	(80)	(441,181)
Disposal of non-controlling interests								(4,119)	(4,119)
31 Dezember 2019	**32,669**	**290,887**	**372,195**	**59,026**	**1,096**	**– 121,473**	**634,400**	**1,738**	**636,138**

Notes

Principles

LEONI AG ('LEONI', the 'Group' or the 'Company') was founded in Germany under the name of Leonische Werke Roth-Nürnberg, Aktiengesellschaft by an agreement dated 23 April 1917 and was entered in the commercial register on 2 February 1918. LEONI AG is registered with the District Court of Nuremberg under number HRB 202. The Company is based in Nuremberg, at Marienstrasse 7. The Group's principal activities are described in Note 5.

These consolidated financial statements of LEONI AG have been prepared based on Section 315e, sentence 1 of the German Commercial Code (HGB – "Consolidated Financial Statements pursuant to the International Financial Reporting Standards") in accordance with the International Financial Reporting Standards (IFRS) and the associated interpretations (SIC/IFRIC interpretations) as obliged to by Directive (EU) no. 1606/2002 of the European Parliament and of the Council concerning the adoption of international accounting standards in the European Union. The term IFRS also covers the still valid International Accounting Standards (IAS).

LEONI AG's consolidated financial statements on 31 December 2019 have been prepared in euros. Except where stated otherwise, all amounts are presented in thousands of euros ("€ k"). The balance sheet is structured by term, while the income statement is prepared using the function of expense method. The statement of comprehensive income is issued in two related presentations. Where the balance sheet and income statement items are summarised to improve clarity of presentation, they are shown separately in the Notes.

The accounting and valuation methods applied in the consolidated financial statements on 31 December 2019 are in line with those of the previous year with the exception of the new IFRS requirements applied for the first time in the 2019 financial year. These are explained under Note 2.

The Board of Directors on 18 March 2020 authorised the presented consolidated financial statements for the year ended 31 December 2019 for submission to the Supervisory Board.

The consolidated financial statements will be published in the electronic Federal Gazette (Bundesanzeiger).

1 | Principles of consolidation as well as summary of key accounting and valuation methods

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets in the form of debt and equity instruments as well as contingent considerations, which are measured at fair value.

Principles of consolidation
The consolidated financial statements include the accounts of LEONI AG and of all subsidiaries that are either directly or indirectly controlled by LEONI AG. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. In particular, the Group controls an investee if, and only if, it has all the following elements:

- power over the investee, i.e. the Group has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect the amount of the investor's returns

If facts or circumstances indicate that one or several of the three elements of control have changed, the Group must reassess whether it controls an investee.

Subsidiaries are fully consolidated from the time of acquisition, i.e. from the time when the Group has acquired control over the subsidiary. Inclusion in the consolidated financial statements ends as soon as LEONI no longer has control. A change in the ownership share of a subsidiary is, without loss of control, accounted for as an equity transaction. Losses are allocated to the non-controlling interests even when this results in a negative balance.

The financial statements of the subsidiaries are prepared using uniform accounting policies on the same balance sheet date as the financial statements of the parent company. All intercompany balances, income, expenses as well as unrealised profits, losses and dividends from intercompany transactions are eliminated in full.

All business combinations are accounted for using the acquisition method based on applying the requirements of IFRS 3. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of a contingent consideration, which is deemed to be an asset or liability, will, in cases where they do not occur within twelve months of the business acquisition, be recognised in accordance with IFRS 9 either in profit or loss or in other comprehensive income. They otherwise entail an adjustment to the acquisition costs as at the time of purchase. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill arises and is upon initial consolidation measured at cost if the consideration transferred and the amount recognised for non-controlling interest exceeds the fair value of the net identifiable assets acquired and liabilities assumed. If this transferred consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After goodwill is first accounted for, it is tested for impairment according to IAS 36 at least once a year, which may lead to an impairment loss (impairment-only approach).

Shares in associated companies and joint ventures

It is an associated business when LEONI can exert significant influence over its operating and financial policies but does not control or jointly control the decision-making processes. This is in principle the case when between 20 and 50 percent of the voting rights are held.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations to determine significant influence or joint control are comparable with those to determine control of subsidiaries.

Shares in associated companies and in joint venture companies are accounted for under the equity method. The shares are valued with their purchase price on the acquisition date, which is increased or reduced respectively in the subsequent periods for any changes in net assets of the company such as the proportionate share of net income or loss and by received dividends. The proportionate net income or loss is determined using the accounting policies described in this Note. In line with the treatment of fully consolidated subsidiaries, the goodwill included in the carrying amount of companies accounted for under the equity method is no longer amortised either. Instead of a test for impairment of equity method goodwill, the whole investment accounted for under the equity method is reviewed for impairment according to IAS 36, provided there are indications according to IFRS 9 of additional impairment loss.

The Group determines on each balance sheet date whether there are objectively discernible indications that the investment in an associated company or joint venture might be impaired. If this is the case, the difference between the fair value of the investment and the carrying amount is expensed as an impairment loss. The result from associated companies and joint ventures is presented in operating income in line with the accounting and valuation principles of the consolidated financial statements.

The financial statements of the associates and of the joint ventures are prepared using uniform accounting policies on the same balance sheet date as the financial statements of the parent company.

Foreign currency translation

These consolidated financial statements are prepared in the presentation currency, the euro, which is the functional currency of the group parent company, LEONI AG. The financial statements of the foreign subsidiaries included in the consolidated financial statements with a functional currency other than the euro, are, under IAS 21, translated into the Group currency, the euro, according to the functional currency concept. The functional currency of the individual subsidiaries is the currency of the primary economic environment in which the company operates. The financial statements prepared in the respective functional currency of the subsidiary are translated using the closing rate method, i.e. the assets and liabilities are translated from the functional currency to the presentation currency at the closing exchange rate on the balance sheet date, while the statements of income are translated using annual average exchange rates on a monthly basis. Any differences arising from the translation of assets and liabilities compared with the previous year's translation as well as translation differences between the income statement and the statement of financial position are recorded in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences in the other comprehensive income relating to that foreign operation is recognised in the income statement when the gain or loss on disposal is recognised.

A foreign currency transaction, i.e. a transaction entered into by a consolidated company in a currency other than its functional currency, is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. In the subsequent periods, monetary assets and liabilities are revalued using the closing rate at each balance sheet date. The resulting currency differences are recorded in the income statement. Non-monetary items are still carried at the transaction rate, or, if they are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange gains or losses that arise from measurement of monetary, principally intra-group items are allocated to operating income (EBIT) to the extent that they involve exchange gains or losses directly related to an operating transaction.

The exchange rates of the companies material to the consolidated financial statements have changed as follows:

Average exchange rate at balance sheet date — 1 euro in foreign currency units

Country	Currency	ISO Code	31.12.2019	31.12.2018
Brazil	Real	BRL	4.51220	4.45010
China	Renminbi Yuan	CNY	7.81250	7.88650
United Kingdom	Pound	GBP	0.85000	0.89680
Korea	Won	KRW	1,296.37000	1,277.90000
Mexico	Peso	MXN	21.23860	22.53000
Poland	Zloty	PLN	4.26150	4.29900
Romania	Leu	RON	4.78300	4.66300
Russian Federation	Rubel	RUB	69.78000	79.95000
Switzerland	Swiss Franc	CHF	1.08580	1.12700
USA	Dollar	USD	1.12280	1.14570

Annual average exchange rate — 1 euro in foreign currency units

Country	Currency	ISO Code	2019	2018
Brazil	Real	BRL	4,41883	4,29960
China	Renminbi Yuan	CNY	7,73777	7,81497
United Kingdom	Pound	GBP	0,87702	0,88586
Korea	Won	KRW	1.301,71692	1.295,12231
Mexico	Peso	MXN	21,70434	22,68872
Poland	Zloty	PLN	4,29974	4,26069
Romania	Leu	RON	4,74484	4,65537
Russian Federation	Rubel	RUB	72,80077	73,87808
Switzerland	Swiss Franc	CHF	1,11226	1,15243
USA	Dollar	USD	1,12156	1,18044

Measurement of fair value

The Group measures various assets at their fair value on each balance sheet date. Fair value is the price that an entity would receive to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value, it is assumed that the business transaction takes place either on the principal market or, if there is no principal market, on the most advantageous market for the asset or the liability. The Group must have access to the principal market or the most advantageous market.

The fair value of an asset or a liability is measured on the assumptions on which market participants would base their pricing of the asset or the liability. This assumes that the market participants act in their best business interest.

A fair value measurement of a non-financial asset takes account of the market participant's ability, through the asset's highest and best use or through its sale to another market participant who finds the asset's highest and best use, to generate economic benefit. The Group applies valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is ascertained or presented in the financial statements are categorised into the fair value hierarchies described hereinafter, based on the lowest level input that is significant to the entire measurement of fair value:

Level 1:
(Non-adjusted) prices quoted in active markets for identical assets or liabilities

Level 2:
A valuation technique whereby the lowest level input that is significant to the entire measurement of fair value is directly or indirectly observable on the market

Level 3:
A valuation technique whereby the lowest level input that is significant to the entire measurement of fair value is not observable on the market.

In the case of assets and liabilities that are recognised in the financial statements on a recurring basis, the Group ascertains whether any reclassification of the hierarchy levels has taken place by, at the end of each reporting period, reviewing the classification based on the lowest level input that is significant to the entire measurement of fair value.

The services of outside appraisers are used in some individual cases to value significant assets as well as such significant liabilities as contingent considerations. The Group analyses as at each reporting date the value of assets and liabilities that must, in accordance with the Group's accounting policies, be remeasured or reassessed. This analysis involves a review of the significant inputs that were applied to the previous valuation.

Revenue recognition

LEONI generates revenues with products and services for energy and data management in the automotive sector and other industries. Income from contracts with customers is recognised when control of the goods or services is transferred to the customer. Such sales revenues are as a matter of principle recognised in the amount of the consideration to which the Group expects to be entitled in exchange for those goods or services.

Income from the sales of goods in the Wire & Cable Solutions Division is recognised at the time when control is transferred to the customer.

The granted payment terms are normally 30 to 90 days from the date of delivery.

In the Wiring Systems Division, sales revenues are generated from development work performed prior to supplying customers in the car and commercial vehicle industry and subsequent series production and supply, each of which represent separate performance obligations.

The development services performed by the Wiring Systems Division prior to series supply are provided over a period of time as the customer receives the benefit from the Group's service and simultaneously makes use of it. To determine progress versus complete fulfilment of its performance obligation, the Group applies an input-based cost-to-cost method together with presentation under contract assets. The estimate of variable compensation for development services in the form of partial or full amortisation via the parts price of the series is limited to the total of costs without margin due to the immanent project risks.

The products supplied are typically customised, i.e. made to order within master agreement arrangements, without any option for alternative use. The master agreement covers the period of series production (approx. 5-7 years), but a binding commitment in the sense of an enforceable right to supply a specific quantity is not created until the customer places an order. Together with the respective order, the master agreement represents the contract within the meaning of IFRS 15.9. Without contractual minimum order quantities there is only one transaction price for the respective, current order.

When determining the transaction price, the Group considers the impact of variable considerations in the form of discounts and possibly considerations to be paid to a customer in the form of nomination fees.

Nomination fees that have a direct, causal link with obtaining of the contract and represent an anticipated discount for future business volume as are capitalised and presented under other assets. The capitalised amount is recognised based on the ratio of the unit numbers accepted versus the unit numbers planned over the term of the series to reduce revenue.

With virtually all customers, LEONI has an enforceable right to payment for the series-supply performance completed to date. The conditions for revenue and income recognition over a period of time are thereby met. Revenue and income for these customised products are consequently recognised over a period of time, together with presentation under contract assets.

If LEONI does not have an enforceable right to payment for the performance completed to date, the sales revenues are recognised at the time when control is transferred to the customer. This is generally the case upon delivery of the products. The payment terms granted within the framework of series supply are normally 30 to 120 days from the date of delivery.

The existing warranty obligations qualify as assurance type warranties and therefore do not constitute separate performance obligations. They are therefore accounted for according to the rules for other provisions.

Interest and dividend income
Interest income is recognised as interest accrues. By using the effective interest rate method this means that the interest income recognised is the amount produced by using the effective interest rate. This is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset. Interest income from financial assets that are held for the purposes of liquidity management is presented under finance revenues.

Dividend income is recognised when the shareholder's right to receive payment is established.

Research and development costs
Research costs are expensed as incurred.

Development costs are expensed as incurred unless they relate to customer-specific development contracts accounted for pursuant to IFRS 15, or they meet the criteria of IAS 38 for capitalisation as an intangible asset.

Government grants
A government grant is recognised when there is sufficient assurance that the grant will be received, and that the enterprise will comply with the conditions attaching to it. Expense-related grants are recognised as income on a systematic basis over the periods necessary to match them with the associated costs. Grants for an asset are deducted from the cost of the asset.

Factoring
Some trade receivables, mainly from carmakers and their suppliers, are sold to factoring companies to realise cash receipts early. The receivables concerned are derecognised at the time of sale because all opportunities and risks associated with ownership of the receivables are transferred to the purchaser. The security deposit assessed by the factor is recognised in current other financial assets in accordance with the general requirements of IFRS 9. The liabilities from cash receipts for sold receivables are reported under other financial liabilities.

Reverse factoring
Reverse factoring transactions are used to finance suppliers in connection with copper procurement. Under these agreements, greater use of the existing payment terms can also be made. There is no effect, however, either in terms of recognition or under civil law that would entail reclassification of the trade liabilities to another type of liability on the balance sheet.

Inventories
Inventories encompass raw materials, production supplies and goods purchased as well as work in progress and finished goods. They are stated at the lower of cost and the net realisable value. Raw materials, production supplies as well as goods purchased are evaluated at cost using the weighted average cost formula or at the lower net realisable value on the balance sheet date. The net realisable value is computed based on the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs of conversion of work in progress and finished products comprise, alongside the direct costs of production material and production wages, proportionate material and production overhead costs based on standard capacity.

Property, plant and equipment

Property, plant and equipment - except for rights of use under lease - is, upon initial recognition, valued at cost. Attributable borrowing costs are capitalised as part of the cost of a qualifying asset pursuant to IAS 23. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Government grants for capital investments reduce the cost of those assets for which the grant was awarded. In the subsequent periods, property, plant and equipment is carried at cost less accumulated depreciation. It is depreciated over its probable economic life. Immovable assets are mostly depreciated on a straight-line basis and movable assets are, depending on their type of use, depreciated using either the straight-line method or, if so required by their actual use, the declining method. When carrying out larger-scale maintenance, the costs are recognised in the carrying amount of the item of property, plant or equipment, provided that recognition criteria are met.

The following useful lives are assumed for depreciation:

Buildings and facilities	max. 50 years
Machinery and equipment	max. 15 years
Factory and office equipment	max. 10 years
Computer hardware	3 – 5 years

Lessee installations are depreciated on a straight-line basis over the respective shorter period of the term of the lease or the estimated ordinary useful life.

A property, plant or equipment is derecognised either when it is disposed of or when no further economic benefit is to be expected from either the use or disposal of the asset. The gains or losses resulting from derecognition are determined as the difference between the net disposal proceeds and the carrying amount and are, in the period in which the asset is derecognised, recorded in the income statement.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of the financial year, and if necessary adjusted.

Contract assets

A contract asset is the entitlement to consideration in exchange for goods or services that were transferred to a customer. If LEONI fulfils its contractual obligations by transferring goods or services to a customer before the customer pays the consideration or before the payment is due, a contract asset is recognised for the contingent entitlement to consideration.

Leases

LEONI assesses at the inception of a contract whether it establishes or involves a lease. This is the case when the contract grants the right to control the use of an identified asset for a certain time against payment of a fee.

On the date of provision, LEONI recognises an asset for the granted right of use as well as a leasing liability on its balance sheet.

The rights of use are at first measured based on the amount at which the lease liability is initially measured, adjusted for lease payments made upon or before provision plus possibly incurred, initial, direct costs, less any included lease incentives. Subsequent measurement is at cost less accumulated depreciation and impairment.

Rights of use refer mainly to land, leasehold rights and buildings, machinery, motor vehicles as well as factory and office equipment and are depreciated on a straight-line basis over the shorter of the two periods of the term and the expected useful life of the lease as follows

Land, leasehold rights and buildings	1 – 50 years
Machinery, motor vehicles as well as factory and office equipment	1 – 15 years

This also applies to cases where a lease transfers ownership of the leased property or where the Group rates exercise of a purchase option agreed under the lease as sufficiently assured and the exercise price has thereby already been considered in the costs of the right of use accordingly. If ownership of the underlying asset is transferred or it is sufficiently assured that the purchase option will be exercised, the corresponding right of use must be depreciated over the useful life of the underlying asset.

LEONI applies IAS 36 to determine whether a right of use is impaired and recognises the identified impairment expense accordingly.

The rights of use are presented under property, plant and equipment on the consolidated balance sheet and there under the items concerned.

The lease liability is initially measured at the present value of the lease payments, discounted by the interest rate underlying the lease. As the interest rate underlying the lease cannot be determined, LEONI uses the incremental borrowing rate according to the term of the underlying lease as prescribed in the Standard.

Measurement of the lease includes the following payments:

- Fixed lease payments (including de facto fixed payment), less incentive payments to be received
- Variable lease payments that are based on an index or a rate, initially measured by the index or rate at the time the lease starts
- Payments expected from the lessee due to residual value guarantees
- Exercise prices of purchase options if the lessee is sufficiently sure of exercising these and
- Penalty payments for premature termination of the lease if exercise of the termination right is according to the term of the lease.

Variable lease payments that do not depend on an index or rate are not included in measurement of the lease liability and the right of use. These payments are expensed in the period in which the triggering event or the triggering condition occurs and recognised under other operating expenses in the income statement.

The lease liability is subsequently measured by an increase in the carrying amount to account for the interest expense for the lease liability (using the effective interest rate method) and by reducing the carrying amount to account for lease payments made. Lease liabilities are recognised within financial debt.

The Group remeasures the lease liabilities and accordingly adjusts the corresponding rights of use in the following cases:

- The term of the lease has changed or there are material events or material change in circumstances that lead to a changed assessment with respect to exercising a purchase option. In such a case, the lease liability is remeasured by discounting the adjusted lease payments with an updated interest rate. This involves the right of use being adjusted for the amount resulting from remeasurement of the lease liability, down to a carrying amount of as little as nil. Any adjustments beyond that much be recognised through profit or loss.
- Lease payments will change due to index or rate changes, or due to a change in the payment expected to be made based on a residual value guarantee. In such cases, the lease liability is remeasured by discounting the adjusted lease payments with an unchanged discount rate (unless the change in lease payments is attributable to a change in a variable rate of interest, in which case an updated interest rate must be used).
- A lease is changed and the change to the lease is not recognised as a separate lease. In that case, the lease liability is remeasured based on the term of the changed lease by discounting the changed lease payments using an updated interest rate at the time the change becomes effective. The right of use is adjusted accordingly.

IFRS 16 permits the lessee to dispense with separating between leasing and non-leasing components and to account for leases with associated non-leasing components as a single contract pursuant to IFRS 16. The Group has not used this exemption provision. In the case of leases that contain a leasing component and one or several additional leasing and non-leasing components, the Group allocates the consideration in the contract to each contract component based on the relative stand-alone selling price of the leasing component and the aggregated stand-alone selling prices of the non-leasing components.

LEONI has exercised the option of not recognising rights of use and lease liabilities for short-term leases (with a term of twelve months or less) and for leases of low value (new value of the asset being lower than EUR 5,000). The corresponding lease payments are expensed in the functional areas of the income statement.

Intangible assets

Intangible assets comprise patents, software, licenses and similar rights, as well as customer relationships, brands, technology and production know-how acquired in the context of business combinations. An intangible asset that results from development expenditure is capitalised if a newly developed product or process can be clearly defined, is technically feasible and is intended for either own use or for sale. Capitalisation also assumes that the development expenses can with a sufficient degree of likelihood be covered with future inflow of cash and cash equivalents and the other IAS 38.57 criteria are met.

Intangible assets acquired separately are, upon initial recognition, valued at cost. The costs of intangible assets acquired as part of business combinations equal their fair values as at the date of acquisition. In the subsequent periods, intangible assets are carried at their cost less any accumulated depreciation and any accumulated impairment losses. Measurement in the subsequent periods should differentiate between intangible assets with a finite useful life and with an indefinite useful life.

According to IAS 38, intangible assets with a finite useful life must be amortised over their useful life. The Company therefore, in accordance with these requirements, amortises development costs capitalised as assets on a straight-line basis and amortises other intangible assets with a finite useful life on a straight-line basis over their useful lives to their estimated residual values, which is normally nil. Other intangible assets with a finite useful life are mainly software licenses with an estimated useful life of three to seven years as well as customer relationships with useful lives of two to 23 years as well as technology and production know-how with a useful life of two to 15 years, in both cases acquired in the context of business combinations. The amortisation method and the amortisation period for an intangible asset with a finite useful life are reviewed, at least, at the end of each financial year. Any changes to the amortisation method and the amortisation period due to revision of the expected useful life or the expected use of the asset's future economic benefit are treated as changes in estimates.

According to IAS 38, intangible assets with an indefinite useful life have no longer been amortised; instead such intangible assets must, according to IAS 36, be reviewed for impairment at least annually and written down to their lower recoverable amount. The review is carried out as at 31 October of each year according to the same principles as in the case of goodwill. The remarks below therefore apply accordingly. Intangible assets with an indefinite useful life are reviewed once a year to determine whether the estimate of assessment of an indefinite useful life is still justified. If this is not the case, the assessment is prospectively changed from an indefinite to a definite useful life.

Intangible assets are derecognised when they are disposed of or when no further economic benefit is to be expected from either their use or disposal.

Goodwill

Goodwill from a business combination is, upon initial recognition, measured at cost calculated as the excess of the transferred consideration over the identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at the acquisition cost less any accumulated impairment losses.

Goodwill is not amortised; instead it is in line with the requirements of IAS 36 reviewed for impairment at least once a year. The Group reviews the goodwill for impairment annually as at 31 October. A review also takes place if events or circumstances indicate that there might be an impairment loss. For the purpose of the impairment test, goodwill acquired in the context of a business combination is, from the acquisition date, to be allocated to the LEONI Group's cash-generating units or groups of cash-generating units expected to benefit from the synergies of the business combination. This applies regardless of whether other assets or liabilities of the acquired business are allocated to these cash-generating units. Goodwill is tested at the level of the cash-generating unit to which it is allocated by comparing the carrying amount of the cash-generating unit or units with the recoverable amount. Impairment has occurred if the carrying amount exceeds the recoverable amount, requiring a write-down to the recoverable amount. The recoverable amount corresponds to the higher of the two amounts from the fair value less cost to sell and value in use. The value in use of a cash-generating unit is defined as the present value of projected cash flows to the Company from the cash-generating unit. To determine the value in use, the projected cash flows are discounted to their present value based on a discount rate before tax that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit. An appropriate valuation model is applied to determine the fair value less cost to sell. This is based on valuation multiples, discounted cash-flow valuation models, stock market prices and other available indicators of the fair value. The key assumptions on which determination of fair value less cost to sell and value in use is based include estimated growth rates as well as weighted average cost of capital (WACC). The discount rates are determined based on a risk-free interest rate and a market risk premium. They reflect the present market assessment of the specific risks of each individual cash-generating unit. The underlying estimates as well as the associated method can exert major influence on the respective values and ultimately on the size of possible goodwill impairment.

Later reversal based on disappearance of the reason for a goodwill impairment recorded in previous financial years or interim reporting periods is not permitted.

The underlying assumptions on which LEONI bases fair value, less cost to sell, of the cash-generating units include long-term growth rates of 1.5 percent and discount rates (after taxes) of 8.45 percent to 9.74 percent (previous year: 7.69 percent to 8.96 percent).

Detailed explanations of the impairment tests in the financial year are included in Note 17.

Impairment testing of intangible assets and of property, plant and equipment

An assessment is made at each balance sheet date whether there are any indications that an impairment loss may have occurred. If there are such indications, the recoverable amount of the asset is determined and compared with its carrying amount. The system for and effects of this review are in line with the test of goodwill (see comments on goodwill above).

If specific cash inflows generated largely independently from other assets or groups of assets cannot be allocated to the individual assets, they are tested for impairment based on the smallest, overriding cash-generating unit of assets.

If the reasons for applying the impairment charge have disappeared, the write-down on the asset is reversed. Such reversal is limited to the amount that would have resulted when taking amortisation or impairment into account.

Regardless of whether there is evidence of impairment, a corresponding test for impairment is applied once a year to both intangible assets that are not yet ready for use and intangible assets with an indefinite useful life.

Detailed explanations of the impairment tests carried out during the financial year are included in Note 16.

Financial instruments

LEONI has applied the IFRS 9 Standard since 1 January 2018.

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial instruments recorded as either financial assets or financial liabilities are as a matter of principle presented separately. They are reported on a net basis only where a right of set-off with respect to the amounts exists at the present time and it is intended to settle net.

Financial instruments are recognised as soon as LEONI becomes a contracting party to the financial instrument. In the case of regular way purchases or sales in the context of a contract whose conditions provide for the asset to be delivered within a period of time that is normally determined by the rules or conventions of the respective market, the settlement date, i.e. the date on which the asset is supplied to or by LEONI, is pertinent to initial recognition as well as derecognition.

Financial assets comprise particularly cash and cash equivalents, trade receivables as well as other originated loans and receivables, investments as well as both primary and derivative financial assets held for trading purposes.

Financial liabilities normally provide a claim for return in cash or another financial asset. These comprise particularly bonds and other securitised liabilities, trade liabilities, liabilities to banks, liabilities under finance leases, borrower's note loans and derivative financial liabilities.

Financial assets are derecognised when one of the three following conditions is met:

- The contractual rights to receive the cash flows from a financial asset are extinguished.
- Although the Group retains the rights to receive the cash flows from financial assets, it assumes a contractual obligation to immediately pay the cash flows to a third party in the context of an agreement that meets the requirements of IFRS 9.3.2.5 ("pass-through arrangement").
- The Group has transferred its contractual rights to receive the cash flows from a financial asset and substantially all the risks and rewards incident to ownership of the financial asset have thereby been transferred, or alternatively when control of the financial asset has been transferred.

Cash receipts from the sale of receivables that were not yet passed on to the buyer of the receivables on the balance sheet date are reported under other financial liabilities.

Financial liabilities are derecognised when the obligation underlying the liability has been met, terminated or extinguished.

Financial instruments are initially recognised at their fair value. The assumption or issue of directly attributable transaction costs is considered when determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

For measurement subsequent to initial recognition the financial instruments are allocated to one of the measurement categories listed in IFRS 9 to which they are designated at the time of their initial recognition.

Financial assets

Financial assets are classified according to IFRS 9 based on the Group's business model for managing financial assets and the properties of the contractual cash flows of the financial assets.

Financial assets are divided into the following categories according to IFRS 9:

- **Financial assets remeasured to fair value through profit or loss (FVTPL)**

  This category comprises financial assets held for trading and financial assets that were, upon initial recognition, designated as financial assets at fair value through profit or loss, or financial assets that must be measured at fair value. Financial assets are classified as held for trading if they are acquired and held with a view to disposal in the near future. Derivatives, including embedded derivatives recognised separately, are also classified as held for trading except for such derivatives that were designated as a hedging instrument and are effective as such. Trade receivables that are to be sold through factoring and are accordingly accounted for by the "Sell" business model also fall into this category. Financial assets with cash flows that do not exclusively represent repayments and interest are, regardless of business model, classified as at fair value through profit or loss and measured accordingly.

  Gains or losses on financial assets of this category are recognised in the income statement.

  In the 2019 financial year, trade receivables categorised by the "Sell" business model were also classified as held for trading purposes. No other non-derivative financial assets were allocated to this category. No use was made of the option to designate financial assets at fair value through profit or loss upon their initial recognition.

  According to IFRS 9, all equity instruments are measured at fair value. The gains or losses resulting from measurement at fair value are recognised through profit or loss in the income statement. The Group currently does not make any use of the option to classify equity instruments at fair value through profit or loss for those equity instruments it has elected to present in other comprehensive income.

- **Financial assets at amortised cost (AC)**

  Financial assets in the "at amortised cost" category involve especially cash and cash equivalents, trade receivables (excl. factoring) as well as other receivables.

The Group measures financial assets (debt instruments) at amortised cost when the following conditions are fulfilled:

- the financial asset is held in the context of a business model that intends to hold financial assets to collect contractual cash flows and
- the contract terms of the financial assets lead to cash flows at fixed points of time and which exclusively represents repayments and interest on the principal amount outstanding. Gains or losses are recognised in the income statement when the asset is derecognised, modified or impaired.

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cheques and immediately disposable bank deposits with an original maturity of three months or less. Cash is recognised at par value.

Impairment of financial assets

The Group applies the simplified approach under IFRS 9 to impairment of trade receivables and contract assets, and recognises the expected losses over the full lifetime. The Group therefore does not follow up changes in the credit risk, instead recognising a risk provision based on the full lifetime ECLs on each reporting date.

The expected losses are determined using an impairment matrix by grouping the principal types of receivables according to their risk ratings, which represent the ability of customers to settle amounts due as contracted. The allocations to the default risk categories are made principally based on external ratings of the key customers that consider forward-looking estimates. The data on the external rating and the probabilities of default is updated quarterly and annually on the respective reporting dates. Based on this approach, no distinction is made between allocation to Level 1 and Level 2 of the impairment method according to IFRS 9 for these financial Instruments. The risks pertaining to all other customers were included using an across-the board approach to determine the risk rating. Calculation of expected losses is based on the probability of default in line with the default risk category, which is categorised in a range from "low risk" to "receivables in default".

Where there are objective indications of an impairment, the financial Instruments are transferred to Level 3 of the impairment method according to IFRS 9. In the process, the Group assumes a default on a financial asset when contractual payments are substantially overdue. In certain cases, it may also assume a default on a financial asset when internal or external information indicates it is unlikely that the Group will receive the outstanding contractual amount before all the credit protection it holds is considered. A financial asset is derecognised when there is no reasonable expectation that the contractual cash flows will be realised.

The general impairment method of IFRS 9 must be applied to bank deposits as well as other financial assets subject to the impairment requirements. The Group therefore monitors the creditworthiness of its business partners to detect any significant increase in the risk of default. Upon initial recognition, such financial Instruments are allocated to Level 1. The expected loss corresponds to the value that could arise from potential default events within the next 12 months after the reporting date. The potential impairment expense identified was insignificant, however.

Financial liabilities

Financial liabilities are divided into the following categories according to IFRS 9:

- **Financial liabilities at fair value through profit or loss (FVTPL)**

Financial liabilities that fall into this category are also carried at fair value in the subsequent periods with the resulting gains or losses recognised in the income statement.

This category comprises financial liabilities held for trading as well as liabilities that were, upon initial recognition, designated as financial liabilities at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired and held with a view to disposal in the near future. Derivatives, including embedded derivatives recognised separately, are also classified as held for trading except for such derivatives that were designated as a hedging instrument and are effective as such.

In the 2019 financial year, did the Company classify any primary financial liabilities as held for trading, nor did it make use of the option to designate financial liabilities at fair value through profit or loss upon their initial recognition.

- **Financial liabilities at amortised cost (AC)**
  All financial liabilities that do not fall into above-mentioned category and are not derivative financial instruments are measured at amortised cost using the effective interest rate method. In the case of current liabilities, the amortised cost corresponds to either their repayment or settlement value. Gains or losses are recognised in the income statement when the liabilities are derecognised or amortised.

Derivative financial instruments and hedging activities
Derivative financial instruments entered into by the LEONI Group are recorded at their fair value on the balance sheet date. Depending on their maturity, derivatives with a positive fair value are reported as current or non-current other financial assets and derivatives with a negative fair value are reported as current or non-current other financial liabilities. In general, the Group recognises the changes in fair value of derivative financial instruments in the income statement. However, the Group records changes in fair value of derivatives used to hedge anticipated cash flows on firm commitments and forecast transactions in accumulated other comprehensive income until the hedged item is recognised in the income statement when the requirements of the standard to apply cash flow hedge accounting are met. The ineffective portions of the fair value changes of those derivatives are recognised in income immediately. The amounts recognised in other comprehensive income are subsequently recognised in the same period as the hedged transaction takes place and has effect on net income.

Where interest-rate derivative contracts are concluded to hedge the fair value of a hedged item measured at amortised cost, the hedging instrument is also measured at the fair value and any changes in the fair value of both the hedging derivative and hedged item, so far as these result from the hedged risk, are recognised in the income statement under either finance costs or finance revenue.

Commodity future transactions that are settled in cash are recognised as derivatives, changes in the fair value of which are recognised in the cost of sales.

Contracts entered into for the purpose of receipt or supply of non-financial items according to the Group's expected purchase, sale or usage requirements and held as such (own use contracts) are reported not as derivative financial instruments but as pending transactions.

If hybrid contracts contain embedded derivatives with a financial or non-financial liability as host contract, such derivatives are reported separately from the host contract when the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, when a separate instrument with the same terms as the embedded derivative were to fulfil the definition of a derivative and when the hybrid contract is not measured at fair value through profit or loss. The review whether a contract contains an embedded derivative that must be reported separately from the host contract is made at the time when the Company became a contracting party. A reassessment is made only when there are major changes to the terms of the contract that result in a significant change to the cash flows.

Pension plans and similar obligations
The valuation of defined-benefit pension obligations is based upon actuarial computations using the projected-unit-credit method in accordance with IAS 19. Changes due to the actuarial assumptions or differences between the actual development and the original assumptions as well as gains or losses on the pension plan or plan assets (actuarial gains or losses) as a difference between the return on plan assets recorded in net interest expenses and the actual return are recognised in other comprehensive income. Past service cost is recognised in the income statement at the time of the change to the plan.

The amount recognised as a defined benefit asset or liability comprises the present value of the defined benefit obligation, less the fair value of plan assets out of which the obligations are to be settled directly. The value of a defined benefit asset is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The interest costs relating to the net obligation are presented under finance costs.

Other provisions
Other provisions are recorded when a present legal or constructive obligation to a third party has been incurred from past events, the payment is probable and the amount can be reasonably estimated. So far as the Group expects repayment for an accrued provision at least in part for example from an insurance policy, such repayment is recognised as a separate asset provided the inflow of the repayment is virtually certain. The provisions are valued according to IAS 37 with the best estimate of the amount of the obligation. Where provisions do not become due until after one year and a reliable estimate of the payment amounts and dates is possible, the present value for the non-current proportion is determined on a discounted basis. The unwinding of discount on provisions is recognised under interest expenses.

Obligations to dispose of an asset and to re-cultivate its site or similar obligations must be recognised as a component of acquisition and production costs and simultaneously recognised as a provision. In the subsequent periods this amount added to the asset is to be depreciated over its residual useful life. The best possible estimate of the payment obligation or provision is accreted to its present value at the end of each period.

Restructuring provisions are recognised when the constructive obligation has arisen according to the criteria under IAS 37.72. Accruals are not reported under provisions, but rather under liabilities.

Present obligations that arise in connection with onerous contracts are recognised as provision. The existence of an onerous contract is assumed when the Group is party to a contract under which the unavoidable costs to fulfil the contract are expected to exceed the economic benefit stemming from this contract.

Income taxes

The current tax assets and tax liabilities for the current and prior periods are measured at the amount expected to be recovered from the taxation authority or paid to the taxation authority. Calculation of the amount is based on the tax rates and tax laws that are applicable to the corresponding period. Uncertain, current income tax items for tax years not yet finally assessed are, according to the requirements under IFRIC 23 and based on experience, considered at the best possible estimate.

Deferred tax is, pursuant to IAS 12, formed according to the balance sheet liability method. This provides that tax assets and liabilities for all temporary differences, apart from the exceptions under IAS 12.15, IAS 12.24, IAS 12.39 and IAS 12.44, between the carrying amount in the statement of financial position and the amount for tax purposes as well as for tax loss carryforwards are recognised (temporary concept). Deferred taxes are measured using the currently enacted tax rates in effect during the periods in which the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax law is recognised in the period that the law is enacted. Deferred tax assets are applied only to the extent that it is more likely than not that the tax benefit will be realised. The legally independent entities are assessed individually in this respect, with any history of loss included in the assessment. Further details are presented in Note 10. The deferred tax assets and those not recognised are reviewed in this regard on each balance sheet date.

Deferred tax assets and liabilities are offset if they relate to income taxes levied by the same taxation authority and the Group has a legally enforceable right to set off current tax assets against current tax liabilities.

Income taxes referring to items that are recognised in other comprehensive income are also recognised in other comprehensive income and not in the income statement.

Earnings per share

Earnings per share are computed in accordance with IAS 33, Earnings per Share. The basic earnings per share are computed by dividing consolidated net income attributable to the LEONI shareholders by the weighted average of the number of ordinary shares outstanding during the relevant period. The diluted earnings per share are computed by dividing consolidated net income attributable to the LEONI shareholders by the total of the weighted average number of ordinary shares outstanding, plus the weighted average number of securities that can be converted into ordinary shares. There was no dilution in the reporting periods presented.

Statement of cash flows

The statement of cash flows is classified by operating, investing and financing activities in accordance with IAS 7. This involves cash flows from operating activities being determined by the indirect method whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Undistributed income from entities valued under the equity method and exchange gains or losses reclassified from other comprehensive income to the income statement is principally reported under "other non-cash expenses and income". Interest paid in connection with working capital management as well as interest received was previously presented as cash flows from operating activities. Based on an analysis of presentation at comparable companies, we found that the majority classify all interest paid and received as cash flow from financing activities. We have therefore changed this presentation accordingly for better comparability. Likewise accordingly, we adjusted the previous year's figure of paid interest under operating activities and reclassified an amount of € 6,972 k to financing activities. The previous year's figure of interest received was also assigned to financing activities in the amount of € 283 k. Paid dividends are included in cash flows from financing activities. The cash holdings comprise cash and cash equivalents. These include cash in hand, cheques and immediately disposable bank deposits with an original maturity of up to three months. The effect of exchange rate-related changes in value on cash and cash equivalents is presented separately so that the cash and equivalents at the beginning and end of the period can be reconciled.

Segment information

Segment reporting is based on the accounting standard IFRS 8, Operating Segments, following the management approach contained therein, which provides for reporting based on the internal organisational and reporting structure as well as what management uses internally for evaluating segment performance. The segment reporting and designation therefore follows the internal organisational and reporting structure of the Group. The Group is organised into business units by products and services for the purpose of Corporate Governance. The Group therefore has two segments subject to reporting: Wire & Cable Solutions and Wiring Systems. Management monitors the earnings before interest and taxes (EBIT) separately to take decisions on allocation of resources and to determine the profitability of the segments. The EBIT is ascertained in line with the accounting and valuation principles of the consolidated financial statements.

Key judgments, estimates and assumptions

When preparing the consolidated financial statements, management makes judgements, estimates and assumptions that influence the amounts of assets, liabilities and contingent liabilities as well as the expense and income reported on the balance sheet date. The uncertainty that these assumptions and estimates involve can, however, in future periods cause outcomes that result in major adjustment to the carrying amounts of the assets and liabilities concerned.

The most significant assumptions concerning the future as well as other key sources of estimation uncertainty at the balance sheet date, which present a risk that material adjustment to the carrying amounts of the assets and liabilities will be necessary within the next financial year, are explained hereinafter.

Impairment testing of goodwill, intangible assets and of non-current assets is based on calculation of the recoverable amount, which is the higher of value in use and fair value less cost to sell. To estimate the value in use the Group must estimate the probable future cash flows of the cash-generating units to which the non-current asset or goodwill relates, and moreover choose a reasonable interest rate to compute the present value of these cash flows (discounted cash flow method). The cash flows are extrapolated from the business planning for the next five financial years, excluding any restructuring measures to which the Group has not yet committed and material, future capital expenditure that would raise the performance of the cash-generating units tested. The business planning is prepared on a bottom-up basis taking targets into account, meaning that the budgeted figures are prepared in detail for each business unit or business group and subsidiary and condensed to the segments and the Group as a whole. Key planning assumptions are based on the unit-sales projections issued by the carmakers. It takes into account price agreements based on experience and anticipated efficiency enhancements as well as a sales trend based on the strategic outlook. The recoverable amount is heavily dependent on the projected unit sales and on the discount rate applied under the discounted cash flow method.

The estimate of fair value less cost to sell differs from the value in use only through the treatment of the measured asset as a business operation not belonging to the Group. The assumptions and parameters applied to ascertain the recoverable amount and the details of the impairment tests are explained more thoroughly in Notes 17 and 18.

Management must, with respect to accounting for capitalised deferred taxes relating mainly to unused loss carryforwards, make estimates and judgements concerning the amount of taxable profit available in the future for use of the loss carryforwards. So far as this has been made sufficiently specific, future tax planning strategies and the expected timing of the income from it will be considered in the process. Deferred tax assets are recognised regularly to the extent that deferred tax liabilities in the same amount and with the same term applicable to them are expected. Furthermore, deferred tax assets are recognised only if future taxable income is with high probability expected that is sufficient to use the deferred tax assets from loss carryforwards and temporary differences. For this judgement, the taxable income is extrapolated from the business planning that has been prepared according to the principles described above. Due to the mounting uncertainty about the future, the period under consideration is normally five years. In the case of entities in loss situations, deferred tax assets are not recognised until there are signs of a turnaround or it is highly probable that the future positive results can be generated. Rules on limiting the use of losses (minimum taxation) are observed when measuring the valuation allowances for deferred tax assets from loss carryforwards. Further details are presented in Note 10.

The pension expense pertaining to defined benefit plans post employment is determined based upon actuarial computations. These measurements are based on assumptions and judgements with respect to discount rates applied to the net obligation, future wage and salary increases, mortality and future pension increases. Due to the non-current nature of such plans, such estimates are subject to material uncertainties. Details of these uncertainties and sensitivities are presented in Note 24.

LEONI AG's VALUE 21 programme comprises remodelling of the Company from a management organisation into a lean financial and governance holding company. To this end, the LEONI Group is also strategically applying measures to adjust its staffing to the new corporate structure. The costs incurred by this restructuring also mostly concern staff cuts. Given specific planning scenarios and already adopted measures, the costs of the Company's revamp can be reliably estimated with respect to their quantity and price-induced valuation parameters. Management has appropriately considered the Group's restructuring for accounting purposes and has allocated restructuring provisions in sufficient amount.

Present obligations that arise in connection with onerous contracts are recognised as provision. Measuring the provisions involves a substantial degree of estimation. LEONI makes provision for contingent losses on customer contracts and order-related risks when the estimated total costs exceed the unavoidable sales revenues. LEONI identifies the potential losses on customer contracts by means of ongoing control of the project's progress and updating of estimates.

2 | New accounting requirements

New accounting requirements applied for the first time in the financial year

IFRS 16

IFRS 16 introduces new or amended requirements with respect to accounting for leases.

The changed definition of a lease pursuant to IFRS 16 concerns principally the concept of control in contrast to focussing on "risks and rewards" in IAS 17 and IFRIC 4.

Having made use of the facilitations at the time of initial application, LEONI has applied this definition of a lease and the associated guidelines under IFRS 16 to all contracts signed or amended on or after 1 January 2019.

Incentive payments (e.g. rent-free periods) are recognised as part of measuring the rights of use and lease liabilities, whereas under IAS 17 they were deferred and normally amortised on as straight-line basis as a reduction of the lease expenses.

Under IFRS 16, residual value guarantees given by the lessee to the lessor are recognised only in the amount likely to be due, whereas, according to IAS 17, the guaranteed maximum amount had to be accounted for provided the contract qualified as a finance lease under IAS 17.

IFRS 16, Leases, applies for the first time to financial years beginning on or after 1 January 2019 and supersedes IAS 17, Leases. LEONI applied the new IFRS 16 requirements for the first time in fiscal year 2019 and has opted to use the modified retrospective method as permitted by the transition provisions of the standard. The comparatives for the 2018 reporting period were therefore not restated. For leased assets of low value when new (the leased asset's new value being less € 5 k) and for short-term leases (contract terms of less than twelve months), LEONI applied the recognition exception and those leases are recognised as an expense and amortised on a straight-line basis over the lease term. At the time of initial application, use was made of the following other simplifications permitted by the Standard: The initial, direct costs were disregarded upon first-time application. Where, at the time of initial application, a lease provided for extension or termination options, the term of the lease was retrospectively ascertained.

The effects of applying IFRS 16 for the first time therefore are:

Consolidated statement of financial position	€ '000	31.12.2018 pre-adjustment	adjustment	01.01.2019 after adjustment
Total assets		**3,461,528**	**157,177**	**3,618,705**
Other assets		170,326	(757)	169,569
Property, plant and equipment		1,206,316	157,934	1,364,250
of which rights of use		0	157,934	157,934
Total equity and liabilities		**3,461,528**	**157,177**	**3,618,705**
Current financial debts and current proportion of long-term financial debts		176,550	34,404	210,954
of which short-term lease liabilities		0	34,404	34,404
Long-term financial debts		587,880	122,773	710,653
of which long-term lease liabilities		0	122,773	122,773

As at the time of transition, LEONI presents lease liabilities on its consolidated balance sheet that were recognised as operating leases under IAS 17. These lease liabilities were measured at the present value of the lease payments not yet made at this time. The lease payments are discounted by the incremental borrowing rate underlying the lease. The associated rights of use were accounted for at an amount equal to the lease, adjusted by the amount of any lease payments made in advance. Consequently, first-time transition to IFRS 16 involved recognition of rights of use totalling € 157,934 k, lease prepayments of € 757 k and lease liabilities in the amount of € 157,177 k, which enlarged the balance sheet by € 157,177 k.

Based on the operating lease obligations as at 31 December 2018, the transition effect on the opening balance of lease liabilities was therefore as follows:

€ '000	01.01.2019
Operating lease obligations as at 31/12/2018	187,582
Short-term leases recognised on a straight-line basis as expenses	(3,718)
Low-value leases recognised on a straight-line basis as expenses	(954)
Other [1]	(12,005)
Gross leasing liability as at 01/01/2019	**170,905**
Discounting	(13,728)
Leasing liability due to first-time application of IFRS 16 as at 01/01/2019	**157,177**

The weighted average incremental borrowing rate for discounting lease liabilities as at 1 January 2019 was 2.5%.

1 This item is the result principally of the following leases:
- Leases due to which a contractual obligation according to IAS 17 has already arisen, but the leased asset has not yet been provided and a lease liability under IFRS 16 is therefore not yet recognised (neg. € 24.3 million)
- Leases with sufficiently reliable extension options, which are considered in the calculation of lease liability pursuant to IFRS 16, but are not included in the operating lease obligations in accordance with IAS 17 (€ 7.6 million)

The table below provides an overview of the affected balance sheet items as well as the development of rights of use and leasing liabilities as at 31 December 2019:

Assets € '000	**31.12.2019**
Property, plant and equipment	1,452,921
of which rights of use	202,225
Liabilities € '000	**31.12.2019**
Current financial debts and urrent proportion of long-term financial debts	364,774
of which short-term lease liabilities	41,730
Long-term financial debts	965,010
of which long-term lease liabilities	154,694

Statement of cash flows:
The lease instalments paid are included in the statement of cash flows while the interest and principal payments are, according to IFRS 16, presented under cash flow from financing activities, whereas the payments for operating leases were previously shown in total under operating cash flow.

LEONI does not act as lessor to any material extent.

IFRIC 23
The Group applied IFRIC 23 for the first time in fiscal 2019. IFRIC 23 clarifies the accounting for uncertainties in current and deferred income taxes.

Such uncertainties arise when application of the respectively valid tax law to a specific transaction is not clear and therefore depends on the interpretation of the tax authorities, which was, however, not known to the entity when preparing its financial statements.

And entity must consider such uncertainties in recognised tax liabilities or tax assets only when it is probable that the corresponding tax amounts will be paid or refunded. An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

An entity must reassess and, as the case may be, adapt its judgements if facts and circumstances on which its assessment of the uncertainty were based change or when there is new, relevant information.

Application of IFRIC 23 has not had any impact on LEONI's consolidated financial statements as there were no corresponding transactions.

Other new and amended accounting standards or interpretations that were to be applied to the 2019 financial year for the first time did not have any material effect on the consolidated financial statements and are for this reason not specifically explained.

Future, new accounting requirements
On 23 September 2019, the IASB published its 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)'. The European Union endorsed this reform for application in Europe on 16 January 2020 and it is to be applied to financial years beginning on or after 1 January 2020. The amendment is intended to enable entities to continue existing hedge accounting despite altering various reference interest rates. LEONI does not expect these amendments to have any material impact on its consolidated statement of financial position.

The IASB issued few other amendments during the 2019 financial year. Based on current assessment, these will probably not be relevant to LEONI either and are not mentioned for this reason.

3 | Scope of consolidation

Along with LEONI AG, the consolidated financial statements account for 15 companies in Germany and 55 companies outside Germany in which LEONI AG is entitled, either directly or indirectly, to a majority of the voting rights.

Number of fully consolidated companies € '000	31.12.2019	31.12.2019
Germany	16	16
Outside	55	57
Total	**71**	**73**

The scope of consolidation contracted during the period under report due to the disposal of a subsidiary of the Wiring Systems Division in China as well as liquidation of a non-operating entity of the Wire & Cable Solutions Division.

A complete list of the fully consolidated subsidiaries as well as of the associates and joint ventures on 31 December 2019 is shown at the end of these notes.

4 | Acquisitions and disposals of subsidiaries

LEONI sold LEONI ZhengAo Automotive Wire Harness Co., Ltd. in April 2019. The subsidiary was deconsolidated on the day of its disposal as control over it also passed to the purchaser on this date. The consideration paid by the purchaser was € 4,181 k. From the sale, the Group recognised a loss on deconsolidation of € 349 k. This included an exchange loss in the amount of € 247 k, which was reclassified from other comprehensive income to the income statement and presented under other operating expenses.

The overview below shows the deconsolidated assets and liabilities:

€ '000	Deconsolidated upon disposal
Trade accounts receivable	6,803
Inventories	4,581
Other current assets	139
Property, plant and equipment	4,372
Other non-current assets	1,280
Cash and cash equivalents	879
Deconsolidated assets	18,055
Trade accounts payable	5,426
Other current liabilities	1,979
Non-current financial debt	1,623
Other non-current liabilities	624
Deconsolidated liability	9,652
Net assets	**8,403**
Deconsolidated 49% non-controlling interest	(4,119)
Consideration received	4,181
Deconsolidated 51% share of net assets	(4,283)
Deconsolidated OCI	(247)
Effect of deconsolidation	**(349)**

Explanations

5 | Segment reporting

The Group is organised into business units by products and services for the purpose of Corporate Governance. The segment reporting follows the internal organisational and reporting structure of the Group. The Group has two segments subject to reporting:

Wire & Cable Solutions
The Wire & Cable Solutions Division is a leading manufacturer of wire and cable that, as part of its strategic realignment, is gradually developing into a provider of intelligent and secure energy transmission and data management system solutions.

Wiring Systems
The development, manufacture and sale of cable harnesses, complete wiring systems as well as related components and connectors for the international automotive and supply industry constitute the main business of the Wiring Systems Division.

Management monitors EBIT before exceptional items as well as before VALUE 21 costs to take decisions on allocation of resources and to determine the profitability of the units. This represents an adjustment of the previously used EBIT figure for exceptional, non-recurring factors. For a precise definition of the exceptional items and VALUE 21 costs we refer to the management report (› 1.8. Governance of the operating business). The EBIT before exceptional items as well as VALUE 21 costs is ascertained in line with the accounting and valuation principles of the consolidated financial statements. It also contains the earnings from measurement under the equity method of joint ventures and associates.

Intersegment sales and revenues are generally recorded at values that approximate sales to third parties.

The details by segment for the 2019 and 2018 financial years are as follows:

	Wire & Cable Solutions		Wiring Systems Division		Reconciliation		LEONI Group	
€ '000	2019	2018	2019	2018	2019	2018	2019	2018
Gross sales	2,000,593	2,140,547	3,029,430	3,169,434	(184,311)	(208,858)	4,845,712	5,101,123
Less intersegment sales	182,339	206,960	1,972	1,898	(184,311)	(208,858)	—	—
External sales	1,818,254	1,933,587	3,027,458	3,167,536	—	—	4,845,712	5,101,123
of which domestic	389,220	483,357	735,104	906,647	0	0	1,124,324	1,390,004
of which foreign	1,429,034	1,450,230	2,292,354	2,260,889	0	0	3,721,388	3,711,119
% foreign proportion	78.6	75.0	75.7	71.4			76.8	72.8
EBIT	(13,990)	65,796	(370,453)	80,222	497	(1,765)	(383,946)	144,253
as a percentage of external sales	(0.8)	3.4	(12.2)	2.5			(7.9)	2.8
EBIT before exceptional items as well as before VALUE 21 costs	51,209	66,463	(117,632)	92,470	597	(1,765)	(65,826)	157,168
as a percentage of external sales	2.8	3.4	(3.9)	2.9			(1.4)	3.1
Financial result and other investment income							(34,951)	(23,331)
Income before taxes							(418,897)	120,922
Income taxes							(15,941)	(47,677)
Consolidated net loss / income							(434,838)	73,245
Earnings from measurement under the equity method	0	0	34,008	23,206	0	0	34,008	23,206
Depreciation / amortisation	59,984	45,023	130,260	102,620	14,306	10,947	204,550	158,590
EBITDA	45,994	110,819	(240,194)	182,842	14,804	9,182	(179,396)	302,843
Balance sheet total	1,876,696	1,725,585	2,449,466	2,349,951	(727,624)	(614,008)	3,598,538	3,461,528
Investment in property, plant and equipment as well as intangible assets	106,818	114,243	244,195	204,651	6,111	24,002	357,124	342,896
Acquisitions / investments in financial assets	3,227	0	45	65	0	0	3,272	65
Average number of employees	8,658	8,671	85,611	83,359	322	343	94,591	89,373

Intra-Group business transactions between the segments as well as the figures for the AG are presented in the reconciliation.

Segment information by geographical regions:

€ '000	EMEA total of which: 2019	2018	Germany 2019	2018	Eastern Europe 2019	2018	Rest of Europe 2019	2018	Rest of EMEA 2019	2018
External sales										
Wire & Cable Solutions	1,060,449	1,144,996	389,221	483,357	348,450	375,654	297,996	266,052	24,782	19,933
Wiring Systems Division	2,287,770	2,406,009	735,104	906,647	363,492	369,381	1,154,931	1,091,642	34,243	38,339
	3,348,219	**3,551,005**	**1,124,325**	**1,390,004**	**711,942**	**745,035**	**1,452,927**	**1,357,694**	**59,025**	**58,272**
Non-current assets	1,155,383	1,009,624	354,181	317,766	481,337	429,477	95,736	90,550	224,129	171,831

€ '000	Americas 2019	2018	Asia 2019	2018	Reconciliation 2019	2018	LEONI Group 2019	2018
External sales								
Wire & Cable Solutions	412,979	445,926	344,826	342,665			1,818,254	1,933,587
Wiring Systems Division	414,530	348,508	325,158	413,019			3,027,458	3,167,536
	827,509	**794,434**	**669,984**	**755,684**			**4,845,712**	**5,101,123**
Non-current assets	217,587	141,877	190,870	164,257	357	(212)	1,564,197	1,315,546

As in the previous year, China accounted for the most significant proportion of consolidated external sales by national market in Asia with a 10.3 percent (previous year: 11.9 percent) share while, in the Americas, the United States accounted for 8.8 percent (previous year: 8.7 percent).

The non-current assets segmented by region include the intangible assets and the property, plant and equipment as well as investments in associated companies and joint ventures.

As in the previous year, there were no sales to any one customer accounting for ten percent or more of consolidated sales.

6 | Sales

LEONI generated the following sales revenues at a point in time and over a period of time:

€ '000	2019	2018
Group		
Transfer at a certain point in time [1]	2,544,919	3,056,623
Transfer over a certain period of time	2,300,794	2,044,500
of which development services [1]	48,293	49,801
of which customised products	2,252,501	1,994,699
Sales	**4,845,712**	**5,101,123**
Wiring Systems		
Transfer at a point in time [1]	726,664	1,123,036
Transfer over a certain period of time	2,300,794	2,044,500
of which development services [1]	48,293	49,801
of which customised products	2,252,501	1,994,699
Sales	**3,027,458**	**3,167,536**
Wire & Cable Solutions		
Transfer at a point in time	1,818,254	1,933,587
Umsatzerlöse	**1,818,254**	**1,933,587**

The performance obligations in the Wire & Cable Solutions Divisions have terms of less than one year, which is why use was made of the option not to provide additional disclosures regarding the performance obligations not yet met in full on the reporting date.

1 Prior-year figures adjusted due to error correction

The performance obligations relating to series supply in the Wiring Systems Divisions have terms of just a few weeks because of the short notice at which product is called forward, which is why use was likewise made of the option not to provide additional disclosures regarding the performance obligations not yet met in full on the reporting date.

The Group expects to recognise the performance obligations from commenced development contracts remaining on the reporting date as sales revenues within the next two years in the amount of roughly € 60 million (previous year: about € 62 million).

The contract assets totalling € 189,482 k (previous year: € 173,943 k) broke down as follows:

€ '000	2019	2018
Current contract assets	**104,729**	**95,181**
Development contracts	12,505	12,680
Customer-specific products without any option for alternative use	92,224	82,501
Long-term contract assets	**84,753**	**78,762**
Development contracts	84,753	78,762

7 | Other operating income and other operating expenses

The other operating income broke down as follows:

€ '000	2019	2018
Gains on disposals of property, plant and equipment as well as intangible assets	7,573	11,598
Provision of services for joint venture in Langfang	4,694	5,026
Government grants	3,768	4,473
Insurance compensation	2,477	0
Gain on deconsolidation of the domestic and electrical appliance business	0	1.086
Other	8,976	7,591
	27,488	**29,774**

In the 2019 financial year, gains on disposals of property plant and equipment as well as intangible assets exerted a beneficial effect of € 7,573 k (previous year: € 11,598 k). Most of this stemmed from the sale of a plot of land with a manufacturing building of a facility in China.

Providing services for our joint venture in Langfang generated income of € 4,694 k (previous year: € 5,026 k; cf. also Note 18 in this regard).

The performance-related government grants of € 3,768 k (previous year: € 4,473 k) were made mostly to boost the economies in China and Egypt. More detailed explanation of this is to be found in Note 8.

The other operating expenses in the amount of € 21,928 k (previous year: € 24,714 k) included, among other items, exchange losses in the amount of € 9,523 k (previous year: € 10,912 k).

€ '000	2019	2018
Exchange losses	9,523	10,912
Factoring cost	3,308	2,958
Losses on disposals of property, plant and equipment as well as intangible assets	2,155	1,527
Goodwill impairment	1,928	6,830
Other taxes	1,308	0
Other	3,706	2,487
	21,928	**24,714**

8 | Government grants

The Group obtained various performance-related government grants in the 2019 financial year, which totalled € 5,166 k (previous year: € 9,747 k), of which € 1,398 k (previous year: € 5,274 k) was directly offset in the income statement with the expenses incurred. Performance-related grants in the amount of € 3,768 k (previous year: € 4,473 k), which pertained mainly to the Wiring Systems Division, were furthermore presented in other operating income. Of this, € 1,387 k (previous year: € 1,378 k) was attributable to the subsidy for export business in Egypt while another € 1,465 k (previous year: € 260 k) was granted by the Chinese government to promote development of e-mobility technology.

Government grants for capital investment in property, plant and equipment in the amount of € 16,562 k (previous year: € 18,492 k) were recognised in fiscal 2019, most of which pertained to a wiring systems plant in Serbia as was already the case in the previous year. These were deducted from the costs to purchase and manufacture the related property, plant and equipment.

The received grants are linked to creating jobs and keeping these for several years, to tax payments and to achieving a specified sales volume in these companies.

9 | Finance revenue and costs

The finance revenues in the amount of € 566 k (previous year: € 545 k) involved exclusively interest income. As in the previous year, they were computed on the basis of the effective interest rate method.

Finance costs broke down as follows:

€ '000	2019	2018
Interest expenses	25,812	20,451
Finance cost from to lease liabilities	4,402	0
Finance cost from pension obligations	3,378	3,316
Other finance costs	2,018	293
Finance costs	**35,610**	**24,060**

The interest expenses included interest of € 24,166 k (previous year: € 19,501 k) that was likewise computed on the basis of the effective interest rate method.

10 | Income taxes

Taxes on income including deferred taxes break down as follows in the income statements for fiscal 2019 and fiscal 2018:

€ '000	2019	2018
Current taxes		
Germany	4,916	1,704
Outside	29,170	36,904
	34,086	**38,608**
Deferred taxes		
Germany	12,866	3,283
Outside	(31,011)	5,786
	(18,145)	**9,069**
Income taxes	**15,941**	**47,677**

In the 2019 financial year, the Group recognised tax expense of € 15,941 k (previous year: € 47,677 k) in the income statement. Tax income of € 3,359 k (previous year: € 18 k) was recognised in other comprehensive income (OCI).

Deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. For the Group's German companies, the deferred taxes on 31 December 2019 were calculated using a corporate tax rate of 15 percent, unchanged from the previous year. A solidarity surcharge of 5.5 percent on the corporate tax as well as an average trade tax rate of 13.8 percent were included as in the previous year. In line with the previous year, the tax rate thus applied to calculate deferred taxes for German companies amounted to a combined 29.6 percent. For non-German companies the country-specific, respective tax rates were used.

The table below reconciles the income tax expense or the expected tax expense at the reported tax rate to the effective income taxes presented in the financial statements for the respective financial year. To calculate the projected income tax expense, we multiplied the pre-tax earnings by the combined tax rate in Germany of 29.6 percent (previous year: 29.6 percent) applicable to the financial year.

The year-on-year change in the tax rate is attributable primarily to not having recognised deferred tax assets against current losses.

The change in valuation allowances on deferred tax assets in the amount of € 116,733 k (previous year: € 18,154 k) in the fiscal year involved particular tax assets not capitalised in the amount of € 119,752 k (previous year: € 22,691 k). As in the previous year, these valuation allowances concerned primarily deferred tax assets from loss carryforwards to the extent it is considered more likely than not that such benefits will be used in future years. In determining the valuation allowance all factors including

	2019		2018	
	€ '000	%	€ '000	%
Expected tax expense (2019: 29.6 %; 2018: 29.6 %)	(123,994)	29.6	35,793	29.6
Foreign tax rate differentials	2,130	(0.5)	(12,883)	(10.7)
Prior-period tax income / expense	114,929	(27.4)	18,154	15.0
Change in valuation allowances on deferred tax assets	10,674	(2.6)	11,529	9.5
Non-deductible expenses [1]	15,539	(3.7)	1,530	1.3
Foreign tax at source	2,967	(0.7)	2	0.0
Income from equity investments	(10,075)	2.4	(6,875)	(5.7)
Other [1]	3,772	(0.9)	428	0.4
Effective income taxes / tax rate	**15,941**	**(3.8)**	**47,677**	**39.4**

1 Presentation changed in the previous year.

legal factors and information available were taken into account. Deferred tax assets, which in preceding periods were applied primarily to loss carryforwards, were not written down in the financial year (previous year: € 693 k). The change in valuation allowances included reversal of valuation allowances on deferred tax assets with effect on the income statement in the negative amount of € 1,729 k previous year: a negative amount of € 3,363 k). The item included a negative amount of € 1,290 k (previous year: negative € 1,867 k) for the use of loss carryforwards for which no tax assets were recognised in the previous years.

In the case of entities that incurred a tax loss in either the current or previous year, and where the deferred tax assets on loss carryforwards are not covered by a net deferred tax liability, deferred tax assets on loss carryforwards were recognised in the amount of € 22,795 k (previous year: € 2,975 k). Based on management's assumptions for and estimates of future business performance, which were derived from experience as well as the currently available information and forecasts, there are convincing, substantial indications that these tax assets will be realised.

Changes to foreign tax rates are recognised in the income statement in a partial amount of € 415 (previous year: tax expense of € 534 k) in the item Other amounting to € 2,996 k.

The deferred tax assets and deferred tax liabilities were derived from temporary differences recorded under the following balance sheet items as well as tax loss carryforwards:

	Consolidated statement of financial position		**Consolidated income statement**	
€ '000	**2019**	**2018**	**2019**	**2018**
Inventories	16,312	9,551	6,689	1,021
Accounts receivable and other assets	17,231	5,458	12,546	2,365
Property, plant and equipment	5,554	3,973	1,413	791
Intangible assets	682	638	44	26
Non-current financial assets	1,561	987	580	553
Tax loss carryforwards	220,695	121,271	99,030	22,222
Liabilities and provisions	52,670	27,652	24,824	10,039
Pension provisions	35,623	28,886	(71)	(212)
Total	350,329	198,417		
Valuation allowance	(226,499)	(108,145)	(115,653)	(17,048)
Deferred tax assets (before offsetting)	123,830	90,271		
Inventories	7,637	8,238	701	18
Accounts receivable and other assets	8,247	8,216	260	(4,630)
Property, plant and equipment	24,374	29,879	5,920	(1,458)
IIntangible assets	12,842	12,847	24	2,412
Non-current financial assets	33,366	30,547	(2,748)	(22,899)
Liabilities and provisions	6,258	3,914	(2,373)	(2,223)
Pension provisions	2	8	21	(47)
Other (outside basis difference)	10,525	0	10,525	0
Deferred tax liabilities (before offsetting)	**103,252**	**93,650**		
Deferred tax income / expense			**41,731**	**(9,069)**
Net deferred tax assets / tax liabilities	**20,578**	**(3,378)**		

No deferred tax assets on temporary differences and tax loss carryforwards were recognised in the amount of € 218,805 k (previous year: € 108,145 k) because realisation of the tax assets in the foreseeable future does not seem sufficiently certain.

The net amount of deferred tax assets and liabilities was derived as follows:

	Consolidated statement of financial position	
€ '000	**2019**	**2018**
Deferred tax assets	324,707	164,281
Valuation allowance	(226,499)	(108,145)
Net deferred tax assets	**98,208**	**56,136**
Deferred tax liabilities	**77,630**	**59,514**
Net deferred tax assets / tax liabilities	**20,578**	**(3,378)**

Deferred tax assets and liabilities with the same terms were netted at the level of the individual Group companies to determine the net amount of deferred tax assets and liabilities.

Deferred tax liabilities in the amount of € 10,525 k were recognised in relation to dividend decisions in the period up to statement preparation, which trigger foreign withholding taxes.

Otherwise no deferred taxes were recognised on outside basis differences (differences between the respective net assets including goodwill of the subsidiaries and the respective tax value of the shares in these subsidiaries) because reversal of differences arising for example from dividend payments can be managed and no material tax effects are to be expected in the foreseeable future. Outside basis differences amounted to € 115,340 k on 31 December 2019 (previous year: € 363,633 k).

On the balance sheet date, the Group had foreign income tax but also German corporate tax loss carryforwards totalling € 792,309 k (previous year: € 450,362 k), of which € 666,238 k (previous year: € 330,532 k) may, based on legislation applicable on the respective reporting date, be carried forward indefinitely and in unlimited amounts. In Germany, however, losses carried forward may be deducted from income without restriction up to € 1,000k only. Any remaining amount of income may be offset by loss carryforwards by up to 60 percent. For US companies, deduction of loss carryforwards is limited to 80 percent of positive income. The remaining tax losses eligible for limited carryforward pertained exclusively to foreign subsidiaries and will expire by 2028 at the latest if not utilised.

The table below shows the usability of these foreign loss carryforwards:

€ '000		**2019**
Useable until	2020	50
Useable until	2021	1,027
Useable until	2022	11,371
Useable until	2023	21,514
Useable until	2024	27,594
Useable until	2025	18,211
Useable until	2026	16,257
Useable until	2027	21,811
Useable until	2028	8,237

The Group had domestic trade tax loss carryforwards as well as foreign loss carryforwards for US state tax in the amount of € 518,043 k on the balance sheet date (previous year: € 239,358 k). The German trade tax loss carryforwards may, based on legislation applicable on the respective balance sheet dates, be carried forward indefinitely and in unlimited amounts; the options to offset against future income correspond to the corporate tax loss carryforwards.

In the financial year, German trade tax loss carryforwards amounting to € 50 k (previous year: € 47 k) and German corporate tax loss carryforwards amounting to € 50 k (previous year: € 47 k) were utilised. Foreign income tax loss carryforwards were used in the amount of € 5,308 k (previous year: € 30,638 k). Loss carryforwards for US state tax were not used in the financial year (previous year: nil).

11 | Accounts receivable and other financial assets

€ '000	2019	2018
Trade accounts receivable	527,242	625,275
Receivables from associated companies and joint ventures	4,795	15,268
Other financial assets	56,117	33,112
	588,154	**673,655**

Trade receivables were non-interest bearing. On the balance sheet date, trade receivables were reduced by factoring amounting to € 218,920 k (previous year: € 199,597 k). In genuine factoring, the factoring company assumes the default risk of the receivables. The other current financial assets presented here in the amount of € 56,117 k (previous year: € 33,112 k) include other financial assets in the amount of € 44,341 k (previous year: € 29,736 k) and derivative financial assets in the amount of € 11,776 k (previous year: € 7,376 k). This increase in other financial assets is the result principally of the security deposits due to the larger factoring amount accounted for here.

The maximum risk of loan default corresponded to the carrying amount of the receivables.

There were no signs of any payment defaults beyond the allowance on the reporting date.

12 | Other assets

€ '000	2019	2018
Receivables for VAT	94,754	111,321
Prepaid expenses	34,828	30,319
Advance payments	15,482	12,177
Salary advances and travel cost advances	6,030	2,742
Receivables for other taxes	3,933	5,207
Other assets	11,368	8,560
	166,395	**170,326**

13 | Inventories

€ '000	2019	2018
Raw materials and manufacturing supplies	295,574	324,396
Work in progress	86,264	96,142
Finished products and merchandise	154,865	188,752
	536,703	**609,290**

The amount of impairment of inventories, recognised as expense, was € 28,936 k (previous year: € 23,114 k). As in the previous year, the fiscal 2019 write-downs on inventory were fully included in the cost of sales.

The inventory recognised as expense in the cost of sales (inventory used) in the financial year amounted to € 2,866,138 k (previous year: € 2,998,025 k).

The carrying amount included inventories in the amount of € 29,909 k (previous year: € 41,500 k) that were measured at net realisable value.

14 | Property, plant and equipment

Interest amounting to € 395 k (previous year: € 898 k) was capitalized in the financial year and concerns construction projects in Germany and the Ukraine. The Group received compensation of € 1,809 k (previous year: nil) for property, plant and equipment lost and decommissioned.

€ '000	Land, leasehold rights and buildings	Technical equipment, plant and machinery	Other equipment, factory and office equipment	Advance payments and assets under construction	Total
Net carrying amount on 01 January 2018	**312,114**	**503,889**	**98,275**	**138,059**	**1,052,337**
Acquisition costs on 01 January 2018	491,439	1,213,148	313,552	139,016	2,157,155
Currency differences	357	3,776	772	251	5,156
Additions	26,907	96,482	31,569	155,801	310,759
Disposals	32,959	23,087	17,718	297	74,061
Reclassification	11,927	67,690	9,187	(88,804)	0
31 December 2018	497,671	1,358,009	337,362	205,967	2,399,009
Accumulated depreciation on 01 January 2018	179,325	709,259	215,277	957	1,104,818
Currency differences	403	2,440	450	(3)	3,290
Increase in depreciation	16,186	89,769	31,946	48	137,949
Disposals	21,334	17,268	14,762	0	53,364
31 December 2018	174,580	784,200	232,911	1,002	1,192,693
Net carrying amount on 31 December 2018	**323,091**	**573,809**	**104,451**	**204,965**	**1,206,316**
Acquisition costs on 01 January 2019	497,671	1,358,009	337,362	205,967	2,399,009
Adjustments for IFRS 16	138,227	9,999	9,708	0	157,934
Currency differences	4,624	11,220	1,954	1,131	18,929
Additions	78,297	111,161	33,625	116,261	339,344
Disposals	11,880	28,387	13,674	5,005	58,946
Deconsolidation	1,540	4.546	323	132	6,541
Reclassification	103,617	58,354	10,519	(172,490)	0
31 December 2019	809,016	1,515,810	379,171	145,732	2,849,729
Accumulated depreciation on 01 January 2019	174,581	785,134	232,910	69	1,192,694
Currency differences	1,505	6,922	1,231	13	9,671
Increase in depreciation	48,131	97,248	38.432	1.601	185,412
Increase in impairment	7,898	33,286	4,139	8,006	53,329
Disposals	8,639	19,808	13,682	0	42,129
Deconsolidation	363	1,616	190	0	2,169
31 December 2019	223,113	901.166	262,840	9.689	1,396,808
Net carrying amount on 31 December 2019	**585,903**	**614,644**	**116,331**	**136,043**	**1,452,921**

15 | Intangible assets

€ '000	Trademarks, similar rights, software and other	Customer relationships and order backlog	Development costs	Advance payments	Total
Net carrying amount on 01 January 2018	**35,042**	**14,375**	**4,515**	**10,554**	**64.486**
Acquisition costs on 01 January 2018	134,538	123,304	18,893	11,288	288,023
Currency differences	717	39	136	56	948
Additions	22,059	0	651	9,427	32,137
Disposals	0	0	157	217	374
Reclassification	4,001	0	2,708	(6,709)	0
31 December 2018	161,315	123,343	22,231	13,845	320,734
Accumulated amortisation on 01 January 2018	99,496	108,929	14,378	734	223,537
Currency differences	781	68	71	0	920
Increase in amortisation	12,527	6,295	790	1,029	20,641
Disposals	0	0	67	168	235
31 December 2018	112,804	115,292	15,172	1,595	244,863
Net carrying amount on 31 December 2018	**48,511**	**8,051**	**7,059**	**12,250**	**75,871**
Acquisition costs on 01 January 2019	161,315	123,343	22,231	13,845	320,734
Currency differences	540	(626)	445	22	381
Additions	5,652	0	1,633	10,495	17,780
Disposals	4,567	0	5,174	267	10,008
Deconsolidation	1,348	0	0	87	1,435
Reclassification	3,522	0	2,364	(5,886)	0
31 December 2019	165,114	122,717	21,499	18,122	327,452
Accumulated amortisation on 01 January 2019	112,804	115,292	15,172	1,595	244,863
Currency differences	379	-625	339	0	93
Increase in amortisation	14,196	1,757	1,244	1,941	19,138
Increase in impairment	0	4,287	2,832	0	7,119
Disposals	4,747	0	5,174	267	10,188
Deconsolidation	155	0	0	0	155
31 December 2019	122,477	120,711	14,413	3,269	260,870
Net carrying amount on 31 December 2019	**42,637**	**2,006**	**7,086**	**14,853**	**66,582**

The item trademarks and similar rights, software and others included technology as well as non-patented production know-how acquired in the context of business combinations. The residual value of the technology and the production know-how amounted to € 2,716 k (previous year: € 3,402 k); the average residual useful life was about five years. As in the previous year, brands acquired in the context of business combinations were included in the amount of € 1,877 k, which were classified as intangible assets with an indefinite useful life as there was no foreseeable limit to the use of these brands. The contractual and non-contractual business relationships obtained in the context of business acquisitions under the item customer relationships and order backlog had a residual value of € 2,006 k (previous year: € 8,051 k); the average residual useful life of the customer relationships amounting to € 1,998 k (previous year: € 8,043 k) was about six years.

Amortisation of intangible assets with a finite useful life was included in the following function costs:

€ '000	2019	2018
Cost of sales	3,814	8,597
General and administration expenses	12,834	10,671
Selling expenses	330	362
Research and development expenses	2,160	1,011
Total	**19,138**	**20,641**

There was no appreciation either in this financial year or in the previous year.

16 | Impairment testing of property, plant and equipment as well as intangible assets

Property, plant and equipment as well as intangible assets were tested for impairment where there were possible signs of depreciation pursuant to IAS 36.13.

For this impairment testing, the expected cash flows were in all cases extrapolated from the business planning as approved by management for a period of five years. In the impairment tests, the recoverable amount of the respective cash-generating unit was as a matter of principle based on the fair value less cost to sell and was determined based on the level three parameters pursuant to IFRS 13.

The business of the Wire & Cable Solutions Division is subdivided by product group into Business Groups, each of which represent cash-generating units for the purpose of monitoring goodwill.

In the case of one of the Business Groups, the business is managed across various legal entities that do not generate cash inflows on a stand-alone basis. This Business Group therefore constitutes a cash-generating unit for impairment testing of the assets. In the other Business Groups of the Wire & Cable Solutions Division, all business activities are placed on the market with a consistent overall orientation, thereby achieving LEONI's repositioning as a customer-oriented provider of solutions for industrial applications. The individual legal entities are production and distribution facilities that independently generate separate cash inflows. The structuring focuses on producing technical products and/or solutions that are made by a legal entity and sold to the customer. While there are interdependencies with other products, these do not constitute a dominant correcting variable. The individual legal entities (LEs) of the various Business Groups therefore constitute the cash-generating units.

The Wiring Systems Division is subdivided into various Business Units that are diversified according to customer groups and each comprise several legal entities, which cannot generate cash inflows on a stand-alone basis. Cash inflows are made possible only by the interaction of several facilities with differing value-chain stages as well as differing products and product generations. The cash-generating units to be determined for the Wiring Systems Division are established at the level of the respective Business Units.

Within the Wiring Systems Division, goodwill is allocated at the division level. Goodwill impairment testing is therefore done at the level of the entire Wiring Systems Division.

In the past financial year, cash-generating units of the Wire & Cable Solutions Division and of the Wiring Systems Division were impairment tested based on the recoverable amount where there were indications of impairment. The write-down requirement and the underlying assumptions across the detailed planning period are presented below:

In the Wire & Cable Solutions Division, the test resulted in recognition through profit or loss of impairment expense totalling € 19.6 million. This need for write-down is attributable primarily to tougher economic conditions in individual markets as well as the planned relocation of operating business.

Current No.	Segment / CGU	Impairment € million	Recoverable amount € million	Average sales growth %	Average EBIT margin %	WACC %
	Wire & Cable Solution					
1.	LE 1 in the USA	(2,1)	8,8	7.1	1.3	7.99
2.	LE 2 in Germany	(3,8)	16,6	6.8	0.5	8.33
3.	LE 3 in Germany	(5,0)	22,6	—[1]	—[1]	8.22
4.	LE 4 in Switzerland	(3,7)	93,5	4.0	3.8	8.35
5.	LE 5 in Germany	(5,0)	13,4	3.7	0.7	8.32
	Total	**(19,6)**	**154,9**			
	Wiring Systems					
6.	OEM 1	(8,6)	60,5	3.3	0.3	9.74
7.	OEM 2	(4,0)	32,9	0,0	0.7	9.36
8.	OEM 3	(10,3)	40,8	6.2	(1.8)	8.61
	Total	**(22,9)**	**134,2**			

In the Wiring Systems Division, there was impairment totalling € 22.9 million due especially to the downturn in the car market and consequent strategic decisions with respect to select customers.

As part of ascertaining the fair values for the respective cash-generating units, LEONI applied as key assumptions and measurement parameters a long-term growth rate of 1.5 percent.

Further, individual assets were impaired in addition to the aforementioned write-downs. The changed assessments with respect to individual investment plans led to cancellation of some ongoing projects, which resulted in impairment of further assets by € 15.4 million of which a building in Korea accounted for € 5.0 million. Overall, asset impairment amounted to € 57.9 million, which was reflected in the income statement mainly in the cost of sales (€ 48.3 million), general administrative costs (€ 6.8 million) as well as in research and development costs (€ 2,8 million).

1 No disclosures due to relocation of operating business

17 | Goodwill

Goodwill in the financial year is summarised as follows:

€ '000	2019	2018
Acquisition costs on 01 January	150,142	149,698
Accumulated allowance	9,921	3,016
Carrying amount 01 January	**140,221**	**146,682**
Valuation allowance	(1,928)	(6,830)
Currency differences	910	368
Carrying amount on 31 December	**139,202**	**140,221**
Acquisition costs on 31 December	151,071	150,142
Accumulated allowance 31 December	11,869	9,921
Carrying amount on 31 December	**139,202**	**140,221**

In addition to the obligatory impairment tests of all goodwill that must be carried out at least once a year, the Company carries out additional impairment tests during the financial year where there are indications of impairment. The obligatory impairment test of all goodwill that must be carried out at least once a year was executed as at 31 October 2019.

For the purpose of the impairment test, all goodwill was allocated to those cash-generating units or groups of cash-generating units that benefit from the synergies of the business combinations.

The goodwill allocations were as follows:

In the Wiring Systems Division, there is goodwill in the amount of € 68.7 at segment level.

In the Wire & Cable Solutions Division, one item of goodwill of € 66.1 million (previous year: € 65.6 million) was allocated to Business Group Industrial Solutions (BG IN) and goodwill totalling € 4.1 million (previous year: € 4.1 million) was allocated to Business Group Automotive Cables (BG AM).

In all the goodwill impairment tests, determination of the recoverable amount was based on the fair value less cost to sell. The underlying cash flow forecasts are in each case based on the five-year business planning as approved by the Board of Directors.

The following key assumptions were applied to the cash-generating units in the detailed planning period:

%	WSD	WCS	
		BG AM	BG IN
Average sales growth	7.3	3.0	5.5
Average margin	2.8	4.3	4.6

The cash flows for the period exceeding five years were extrapolated based on a constant annual growth rate of 1.5%. Management assumes a constant growth rate based on past and projected market performance. The after-tax discount rates applied were as follows: for the Wiring Systems Division 8.69 percent (previous year: 7.89 percent), for Business Group Automotive Cables 9.20 percent (previous year: 8.88 percent) and for Business Group Industrial Solutions 8.45 percent (previous year 7.69 percent).

The item of goodwill allocated to Business Group Industrial Solutions within the Wire & Cable Solutions Division in the amount of € 66.1 million was tested for impairment. The after-tax discount rate was 8.45 percent (previous year: 7.69 percent). As a result, the recoverable amount exceeded the carrying amount of € 418,6,9 million by € 57.5 million. From an increase in the discount rate by 0.82 of a percentage point (previous year: 2.8 of a percentage point) the recoverable amount would, all other parameters being equal, match the carrying amount.

The item of goodwill allocated to Business Group Automotive Cables within the Wire & Cable Solutions Division in the amount of € 1.1 million was also tested for impairment. The after-tax discount rate in this case was 9.20 percent (previous year: 8.88 percent). The recoverable amount exceeded the carrying amount of € 418.4 million by € 16.9 million. From an increase in the discount rate by 0.27 of a percentage point (previous year: 2.23 of a percentage point) the recoverable amount would, all other parameters being equal, match the carrying amount.

Within the Wiring Systems Division, the item of goodwill in the amount of € 68.7 million was allocated entirely at segment level and also tested for impairment. The after-tax discount rate in this case was 8.69 percent (previous year: 8.45 percent). Based on the assumptions made, the recoverable amount exceeded the carrying amount of € 1.084.3 million by € 365.9 million. From an increase in the discount rate by 1.98 of a percentage point (previous year: 4.49 of a percentage point) the recoverable amount would, all other parameters being equal, match the carrying amount.

In the first half of the year, there were indications of impairment in the case of one cash-generating unit in the Wiring Systems Division to which an item of goodwill was allocated. The after-tax discount rate in this case was 9.74 percent (previous year: 8.96 percent). Considering the assumptions made, the cash-generating unit's carrying amount was short of the recoverable amount by € 50.9 million. The allocated goodwill in the amount of € 1.9 million was amortised in full. Any write-down requirement beyond that was, as described in section 16, distributed among the non-current, non-financial assets that are allocated to the cash-generating unit. As part of this distribution of impairment, capitalised customer relationships in the amount of € 4.3 million were written down in full. Property plant and equipment accounted for impairment amounting to € 4.3 million.

18 | Shares in associated companies and joint ventures

As in the previous year, the shares in associated companies and joint ventures involved primarily LEONI Wiring Systems Co. Ltd. based in Langfang, China, in which the Group holds a 50 percent stake and which is included on the consolidated financial statements with this share. The business purpose of this joint venture is the production of cable harnesses for car model series.

The following key figures may be extrapolated from the financial statements prepared in accordance with IFRS for the aforementioned, significant joint venture. The figures are stated at 100 percent and do not reflect LEONI's share in these amounts. There is furthermore a reconciliation of the pro-rata net assets with the carrying amount of the share held by LEONI in this joint venture.

First-time application of IFRS 16, Leases enlarged the balance sheet by € 7,645 k as at the reporting date.

€ '000	2019	2018
Current assets	143,693	109,126
of which cash and cash equivalents	*12,310*	*13,496*
Non-current assets	41,147	29,780
Current liabilities	99,898	81,965
of which current financial liabilities	*80,823*	*68,482*
Non-current liabilities	6,452	0
of which non-current financial debt	*5,242*	*0*
Sales	324,266	253,590
Interest income	342	1,432
Interest expenses	605	0
Depreciation / amortisation	7,639	4,196
Expenses	236,554	189,258
Income before taxes	**79,810**	**61,568**
Income tax expense or revenue	(12,020)	(15,452)
Earnings after taxes	**67,790**	**46,116**
Other comprehensive income	364	(42)
Total comprehensive income	**68,154**	**46,074**
Pro-rata comprehensive income	34,077	23,037
Net assets (excl. goodwill)	**78,490**	**56,941**
Pro-rata net assets	39,245	28,470
Pro-rata goodwill	4,010	3,972
Carrying amount of investment	**43,255**	**32,442**
Non-significant joint ventures	1,439	917
Carrying amount of investment on balance sheet	**44,694**	**33,359**
Average number of employees	**749**	**662**

LEONI received a dividend of € 23,372 k from Langfang-based LEONI Wiring Systems Co. Ltd. in the financial year (previous year: € 23,552 k).

The carrying amount of joint ventures and associated companies that are individually not significant was € 1,439 k (previous year: € 917 k).

The summarised financial information, based on the values pertaining to LEONI, is presented below:

€ '000	2019	2018
Income from continuing operations	113	152
Other earnings after taxes	(122)	15
Total comprehensive income	**(9)**	**167**

19 | Leases

The Company has leases for land, leasehold rights and buildings, machinery, motor vehicles as well as factory and office equipment. Calculation of the lease liabilities as at the reporting date for land, leasehold rights and buildings was based on residual terms of between one and twenty years, whereas liabilities for rental of machinery, motor vehicles as well as factory and office equipment was based on residual terms of between one and eight years.

Expenses for leases that had terms of less than 12 months were recognised during the year under report. These leases involved mostly motor vehicles, technical equipment and machinery, but also short-term building leases. Expenses were furthermore recognised for leases where the new value of the asset is less than € 5 k. The latter concerns mostly office and business equipment.

As at 1 January 2019, the carrying amount of the assets accounted for under leases was € 157,934 k. We refer to Note 2 ("New accounting requirements") regarding the effects of initial application on 1 January 2019 of the new standard for lease accounting (IFRS 16).

The progression broken down by asset class of the rights of use during the year under report as well as their amount on the reporting date is presented hereinafter:

€ '000	Land, leasehold rights and buildings	Technical equipment, plant and machinery	Other equipment, factory and office equipment	Total
Net carrying amount on 01 January 2019 (adjusted)	**138,227**	**9,999**	**9,708**	**157,934**
Acquisition costs on 01 January 2019 (adjusted)	138,227	9,999	9,708	157,934
Additions	61,295	14,930	10,345	86,570
Disposals	2,615	136	89	2,840
31 December 2019	196,907	24,793	19,964	241,664
Accumulated amortisation on 01 January 2019 (adjusted)	0	0	0	0
Increase in amortisation	31,081	3,890	6,124	41,095
Increase in impairment	0	0	0	0
Disposals	1,450	123	83	1,656
31 December 2019	29,631	3,767	6,041	39,439
Net carrying amount on 31 December 2019	**167,276**	**21,026**	**13,923**	**202,225**

The allocations to rights of use from leasing are presented in the statement of cash flows as non-cash additions to financial assets.

The following amounts are recognised in the income statement:

€ '000	2019
Amortisation of rights of use	41,095
Finance cost on lease liabilities	4,402
Expenses for short-term leases	2,570
Expenses for low-value leased items	514
Variable leasing expenses	560
Income for sub-leases	148
Total amount of leasing expenses classified to the income statement	**48,993**

Of the items presented in the income statement in connection with leasing, a sum of € 48,964 k was cash effective.

Sale-and-leaseback transactions took place to a minor extent only. Sale of production machinery yielded income of € 1,168 k in the year under report; there were no book profits. We refer to Note 34 ("Events occurring after the balance sheet date") regarding the various sale-and-leaseback transactions that took place after the balance sheet date.

The lease liabilities recognised under financial liabilities developed as follows during the reporting period:

€ '000	**2019**
Carrying amount 01 January	**157,177**
Additions	86,263
Interest accrued	4,402
Repayment	(51,418)
Carrying amount on 31 December	**196,424**
Short term	41,730
Long term	154,694

The future (undiscounted) minimum rental payments on non-cancellable operating leases are presented according to their maturity in Note 27 ("Risk management and financial derivatives"; sub-section "Liquidity risk").

The Company has, to a minor extent, signed leases for rental of land and buildings with variable lease payments, which depend on the volume of inventory movements. In the year under report, the expenses recognised under lease liabilities for such leases amounted to € 560 k, the payouts for which amounted to 523 k.

Based on the extension and termination options, the potential, future cash outflows come to a figure of € 2,308 k. In particular, this concerns options to extend by up to 15 years for leases of buildings as well as factory and office equipment. These options were disregarded in measurement of lease liabilities because their exercise was not presently deemed as sufficiently certain.

In addition, there are off-balance sheet, future obligations pertaining to short-term leases (€ 309 k); to leases for minor-value assets (€ 968 k), as well as to variable lease payments and leases that have already been agreed, but do not commence until after the reporting date (€ 14,620 k).

In the previous year, there were almost exclusively obligations pertaining to operating leases, the minimum lease payments for which broke down as follows:

Fiscal years	**€ '000**
2019	45,482
2020	36,151
2021	29,373
2022	23,061
2023	18,811
from 2024	34,704
Total	**187,582**

20 | Financial liabilities

€ '000	2019	2018
Current financial debts and current proportion of long-term financial debts	364,774	176,550
Long-term financial debts	965,010	587,880
	1,329,784	**764,430**

The financial liabilities comprised liabilities to banks, notes payable, lease liabilities as well as other loan obligations. They totalled € 1,329,784 k on 31 December 2019 (previous year: € 764,430 k). Current financial liabilities and the short-term proportion of long-term loans amounted to € 364,774 k on the reporting date (previous year: € 176,550 k). This increase resulted principally from greater use of existing credit lines, reclassification of borrower's note loans in the amount of € 196 million that mature in 2020 from non-current to current financial liabilities and first-time accounting for lease liabilities in the amount of € 34 million at the time of initial application of IFRS 16 on 1 January 2019 as well as in the amount of € 54 million in the current financial year.

The likewise significantly increased non-current financial debts compared with the previous year amounted to € 965,010 k on the balance sheet date. Primarily, the increase is attributable in the amount of € 417 million to drawing on the credit lines under the syndicated loan, for which repayment is now to be expected later than in 12 months as well as first-time accounting for non-current leases in the amount of € 123 million at the time of initial application of IFRS 16 on 1 January 2019 as well as in the amount of € 32 million in the current financial year. The above-mentioned reclassification in the amount of € 196 million from non-current to current financial debts exerted an opposing effect.

The overview below shows the existing borrower's note loans:

Nominal value € '000	**Carrying amount 31/12/2019** € '000	Payment year	Repayment	Interest	Hedging instrument
25.000	25.515	2013	matures 2020	fixed income	Fair value hedge
6.000	6.054	2015	matures 2020	fixed income	none
87.000	87.210	2015	matures 2020	variable rate	none
77.500	78.178	2015	matures 2020	fixed income	none
9.000	9.094	2012	matures 2022	fixed income	none
21.000	21.048	2015	matures 2022	variable rate	none
19.000	19.203	2015	matures 2022	fixed income	none
11.000	10.998	2018	matures 2023	fixed income	none
87.000	86.947	2018	matures 2023	variable rate	Cash flow hedge
66.500	66.505	2018	matures 2024	fixed income	none
87.000	86.957	2018	matures 2024	variable rate	Cash flow hedge
12.000	12.176	2015	matures 2025	fixed income	none
58.000	58.032	2018	matures 2026	fixed income	none
13.500	13.512	2018	matures 2028	fixed income	none
8.000	7.998	2018	matures 2028	variable rate	Cash flow hedge

Detail of the financial liabilities and hedging instruments is to be found in ›Note 27.

21 | Trade payables and other financial liabilities

€ '000	2019	2018
Trade accounts payable	766,484	956,826
Liabilities to associated companies and joint ventures	1,562	1,477
Other liabilities	133,107	126,040
	901,258	**1,084,343**

On 31 December 2019, trade liabilities amounting to € 141,705 k (previous year: € 171,254 k) involved reverse factoring.

Other liabilities included payables amounting to € 59,765 k (previous year: € 39,207 k) from the receipt of payment on receivables that were sold within factoring contracts.

22 | Other current liabilities

€ '000	2019	2018
Liabilities to employees	102,284	97,079
Tax liabilities	41,523	46,115
Liabilities connected with social security	26,656	23,612
Other accruals	25,861	23,363
	196,324	**190,169**

23 | Provisions

The changes in provisions are summarised as follows:

€ '000	01.01.2019	Usage	Write-back	Allocation	Allocation of interest	Currency differences	31.12.2019	Current provisions 2019	Non-current provisions 2019	Current provisions 2018	Non-current provisions 2018
Personnel-related provisions	27,450	4,524	232	6,498	1,154	(60)	**30,406**	1,871	28,535	1,388	26,062
Provisions for product warranties	9,525	3,262	612	12,088	0	(59)	**17,798**	17,798	0	9.525	0
Other provisions for purchasing and distribution	9,009	3,296	119	106,899	0	(27)	**112,520**	55,453	57,067	8,873	136
Restructuring provisions	684	455	189	39,803	0	0	**39,843**	36,676	3,167	684	0
Other provisions	13,379	1,716	1,652	4,063	8	(46)	**14,128**	4,846	9,282	4,068	9,311
Total	**60,047**	**13,253**	**2,804**	**169,351**	**1,162**	**(192)**	**214,695**	**116,644**	**98,051**	**24,538**	**35,509**

The personnel-related provisions involved mainly long-term provision for anniversary bonuses in the amount of € 14,048 k (previous year: € 12,762 k) and for partial retirement agreements in Germany in the amount of € 8,198 k (previous year: € 8,518 k). The provision for anniversary bonuses is paid out according to the age structure of the workforce upon the employees' respective anniversaries of service. Based on the current workforce, payments will mostly become due in the next 21 years. The payments relating to provisions for partial retirement will probably be spread over the next 6.5 years.

The product warranties were determined based on experience, with goodwill concessions also taken into account. Provisions were added in the amount of € 12,088 k (previous year: € 6,505 k) for claims under warranty and/or for compensation in fiscal 2019. These provisions for claims under warranty and/or for compensation were offset by claims against the insurer in the amount of € 50 k (previous year: € 50 k).

In purchasing and distribution, there were order-related provisions for onerous contracts totalling € 107,298 k (previous year: € 4,399 k). This was due principally to provision for contingent loss made in the fourth quarter in the amount of about € 80 million for changed conditions underlying a major project. Losses could consequently, in the course of 2021 and thereafter over a multi-year period, impact on liquidity. The other provisions for contingent losses pertain mostly to reassessment of the order portfolio and market prospects against the backdrop of changed macroeconomic and sector-specific conditions.

The substantial increase in restructuring provisions totalling € 39,159 k is largely related to the VALUE 21 programme. The additions concern severance payments spread almost equally between the two divisions and will mostly affect liquidity by the end of 2020. Detailed explanation of the VALUE 21 programme is contained in the management report.

Other provisions contain primarily provision for the soil decontamination of a site in Germany.

24 | Pension provisions

At LEONI, there are in various countries pension commitments that provide for benefits in the event of disablement, retirement or death. These principal commitments are limited to our companies in the United Kingdom, Germany and Switzerland, and are set up as defined benefit plans. The obligations and the plan assets of the pension plans in these three countries accounted for 97.4 percent (previous year: 97.1 percent) and 99.5 percent (previous year: 99.2 percent), respectively, of the Group total. The pension plans in the United Kingdom and Switzerland are managed by legally independent entities, namely the LEONI UK Pension Scheme and Vorsorgestiftung LEONI Schweiz (LEONI Switzerland Pension Trust).

Germany

In Germany, LEONI grants defined benefits to most employees for the deferral of compensation. Amounts of deferred compensation earn fixed interest and lead to a claim for fixed lump-sum benefit once entitlement takes effect. These benefits are covered by capital insurance. The reinsurance policies are qualifying insurance policies and are therefore recognised as plan assets. The terms of the insurance policies are in line with the dates when the benefits become due. The interest rate for benefit modules follows the respectively current maximum rate stipulated by Section 65 of the Insurance Supervision Act (VAG) in conjunction with Section 2 (1) of the Actuarial Reserve Ordinance. It is capped at 6 percent; recently acquired benefit modules are rated at 4.5 percent interest. The pension plan of Leonische Drahtwerke AG, which was closed to people joining the Company as long ago as 1981, granted pension payments based on year of service and income at the time of retirement.

Pension obligations of acquired German companies are generally based on eligible compensation levels and/or ranking within the Company hierarchy and years of service, or on a fixed amount per year of service. All defined pension plans of acquired companies are closed to new staff.

The plans in Germany are exposed to risks relating primarily to interest rates, longevity and partly also salary increases.

United Kingdom

In the United Kingdom, there is a defined benefit plan that was set up in the year 2000 and replaced the pension plan in place until then. Until it was closed to new staff joining in 2008, all employees were able to participate in this plan. The pension plan is administered by a trust whose board comprises both employer and employee representatives. There are also outside experts consulting on asset management and actuarial matters. The trust determines the contributions to be paid in by LEONI and decides on the additional contributions to be paid by LEONI in the event of any plan deficit. Due to the persistently low discount rates that are to be applied for computing pension obligation, the balance of defined benefit obligation and plan assets currently shows a deficit of € 57,419 k (previous year: € 50,964 k), equating to 25.6 percent (previous year: 26.1 percent) of the defined benefit obligation. Negotiations between LEONI and the trust are conducted every three years to determine the amounts to be paid in to clear any deficit and the period over which to do so. In addition to the ongoing contributions, payments of € 4,481 k were made in the financial year (previous year: € 4,286 k) to clear the deficit.

The amount of committed benefits is based upon the salary of the last year of employment as well as years of service and contributions of the participants to the fund. Pension adjustments are linked to an inflation index, reflecting increases in the cost of living.

LEONI is exposed due to these plans in the United Kingdom to risks involving primarily interest rates, investment, inflation and longevity as well as salary increases.

Switzerland

In Switzerland, there is, alongside the state pension, a statutory obligation to provide employees with pension insurance, which pays benefits in the event of retirement, disablement and death. This involves a defined benefit plan that, at LEONI, is managed by the legally independent 'Vorsorgestiftung LEONI Schweiz' (LEONI Switzerland Pension Trust). The trust's management is incumbent upon the board of trustees, which comprises an equal number of employer and employee representatives. The risks relating to longevity, interest rates and investment are borne exclusively by the trust. The savings contributions to the trust are paid in equal amounts by the employer and employees. A variety of measures can be applied in the event of any plan deficit. Alongside the options of reducing the pension payments or increasing the savings contributions, there is a statutory obligation on companies to pay recapitalisation contributions.

The size of benefit payments is, in the event of disability or death, geared to the amount of income insured, or, in the case of retirement, depends on the credit balances in nominal savings accounts (old-age credit) at the time of retirement.

Other countries

In France, there are defined benefit plans in accordance with the country's legal requirements and other agreements. The collective agreement of the French metal-working trade union determines the size of the benefit. It is linked to monthly wages and salaries and depends on years of service.

At the Italian subsidiaries, there are pension plans in accordance with the local legal requirements. These must be qualified as defined benefit plans pursuant to IAS 19 and were presented accordingly.

Furthermore, there are at some foreign subsidiaries pension-like defined benefit schemes, above all for transition payments after entering retirement, which were presented as defined benefit plans pursuant to IAS 19 and which were of only minor significance to the Group.

The trend in net pension obligations, which is comprised of the change in the defined benefit obligation and the change in the fair value of plan assets is as follows:

2019						
Change in defined benefit obligations	€ '000	**UK**	**Germany**	**Switzerland**	**Other**	**Total**
Defined benefit obligations at the beginning of the fiscal year		195,226	124,510	96,994	12,268	428,998
Current service cost		1,537	2,346	2,199	2,427	8,509
Interest cost		5,662	2,487	789	266	9,204
Actuarial (gains) / losses		18,020	15,272	9,882	810	43,984
Past service cost		0	0	0	(81)	(81)
Contributions by plan participants		16	3,227	2,260	0	5,503
Currency differences		11,313	0	3,999	2	15,314
Transfers under Swiss law		0	0	3,171	0	3,171
Benefits paid		(7,479)	(3,603)	(5,224)	(1,429)	(17,735)
Defined benefit obligations at the end of the fiscal year		**224,295**	**144,239**	**114,070**	**14,263**	**496,867**
Change in plan assets	€ '000	**UK**	**Germany**	**Switzerland**	**Other**	**Total**
Fair value of plan assets at the beginning of the fiscal year		144,262	43,238	80,323	2,271	270,094
Interest income		4,238	870	653	65	5,826
Return on plan assets (excl. interest income based on discount rate)		11,725	50	7,293	(44)	19,024
Currency differences		8,395	0	3.301	(35)	11,661
Contributions by the employer		6,443	441	2.254	395	9,533
Contributions by plan participants		16	3.227	2.260	0	5,503
Administrative costs, fees and taxes		(724)	0	0	0	(724)
Transfers under Swiss law		0	0	3.171	0	3,171
Benefits paid		(7,479)	(1.022)	(5.224)	(1,216	(14,941)
Plan assets at the end of the fiscal year		**166,876**	**46,804**	**94,031**	**1,436**	**309,147**
Net liability due to defined benefit plans		**57,419**	**97,435**	**20,039**	**12,827**	**187,720**

2018

Change in defined benefit obligations €'000	UK	Germany	Switzerland	Other	Total
Defined benefit obligations at the beginning of the fiscal year	213,608	121,442	90,167	11,621	436,838
Current service cost	1,772	2,450	1,957	698	6,877
Interest cost	5,024	2,305	641	233	8,203
Actuarial (gains) / losses	(18,363)	(1,352)	(219)	322	(19,612)
Past service cost	985	0	(386)	4	603
Contributions by plan participants	18	2,834	2,131	0	4,983
Currency differences	(2,064)	0	3,515	3	1,454
Transfers under Swiss law	0	0	5,148	0	5,148
Benefits paid	(5,754)	(3,169)	(5,960)	(613)	(15,496)
Defined benefit obligations at the end of the fiscal year	**195,226**	**124,510**	**96,994**	**12,268**	**428,998**

Change in plan assets €'000	UK	Germany	Switzerland	Other	Total
Fair value of plan assets at the beginning of the fiscal year	146,982	39,941	76,919	2,247	266,089
Interest income	3,502	763	547	75	4,887
Return on plan assets (excl. interest income based on discount rate)	(4,501)	23	(3,472)	(46)	(7,996)
Currency differences	(1,543)	0	2,945	0	1,402
Contributions by the employer	6,274	414	2,065	407	9,160
Contributions by plan participants	18	2,834	2,131	0	4,983
Administrative costs, fees and taxes	(716)	0	0	0	(716)
Transfers under Swiss law	0	0	5,148	0	5,148
Benefits paid	(5,754)	(737)	(5,960)	(412)	(12,863)
Plan assets at the end of the fiscal year	**144,262**	**43,238**	**80,323**	**2,271**	**270,094**
Net liability due to defined benefit plans	**50,964**	**81,272**	**16,671**	**9,997**	**158,904**

The pension obligations are presented on the balance sheet as a net liability in the amount of € 187,720 k (previous year: € 158,904 k).

The transfers under Swiss law concern the transfer of the obligation and of the related proportion of plan assets, known as the vested benefit credit, to the new employer or a suitable financial institution in accordance with the country's legal requirements.

The defined benefit obligation at the end of the financial year broke down into € 441,733 k (previous year: € 380,852 k) in funded obligations and € 55,133 k (previous year: € 48,146 k) in unfunded obligations.

A breakdown of the obligations into the categories of existing and past employees as well as non-vested and vested benefits is provided in the overview below:

2019 € '000	UK	Germany	Switzerland	Other	Total
Current employees with non-vested benefits	59,875	75,579	77,353	3,574	216,381
Current employees with vested benefits	0	0	0	10,689	10,689
Former employees with non-vested benefits	83,189	22,539	0	0	105,728
Pensioners	81,231	46,121	36,717	0	164,069
Defined benefit obligations at the end of the fiscal year	**224,295**	**144,239**	**114,070**	**14,263**	**496,867**

2018 € '000	UK	Germany	Switzerland	Other	Total
Current employees with non-vested benefits	49,936	63,776	66,109	4,389	184,210
Current employees with vested benefits	0	0	0	7,879	7,879
Former employees with non-vested benefits	69,027	24,853	0	0	93,880
Pensioners	76,263	35,881	30,885	0	143,029
Defined benefit obligations at the end of the fiscal year	**195,226**	**124,510**	**96,994**	**12,268**	**428,998**

The actuarial gains or losses on revaluation were recognised in accumulated other comprehensive income. The trend in the Group's actuarial losses, including the share pertaining to associated companies, is presented in the overview below:

€ '000	2019	2018
Actuarial losses at the beginning of the fiscal year	126,345	137,976
Actuarial (gains) / losses		
– due to the change in demographic projections	(5,190)	1,461
– due to the change in financial estimates	48,767	(21,135)
– due to adjustments based on experience	532	47
Return on plan assets (excl. interest income based on discount rate)	(19,027)	7,996
Actuarial losses at the end of the fiscal year	**151,427**	**126,345**

The assumptions for interest rates, rates of compensation increase and the expected return on plan assets on which the calculation for defined benefit obligations is based were established for each country as a function of their respective economic conditions. The discount rate was determined on the basis of top-tier, fixed-income corporate bonds. This involved referencing bonds that on the reporting date had maturities in line with the pension obligations and are quoted in the corresponding currency. AA-rated bonds were used as the basis for data to determine the discount rates.

The overview below shows the actuarial assumptions made to calculate the defined benefit obligation:

	2019				2018			
	UK	Germany	Switzerland	Total	UK	Germany	Switzerland	Total
Discount rate	2.09 %	1.21 %	0.15 %	1.36 %	2.89 %	2.02 %	0.80 %	2.12 %
Rate of wage and salary increase	2.91 %	2.50 %	1.00 %	2.33 %	3.21 %	2.50 %	1.00 %	2.47 %
Rate of compensation increase	2.81 %	1.75 %	0.00 %	1.79 %	3.07 %	1.75 %	0.00 %	1.91 %

The assumptions made for calculating net periodic pension costs are shown in the table below:

	2019				2018			
	UK	Germany	Switzerland	Total	UK	Germany	Switzerland	Total
Discount rate	2.89 %	2.02 %	0.80 %	2.12 %	2.38 %	1.93 %	0.70 %	1.88 %
Rate of wage and salary increase	3.21 %	2.50 %	1.00 %	2.47 %	3.18 %	2.50 %	1.00 %	2.51 %
Rate of compensation increase	3.07 %	1.75 %	0.00 %	1.91 %	3.05 %	1.75 %	0.00 %	1.98 %

The assumed mortality is based on published statistics and historical data in the respective countries. The valuation of the retirement benefit obligations in the United Kingdom is always based on the S2NA mortality table. The mortality assumptions were detailed further in March 2019 with release of the CMI Mortality Projections Model 2018, which also contained more on personal factors affecting mortality. The impact on the defined benefit obligation is included in the actuarial changes due to demographic assumptions. As in the previous year, the mortality tables used in Germany and Switzerland were the 'Heubeck-Richttafeln 2018 G' and the 'BVG 2015 Generationentafel', respectively.

The discount rate is the key determinant for the amount of net pension obligations. An increase or a decrease by 1 percentage point has the following impact on the defined benefit obligation:

2019	€ '000	UK	Germany	Switzerland	Other	Total
Defined benefit obligations at the end of the fiscal year		**224,295**	**144,239**	**114,070**	**14,263**	**496,867**
Discount rate plus 1 percentage point	Change:	(34,453)	(17,845)	(14,694)	(507)	(67,499)
Defined benefit obligations:		189,842	126,394	99,376	13,756	429,368
Discount rate minus 1 percentage point	Change:	44,756	22,178	18,836	561	86,331
Defined benefit obligations:		269,051	166,417	132,906	14,824	583,198

2018	€ '000	UK	Germany	Switzerland	Other	Total
Defined benefit obligations at the end of the fiscal year		**195,226**	**124,510**	**96,994**	**12,268**	**428,998**
Discount rate plus 1 percentage point	Change:	(29,671)	(14,925)	(11,746)	(1,307)	(57,649)
Defined benefit obligations:		165,555	109,585	85,248	10,961	371,349
Discount rate minus 1 percentage point	Change:	38,678	18,458	14,923	1,564	73,623
Defined benefit obligations:		233,904	142,968	111,917	13,832	502,621

The assumptions concerning the trends in salaries, pensions and mortality with respect to the pension plan in the Group have the effect on the defined benefit obligation set out below. It should be noted that a drop in the pension level is ruled out by law in Switzerland.

The mortality trend is taken into account in the three major pension plans through the use of generation tables. Calculation of the defined benefit obligation with a one-year rise in life expectancy raises the defined benefit obligation of the plans as follows: in the United Kingdom by 3.15 percent (previous year: 3.43 percent), in Germany by 2.45 percent (previous year: 2.34 percent) and in Switzerland by 2.60 percent (previous year: 2.30 percent).

		2019			2018		
€ '000		UK	Germany	Switzerland	UK	Germany	Switzerland
Defined benefit obligations at the end of the fiscal year		**224,295**	**144,239**	**114,070**	**195,226**	**124,510**	**96,994**
Salary trend plus 0.5 percentage point	Change (absolute):	2,353	30	342	2,230	31	194
	Change (relative):	1.05 %	0.02 %	0.30 %	1.14 %	0.03 %	0.20 %
Salary trend minus 0.5 percentage point	Change (absolute):	(2,353)	(29)	(342)	(2.230)	(52)	(194)
	Change (relative):	(1.05) %	(0.02) %	(0.30) %	(1.14) %	(0.04) %	(0.20) %
Rate of compensation plus 0.5 percentage point	Change (absolute):	15,294	4,247	5,475	13.381	3,655	4,462
	Change (relative):	6.82 %	2.94 %	4.80 %	6.85 %	2.94 %	4.60 %
Rate of compensation minus 0.5 percentage point	Change (absolute):	(14,118)	(3,866)	n/a	(12.266)	(3,334)	n/a
	Change (relative):	(6.29) %	(2,68) %	n/a	(6,28) %	(2,68) %	n/a
Life expectancy plus 1 year	Change (absolute):	7,059	3,534	2,966	6,690	2,915	2,231
	Change (relative):	3.15 %	2.45 %	2.60 %	3.43 %	2.34 %	2.30 %

The calculation of sensitivities was, as part of an observation performed on a ceteris paribus basis, based on changing an assumption, whereas all other assumptions remain unchanged, whereby dependencies between the assumptions are ruled out. The method for calculating sensitivities is identical to that for calculating the net pension obligation.

The defined benefit plan expense recognised in comprehensive income comprises the amounts contained in consolidated net income and in other comprehensive income:

€ '000	2018	2017
Current service cost	8,509	6,877
Net interest cost	3,378	3,316
Past service cost	(81)	603
Administrative costs and taxes related to plan management	724	716
Defined benefit plan expense recognised in consolidated net income	**12,530**	**11,512**
Actuarial (gains) / losses	44,109	(19,627)
Return on plan assets (excl. interest income based on discount rate)	(19,027)	7,996
Income / expense relating to defined benefit plans recognised in other comprehensive income	**25,082**	**(11,631)**
Defined benefit plan expense recognised in comprehensive income	**37,612**	**– 119**

The net interest expense that arose from applying the discount rate to the balance of defined benefit obligation less plan assets (net pension obligation) was presented under finance costs.

The expense recognised in consolidated net income was contained in the following items of the income statement:

€ '000	2019	2018
Cost of sales	4,893	3,311
General and administration expenses	1,557	2,051
Selling expenses	1,069	1,104
Research and development expenses	1,633	1,730
Finance costs	3,378	3,316
Defined benefit plan expense recognised in consolidated net income	**12,530**	**11,512**

Asset-liability matching strategies

At LEONI, the key benefit commitments are, in accordance with the Company's Articles of Association, furnished with a benefit reserve that is suited in its nature to funding the benefit payments when they are due and in the required amount. In the case of the German pension plan this is done exclusively by means of qualifying life insurance policies that are synchronised in their terms and amounts with the expected benefit payments. In the case of the pension plans in the United Kingdom and Switzerland, the boards of the independent trusts ensure adherence to the investment strategies. These strategies are aimed at minimising potential investment risks, having sufficient funds available at short notice to serve the benefit payments due and at generating a return that is in line with the market over the long term. Assessments of the investment portfolio are regularly conducted together with independent, outside specialists in the fields of asset investment and actuarial policies to review the attainment of strategic targets and for the boards on that basis to take investment decisions.

The breakdown of plan assets in the various classes is presented in the table below:

	2019		2018	
	€ '000	%	€ '000	%
Equity instruments	65,959	21.3	48,143	17.8
Debt instruments	41,706	13.5	36,330	13.5
Property	40,858	13.2	36,155	13.4
of which: prices not quoted on an active market	*22,361*	*7.2*	*20,053*	*7.4*
Securities funds	90,948	29.4	82,086	30.4
Qualifying insurance policies	46,848	15.2	43,278	16.0
Other plan assets	16,538	5.3	19,097	7.1
of which: prices not quoted on an active market	*13,936*	*4.5*	*13,227*	*4.9*
Cash and cash equivalents	6,290	2.0	5,005	1.9
Total plan assets	**309,147**	**100,0**	**270,094**	**100,0**

The plan assets from qualifying insurance policies stemmed almost exclusively from the reinsurance policies in Germany.

Apart from the class comprising cash and cash equivalents, the assets of all other classes stated involved the plan assets of the pension plans in the United Kingdom and Switzerland, and broke down as follows:

2019	**UK**		**Switzerland**	
	€ '000	%	€ '000	%
Equity instruments	39,383	23.6	26,576	28.3
Debt instruments	0	0,0	41,706	44.4
Property	22,361	13.4	18,497	19.7
of which: prices not quoted on an active market	*22,361*	*13.4*	*0*	*0.0*
Securities funds	90,948	54.5	0	0.0
Other plan assets	13,850	8.3	2,688	2.9
of which: prices not quoted on an active market	*13,850*	*8.3*	*86*	*0.1*
Cash and cash equivalents	334	0.2	4,564	4.9
Total plan assets	**166,876**	**100.0**	**94,031**	**100.0**

2018	**UK**		**Switzerland**	
	€ '000	%	€ '000	%
Equity instruments	30,293	21.0	17,848	22.2
Debt instruments	0	0.0	36,330	45.2
Property	20,053	13.9	16,102	20.0
of which: prices not quoted on an active market	*20,053*	*13.9*	*0*	*0.0*
Securities funds	82,086	56.9	0	0.0
Other plan assets	11,830	8.2	7,267	9.0
of which: prices not quoted on an active market	*11,830*	*8.2*	*1,397*	*1.7*
Cash and cash equivalents	0	0.0	2,776	3.5
Total plan assets	**144,262**	**100.0**	**80,323**	**100.0**

The equity instruments in the United Kingdom and Switzerland comprised investments in equity funds and direct investments. In each case the funds included equities both based in the country and foreign ones. The debt instruments held in Switzerland involved both national and foreign corporate and government bonds.

Investment in property in the United Kingdom and Switzerland was transacted exclusively by way of open-ended property funds. The securities funds in the United Kingdom involved diversified growth funds or liability-driven investments (LDIs). The other plan assets in the United Kingdom included investments in funds in which the portfolios comprised foreign utility and transport infrastructure organisations.

The breakdown of plan assets by the stated investment classes corresponds to the targeted investment classes set out in the statutes of the pension plans. The trustee continuously monitors the investment strategy especially for the plan in the United Kingdom. The objective is to ensure the best possible congruity with respect to long-term structure and interest rate as well as inflation sensitivities between pension obligations and the plan assets (liability-driven investments). The shift in the target allocation away from debt instruments and towards securities funds started in the previous year was thus continued. Securities funds are expected to provide more targeted hedging of the inflation and interest rate risk.

LEONI did not make any own use of plan assets.

The contributions to plan assets amounted to € 9,533 k and were projected at € 10,025 k for the subsequent financial year.

A breakdown of pension payments (excluding compensatory effects of payouts from the plans assets) was presented as follows:

Pension payments made	€ '000
2018	15,496
2019	**17,735**

Expected pension payments	€ '000
2020	16,658
2021	16,454
2022	19,826
2023	17,917
2024	19,300
2025 – 2029	99,665
Pension payments expected until 2029	**189,820**

The average, weighted Macaulay duration of benefit obligations was 18 years in the United Kingdom as well as 14 and 15 years in Germany and Switzerland respectively.

Some non-German companies provide defined contribution plans. In Germany and other countries, state plans were also recognised under defined contribution plans. The total cost of such contributions amounted to € 86,924 k in the financial year (previous year: € 82,349 k).

25 | Equity

Share capital

The share capital in the amount of € 32,669 k (previous year: € 32,669 k), which corresponded to the share capital of LEONI AG, is divided into 32,669,000 (previous year: 32,669,000) no-par-value shares.

Additional paid-in capital

As in the previous year, the additional paid-in capital amounted to € 290,887 k.

Statutory reserve

As in the previous year, the retained earnings included the statutory reserve of LEONI AG in the amount of € 1,092 k, which is not available for distribution.

Authorised capital

The Board of Directors is authorised to increase the share capital by up to € 16,335 k on or before 10 May 2022 with the Supervisory Board's approval by once or in partial amounts issuing up to 16,334,500 new bearer shares, each with a pro-rated share of € 1.00 in the share capital, on a cash or non-cash basis. Shareholders must be granted a right to subscribe. However, shareholders at the Annual General Meeting entitled the Board or Directors, with the approval of the Supervisory Board, to rule out shareholders' subscription rights in cases specified in the Articles of Association.

Contingent capital

Furthermore, the Annual General Meeting on 07 May 2015 authorised the Board of Directors to issue convertible bonds and/or warrant-linked bonds until 6 May 2020. This involved a contingent increase in share capital by up to € 6,534 k. The contingent capital increase is only to be performed to the extent that option and/or conversion rights are exercised, or that the holders and/or creditors obliged to convert have met their conversion obligation, or so far as the Company exercises its right under such instruments either entirely or partially to grant shares in the Company instead of paying the cash amount due and provided no other forms of fulfilment are used.

Dividend payment

It was decided not to pay any dividend in fiscal 2019.

Proposal for appropriation of retained earnings

LEONI AG retained earnings were written back in the amount of € 163,449 k in fiscal 2019. This resulted in a retained loss computed in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) of € 160,660 k, which will be carried forward to the next financial year.

To ensure its financing throughout, LEONI has committed itself not to pay out any dividend until its restructured credit lines are repaid.

26 | Contingencies and other obligations

Lease obligations

We refer to Note 19 concerning off-balance sheet, contingent liabilities pertaining to leases.

Purchase order commitments

Purchase order commitments for property, plant and equipment as well as intangible assets amounted € 51,197 k on the balance sheet date (previous year: € 60,008 k).

Litigation and claims

Individual LEONI companies are involved in litigation or could be involved in further litigation, which could entail claims for compensation or other claims. Appropriate amounts with respect to such claims and, where applicable, claims against the insurers were recognised.

As reported, several civil proceedings in the form of class action lawsuits have been initiated against LEONI and other wiring systems manufacturers in the United States and Canada since October 2011 due to alleged breaches of competition law. These proceedings have been concluded since 2017 by way of settlement agreements without any acceptance of liability. In the USA, there are still three proceedings pending involving individual claimants, which, from today's perspective, are likely to have far less impact than the hitherto concluded proceedings. A fourth proceeding was concluded in 2019 by way of a settlement agreement without any acceptance of liability. LEONI expects to be able to conclude these outstanding proceedings as well in the near future.

A claimant sued for damages of € 12 million with respect to the alleged breach of the law in connection with having taken over employees in France. LEONI cannot understand either the reasoning or the calculation of the alleged damages. We therefore still believe that we will be able to refute the allegations and to bring the proceedings to a successful conclusion.

Other than the above, there have not been any and there are currently no pending lawsuits or court proceedings that have any major impact on LEONI's business.

27 | Risk management and financial derivatives

Overview of financial instruments

The tables below show financial instruments held in the Group on 31 December 2019 and in the previous year:

€ '000	Measurement category according to IFRS 9	Carrying amount 31/12/19	Recognition according to IFRS 9: Amortised cost	Recognition according to IFRS 9: Fair value recognised in equity	Recognition according to IFRS 9: Fair value recognised in profit or loss	Fair value 31/12/19
Assets						
Cash and cash equivalents	AC	**144,213**	144,213			**144,213**
Trade receivables	AC	**492,960**	492,960			**492,960**
Other financial receivables	AC	**55,445**	55,445			**55,445**
Financial assets held for sale	FVTPL	**34,282**			34,282	**34,282**
Other non-derivative financial assets						
Investments	FVTPL	**1,115**			1,115	**1,115**
Derivative financial assets						
Derivatives without a hedging relationship	FVTPL	**5,275**			5,275	**5,275**
Derivatives with a hedging relationship	n/a	**6,948**		6,948	0	**6,948**
Liabilities						
Trade payables	AC	**766,484**	766,484			**766,484**
Liabilities to banks	AC	**543,860**	543,860			**543,650**
Borrower's note loans	AC	**589,428**	589,428			**564,513**
Other financial liabilities	AC	**151,521**	151,521			**151,521**
Lease liabilities	n/a	**196,424**	196,424			**n/a**
Derivative financial liabilities						
Derivatives without a hedging relationship	FVTPL	**3,941**			3,941	**3,941**
Derivatives with a hedging relationship	n/a	**4,127**		4,127		**4,127**
Of which aggregated by categories according to IFRS 9:						
Financial assets at amortised cost	AC	**692,618**	692,618			**692,618**
Financial assets at fair value through profit or loss	FVTPL	**40,672**			40,672	**40,672**
Financial liabilities at amortised cost	AC	**2,051,293**	2,051,293			**2,026,168**
Financial liabilities at fair value through profit or loss	FVTPL	**3,941**			3,941	**3,941**

€ '000	Measurement category according to IFRS 9	Carrying amount 31/12/2018	Recognition according to IFRS 9 Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss	Fair value 31/12/2018
Assets						
Cash and cash equivalents	AC	**151,754**	151,754			**151,754**
Trade receivables	AC	**586,730**	586,730			**586,730**
Other financial receivables	AC	**44,680**	44,680			**44,680**
Financial assets held for sale	FVTPL	**38,545**			38,545	**38,545**
Other non-derivative financial assets						
Investments	FVTPL	**1,116**			1,116	**1,116**
Derivative financial assets						
Derivatives without a hedging relationship	FVTPL	**1,202**			1,202	**1,202**
Derivatives with a hedging relationship	n/a	**7,832**		7,832		**7,832**
Liabilities						
Trade payables	AC	**956,826**	956,826			**956,826**
Liabilities to banks	AC	**124,303**	124,303			**124,022**
Borrower's note loans	AC	**638,549**	638,549			**645,604**
Other financial liabilities	AC	**147,507**	147,507			**147,507**
Derivative financial liabilities						
Derivatives without a hedging relationship	FVTPL	**7,787**			7,787	**7,787**
Derivatives with a hedging relationship	n/a	**3,661**		3,661		**3,661**
Of which aggregated by categories according to IFRS 9:						
Financial assets at amortised cost	AC	**783,164**	783,164			**783,164**
Financial assets at fair value through profit or loss	FVTPL	**40,863**			40,863	**40,863**
Financial liabilities at amortised cost	AC	**1,867,185**	1,867,185			**1,873,960**
Financial liabilities at fair value through profit or loss	FVTPL	**7,787**			7,787	**7,787**

Due to the short terms of the cash and cash equivalents, trade receivables (excl. factoring) and other current receivables, the fair values largely correspond to the carrying amounts as they did in the previous year.

The cash and cash equivalents do not include any amounts that were set aside as collateral security in bilateral agreements.

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

Trade liabilities and other liabilities usually mature in the short term; the amounts on the balance sheet represent approximations of their fair value.

The fair values of liabilities to banks, the borrower's note loans and the other non-current financial liabilities are determined as the present values of the payments relating to the liabilities based on the respectively applicable yield curves and taking into account the Group-specific margins. For this reason, the fair values are to be allocated to hierarchy level 2.

Capital management

The primary objective of LEONI's capital management is to ensure that it maintains a strong credit rating, a good equity ratio and appropriate gearing to support its business and increase shareholder value.

The Group manages its capital structure and makes adjustments based on the change in underlying economic conditions. To maintain and adjust its capital structure, the Group can make adjustments to dividend payouts to shareholders, repay capital to shareholders or issue new shares. In order to have as broad a range of funding options as possible, LEONI aims to seek approval during its Annual General Meeting for all anticipatory resolutions. LEONI controls its capital with gearing. Gearing is defined as the ratio of net financial debts to equity.

The LEONI Group attaches importance to a permanently solid, balanced finance structure. The aim is to maintain an equity ratio of at least 35 percent. Due to fluctuation in elements of other comprehensive income that cannot be influenced, which may for example be caused by actuarial measurement of pension obligations or differences due to currency translation, the equity ratio could temporarily also drop below this figure. With respect to gearing, a figure below 50 percent is the target to be met on a lasting basis. During periods of acquisition this ratio may be temporarily exceeded. In principle, the aim is that capital spending on organic growth that exceeds the market average can be generated from operating cash flow and that reducing financial liabilities is possible.

€ '000	2019	2018
Financial liabilities	1,329,786	764,431
Less cash and cash equivalents	(144,213)	(151,754)
Net financial liabilities	1,185,571	612,677
Equity	636,138	1,081,438
Gearing	**186 %**	**57 %**

At the end of fiscal 2019, gearing stood at 186 percent (previous year: 57 percent), which is attributable to both the smaller amount of equity because of the loss situation and the significantly increased net financial liabilities due to a hike in bank debt and first-time recognition of liabilities pertaining to leases.

The current financial and liquidity situation of the LEONI Group is comprehensively presented in the Group management report (› 3.3. Financial situation). We refer to the above for purposes of explaining LEONI's capital management.

A trend in financial liabilities is presented in the table below:

Financial liabilities

€ '000	Current	Non-current	Total
31/12/2018	**176,550**	**587,880**	**764,430**
Adjustment IFRS 16	34,404	122,773	157,177
01/01/2019	**210,954**	**710,653**	**921,607**
Cash changes			
New borrowing	118,751	417,369	536,120
Repayment	(212,851)	0	(212,851)
Non-cash changes			
Reclassification	196,010	(196,010)	0
Effect of currency translation	255	0	255
Measurement effects	(1,064)	1,077	13
Lease liability recognition	54,342	31,921	86,263
Change in scope of consolidation	(1,623)	0	(1,623)
31/12/2019	**364,774**	**965,010**	**1,329,784**

€ '000	Current	Non-current	Total
01/01/2018	**254,373**	**336,947**	**591,320**
Cash changes			
New borrowing	432,180	331,000	763,180
Repayment	(588,719)	0	(588,719)
Non-cash changes			
Reclassification	78,679	(78,679)	0
Effect of currency translation	1,423	(694)	729
Measurement effects	(1,386)	(693)	(2,079)
31/12/2018	**176,550**	**587,880**	**764,430**

Net results of the financial instruments

The net results of the financial instruments by measurement category were as follows:

Measurement categories under IFRS 9		€ '000
	2019	2018
Financial assets at amortised cost (AC)	7,515	1,955
Financial assets and financial liabilities at fair value through profit or loss (FVTPL)	(13,290)	(12,261)
Financial liabilities at amortised cost (AC)	(6,364)	(1,189)
Total	**(12,139)**	**(11,495)**

Offsetting of financial instruments

LEONI had derivative assets and derivative liabilities vis-à-vis various financial institutions that do not fulfil the offsetting criteria under IAS 32.42. Accordingly, these derivative financial instruments were presented separately in the statement of financial position. However, the concluded master contracts do contain offsetting agreements in the case of insolvency.

The overview below presents the corresponding figures:

31/12/2019 € '000	Gross figures	Offsetting	Net figures	Offsetting agreements	Net figures
Other financial assets					
Derivatives	11,832	0	**11,832**	(4,579)	**7,253**
Other financial liabilities					
Derivatives	(8,069)	0	**(8,069)**	4,579	**(3,490)**

31/12/2018 € '000	Gross figures	Offsetting	Net figures	Offsetting agreements	Net figures
Other financial assets					
Derivatives	9,034	0	**9,034**	(4,742)	**4,292**
Other financial liabilities					
Derivatives	(11,127)	0	**(11,127)**	4,742	**(6,385)**

Cash flow hedge reserve

The table below shows the trend in the cash flow hedge reserve within consolidated equity.

€ '000	Cash flow hedge reserve	of which: hedging of currency risks	of which: hedging of interest rate risks
01/01/2019	**2,869**	**3,245**	**(376)**
Change in value of the hedge from:			
hedging of sales, cost of sales and investment in property, plant & equipment as well as variable interest of the borrower's note loan	7,924	10,673	(2,749)
Reclassification in the income statement	(8,936)	(8,936)	0
Tax effect	(761)	(761)	0
31/12/2019	**1,096**	**4,379**	**(3,283)**

€ '000	Cash flow hedge reserve	of which: hedging of currency risks	of which: hedging of interest rate risks
01/01/2018	**(3,375)**	**(3,375)**	**0**
Change in value of the hedge from:			
hedging of sales, cost of sales and investment in property, plant & equipment as well as variable interest of the borrower's note loan	8,389	8,924	(535)
Reclassification in the income statement	(1,668)	(1,668)	0
Reclassification in the statement of financial position	(6)	(6)	0
Tax effect	(471)	(629)	158
31/12/2018	**2,869**	**3,245**	**(376)**

The underlying hedging transactions are described in the sections on currency and interest rate risks.

Credit risk

The risk of default arises from deposits with banks and financial institutions, the contractual cash flows from debt instruments, derivative financial instruments with a positive fair value as well as, above all, from outstanding trade receivables and contract assets.

All customers that conclude business with the Group on a credit basis are subject to credit screening. Regular analysis of receivables and the structure of the receivables facilitates ongoing monitoring of the risk. Accounts receivable management is organised in a decentralised way and is subject to the requirements of a guideline for Group-wide accounts receivable management.

The table below shows the breakdown by region of receivables from customers:

in percentage points		2019	2018
EMEA		**62**	**59**
of which:	France	15	13
	Germany	12	12
	United Kingdom	5	4
	Romania	4	5
	Other	26	21
Asien		**25**	**26**
of which:	China	20	21
	South Korea	2	2
	India	1	1
	Other	2	2
Americas		**13**	**15**
of which:	USA	10	11
	Other	3	4

The following table shows the size categories of receivables from customers on the balance sheet date:

	2019		2018	
	%	total share in %	%	total share in %
Largest customer	12	12	9	9
Second largest customer	7	7	6	6
Third to fifth largest customers	3 – 6	13	4 – 5	14
Other customers	≤ 3	68	≤ 4	71

The valuation allowances for trade receivables as well as contract assets were as follows:

€ '000	2019	2018
Allowances on 01/01 in accordance with IAS 39	**17,475**	15,630
Exchange rate differences	875	109
Additions (allowances recognised as expense)	6,921	6,538
Usage	(1,180)	(581)
Reversal	(4,231)	(4,221)
Allowances on 31/12	**19,860**	**17,475**

The increase in expense resulted mainly from a revised customer rating within the default risk categories.

The gross carrying amounts of and valuation allowances for trade receivables as well as contract assets break down as follows by default risk category:

€ '000	31/12/2019 Size of exposure (gross)	31/12/2019 Valuation allowance
Risk rating		
low risk	638,201	8,779
average risk	58,527	4,709
above-average risk	29,319	1,187
increased and high risk	5,830	479
very high risk	129	100
exposures at default	4,619	4,606
Total	**736,625**	**19,860**

€ '000	31/12/2018 Size of exposure (gross)	31/12/2018 Valuation allowance
Risk rating		
low risk	691,506	8,034
average risk	88,276	1,629
above-average risk	21,437	446
increased and high risk	10,702	2,593
very high risk	86	86
exposures at default	4,687	4,687
Total	**816,694**	**17,475**

This is based on the following impairment matrix:

Ausfallrisikoklassen	Ausfallrate	Risikoeinstufung
1 Very high credit rating	0.10%	low risk
2 High credit rating	0.25%	low risk
3 Good credit rating	0.50%	low risk
4 Relatively good credit rating	1.00%	low risk
5 Medium credit rating	2.00%	average risk
6 Higher risk	4.00%	above-average risk
7 High risk	6.50%	increased and high risk
8 Low credit rating	10.00%	increased and high risk
9 Not creditworthy	18.00%	very high risk
10 Insolvent	100.00%	exposures at default

Contract assets are allocated in full to the 'low risk' category of default risk.

24 percent (previous year: 24 percent) of all receivables were covered, with insurance limits, by a Group master policy with a credit insurer or other local credit insurers. Insurance excess amounts were disregarded in determining the total amount insured. The amount actually insured was consequently slightly below this percentage. 43 percent (previous year: approx. 43 percent) of the non-insured receivables involved customers that are exempt from contractually compulsory cover. The customers exempt from contractually compulsory cover were mainly major companies in the automotive as well as electronic/electrical engineering sectors.

For 33 percent (previous year: 33 percent) of total receivables there was no cover from a credit insurer. The table below shows the breakdown of insured and non-insured receivables from customers:

%	2019	2018
Receivables (insured)	24	24
exempt from compulsory cover	43	43
no cover	33	33

The insured subsidiaries must apply for credit insurance limits to the credit insurer for all receivables from customers that are not exempt from compulsory cover and that exceed the limits specified in the existing guideline. The following specific conditions apply: LEONI has an obligation to declare exposure to the credit insurers for all receivables from customers greater than € 50 k. A cover limit can also be obtained for smaller receivables. Consignment stores and manufacturing risks are covered by blanket insurance. The credit insurance policy reimburses 90 percent of the insured amount. Measurement and monitoring with respect to impairment of the non-insured receivables is supported among other things by the credit screening carried out by the credit insurer and other service providers.

The subsidiaries that were not insured will be integrated in the master policy so far as this makes sense from the aspect of the principal customer base and provided there are no regional or political reasons on the part of the credit insurer against inclusion. The subsidiaries that cannot be integrated are to be covered via local credit insurers. Internal credit limits are set for major customers that are exempt from mandatory cover and other non-insured customers. Limits are applied for without delay, on a decentralised basis and are monitored by head office accounts receivable management.

For selected customers, true sale factoring serves as a further tool to reduce the risk of default. Customers with good credit ratings are also included.

For all other classes of financial assets, impairments as well as their changes are of subordinated significance to the consolidated financial statements of LEONI AG.

Liquidity risk

The Group monitors its current liquidity situation on a daily basis. Monthly, currency-specific, rolling liquidity planning for respective periods of 13 weeks as well as quarterly, currency-specific, rolling liquidity planning for respective periods of 12 months is used to control future liquidity requirement. The planning takes into consideration the terms of investments and financial assets (e.g. receivables, other financial assets) as well as the expected cash flows from business activity. In addition, we analyse our existing finance based on our medium-term planning, which we revise annually. We initiate suitable measures in good time so far as there is any change in borrowing requirement.

The Group's objective is to ensure funding in the respectively required currency. Flexibility is maintained by using such short and long-term financial instruments as overdrafts, loans, leases, factoring, reverse factoring and such capital market instruments as borrower's note loans.

To ensure liquidity, there were, on the balance sheet date, credit lines from first-rate banks amounting to € 998,073 k (previous: € 909,366 k) with terms of up to three years and five months. These credit lines were drawn via current accounts and fixed deposits in the amount of € 517,881 k (previous year: € 59,920 k). Together with the short-term proportion of long-term loans, current liabilities to banks amounted to € 126,015 k (previous year: € 123,827 k).

The table below shows the contractually agreed (undiscounted) interest and principal payments pertaining to the primary financial liabilities as well as the derivative financial instruments with negative fair values:

2019	€ '000	Carrying amount 31/12/2019	Cash flow 2020	Cash flow 2021	Cash flow 2022 – 2024	Cash flow from 2025
Non-derivative financial liabilities						
Trade payables		(766,484)	(766,484)			
Liabilities to banks		(543,860)	(125,294)	(148)	(417,552)	(73)
Liabilities on bills of exchange and other financial debts		(72)	(72)			
Borrower's note loans		(589,428)	(202,871)	(5,067)	(313,085)	(95,442)
Other financial liabilities		(151,449)	(127,636)	(22,781)	(1,032)	
Finance leasing liabilities		(196,424)	(41,731)	(35,722)	(69,257)	(49,714)
Derivative financial liabilities						
Currency derivatives without a hedging relationship		(3,941)	270,529			
			(274,698)			
Currency and interest rate derivatives in connection		(4,127)	19,043			
with cash flow hedges			(20,924)	(952)	(2,375)	(327)

2018	€ '000	Carrying amount 31/12/2019	Cash flow 2019	Cash flow 2020	Cash flow 2021 – 2023	Cash flow from 2024
Non-derivative financial liabilities						
Trade payables		(956,826)	(956,826)			
Liabilities to banks		(124,303)	(124,896)	(79)	(218)	(179)
Liabilities on bills of exchange and other financial debts		(1,578)	(1,578)			
Borrower's note loans		(638,549)	(57,902)	(202,871)	(161,230)	(252,365)
Other financial liabilities		(145,929)	(133,370)	(10,359)	(2,200)	
Derivative financial liabilities						
Currency derivatives without a hedging relationship		(7,465)	376,288			
			(384,640)			
Currency and interest rate derivatives in connection		(3,661)	178,170	9,518		
with cash flow hedges			(180,605)	(10,239)	(2,809)	(845)
Commodity future transactions		(322)	(322)			

All instruments held on the respective balance sheet date and for which payments were already contractually agreed were also included. Foreign currency amounts were in each case translated at the spot rate on the reporting date. The variable interest payments pertaining to the financial instruments were determined based on the interest rates fixed most recently prior to the respective balance sheet date. Financial liabilities repayable at any time are always allocated to the earliest period. In the case of the currency derivatives, both the cash outflow and the cash inflow are presented in the table above for the purpose of transparency.

Non-Deliverable Forwards (NDFs) were signed to hedge amounts in currencies that are not freely convertible. This form of foreign currency transaction involves fulfilment upon maturity being based not on handling the cash flows in the corresponding currencies, but in the form of a settlement payment.

Currency risks

Although we conduct business mainly in euros or in the local currency of the respective country, we are also exposed to currency risks due to the globalisation of the markets.

In the Group's holding company, LEONI AG, the Corporate Finance & Treasury department deals with the resulting currency risks in collaboration with and based on the conditions set by the currency committee with respect to limits and terms. Hedging transactions are executed in line with the existing underlying transactions as well as the planned transactions.

Selection of the hedging instrument to be used is based on regular, in-depth analysis of the underlying transaction to be hedged. Most of the hedging transactions are in pounds sterling, Chinese yuan, Mexican pesos, Romanian leu, Swiss francs and US dollars. The objective is to limit the impact of exchange rate variation on net income. Apart from the actual hedging transactions, we primarily take advantage of the option of netting foreign currency items within the Group to hedge our operating business activity. As a further currency-hedging measure, as a matter of principle we finance our foreign subsidiaries in their respective functional currencies by way of refinancing in the corresponding currency.

On the balance sheet date, there were currency-hedging transactions amounting to € 818,145 k (previous year: € 1,073,535 k), maturing within 6 months. The total fair value of forward exchange transactions existing as of the balance sheet date was € 6,611 k (previous year: negative € 2,379 k). Forward exchange transactions amounting to € 138,602 k (previous year: € 492,664 k) met the conditions for hedge accounting (cash flow hedges).

The ones that met the conditions for hedge accounting were all completed in the 2018 and 2019 financial years. Their total fair value of € 5,667 k (previous year: € 3,883 k) was recognised in other comprehensive income. The cash flows from the underlying transactions are expected during the 2020 financial year. The changes in fair value recognised in other comprehensive income are reclassified to the income statement in relation to the earnings effect of the underlying transaction.

The remarks below refer to forward exchange transactions that met the conditions for hedge accounting.

There is a commercial relationship between the hedged items and the hedging instruments because the terms of the forward exchange contracts match the future transactions that will occur with high probability (this is the case with the nominal amount, currency and probable payment date). The underlying risk of the forward exchange contracts is identical to the hedged risk components. The Group has therefore stipulated a 1 to 1 hedge ratio for its hedging relationships.

The detailed breakdown of the nominal volumes and the average hedging rates of the forward exchange transactions that met the conditions for hedge accounting was as follows on the balance sheet date:

	Nominal value €'000				Average hedging rates	
€ '000	Residual term up to 6 months	Residual term 6 months to 1 year	Residual term 1 to 2 years	Total	Purchase	Sale
Assets						
Currency contracts	118,673	—	—	**118,673**		
Forward exchange transactions						
EUR – CNY	562	—	—	**562**	8,02	
EUR – EGP	9,208	—	—	**9,208**	22,45	
EUR – GBP	17,459	—	—	**17,459**	0,89	
EUR – RON	39,306	—	—	**39,306**	4,91	
EUR – USD	196	—	—	**196**		1,11
USD – MXN	44,118	—	—	**44,118**	20,56	
Other	7,824	—	—	**7,824**		
Liabilities						
Currency contracts	19,930	—	—	**19,930**		
Forward exchange transactions						
EUR – CNY	5,141	—	—	**5,141**		8,08
EUR – GBP	1,024	—	—	**1,024**		0,92
EUR – USD	7,846	—	—	**7,846**		1,16
Other	5,919	—	—	**5,919**		

These hedging instruments, which LEONI has designated as hedging relationships, had the following impact on the balance sheet:

€ '000	Nominal value	Carrying amount	Balance sheet items	Change in value to determine ineffectiveness
Forward exchange transactions	118,673	6,511	current and non-current other financial **assets**	10,673
Forward exchange transactions	19,930	(844)	current and non-current other financial **liabilities**	

The fair values of the forward 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 as well as 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 hedged items had the following impact on the balance sheet:

€ '000	Change in value to determine ineffectiveness	Cash flow hedge reserve
Hedging of sales, cost of sales and investment in property, plant & equipment	10,630	4,379

The hedging relationships had the following impact on the income statement and other comprehensive income (OCI):

€ '000	Gain or loss on hedging recognised in OCI	Ineffectiveness reclassified from OCI to income statement	Item in the income statement	Amount reclassified from OCI to income statement	Item in the income statement
Hedging of sales, cost of sales and investment in property, plant & equipment	10,673	(43)	Other operating expenses	(8,897)	Sales revenues, cost of sales

The amounts recognised in other comprehensive income in the context of hedge accounting came to € 10,673 k in the financial year (previous year: negative € 8,924 k). An amount of € 8,940 k (previous year: € 1,668 k) was reclassified via the income statement as shown in the table below.

€ '000	2019	2018
Sales revenues	(1,039)	394
Cost of sales	9,936	1,285
Other operating income/expense (ineffectiveness)	43	(11)
Total	**8,940**	**1,668**

Other explanations

The currency hedging transactions were signed with first rate commercial banks, meaning that there is no significant counterparty risk either. This is subject to regular monitoring.

The effectiveness of hedging relationships is determined at beginning of each hedging relationship and by regular, prospective assessment to ensure that a commercial relationship exists between the hedged item and the hedging instrument. Provided the features of the hedging instrument exactly match those of the hedged item, LEONI makes a qualitative assessment. Otherwise, or if changes in circumstances impact on the features of the hedged item to the extent that the key features no longer exactly match those of the hedging instrument, LEONI takes the hypothetical derivative approach to judge effectiveness.

When hedging foreign currency transactions, ineffectiveness can arise if the timing of the planned transaction changes vis-à-vis the original estimate, the hedged item does not occur to the expected extent or if changes in the default risk of the hedged item or the derivative's counterparty occur.

Exchange rate sensitivity

Changes in exchange rates that are by prudent judgement essentially possible would affect consolidated earnings due to the fair values of the monetary assets and liabilities. Additional factors would arise that would affect equity due to change in fair value in the context of cash flow hedge accounting. We consider the risk of changes in interest rates arising from the currency derivatives to be immaterial, which is why it is not included in the assessment.

The table below is based on the exchange rates as at the balance sheet date. It illustrates the impact arising, from the perspective of the Group companies concerned, from appreciation or devaluation of the foreign currencies to be taken into account by 10 percent either way versus the respective functional currency. Comprehensive income per currency therefore also includes the impact arising from appreciation or devaluation of the euro for those Group companies where the functional currency is one of those stated in the table.

2019		€ '000
Changes in exchange rates, equity	+ 10 %	(10) %
EGP	1,005	(822)
USD	(982)	803
CNY	769	(629)
RON	4,338	(3,549)
GBP	1,823	(1,492)
Changes in exchange rates, earnings	+ 10 %	(10) %
EGP	(107)	88
USD	(1,824)	1,494
CNY	(666)	545
RON	(234)	192
GBP	(1,197)	980

2018		€ '000
Changes in exchange rates, equity	+ 10 %	(10) %
EGP	2,983	(2,441)
USD	(3,589)	2,936
CNY	2,526	(2,067)
RON	15,359	(12,567)
GBP	7,093	(5,803)
Changes in exchange rates, earnings	+ 10 %	(10) %
EGP	(124)	102
USD	(2,075)	1,702
CNY	291	(240)
RON	709	(580)
GBP	(2,348)	1,920

Interest rate risks

Depending on the expected trend of interest rates, the LEONI Group uses either fair value hedges or cash flow hedges.

The extent of the LEONI Group's interest rate risk due to borrowing arises from both variable-rate borrower's note loans and fixed-interest borrower's note loans.

Fair value hedge

An interest rate swap was entered into for the borrower's note loan in the amount of € 25,000 k newly taken out in November 2013; in the same amount and with the same term to hedge the risk of changes in values. LEONI AG receives fixed interest on the nominal amount for the interest rate swap and pays a variable interest rate including a margin. The interest rate swap hedges the fair value of the borrower's note loan. The residual term is ten months, and the EURIBOR was agreed as the reference interest rate for one year.

There is a commercial relationship between the hedged item and the hedging instrument because the terms of the interest rate swap match those of the fixed-interest loan. This applies to the nominal amount, the maturity, the payment dates and the repricing dates. The underlying risk of the interest rate swap is identical to the hedged risk component. The Group has therefore stipulated a 1 to 1 hedge ratio for such a hedging relationship. The Group takes the hypothetical derivative approach to test the effectiveness of the hedging relationship.

The nominal volume and the average hedging rate of the interest rate swap that met the conditions for hedge accounting was as follows on the balance sheet date:

€ '000	Nominal value: Residual term up to 2 years	Nominal value: Total	Average hedging rate in % based on current fixing
Assets			
Interest-rate contract			
Interest rate swap	25,000	25,000	1.9470

The interest rate swap had the following impact on the balance sheet:

€ '000	Nominal value	Carrying amount	Balance sheet items	Change in value to determine ineffectiveness
Interest rate swap	25,000	437	Non-current other financial assets	(385)

The borrower's note loan designated as in a hedging relationship affected the balance sheet as follows:

€ '000	Carrying amount	Amount of the fair value hedge, adjustment of hedged item	Balance sheet items	Change in value to determine ineffectiveness
Fixed-interest borrower's note loans	25,515	515	Current financial liabilities	(385)

The reduction in the fair value of the 2013 interest rate swap excluding accrued interest (clean fair value) by € 385 k (previous year € 340 k) was netted as an expense in the financial result with the corresponding positive amount from measurement of the borrower's note loan. There was no ineffectiveness. As in the previous year, change in fair value of 385 k (previous year: € 340 k) was fully recognised in the income statement.

Cash flow hedge

Interest rate swaps to hedge the risk of rate changes were likewise entered into in the same amount and with the same terms as the variable-rate borrower's note loans totalling € 182,000 k that were placed in November 2018. LEONI AG receives a variable rate matching the 6-month EURIBOR and pays a fixed amount for these interest rate swaps. They hedge the future interest payments of the variable-rate borrower's note loans and have maximum residual terms of eight years and ten months.

Here, too, there is a commercial relationship between the hedged item and the hedging transaction because the terms of the interest rate swaps match those of the variable-interest loans. This applies to the nominal amount, the maturity, the payment dates and the repricing dates. The underlying risk of the interest rate swaps is identical to the hedged risk components. The Group has therefore stipulated a 1 to 1 hedge ratio for such a hedging relationship.

The detailed breakdown of the nominal volumes and the average hedging rates of these interest rate swaps that met the conditions for hedge accounting was as follows on the balance sheet date:

	Nominal value				
€ '000	Residual term up to 2 years	Residual term 2 years to 6 years	Residual term 6 years to 10 years	Total	Average hedging rate in % based on current fixing
Liabilities **Derivative interest-rate contracts**					
Interest rate swaps	—	174,000	8,000	182,000	0.5161

These hedging instruments, which LEONI has designated as hedging relationships, had the following impact on the balance sheet:

€ '000	Nominal value	Carrying amount	Balance sheet items	Change in value to determine ineffectiveness
Interest rate swaps	182,000	(3,403)	Other non-current financial liabilities	(2,749)

The hedged items had the following impact on the balance sheet:

€ '000	Change in value to determine ineffectiveness	Cash flow hedge reserve
Hedging variable interest of the borrower's note loan	(2,749)	(3,283)

The hedging relationships had the following impact on the income statement and other comprehensive income (OCI):

€ '000	Gain or loss on hedging recognised in OCI
Hedging variable interest of the borrower's note loan	(2,749)

The reduction of fair value totalling € 2,749 k was recognised in OCI. This resulted in neither ineffectiveness nor reclassifications in the income statement.

Other explanations

The fair values of the interest rate hedging instruments (interest swaps) were based on discounted future cash flows. The applicable market interest rates and volatilities were used for the maturities of the financial instruments.

We regard the counterparty risk as being very small because all interest rate derivatives were signed with national and international commercial banks that have first-class ratings. Counterparty risk is subject to regular monitoring.

The effectiveness of hedging relationships is determined at beginning of each hedging relationship and by regular, prospective assessment to ensure that a commercial relationship exists between the hedged item and the hedging instrument. Provided the contract modalities of the hedging instrument exactly match those of the hedged item, LEONI makes a qualitative assessment. Otherwise, or if changes in circumstances impact on the terms of the hedged item to the extent that the key terms no longer exactly match those of the hedging instrument, LEONI takes the hypothetical derivative approach to judge effectiveness.

Ineffectiveness can arise from the contract terms differing between the interest rate swap and the hedged item as well as from credit value/debt value adjustments, which are not offset by changes in the fair value of the hedged loans.

Interest rate sensitivity

Consolidated earnings depend on the level of market interest rates. Any change in this level would impact on the Group's earnings and equity. The analysis we carry out covers all interest-bearing financial instruments that are subject to the risk of changes in interest rates. Risks of changes in interest rates that impact on other comprehensive income did not have to be considered.

When calculating the sensitivity of the interest rates we assume a parallel shift in the yield curve. Given expectation of a more volatile interest rate setting, we have adjusted the upward shift to 100 basis points (previous year: 50 basis points) and the downward shift to 50 basis points (previous year: 25 basis points). A rate of zero interest is applied as the floor. With respect to the currencies that are key to us in this respect, the shift impacts as follows on the income statement as well as equity:

2019		€ '000
Changes in interest, equity	+ 1.00 %	(0.50) %
EUR	5,568	(913)
Changes in interest, earnings	+ 1.00 %	(0.50) %
CNY	669	(334)
EUR	(3,305)	0

2018		€ '000
Changes in interest, equity	+ 0.50 %	(0.25) %
EUR	3,404	(1,136)
Changes in interest, earnings	+ 0.50 %	(0.25) %
CNY	470	(235)
EUR	(382)	0

Risks related to raw material prices

Business within the Wire & Cable Solutions division is sensitive to changes in raw materials prices, especially of copper, but also gold and silver. For this reason, purchase prices for gold, silver and especially copper are hedged by way of future transactions to cover the usual future procurement volume. Such commodity future transactions are signed within ordinary business activity and as part of purchasing activity for required raw materials and therefore need not, in line with IFRS 9, be accounted for as financial derivatives. Commodity future transactions that are settled in cash are recognised as derivatives, changes in the fair value of which are recognised in the cost of sales. The risks arising from these derivatives are of minor significance to the Group.

28 | Measurement of fair value

The measurement of the fair values of assets and liabilities by hierarchy levels was as follows:

31/12/2019 €'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
Assets measured at fair value				
Primary financial assets				
Financial assets held for sale		34,282		**34,282**
Investments			1,115	**1,115**
Derivative financial assets				
Derivatives without a hedging relationship	390	4,885		**5,275**
Derivatives with a hedging relationship		6,948		**6,948**
Liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship		3,941		**3,941**
Derivatives with a hedging relationship		4,127		**(4,127)**

31/12/2018 €'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
Assets measured at fair value				
Primary financial assets				
Financial assets held for sale		38,545		**38,545**
Investments			1,116	**1,116**
Derivative financial assets				
Derivatives without a hedging relationship		1,202		**1,202**
Derivatives with a hedging relationship		7,832		**7,832**
Liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship	322	7,465		**7,787**
Derivatives with a hedging relationship		3,661		**3,661**

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

The following valuation techniques and inputs to determine fair value were used for financial assets and liabilities that are either measured at fair value or for which a disclosure concerning fair value is presented in the Notes.

Level 1: The market price on the reporting date is applied to commodity future transactions recognised as derivatives.

Level 2: Foreign exchange transactions are measured based on current reference rates observable on the market and taking into consideration forward premiums or discounts. This considers the credit risk of the contracting partner by determining credit value adjustments (CVAs) or debt value adjustments (DVAs) based on applying a premium / discount.

The fair value of the financial debts is derived from the present value of the expected cash inflows or outflows while considering the market interest rates and volatilities applicable for the remaining terms.

Level 3: Investments that are of subordinated significance to the consolidated financial statements of LEONI AG are classified to this level.

29 | Earnings per share

Basic earnings per share were calculated as follows:

	2019		2018	
	Total amount	Earnings per share	Total amount	Earnings per share
	€ '000	€	€ '000	€
Numerator:				
Income before taxes attributable to equity holders of the parent company	(418,611)	(12,81)	123,020	3,77
Consolidated net income / loss attributable to equity holders of the parent company	(434,547)	(13,30)	75,626	2,31
Denominator:				
Weighted average number of shares outstanding	32,669,000		32,669,000	

As in the previous year, the number of shares outstanding on 31 December 2019, of 32,669,000, corresponded to the number of shares issued. As in the previous year, there was no dilution effect in the financial year under report.

30 | Auditor's professional fees

Expenses due to services performed by the appointed auditors in the financial year pertain primarily to audit of the financial statements and the consolidated financial statements alongside the combined management report of the parent company as well as audits of the financial statements of various subsidiaries as at 31 December 2019. There was also auditors' review of the Group's interim reports on the 2nd quarter and 1st half of 2019. In prior year of 2018, these services were performed by the Ernst & Young GmbH auditing company.

Other assurance services involve particularly services related to the refinancing measures as well as services for voluntary review of the risk management system and the compliance management system.

€ '000	2019	2018
Audit	1,427	1,187
Tax consulting services	0	99
Other assurance services	891	100
Other payments	0	148
Total	**2,317**	**1,534**

31 | Personnel expenses and employees

€ '000	2019	2018
Wages and salaries	1,022,987	928,698
Social-security contributions, expenses for pensions and retirement and fringe benefits	213,746	191,774
	1,236,733	1,120,472

The latter item includes the following retirement benefit expenses:

€ '000	2019	2018
Net periodic pension cost	12,530	11,512
Costs of defined contribution plans	86,924	82,349
	99,454	93,861

Annual average number of employees:

	2019	2018
Salaried staff	16,132	15,419
Wage earners	78,459	73,954
	94,591	89,373

The Group employed 94,928 people on the balance sheet date (previous year 92,549), of which 90,048 worked outside Germany (previous year: 87,476).

Other information

32 | Transactions with related parties

The compensation for management in key positions within the Group comprises the compensation for active members of the Board of Directors and the Supervisory Board.

The compensation for members of the Board of Directors broke down as follows:

€ '000	2019	2018
Benefits due in the short term	3,037	2,732
Other benefits due in the long term	1,281	282
Post-employment benefits	547	232
	4,865	3,246

The short-term benefits included, along with the fixed compensation, a variable component of € 420 k (previous year: € 870 k). The other benefits due in the long term comprise the medium-term and long-term compensation components. The long-term compensation component is computed based on the Company's economic value added (EVA) and the market performance of its share, and is shown in a bonus account. An amount is paid out annually from this bonus account up to a cap, 50 percent of which members of the Board of Directors must invest in LEONI shares and which must be retained for a period of 50 months. Poor business performance will reduce the bonus account (penalty rule), which can drop to nil.

The expense for the long-term compensation component in fiscal 2019 was € 383 k (previous year: € 166 k). The receipts of the members of the Board of Directors pursuant to Section 314 (1) no. 6a of the German Commercial Code (HGB) totalled € 7,220 k (previous year: € 3,295 k).

The compensation for members of the Supervisory Board in the year under report totalled € 1,532 k (previous year: € 1,432 k). The basic principles of the compensation system and the receipts of individual members of the Board of Directors and Supervisory Board members are presented in the management report.

Compensation for employee-representative members of the Supervisory Board

The employee representatives on LEONI AG's Supervisory Board received compensation based on their service contracts at LEONI. LEONI's related expenses were € 512 k (previous year: € 531 k). On 31 December 2019, there were liabilities in the amount of € 52 k (previous year: 38 k) pertaining to service contracts with employee-representative members of the Supervisory Board.

Compensation for former members of the Board of Directors

The receipts in the financial year of former members of the Board of Directors and their surviving dependants amounted to € 961 k (previous year: € 747 k). There are pension obligations (DBO) vis-à-vis former members of the Board of Directors and their surviving dependants in the amount of € 22,774 k (previous year: € 20,373 k).

Joint ventures and associates

The Group had business relationships with joint ventures during the financial year. Transactions with these related parties result from normal trade in goods and services and were concluded on standard market terms. The extent of these business relationships with related entities and persons is presented in the following table:

€ '000	2019	2018
Trade receivables	4,795	15,268
Trade liabilities	1,562	1,477
Income from disposals and services	11,007	10,694
Purchases and services obtained	2,021	2,051

This includes primarily the business relationships with the joint venture in Langfang, China.

Other relationships with related parties

Dr Werner Lang has been a member of the Supervisory Board since 16 May 2012. He is managing director of Lang Verwaltungsgesellschaft mbH and thereby of MEKRA Lang GmbH & Co. KG, Ing. H. Lang GmbH & Co. KG, Lang Technics GmbH & Co. KG as well as Grundstücksgesellschaft Lang GbR. In the 2019 financial year, LEONI sold product to MEKRA Lang GmbH & Co. KG. in the amount of € 2,610 k (previous year: € 2,636 k). On the balance sheet date, there were liabilities to this company in the amount of € 114 k (previous year: € 205 k). The goods were supplied on standard market terms.

There were no other reportable transactions with related parties.

33 | Declaration pertaining to the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)

In December 2019, the Board of Directors and the Supervisory Board issued the updated declaration of conformity pursuant to Section 161 of the German Stock Corporation Act and made this available to shareholders on a permanent basis by publishing it on the internet (www.leoni.com). The Declaration of Conformity is also included in the Corporate Governance report, which is published in the 2019 Annual Report.

34 | Events after the balance sheet date

Based on the expectation that the LEONI Group is overwhelmingly likely to successfully restructure, the LEONI Group on 13 March 2020 received a positive endorsement of its restructuring pursuant to the S6 standard of the German Institute of Public Auditors (IDW S6). This expert opinion on restructuring looked ahead to the end of 2022 contained a positive going-concern forecast. The precondition is that mitigating measures to ensure medium-term liquidity are implemented. The expert opinion is based on a restructuring plan jointly prepared by the Company and third-party experts for the years 2020-2022, which follows on from and partially goes beyond the VALUE 21 performance and strategy programme that is already being implemented. Based on this expert opinion on restructuring as well as the measures already implemented, initiated and planned, the Board of Directors assumed on 13 March 2020 that continuation of the Company's business activity would be assured with a probability bordering on certainty.

Shortly after this expert opinion on restructuring was issued and in a surprise development, various carmakers announced that they would be curtailing or temporarily stopping car production at their plants because of the coronavirus crisis. Against the backdrop of the related sales decline involving numerous customers and products, LEONI decided to temporarily but sharply curtail production at its European, North African and American wiring systems facilities. These measures are to be maintained for as long as the carmakers' production is limited, which is likely to last several weeks. By contrast, the situation at our wiring systems facilities in China has largely normalised. LEONI consequently also anticipates decreases and restricted production for the Wire & Cable Solutions Division's automotive business. Output in the Wire & Cable Solutions Division's industrial business, on the other hand, will be maintained until further notice, even though decline is to be expected here, too. This can now be expected to impose a significant burden on sales, earnings and liquidity in the 2020 financial year, meaning that more mitigating measures to ensure short and medium-term liquidity are required.

The following measures, which are no longer sufficient to ensure short and medium-term liquidity since outbreak of the Covid-19 pandemic, were implemented since the balance sheet date. Since mid-March, an unrequired local line of credit amounting to about € 52 million has been available globally to the LEONI Group. Furthermore, it was agreed to convert the bilateral credit lines and loans without fixed terms in the amount of € 276 million into loan commitments with terms fixed to the end of 2022 provided certain conditions are met by the end of May 2020.

LEONI can fulfil these conditions itself and independently of third parties. In this connection, a reverse factoring line was firmly committed to the end of 2022 and our trade credit insurers issued a statement of goodwill in which provision of these credit lines as required is confirmed. Furthermore, the LEONI Group increased the amount of its factoring by € 50 million and very promising negotiations on agreements for a further increase of up to € 280 million are under way. Several sale-and-leaseback deals were also signed at the beginning of the 2020 financial year. They provided a total cash inflow of about € 58 million by mid-March 2020.

LEONI has accepted the offer by the Federal Government and is in the process of applying for financial aid to mitigate the risks brought about by the Covid-19 pandemic. These funds will raise the Company's financial scope and are, at Group level, needed to ensure the continuation of its business operations. The Board of Directors is convinced that these talks on financing can be successfully concluded and that it will be possible to draw on cash support from these programmes by the time the first gaps in liquidity occur.

LEONI furthermore reacted to the current suspension of production among its customers with plant closures in Europe, North Africa and in the Americas as well as introduction of short-time work in Germany as well as similar measures at other European sites. This short-time working, agreed by involving employee representatives, will increase the Company's financial flexibility.

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

Nuremberg, 30 March 2020

LEONI AG
The Board of Directors

Aldo Kamper | Bruno Fankhauser | Ingrid Jägering | Martin Stüttem

Scope of consolidation

		Ownership in %
I. Consolidated companies		
LEONI AG, Nürnberg, Germany		
LEONI Kabel GmbH, Nuremberg	1)	100
Haarländer GmbH, Roth	1)	100
KB Kabel Beteiligungs-GmbH, Nuremberg		100
LEONI Cable Assemblies GmbH, Roth	1)	100
LEONI Draht GmbH, Nuremberg	1)	100
LEONI elocab GmbH, Georgensgmünd	1)	100
LEONI Fiber Optics GmbH, Neuhaus-Schierschnitz	1)	100
LEONI HighTemp Solutions GmbH, Halver	1)	100
LEONI Kerpen GmbH, Stolberg	1)	100
LEONI protec cable systems GmbH, Schmalkalden	1)	100
LEONI Special Cables GmbH, Friesoythe	1)	100
j-fiber GmbH, Jena	1)	100
j-plasma GmbH, Jena	1)	100
LEONI Bordnetz-Systeme GmbH, Kitzingen	1)	100
LEONI Kabelsysteme GmbH, Neu-Ulm	1)	100
LEONI CIA Cable Systems S.A.S., Gellainville, France		100
LEONI Furas S.L., Barcelona, Spain		100
LEONI Italy S.r.l., Felizzano (Alessandria), Italy		100
LEONI Kabel Polska sp. z o.o., Kobierzyce, Poland		100
LEONI Kablo ve Teknolojileri Sanayi ve Ticaret Ltd. Sirketi, Mudanya, Turkey		95
LEONI Slovakia spol. s.r.o.,Trencin, Slovakia		100
LEONI Schweiz AG, Däniken, Switzerland		100
LEONI Studer AG, Däniken, Switzerland		100
Adaptricity AG, Zürich, Switzerland		84
LEONI Tailor-Made Cable UK Ltd., Chesterfield, Derbyshire, United Kingdom		100
LEONI Temco Ltd., Cinderford, Gloucestershire, United Kingdom		100

	Ownership in %
LKH LEONI Kábelgyár Hungária Kft., Hatvan, Hungary	100
neumatic cz, s.r.o., Mírová pod Kozákovem, Czech Republic	100
LEONI Wiring Systems Arad S.R.L., Arad, Romania	100
LEONI Wiring Systems France S.A.S., Montigny le Bretonneux, France	100
LEONI Wiring Systems Pitesti S.R.L., Sat Bascov, Romania	100
LEONI Wiring Systems RO S.R.L., Bistrita-Nasaud, Romania	100
LEONI Systems Spain, S.L.U., Santa Perpetua/Barcelona, Spain	100
LEONI Wiring Systems U.K. Ltd., Newcastle-under-Lyme, Staffordshire, United Kingdom	100
TOV LEONI Wiring Systems UA GmbH, Stryi, Ukraine	100
Leonische Portugal Lda., Lugar de Sao Martinho, Guimaraes, Portugal	100
OOO LEONI RUS, Zavolzhye, Russia	100
LEONI Wiring Systems Southeast d.o.o., Prokuplje, Serbia	100
LEONI Bulgaria EOOD, Sofia, Bulgaria	100
LEONI Fiber Optics, Inc., Williamsburg, Virginia, USA	100
LEONI (S.E.A.) Pte. Ltd., Singapore	100
LEONI Cable Maroc SARL, Aïn Sebâa, Casablanca, Marokko	100
LEONI Cable (China) Co., Ltd., Changzhou, China	100
LEONI Cable, Inc., Rochester, Michigan, USA	100
LEONI Cable S.A. de C.V., Cuauhtémoc, Chihuahua, Mexiko	100
LEONI Cable de Chihuahua S.A. de C.V., Cuauhtémoc, Chihuahua, Mexico	100
LEONI Elocab Ltd., Kitchener, Ontario, Canada	100
LEONI Engineering Products & Services, Inc., Troy, Michigan, USA	100
LEONI Cable Solutions (India) Pvt. Ltd., Pune, India	100
LEONI Wire, Inc., Chicopee, Massachusetts, USA	100
LEONI Wire & Cable Solutions Japan K.K., Nagakuteshi, Japan	100
LEONI Middle East FZE i.L., Dubai, Vereinigte Arabische Emirate	100
LEONI Automotive do Brasil Ltda., Itú, Saõ Paulo, Brazil	100

	Ownership in %
LEONI Electrical Systems (Shanghai) Co., Ltd., Shanghai, China	100
LEONI Wiring Systems (Tieling) Co., Ltd., Tieling City, China	100
LEONI Wiring Systems Tunisia SARL, M'Saken-Sousse, Tunisia	100
LEONI Wiring Systems (Changchun) Co., Ltd. i.L., Changchun, China	100
LEONI Wiring Systems Ain Sebaa S.A., Aïn Sebâa, Casablanca, Morocco	100
LEONI Wiring Systems Bouskoura S.A., Bouskoura, Casa-blanca, Morocco	100
LEONI Wiring Systems Berrechid S.A., Bouznika, Marokko	100
LEONI Wiring Systems de Durango S.A. de C.V., Chihuahua, Mexico	100
LEONI Wiring Systems Egypt S.A.E., Nasr City, Kairo, Egypt	100
LEONI Wiring Systems, Inc., Tucson, Arizona, USA	100
LEONI Wiring Systems Mexicana S.A. de C.V., Hermosillo, Mexico	100
LEONI Wiring Systems de Yucatán S.A. de C.V., Mérida, Mexico	100
LEONI Wiring Systems de Paraguay S.R.L., Asunción, Paraguay	100
LEONI Wiring Systems (Pune) Pvt. Ltd., Pune, Maharashtra, India	100
LEONI Wiring Systems Korea, Inc., Busan (Jisa-dong), Korea	100
LEONI Electrical Systems (Jining) Co., Ltd., Jining, China	100
LEONI Electrical Systems (Penglai) Co., Ltd., Penglai, China	100
LEONI Electrical Systems (Jining) Co., Ltd., Jining, China	100
LEONI Electrical Systems (Penglai) Co., Ltd., Penglai, China	100
II. Associated companies and joint ventures	
Intedis GmbH & Co. KG, Würzburg, Germany	50
Intedis Verwaltungs-GmbH, Würzburg, Germany	50
Langfang LEONI Wiring Systems Co., Ltd., Sanhe downtown, China	50
j-fiber Hengtong GmbH, Jena, Germany	38

1 Companies that make use of the exemption under Article 264, Section 3 of the German Commercial Code.

Independent Auditor's Report

To LEONI AG, Nuremberg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of LEONI AG, Nuremberg, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and for the financial year from 01 January 2019 to 31 December 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of LEONI AG, Nuremberg, for the financial year from 01 January 2019 to 31 December 2019. In accordance with the German legal requirements, we have not audited the content of the corporate governance statement pursuant to section 289f and 315d German Commercial Code (HGB) and the corporate governance report referenced in section 1.7 of the combined management report as well the non-financial statement pursuant to sections 315b and 315c HGB included in section 5 of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its financial performance for the financial year from 01 January 2019 to 31 December 2019, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the non-financial statement pursuant to sections 315b and 315c HGB included in section 5 of the combined management report as well as the content of the corporate governance statement pursuant to Section 289f and 315d HGB and the corporate governance report referenced in section 1.7 of the combined management report.

Pursuant to section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Material Uncertainty Related to Going Concern

We refer to section 1 and 34 in the notes to the consolidated financial statements and to section 6 "Risk and Opportunity Report", subchapter "Interest rate and financing risks / liquidity risk" and subchapter "The Board of Directors´ assessment of the opportunity and risk situation" of the combined management report, in which the executive directors describe emerging liquidity gaps as risk relating to the Group's ability to continue as a going concern. The liquidity gaps are resulting from a lower than previously planned free cash flow for the financial year 2020 due to the spread of the Corona virus in connection with past and expected cash outflows. Despite measures to secure short and medium-term liquidity were largely implemented since the end of the financial year, as a result of the Corona crisis the Group is dependent on state financial aid programs to close liquidity gaps. As LEONI is dependent on state financial aid programs to maintain its solvency, the Group's ability to continue as a going concern is at risk. As presented in the combined management report, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, and constitute a risk with regard to the Group's ability to continue as a going concern within the meaning of section 322 (2) sentence 3 HGB.

As part of our audit, we evaluated the executive directors' assessment of the Group´s ability to continue as a going concern. We have assessed the executive directors' plans for future measures on which their assessment is based and examined whether the executive directors' plans are feasible under the given circumstances.

Initially, we carefully evaluated the external expert's restructuring report according to IDW S6. We had validated the plausibility of the executive directors' multi-year financial plan that formed the basis of the report and had been approved by the supervisory board as well as challenged the assumptions used in the plan with general and industry-specific market expectations. We were supported by specialists from our valuation and restructuring departments. The same applies for the expert opinion on the Group's ability to maintain sufficient liquidity to avoid insolvency. During the entire audit, we regularly discussed the individual measures with the executive directors and the supervisory board. Together with our specialists, we also critically discussed the results of the restructuring report with LEONI's management and experts.

Further, we carefully evaluated relevant contracts and agreements regarding the liquidity and financing measures that were already implemented until the issuance date of the consolidated financial statements, and – if not yet implemented – we assessed their feasibility.

Particularly at the end of our audit, we carefully assessed LEONI's current short – term liquidity forecast. Additionally, we carefully audited the underlying updated assumptions, especially with regard to revenue expectations and assessed their logic and plausibility.

With regard to the introduction of short–time work or comparable measures, we looked at the agreements between management and LEONI's workforce and critically assessed the plausibility of the documentation of the executive directors regarding the probability of successfully applying for state financial aid programs. Moreover, we convinced ourselves of the appropriateness of the information in the consolidated financial statements and in the combined management report.

Our audit opinions were not modified in respect of this matter.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 01 January 2019 to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In addition to the matter described in section "Material Uncertainty Related to Going Concern", we have determined the matters described in the following paragraphs as key audit matters, that have to be reported in our auditor's report:

1. Valuation of Goodwill, Other intangible assets and Property, Plant and Equipment

2. Recognition and Valuation of the provisions for losses from onerous contracts

Our presentation of these key audit matters has been structured as follows:

a) description (including reference to corresponding information in the consolidated financial statements and the combined management report)

b) auditor's response

1. Valuation of Goodwill, Other intangible assets and Property, Plant and Equipment

As of 31 December 2019, a goodwill of EUR 139 million is presented in LEONI's consolidated financial statements, which corresponds to a share of around 4% of the Group´s total assets respectively 22% of the Group´s equity.

Regarding Goodwill, impairment tests are carried out during the financial year or in case of triggering events. In addition, impairment tests must also be performed for other intangible assets and property, plant and equipment in case of triggering events.

The impairment tests are being performed using the discounted cash flow method. These valuations are based on the present value of future cash flows, which are based on the financial plans and forecasts in place at the time of the valuation. Discounting is based on the weighted average cost of capital (WACC).

The executive directors apply judgments and estimations when performing the impairment tests. This applies in particular to the assessment of future cash flows of cash generating units and the discount rate used. Consequently, the result of any impairment test is subject to uncertainties. The result of the impairment tests depend to a large extent on the executive directors' judgements made on the valuation parameters and is therefore subject to uncertainties and discretion. For the consolidated financial statements, there is a risk of an overstatement of goodwill, other intangible assets and property plant and equipment as well as understatement of impairment expense, that would negatively impact the Group's equity and net income.

Consequently, the impairment tests for goodwill as well as other intangible assets and property, plant and equipment were classified as a key audit matter.

The information provided by the executive directors on the impairment tests can be found in note 1 "Principles of consolidation as well as summary of key accounting and valuation methods" (sections "Measurement of fair value", "Goodwill" and "Key judgments, estimates and assumptions"), in note 16 "Impairment testing of property, plant and equipment as well as intangible assets" and in note 17 "Goodwill".

Using our risk-based audit approach, we focused our audit on the processes around performing the impairment tests. We examined whether the valuation model used properly reflects the requirements of the relevant accounting standards and whether the formulas in the model are correct. Additionally, we audited the completeness and accuracy of the input data and that the input data was accurately processed in the model. Additionally, we also evaluated with the planning process.

We performed the audit of the valuation models as well as the mathematical accuracy of the valuation model with the involvement of our valuation specialists.

We reconciled the future cash flows used in the valuation with LEONI's multi-year financial plans and evaluated the plausibility of the assumptions incorporated in the plans using general and industry-specific market expectations.

Since changes in the discount rate might have a significant impact on the recoverable amount and therefore on the result of the impairment test, we have validated the parameters used in determining the discount rate (WAAC) supported by our valuation specialists and used their expertise to audit the WAAC calculations.

Due to the uncertainties inherent in the valuation, we have also carried out our own sensitivity analyses for cash-generating units with minimal coverage.

2. Recognition and valuation of provisions for losses from onerous contracts

LEONI's consolidated financial statements include provisions for losses from onerous contracts amounting to EUR 107 million.

An onerous contract exists if the unavoidable costs of meeting the obligation exceed the economic benefits expected to be received under it. The calculations of individual long-term customer projects form the basis for recognizing and evaluating the provisions from onerous contracts. The executive directors have to make considerable assumptions and forward-looking estimations regarding future project revenues and costs for these calculations. Accordingly, the estimations involve considerable uncertainty regarding future developments in the long-term customer projects. There is a risk that the provisions for onerous contracts are not included completely in the consolidated financial statements or are not measured appropriately. We have classified the recognition and the valuation of provisions for losses from onerous contracts as key audit matter.

The information provided by the executive directors on the provisions for losses from onerous contracts can be found in section 23 "Provisions" of the notes to the consolidated financial statements.

As part of our risk-based audit, we carefully assessed the processes for determining the provisions for onerous contracts. In this context, we examined whether the general recognition and valuation criteria for provisions, including the specific criteria of IAS 37.66 and following sections, were applied.

We assessed the judgements made by the executive directors for individual projects based on a representative sample selection. Additionally, we carefully reviewed the underlying contracts and agreements and checked whether the provisions contained therein were taken into account when determining the provisions. Based on inquiries with the project managers, we analyzed the current project information (planned revenues and costs) and validated the accuracy. We assessed the estimates and assumptions made on the basis of the knowledge gained through our procedures and historical financial data. We also reconciled the calculation of the provisions with the contract and planning data as well as data from cost accounting systems.

Other Information
The executive directors are responsible for the other information. The other information comprises:

- the declaration on corporate governance in accordance with sections 289f and 315d HGB, which is referenced section 1.7 of the combined management report,
- the corporate governance report according to No. 3.10 of the German Corporate Governance Codex, which referenced in section 1.7 of the combined management report
- the non-financial declaration contained in section 5 of the combined management report in accordance with sections 315b, 315c HGB,
- the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to section 297 (2) sentence 4 and section 315 (1) sentence 5 HGB, and
- all the remaining parts of the annual report, with the exception of the audited consolidat-ed financial statements, the combined management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our group audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 16 Mai 2019. We were engaged by the supervisory board on 11 October 2019 / 16 October 2019. We have been the group auditor of LEONI AG, Nuremberg, since the financial year 2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Sebastian Kiesewetter.

Nuremberg, 30 March 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Sebastian Kiesewetter	Alexander Hofmann
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Independent Auditor's Limited Assurance Report

THE ASSURANCE ENGAGEMENT PERFORMED BY ERNST & YOUNG (EY) RELATES EXCLUSIVELY TO THE GERMAN VERSION OF THE NON-FINANCIAL GROUP STATEMENT 2019 OF LEONI AG. THE FOLLOWING TEXT IS A TRANSLATION OF THE ORIGINAL GERMAN INDEPENDENT ASSURANCE REPORT.

To LEONI AG, Nuremberg

We have performed a limited assurance engagement on the non-financial group statement of LEONI AG according to § 315b HGB, consisting of the disclosures in the chapter "Non-financial Group Information statement" as well as the chapter "Business Model" in the group management report being incorporated by reference for the reporting period from 1 January 2019 to 31 December 2019 (hereafter non-financial group statement). Our engagement did not include any disclosures for prior years.

A. Management's responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial group statement in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial group statement as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial group statement that is free from material misstatement, whether due to fraud or error.

B. Auditor's declaration relating to independence and quality control

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

C. Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial group statement based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial group statement of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between December 2019 and February 2020, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the non-financial group statement, the risk assessment and the concepts of LEONI AG for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial group statement , to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial group statement,
- Identification of likely risks of material misstatement in the non-financial group statement,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating, and validating data in the relevant areas [e.g. environment and employees], in the reporting period and testing such documentation on a sample basis,

- Analytical evaluation of disclosures in the non-financial group statement,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the presentation of disclosures in the non-financial group statement.

D. Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial group statement of LEONI AG for the period from 1 January 2019 to 31 December 2019 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

E. Intended use of the assurance report

We issue this report on the basis of the engagement agreed with LEONI AG. The assurance engagement has been performed for the purposes of the Company and the report is solely intend-ed to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

F. Engagement terms and liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 20 March 2020

Ernst & Young GmbH
Wirrtschaftsprüfungsgesellschaft

Nicole Richter	Rhea Kraft
Wirtschaftsprüferin	ppa.
(German Public Auditor)	

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report 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.

Nuremberg, 30 March 2020

LEONI AG
The Board of Directors

Aldo Kamper　Bruno Fankhauser　Ingrid Jägering　Martin Stüttem

ADDITIONAL INFORMATION

ADDITIONAL INFORMATION

Ten-year overview

under IFRS			2019	2018	2017[3]	2016	2015	2014	2013	2012	2011	2010
Sales	Group	€ '000	**4,845,712**	5,101,123	4,925,297	4,431,322	4,502,940	4,103,434	3,917,886	3,809,007	3,701,487	2,955,671
	EMEA (without) Deutschland)	%	**45.9**	42.4	41.5	40.8	39.9	39.0	40.6	42.9	46.8	46.5
	Germany	%	**23.2**	27.2	27.7	28.3	25.5	27.0	27.8	27.0	28.8	31.8
	Americas	%	**17.1**	15.6	15.2	15.8	16.4	15.1	14.7	15.1	12.8	11.2
	Asia	%	**13.8**	14.8	15.6	15.1	18.2	18.9	16.9	15.0	11.6	10.5
	Wire & Cable Solutions	%	**37.5**	37.9	37.8	39.3	40.7	41.5	40.8	42.1	45.3	44.7
	Wiring Systems	%	**62.5**	62.1	62.2	60.7	59.3	58.5	59.2	57.9	54.7	55.3
Expenses	Cost of materials	€ '000	**2,866,138**	2,998,025	2,880,569	2,554,381	2,675,797	2,436,320	2,354,687	2,294,370	2,238,455	1,738,408
	Cost of materials	% of sales	**59.1**	58.8	58.5	57.6	59.4	59.4	60.1	60.2	60.5	58.8
	Personnel expenses	€ '000	**1,236,733**	1,120,472	1,058,560	971,336	925,453	816,751	766,038	730,873	669,119	607,687
	Personnel expenses	% of sales	**25.5**	22.0	21.5	21.9	20.6	19.9	19.6	19.2	18.1	20.6
	Depreciation and amortisation	€ '000	**204,550**	158,590	149,524	151,094	147,029	123,392	120,992	116,202	107,045	110,282
	Depreciation and amortisation	% of sales	**4.2**	3.1	3.0	3.4	3.3	3.0	3.1	3.1	2.9	3.7
Earnings	EBITDA	€ '000	**(179,396)**	302,843	376,686	230,247	298,356	305,897	284,137	354,094	344,186	241,006
	EBIT	€ '000	**(383,946)**	144,253	227,162	79,153	151,327	182,505	163,145	237,892	237,141	130,724
	EBIT marge	% of sales	**(7.9)**	2.8	4.6	1.8	3.4	4.4	4.2	6.2	6.4	4.4
	EBIT before exceptional items as well as before VALUE 21 costs[2]	€ '000	**(65,826)**	157,163	—	—	—	—	—	—	—	—
	Income / loss before taxes (from continuing operations)	€ '000	**(418,897)**	120,922	202,223	54,799	125,859	150,719	131,220	199,326	196,250	89,599
	Net income / loss	€ '000	**(434,838)**	7,245	145,508	11,518	77,269	115,060	105,896	157,049	155,959	67,246
Cash flow [1]	Free cash flow	€ '000	**(307,831)**	(146,902)	11,065	(27,494)	(5,194)	(37,878)	36,788	86,211	119,204	46,785
Balance sheet	Property, plant and equipment, intangible assets, goodwill	€ '000	**1,658,705**	1,422,408	1,263,505	1,167,442	1,131,546	1,040,410	940,455	917,691	837,693	809,617
	Net dept	€ '000	**1,185,571**	612,676	406,236	403,574	321,565	316,200	256,990	249,169	233,922	444,558
	Equity	€ '000	**636,138**	1,081,438	1,041,886	917,164	996,328	917,755	827,597	783,972	737,481	481,160
	Equity	% of balance sheet total	**17.7**	31.2	33.1	31.1	35.1	34.4	34.5	32.9	31.8	23.8
	Return on equity (ROE)	%	**(68.4)**	6.8	14.0	1.3	7.8	12.5	12.8	20.0	21.1	14.0
Employees	Employees [as per 31 December]		**94,928**	92,549	86,340	79,037	74,018	67,988	61,591	59,393	60,745	55,156
	employed abroad	%	**94.9**	94.5	94.6	94.5	94.1	93.7	93.1	93.0	93.4	93.2
Share	Market capitalisation 31 December	€ million	**338.1**	989.2	2,038.2	1,105.8	1,190.6	1,613.7	1,774.9	932.7	841.2	978.6
	Consolidated net income / loss per share	€	**(13.30)**	2.31	4.49	0.33	2.36	3.51	3.23	4.80	4.99	2.26
	Dividend per share	€	**0.00** [2]	0.00	1.40	0.50	1.00	1.20	1.00	1.50	1.50	0.70
	Dividend yield	%	**0.0** [2]	0.0	2.2	1.5	2.7	2.4	1.8	5.3	5.8	2.1

1 Changed measurement from 2016 / 18

2 This key figure represents adjustment of EBIT for exceptional, non-recurring factors to facilitate better comparability between the periods and interpretation of operating profitability. Exceptional items comprise significant impairment of goodwill, intangible assets, property plant and equipment as well as other assets, major expenses for contingent losses on customer contracts, costs in preparation for carving out the Wire & Cable Solutions Division (excl. internal costs), refinancing costs (incl. consultant, bank and solicitor fees; apart from the costs that are attributed to interest expenses) as well as other expenses incurred by strategic decisions. Costs for the VALUE 21 programme comprise all the related restructuring and severance costs as well as third-party consultant fees.

Disclaimer

Forward-looking statements
This report contains forward-looking statements that are based on management's current assumptions and estimates concerning future trends. Such statements are subject to risk and uncertainty that LEONI cannot control or precisely assess. Should imponderables occur or assumptions on which these statements are based prove to be incorrect, actual results could deviate considerably from those described in these statements. LEONI assumes no obligation to update forward-looking statements to adjust them to events following publication of this report.

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

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

Key dates 2020

Balance sheet press conference 2020
Analyst and investor conference 2020
30 March 2020, 10:30 hours

Annual Report 2019
30 March 2020

Annual General Meeting 2020
July 2020
Nuremberg

Quarterly release
1st quarter 2020
13 May 2020

Interim report
1st half 2020
12 August 2020

Quarterly release
1st – 3rd quarter 2020
11 November 2020

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