LEONI

Interim Report

12 August 2020

Q2 and 1st half | 2020

LEONI's sales and earnings substantially impacted by Covid-19 pandemic – implementation of VALUE 21 on track

"The Covid-19 pandemic has hit the global automotive industry and its suppliers hard. Despite the immediate measures we have taken and the important progress made in implementing VALUE 21, our operating business was significantly impacted in the second quarter. We expect to have reached the low point in the current phase of the pandemic in April, and we have since seen a gradual recovery in our customers' production. Nevertheless, the rest of the year remains extremely challenging," *said Aldo Kamper, Chief Executive Officer of LEONI AG.*

- LEONI's business performance significantly impacted by Covid-19 pandemic: Group sales down 28 percent on the previous year in the first half and 46 percent in the second quarter of 2020
- Sales decline impacts earnings: EBIT before exceptional items as well as before VALUE 21 costs falls to -€ 112 million in the first half (previous year: loss of € 35 million) and to -€ 96 million (previous year: loss of € 14 million) in the second quarter
- Free cash flow after six months continues to improve year-on-year, at -€ 244 million (previous year: -€ 382 million) – balanced in the first three months, strongly impacted by the coronavirus crisis in the second quarter
- Gradual recovery following the shutdown and restart of production in line with expectations; largely normalised output at around two-thirds of plants by the end of June; business in China already back to nearly pre-crisis level
- Market recovery currently in line with the assumptions of our restructuring plan; further development remains uncertain and depends on the resumption of production at our customers after the summer break; at present and considering Covid-19, it is not possible to provide a more precise forecast than that included in our combined management report 2019 for the 2020 financial year
- VALUE 21 remains on track, a large number of initiatives implemented by the end of June; initiatives already implemented will yield annual gross cost savings of around € 450 million or 90 percent of the overall potential from 2022; costs of € 12 million incurred in relation to implementing VALUE 21 in the first half of 2020 (H1/2019: € 18 million)

- Signed a € 330 million guaranteed working capital credit line with a term until the end of 2022 in April 2020 to secure the continuation of business operations against the backdrop of the burden resulting from Covid-19; from today's perspective, LEONI is thus fully financed until the end of 2022 taking into account possible Covid-19 impact; this is contingent on continuing systematic implementation of our restructuring plan that is largely based on VALUE 21, and gradual recovery of the market in line with expectations during the year
- WCS: Investors have signalled interest in individual parts of our WCS Division due to its wide range of skills and variety of customers. LEONI is therefore establishing the conditions for a partial sale and is preparing to carve out some sub-units accordingly; LEONI will only separate from units if a fair value can be achieved and there are viable plans for the respective subdivisions

Contents

4 Interim group management report

4 LEONI Group
Key figures
Economic conditions
5 Overview of the LEONI Group's business performance
Key events
6 Sales performance
Earnings
7 Financial situation
9 Asset situation

10 Wiring Systems Division (WSD)
Sales performance
Earnings
Key events

11 Wire & Cable Solutions Division (WCS)
Sales performance
Earnings
Key events

13 Transactions with related parties
Supplementary report
Risk and opportunity report

14 Outlook

15 Condensed interim consolidated financial statements

15 Consolidated income statement
16 Consolidated statement of comprehensive income
17 Consolidated cash flow statement
18 Consolidated balance sheet
19 Consolidated statement of changes in equity

20 Selected explanatory information on the notes to the condensed interim consolidated financial statements

20 Principles
22 Explanations
29 Other information

31 Responsibility statement

32 Review report

33 Notes concerning forward-looking statements
Financial calendar and contact

Interim group management report

LEONI Group

€ million

	Q2			H1		
	2020	**2019**	**Change**	**2020**	**2019**	**Change**
Sales	673	1,247	(46.0)%	1,802	2,509	(28.2)%
Earnings before interest, taxes and depreciation/amortisation (EBITDA)	(76)	20	>(100.0)%	(80)	(56)	(43.9)%
Earnings before interest and taxes (EBIT)	(129)	(30)	>(100.0)%	(186)	(155)	(20.0)%
EBIT before exceptional items as well as before VALUE 21 costs[1, 2]	(96)	(14)	>(100.0)%	(112)	(35)	>(100.0)%
Consolidated net result	(123)	(44)	>(100.0)%	(190)	(176)	(7.8)%
Earnings per share *(€)*	(3.75)	(1.35)	>(100.0)%	(5.80)	(5.38)	(7.9)%
Free cash flow[3]	(244)	(71)	>(100.0)%	(244)	(382)	36.2%
Capital expenditure	69	102	(31.8)%	167	180	(6.9)%
Equity ratio *(%)*	11.7	23.7	--	11.7	23.7	--
Employees as at 30 June *(number)*	90,932	94,863	(4.1)%	90,932	94,863	(4.1)%

Economic conditions

- According to the World Economic Outlook published by the IMF (International Monetary Fund) in June 2020, the global economy was significantly impacted by the Covid-19 pandemic in the first half of 2020
- Substantial slump on the key automotive markets: The German Association of the Automotive Industry (VDA) in early July said that demand for passenger vehicles fell by 43 percent in Europe, by 23 percent in the United States and by 27 percent in China
- Output of cars and light commercial vehicles declined by more than a third between January and June 2020, according to IHS Global Insight; the decline was particularly pronounced in the EMEA region and the Americas; production of heavy commercial vehicles fell by almost 36 percent worldwide

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[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 and external additional expenses in connection with the Covid-19 pandemic. Costs for the VALUE 21 programme comprise all the related restructuring and severance costs as well as third-party consultant fees.
[2] From the first half of 2020 onwards, exceptional items are expanded to include external additional expenses to protect staff in connection with the Covid-19 pandemic, for example for additional shuttle transport, protective clothing, face guards and disinfectant.
[3] Prior-year figure adjusted (presentation change: interest paid and received is classified in full as a financing)

Overview of the LEONI Group's business performance

- LEONI's business performance significantly impacted by Covid-19 pandemic: Group sales down 28 percent on the previous year in the first half and 46 percent in the second quarter of 2020
- Sales decline impacts earnings: EBIT before exceptional items as well as before VALUE 21 costs declined to a loss of € 112 million (previous year: € loss of 35 million) in the first half and to a loss of € 96 million (previous year: loss of € 14 million) in the second quarter
- Free cash flow after six months was negative at € 244 million (previous year: negative € 382 million) – balanced figure in the first three months, heavily affected by the coronavirus crisis in the second quarter
- Gradual recovery following the shutdown and restart of production in line with expectations; around two-thirds of plants reporting largely normalised production by the end of June

Key events

- **Covid-19 shutdown:** Global production stop of carmakers lasting several weeks and temporary closure of numerous LEONI plants due to the Covid-19 pandemic, mainly in April; adverse impact on production and logistics, initially in China, then in Europe and Africa and the Americas; initially affecting the Wiring Systems Division (WSD) as a direct supplier, subsequently also the Wire & Cable Solutions Division (WCS); protection for employees through extensive hygiene plan applied promptly with high priority and extensive measures, for example additional shuttle transport, protective clothing, face guards and disinfectant; additional expenses totalling € 7 million incurred particularly in the Wiring Systems Division because of its labour-intensive production; introduction of short-time working in Germany as well as comparable measures at other locations;
- **Customers resuming production** goes hand in hand with utilisation of our capacity; production restart at LEONI closely coordinated in good time with customers worldwide; ramp-up so far corresponds to the assumptions made in the Covid-19 scenario of our restructuring plan
- **VALUE 21** remains on track, a large number of initiatives were implemented by the end of June; initiatives already implemented will yield annual gross cost savings of around € 450 million or 90 percent of the overall potential starting in 2022; costs totalling € 12 million incurred in relation to implementing VALUE 21 in the first half of 2020 (H1/2019: € 18 million)
- **Financing and update of restructuring expert opinion:** In April 2020, a € 330 million credit facility was signed guaranteed by the German government and a number of federal states with a term until the end of 2022 to secure the continuation of business operations against the backdrop of the burden resulting from Covid-19. The restructuring expert opinion was subsequently updated on 22 April 2020; from today's perspective, LEONI is thus fully financed until the end of 2022 taking into account possible Covid-19 impact; this is contingent on continuing systematic implementation of our restructuring plan that is largely based on VALUE 21, and gradual recovery of the market in line with expectations during the year
- **Changes on the Board of Directors:** Hans-Joachim Ziems CRO (Chief Restructuring Officer) since 1 April 2020; Bruno Fankhauser and Martin Stüttem, members of the Board of Directors, left the Group's Board of Directors on 1 June 2020, Bruno Fankhauser has since been managing WCS as Divisional CEO (Chief Executive Officer), Martin Stüttem is responsible for the operational matters of WSD as its COO (Chief Operating Officer) until the scheduled expiry of his contract on 31 December 2020; the Group's Board of Directors downsized and adjusted to the focus of the holding company on capital market and governance requirements: Aldo Kamper as Chief Executive Officer (CEO), Chief Financial Officer (CFO) Ingrid Jägering and CRO Hans-Joachim Ziems

Sales performance

Group sales performance
(€ million)

	Q2		H1	
		%		%
Sales, previous year	**1,247**		**2,509**	
Organic change	(552)	(44.3)%	(682)	(27.1)%
Effects of changes in the scope of consolidation	0	0,0%	(6)	(0.3)%
Currency translation effects	(4)	(0.3)%	3	0.1%
Copper price effects	(17)	(1.4)%	(22)	(0.9)%
Copper price effects	**673**	**(46.0)%**	**1,802**	**(28.2)%**

- Group sales were 28 percent below the previous year in the first half of 2020 and 46 percent below the previous year in the second quarter; heavy impact of the coronavirus crisis; customers curtailing and halting production led to slump in demand
- Substantial losses in terms of wiring systems and cable harnesses (WSD) as well as automotive cables, special cables and cable systems for industry (WCS)
- Decline across all regions between January and June: Asia down 18 percent, EMEA region down 29 percent and United States down 35 percent; improvement in Asia and deterioration in the EMEA region and the United States in the second quarter in line with the development of the Covid-19 pandemic
- All LEONI plants reopened by mid-year; uptake figures of the automotive industry in China back to good levels, gradual recovery in Europe and the United States

Earnings

Consolidated EBIT before exceptional items as well as before VALUE 21 costs
(€ million)

	Q2		H1	
	2020	**2019**	**2020**	**2019**
EBIT before exceptional items as well as before VALUE 21 costs	**(96)**	**(14)**	**(112)**	**(35)**
Exceptional items	(28)	0	(62)	(102)
VALUE 21 costs	(5)	(17)	(12)	(18)
EBIT	**(129)**	**(30)**	**(186)**	**(155)**

- EBIT before exceptional items and before VALUE 21 costs substantially reduced in the first half and in the second quarter due to lost sales; previous year's figures weighed down by € 59 million in the first half of 2019 due to ramp-up difficulties at our wiring systems plant in Mérida, Mexico, which have since been resolved
- Main exceptional items in 2020: In the first half of 2020, impairment of assets amounting to € 33 million (previous year: € 66 million), of which € 19 million in the first quarter in the WCS due to changed economic conditions as a result of the Covid-19 pandemic, further impairment of assets in the second quarter due, among other factors, to portfolio streamlining in the WCS initiated as part of VALUE 21;
  Refinancing costs of € 13 million (previous year: € 1 million), of which € 4 million in the second quarter (previous year: € 1 million);
  Setting aside of € 8 million in provisions to cover contingent losses (previous year: € 35 million), of which € 4 million in the second quarter (previous year: € 0 million) in the WSD due, among other factors, to lowered projection of customer uptake for individual projects;

€ 7 million (previous year: € 0 million) in external additional expenses to protect employees in relation to Covid-19, including for additional shuttle transport, protective clothing, face guards and disinfectant, especially at labour-intensive locations

- Costs already reduced in many areas thanks to VALUE 21, positive effects of the programme contrast with Covid-19 related sales losses
- Production costs in the first half reduced by 27 percent to € 1,668 million, almost in line with sales, resulting in a gross profit of € 134 million (previous year: € 217 million); selling expenses 24 percent lower at € 110 million and R&D expenses down 16 percent to € 68 million; general and administration expenses of € 158 million, including as a result of such non-recurring items as refinancing costs (previous year: € 158 million)
- Finance costs up 53 percent to € 26 million in the first half and up 80 percent to € 17 million in the second quarter due to higher interest charges
- Net loss of € 190 million (previous year: € 176 million) in the first half and of € 123 million (previous year: € 44 million) in the second quarter

Financial situation

Group free cash flow
(€ million)

	Q2		H1	
	2020	**2019[1]**	**2020**	**2019[1]**
Cash flows from operating activities	(221)	(19)	(235)	(227)
Cash flows from capital investment activities	(23)	(52)	(8)	(155)
Free cash flow	**(244)**	**(71)**	**(244)**	**(382)**

[1] prior-year figures adjusted (presentation change: interest paid and received is classified in full as a financing)

- Cash flow from operating activities almost at the previous year’s level in the first half, substantially reduced in the second quarter due to negative earnings performance and drop in trade liabilities in connection with the coronavirus crisis
- Cash outflow for investments substantially improved after six months due to inflow of funds from sale and leaseback transactions in the first quarter and less capital spending
- Free cash flow in the first half of 2020 at a negative € 244 million, up from a negative € 382 million in the previous year; following a balanced figure in the first three months at a negative € 244 million in the second quarter

Group capital expenditure
(€ million)

	Q2		H1	
	2020	**2019**	**2020**	**2019**
Addition excl. the rights of use (IFRS 16)	28	62	62	134
Addition of rights of use (IFRS 16)	41	40	105	46
Capital expenditure (additions to tangible and intangible assets)	**69**	**102**	**167**	**180**

- Spending on property, plant and equipment as well as intangible assets slightly reduced across the Group in the first half; € 135 million (previous year: € 136 million) are accounted for by the WSD and € 32 million (previous year: € 39 million) by the WCS
- Capital investment in the operating business substantially reduced both in the first half and in the second quarter, but addition of rights-of-use essentially from sale and leaseback transactions (IFRS 16) in the first quarter and in connection with the signing of new leases in the second quarter

Group net financial debts
(€ million)

	30.06.2020	**31.12.2019**
Cash and cash equivalents	170	144
Current financial debts	(80)	(365)
Long-term financial debts	(1,644)	(965)
Net financial position	**(1,554)**	**(1,186)**

- Net financial debts up substantially as at 30 June due to the negative free cash flow
- Additional borrowing in the first half from an existing syndicate loan (RCF I) at € 211 million, from various bilateral lines and loans converted into commitments with a fixed maturity date during the reporting period (previously without a fixed term, RCF II) totalling € 113 million and a € 162 million guaranteed working capital loan (RCF III)

- Ability to restructure on the basis of the VALUE 21 programme confirmed for the first time in March 2020 by a restructuring expert opinion in line with the IDW Technical Guidance on Financial Reporting and Auditing Issues published by the Institute of Public Auditors in Germany, Incorporated Association (IDW); contingent upon implementing mitigating measures, especially factoring programmes, sale and leaseback transactions and the conversion of bilateral credit lines without a fixed term into a syndicated loan with a fixed term until end-2022 (RCF II) to safeguard the Group’s medium-term liquidity (for details see the combined management report 2019)
- Significant expected charges from the Covid-19 pandemic required a further increase in the financial scope in order to secure the continuation of business operations; Signed a € 330 million working capital facility in April 2020 with a term until end-2022 (of which € 240 million may be drawn immediately and a further € 90 million from 1 April 2021) was secured on standard market terms with our core banks and 90 percent guaranteed by the German government and the federal states of Bavaria, Lower Saxony and North Rhine-Westphalia (jumbo guarantee provided by the federal government and federal states in connection with the consequences of the Covid-19 pandemic, RCF III); in this context, update of the restructuring expert opinion; restructuring capability and full financing of the Company until the end of 2022 was reaffirmed in April; this is contingent upon continued systematic implementation of the restructuring plan and gradual market recovery in line with expectations during the year
- Freely available liquidity at end-June was € 401 million (31 December 2019: € 624 million), of which € 170 million cash and cash equivalents and € 231 million in unused credit lines; at the balance sheet date € 65 million in guarantees (31 December 2019: € 74 million) must be deducted from the freely available liquidity; decrease in available liquidity due among other things to the scheduled repayment of around € 166 million in borrower’s note loans in March and the further uptake of credit lines to finance business operations

Asset situation

- Size of LEONI's consolidated balance sheet as at 30 June 2020 reduced by 4 percent to € 3,456 million compared with the end of 2019
- Main changes on the assets side: Decline in trade receivables of 28 percent to € 381 million attributable primarily to the coronavirus impact, 5 percent increase in inventories to € 564 million, total 5 percent drop in non-current assets to € 1,477 million; fall in property, plant and equipment of around 2 percent to € 1,420 million due to factors including impairments in the WCS, € 19 million decline in share of associates to € 26 million due to dividend payouts of our Chinese joint venture, non-current assets totalling € 1,979 million (31 December 2019: € 2,036 million)
- Main changes on the liabilities side: 78 percent reduction in current financial liabilities and in the current share of long-term loans to € 80 million, especially due to the scheduled repayment of borrower's note loans and other bank liabilities as well as extension of the maturities in the context of RCF II, 33 percent reduction in trade payables to € 513 million essentially in connection with the coronavirus crisis, 36 percent decline in total current liabilities to € 1,027 million; 70 percent increase in non-current financial liabilities to € 1,644 million, due primarily to the use of Revolving Credit Facilities I to III, overall increase in non-current liabilities of 48 percent to € 2,024 million; decline in equity of 36 percent to € 405 million due to the deterioration in earnings, equity ratio at 11.7 percent (31 December 2019: 17.7 percent)

Wiring Systems Division (WSD)

Sales performance

WSD sales performance
(€ million)

	Q2		H1	
		%		%
Sales, previous year	**778**		**1,571**	
Organic change	(395)	(50.8)%	(483)	(30.7)%
Effects of changes in the scope of consolidation	0	0.0%	(6)	(0.4)%
Currency translation effects	(5)	(0,6)%	(3)	(0.2)%
Sales, current year	**378**	**(51.4)%**	**1,079**	**(31.3)%**

- Substantial decline in divisional sales due to the coronavirus crisis; loss of 31 percent in the first half and of 51 percent in the second quarter
- Impact of the global shutdown of carmakers' plants initially in Asia, subsequently in the EMEA region and in the Americas
- Business in Asia back to a good level in the second quarter following a slump in Q1; by contrast, sharp drop in the second quarter in the Americas and the EMEA region but initial signs of a recovery in these regions in June

Earnings

WSD EBIT before exceptional items as well as before VALUE 21 costs
(€ million)

	Q2		HJ	
	2020	**2019**	**2020**	**2019**
EBIT before exceptional items as well as before VALUE 21 costs	**(83)**	**(30)**	**(103)**	**(66)**
Exceptional items	(20)	0	(32)	(102)
VALUE 21 costs	(4)	(11)	(10)	(12)
EBIT	**(107)**	**(41)**	**(145)**	**(179)**

- EBIT before exceptional items as well as before VALUE 21 costs sharply decreased due to the impact of the Covid-19 pandemic, both in the first half and in the second quarter; such cost-cutting measures as short-time working applied
- Exceptional items in the first half of 2020 also included impairment of assets and provisions for contingent losses in connection with lowered projection of customer uptake, we are negotiating with our customers in this regard; furthermore, pro-rated costs for refinancing the Group and external additional expenses to protect employees in connection with Covid-19; the previous year included mainly provisions for contingent losses and impairment charges
- VALUE 21 costs reduced in comparison with the previous year, as expected, positive effects from the performance and strategy programme contrast with the huge impact of the coronavirus crisis

Key events WSD

- Following the coronavirus-related shutdown of plants across all production regions, plants are now being ramped up again in close consultation with our customers
- Projects are still being carefully selected; new orders with a projected volume of € 0.2 billion in the second quarter (previous year: € 0.1 billion); expected project volume of € 21.9 billion as at 30 June 2020 (previous year: € 24.3 billion), of which € 5.8 billion (previous year: € 5.6 billion) e-mobility projects

Wire & Cable Solutions Division (WCS)

Sales performance

WCS sales performance
(€ million)

	Q2		H1	
		%		%
Sales, previous year	**469**		**938**	
Organic change	(157)	(33.5)%	(199)	(21.2)%
Currency translation effects	1	0.2%	6	0.6%
Copper price effects	(17)	(3.7)%	(22)	(2.3)%
Sales, current year	**296**	**(37.0)%**	**723**	**(22.9)%**

- Sales reduced by 23 percent in the first half and by 37 percent in the second quarter, due mainly to the Covid-19 pandemic; additional negative effect of the change in the price of copper compared with the previous year
- Most pronounced slump in the Americas; EMEA region and China also affected to a marked degree; partial recovery in June
- Automotive business impacted to a particular extent; industrial segments overall also down year on year, but gains in healthcare and steady performance in energy and infrastructure

Earnings

WCS EBIT before exceptional items as well as before VALUE 21 costs
(€ million)

	Q2		H1	
	2020	2019	2020	2019
EBIT before exceptional items as well as before VALUE 21 costs	**(12)**	**16**	**(9)**	**31**
Exceptional items	(8)	0	(30)	0
VALUE 21 costs	(1)	(6)	(2)	(6)
EBIT	**(21)**	**10**	**(40)**	**24**

- EBIT before exceptional items as well as before VALUE 21 costs substantially down owing to Covid-19-related sales losses both in the first half and in the second quarter; countermeasures and cost-cutting exercises such as short-time working initiated
- Material exceptional items in the first half of 2020: Impairment of assets due to changed economic conditions because of Covid-19 and because of portfolio streamlining as part of VALUE 21 together with pro-rated refinancing costs
- VALUE 21 costs perceptibly reduced in comparison with the previous year, as expected, positive effects from the performance and strategy programme contrast with the huge impact of the coronavirus crisis

Key events WCS

- Plants at automotive locations shut down temporarily either in full or in part, especially in the second quarter; large-scale deployment of measures to reduce personnel costs
- Order receipts in the first half down 23 percent to € 709 million; book-to-bill ratio just under 1; order receipts with initial signs of a perceptible recovery in June

- Plan for carving out the WCS Division prepared as intended; the related business areas continue to be rated as appealing with various investors showing, given its wide range of skills and variety of customers, interest in some sub-segments of our WCS Division; the preconditions for a partial-sale scenario are to be established and the corresponding carve-out of WCS sub-segments to be prepared against this backdrop; disposal in the short term will be difficult to realise under present circumstances, however speed is not an end in itself; LEONI will carve units out only if a fair value can be achieved and there are viable plans for the respective sub-segments; it must meanwhile be assumed that not all WCS business areas are equally attractive to the market, and that specific solutions will have to be found for parts of the portfolio.

Transactions with related parties

- We refer to our comments under Note 10, Transactions with related parties, in the selected explanatory notes to the condensed interim consolidated financial statements with respect to transactions with related parties.

Supplementary report

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

Risk and opportunity report

- The risks that may have a materially negative impact on our business situation, our asset, financial and earnings situation, the key opportunities and the structure of our risk and opportunity management systems are presented in our Annual Report 2019.
- The mitigating measures to ensure short medium-term liquidity and counter the risks caused by the Covid-19 pandemic are also outlined in the Annual Report 2019 and have been implemented. For example, the factoring agreements were concluded and are currently being implemented; however, due to the substantial reduction in receivables as a result of the Covid-19 pandemic they cannot be used in full at present. The Revolving Credit Facility (RCF) II was finalised at the end of May. On 20 April 2020, we received the commitment to a jumbo guarantee provided by the federal government and federal states, which secures 90 percent of a € 330 million working capital loan. The loan was extended by our core banks on standard market terms and runs until 31 December 2022. In response to the interruption of production among our customers we temporarily closed our plants in Europe, North Africa and the Americas in line with demand and introduced short-time working in Germany and comparable measures at other European locations. Production at all locations is meanwhile being ramped up again, and around two-thirds of our plants have returned to largely normalised output levels.
- On 22 April 2020, a restructuring expert opinion that was updated due to the stronger than originally planned impact of the pandemic, based on the IDS Technical Guidance on Financial Reporting and Auditing Issues published by the Institute of Public Auditors in Germany, Incorporated Association (IDW), taking into account a slump in our business due to the Covid-19 pandemic and additional funding of € 330 million made available, confirmed the restructuring capability and full financing of the LEONI Group until the end of 2022. This is contingent upon the continued systematic implementation of the restructuring plan and a gradual market recovery in line with expectations during the year.
- With the implementation of the mitigating measures described above, the material uncertainty that raises significant doubts about the Company's ability to continue its business operations has been substantially reduced; however, this uncertainty remains, in particular due to the fact that it is impossible to predict the further development of the Covid-19 pandemic; it therefore constitutes an existential risk in analogy to Section 322 (2) sentence 3 of the German Commercial Code (HGB). The Board of Directors is, however, convinced that the mitigating measures will be able to safeguard liquidity over the short to medium term.
- The Covid-19 pandemic is exerting a materially negative impact on our business activities and liquidity. The extent and duration of the pandemic cannot at present be predicted. The measures required to contain the Covid-19 virus or a possible second wave of infections may delay or hinder a recovery from the economic crisis. A protracted recession, in particular a continuation of restricted production in the automotive industry, may result in material risks to the earnings and financial situation in the LEONI Group, causing serious disruptions to the financial system and insolvencies among customers and suppliers and may thus also have a negative impact on the supply chain. In

addition, risks may result from impairments; in particular, a potential deterioration in the earnings prospects of projects or business units due to the coronavirus crisis may have an impact on the risk of impairment.

- LEONI has set up Covid-19 Task Forces at Group and divisional level. These task forces define, implement and control the measures to manage the impact and the risks in connection with the pandemic. The focus here is on the health and safety of employees, on production and resource planning in line with requirements and on maintaining the supply chain.
- To sum up, the Board of Directors expects that the necessary liquidity / financing can be ensured through the corresponding measures. The Board of Directors considers it overwhelmingly likely that operations will continue, also taking into account the restructuring measures set out in the updated restructuring concept in line with the IDW Technical Guidance on Financial Reporting and Auditing Issues dated 22 April 2020, the government aid granted in connection with the Covid-19 pandemic.

Outlook

- The Covid-19 pandemic will have a substantial impact on the global economy in the year as a whole even though a recovery is expected to occur in some regions in the second half of the year. Based on forecasts by the IMF dating from June of this year, the global economy will contract by 4.9 percent overall in 2020, with the further development marked by very high levels of uncertainty.
- The international automotive markets are also severely hit by the crisis even though demand in various countries is gradually picking up: At the start of July, the VDA forecast 17 percent fewer new car registrations worldwide for the year as a whole, provided that the Covid-19 pandemic can be further contained. The decline is expected to be more severe in Europe than in the United States and China. According to the VDA, global commercial vehicle sales are expected to fall by 24 percent. Consequently, vehicle production should also record a significant drop: IHS Global Insight expects 23 percent fewer cars and 24 percent fewer heavy commercial vehicles to roll off the assembly lines worldwide in 2020. But from today’s perspective, despite the crisis, considerably more cars with alternative drive technologies will be produced: IHS Global forecasts a global increase of 16 percent in this segment, with the strongest momentum coming from the EMEA region with growth of 61 percent.
- At LEONI, the first half of 2020 was, as expected, substantially affected by the Covid-19 pandemic in the second quarter, with significant burden on Group sales, EBIT before exceptional items as well as VALUE 21 costs and free cash flow. A clearly positive trend emerged towards the end of the first half. This means – provided that no second wave of the pandemic occurs, resulting in further significant adverse effects and curbing automotive output – that the market should have bottomed out. As things stand at present, we expect a continued, gradual recovery of the market in the second half of the year. The market trend is currently in line with assumptions underlying our restructuring plan. However, the assumed continuation of the market recovery remains uncertain. The further course of the 2020 financial year will depend materially on our customers’ resumption of production after the summer break as well as on the macroeconomic trend. Even if further major interruptions of production can be avoided it is not clear how fast and sustained the improvement in consumer demand will be. Our indicators are currently showing partial shifts in project ramp-ups by our customers. In the light of this, planning will need to remain flexible and we must prepare for all eventualities. We refer to our detailed explanation of the developments in the 2020 financial year in our forecast of the combined management report 2019 for further information, which takes Covid-19 into account. At present, it is not possible to issue a more precise forecast.
- During the plant shutdowns, which peaked in April / May in the EMEA and Americas regions, we began to plan the reopening and ramp-up of production in close dialogue with our customers. Since then, all our plants have resumed production. Our plants in China have been producing at close to pre-crisis levels since the end of the second quarter. For our European customers we have been producing increasingly since May. Customers in the United States restarted production in June.

Condensed interim consolidated financial statements

for the period from 1 January to 30 June 2020

Consolidated income statement

(€ ´000, except information on shares)

	Q2		H1	
	2020	**2019**	**2020**	**2019**
Sales	673,417	1,247,025	1,801,585	2,509,016
Cost of sales	(660,178)	(1,101,030)	(1,667,628)	(2,291,658)
Gross profit on sales	**13,239**	**145,995**	**133,957**	**217,358**
Selling expenses	(46,773)	(70,381)	(109,583)	(145,007)
General and administration expenses	(69,237)	(73,180)	(157,788)	(157,748)
Research and development expenses	(31,905)	(39,264)	(68,462)	(81,853)
Other operating income	5,085	7,794	18,321	12,419
Other operating expenses	(7,290)	(7,873)	(17,868)	(16,194)
Result from associated companies and joint ventures	7,848	6,640	15,375	15,949
EBIT	**(129,033)**	**(30,269)**	**(186,048)**	**(155,076)**
Finance revenue	424	146	697	627
Finance costs	(16,655)	(9,272)	(25,932)	(16,907)
Other income / expenses relating to equity investments	0	0	65	93
Income before taxes	**(145,264)**	**(39,395)**	**(211,218)**	**(171,263)**
Income taxes	22,702	(4,359)	21,670	(4,636)
Consolidated net loss	**(122,562)**	**(43,754)**	**(189,548)**	**(175,899)**
due to: holders of equity in the parent company	(122,538)	(43,973)	(189,569)	(175,687)
non-controlling interests	(24)	219	21	(212)
Earnings per share in € (basic and diluted)	(3.75)	(1.35)	(5.80)	(5.38)
Weighted average no. of shares outstanding (basic and diluted)	32,669,000	32,669,000	32,669,000	32,669,000

Consolidated statement of comprehensive income

(€ '000)

	Q2		H1	
	2020	**2019**	**2020**	**2019**
Consolidated net loss	**(122,562)**	**(43,754)**	**(189,548)**	**(175,899)**
Other comprehensive income				
Items that cannot be reclassified to the income statement:				
Actuarial gains or losses on defined benefit plans	(45,585)	(7,977)	(9,378)	(26,970)
Income taxes applying to items of other comprehensive income that are not reclassified	8,192	3,504	436	6,039
Items that can be reclassified to the income statement:				
Cumulative translation adjustments				
Gains / losses arising during the period	(2,449)	(12,721)	(13,668)	9,532
Less reclassification adjustments included in the income statement	0	247	(2,220)	247
Total cumulative translation adjustments	(2,449)	(12,474)	(15,888)	9,779
Cash flow hedges				
Gains / losses arising during the period	3,776	1,607	(20,439)	3,668
Less reclassification adjustments included in the income statement	3,161	(1,909)	1,072	(4,712)
Total cash flow hedges	6,937	(302)	(19,367)	(1,044)
Parts of the items that can be reclassified to the income statement, which pertain to associates and joint ventures	(208)	(1,226)	76	(77)
Income taxes applying to items of other comprehensive income that are reclassified	(1,342)	(247)	2,702	(518)
Other comprehensive income (after taxes)	**(34,455)**	**(18,722)**	**(41,419)**	**(12,791)**
Total comprehensive income	**(157,017)**	**(62,476)**	**(230,967)**	**(188,690)**
due to: holders of equity in the parent company	(157,019)	(62,699)	(231,023)	(188,659)
non-controlling interests	2	223	56	(31)

Consolidated statement of cash flows

(€ ‘000)

	Q2		H1	
	2020	**2019**	**2020**	**2019**
Consolidated net loss	(122,562)	(43,754)	(189,548)	(175,899)
Adjustments to reconcile cash provided by operating activities:				
Income taxes	(22,702)	4,359	(21,670)	4,636
Net interest	14,088	8,710	22,988	16,078
Dividend income	0	0	(65)	(93)
Depreciation and amortisation	52,770	50,228	105,902	99,374
Impairment of non-current assets	6,824	(553)	25,587	43,567
Non-cash result relating to associates and joint ventures	(7,848)	(6,640)	(15,375)	(15,949)
Result of asset disposals	216	(4,525)	(9,770)	(4,599)
Effect of deconsolidation	0	349	0	349
Change in operating assets and liabilities				
Change in receivables and other financial assets	99,876	11,320	163,334	(65,172)
Change in inventories	23,486	27,354	(27,337)	(39,487)
Change in other assets	28,278	10,671	(51)	(22,533)
Change in restructuring provisions	(10,423)	(183)	(26,787)	361
Change in other provisions	(4,693)	(12,007)	(11,101)	25,127
Change in liabilities	(284,003)	(63,517)	(267,402)	(78,349)
Income taxes paid	5,650	(12,669)	(1,059)	(26,449)
Dividends received	0	11,926	17,055	12,019
Cash flows from operating activities	**(221,043)**	**(18,931)**	**(235,299)**	**(227,019)**
Capital expenditure on intangible assets	(1,145)	(7,657)	(3,210)	(7,794)
Capital expenditure on property, plant and equipment	(28,236)	(53,264)	(77,867)	(156,848)
Acquisitions of associated companies and joint ventures	0	(75)	0	(75)
Capital expenditure on other financial assets	0	0	(750)	0
Cash receipts from disposals of assets	6,494	6,007	73,397	6,163
Income from the disposal of a business operation / subsidiaries less cash equivalents paid	0	3,302	0	3,302
due to: disposal proceeds € 0 (previous year: € 4,181k)				
disposed cash and cash equivalents € 0 (previous year: € 879 k)				
Cash flows from capital investment activities	**(22,887)**	**(51,687)**	**(8,430)**	**(155,252)**
Cash receipts from borrowings	358,248	119,595	549,386	457,761
Cash repayments of financial debts	(71,501)	(52,458)	(256,383)	(109,730)
Interest paid[1]	(13,393)	(5,067)	(21,408)	(10,501)
Interest received[1]	274	442	471	607
Cash flows from financing activities	**273,628**	**62,512**	**272,066**	**338,137**
Change in cash and cash equivalents	29,698	(8,106)	28,337	(44,134)
Currency adjustments	(942)	(1,741)	(2,390)	2,312
Cash and cash equivalents at beginning of period	141,404	119,779	144,213	151,754
Cash and cash equivalents at end of period	170,160	109,932	170,160	109,932

[1] prior-year figures adjusted

Consolidated statement of financial position

(€ ‘000)

ASSETS	**30/06/2020**	**31/12/2019**	**30/06/2019**
Cash and cash equivalents	170,160	144,213	109,932
Trade receivables	380,521	527,242	673,858
Other financial assets	57,726	60,912	46,512
Other assets	157,850	166,395	181,520
Receivables from income taxes	26,398	21,927	20,842
Inventories	564,040	536,703	644,196
Contract assets	120,535	104,729	106,676
Total current assets	**1,477,230**	**1,562,121**	**1,783,536**
Property, plant and equipment	1,419,782	1,452,921	1,399,250
Intangible assets	57,448	66,582	67,731
Goodwill	135,408	139,202	138,762
Shares in associated companies and joint ventures	26,045	44,694	49,337
Contract assets	87,257	84,753	76,709
Other financial assets	9,492	7,872	5,707
Deferred taxes	107,102	98,208	84,710
Other assets	136,006	142,185	145,919
Total non-current assets	**1,978,540**	**2,036,417**	**1,968,125**
Total ASSETS	**3,455,770**	**3,598,538**	**3,751,661**

EQUITY AND LIABILITIES	**30/06/2020**	**31/12/2019**	**30/06/2019**
Current financial debts and current proportion of long-term financial debts	80,421	364,774	752,762
Trade payables	512,748	766,484	824,743
Other financial liabilities	100,977	134,774	91,079
Income taxes payable	16,238	19,175	22,973
Other current liabilities	221,029	196,324	230,438
Provisions	95,617	116,644	51,941
Total current liabilities	**1,027,030**	**1,598,175**	**1,973,936**
Long-term financial debts	1,643,934	965,010	563,260
Long-term financial liabilities	18,898	24,743	31,399
Other non-current liabilities	11,203	11,071	11,187
Pension provisions	192,454	187,720	184,899
Other provisions	87,043	98,051	36,274
Deferred taxes	70,037	77,630	62,077
Total non-current liabilities	**2,023,569**	**1,364,225**	**889,096**
Share capital	32,669	32,669	32,669
Additional paid-in capital	290,887	290,887	290,887
Retained earnings	182,626	372,195	631,055
Accumulated other comprehensive income	-102,805	-61,351	-67,769
Holders of equity in the parent company	403,377	634,400	886,842
Non-controlling interests	1,794	1,738	1,787
Total equity	**405,171**	**636,138**	**888,629**
Total EQUITY AND LIABILITIES	**3,455,770**	**3,598,538**	**3,751,661**

Consolidated statement of changes in equity

(€ '000)

				Accumulated other comprehensive income					
	Share capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Cash flow hedges	Actuarial gains and losses	Equity attributable to shareholders in the parent company	Non-controlling interests	Total
1 January 2019	**32,669**	**290,887**	**806,742**	**42,852**	**2,869**	**(100,518)**	**1,075,501**	**5,937**	**1,081,438**
Consolidated net loss			(175,687)				(175,687)	(212)	(175,899)
Other comprehensive income				9,521	(1,562)	(20,931)	(12,972)	181	(12,791)
Total comprehensive income							(188,659)	(31)	(188,690)
Disposal of non-controlling interests								(4,119)	(4,119)
30 June 2019	**32,669**	**290,887**	**631,055**	**52,373**	**1,307**	**(121,449)**	**886,842**	**1,787**	**888,629**
1 January 2020	**32,669**	**290,887**	**372,195**	**59,026**	**1,096**	**-121,473**	**634,400**	**1,738**	**636,138**
Consolidated net loss			(189,569)				(189,569)	21	(189,548)
Other comprehensive income				(15,847)	(16,665)	(8,942)	(41,454)	35	(41,419)
Total comprehensive income							(231,023)	56	(230,967)
30 June 2020	**32,669**	**290,887**	**182,626**	**43,179**	**(15,569)**	**(130,415)**	**403,377**	**1,794**	**405,171**

Selected explanatory information on the notes to the condensed interim consolidated financial statements

for the period from 1 January to 30 June 2020

Principles

These interim financial statements were, in accordance with the International Accounting Standard IAS 34, Interim Financial Reporting as it is to be applied within the European Union, prepared as a condensed interim report. These financial statements do not include all the disclosures and information required for annual consolidated financial statements and are therefore related to the consolidated financial statements as at 31 December 2019. LEONI prepares and publishes its condensed interim consolidated financial statements in euro (€). The presented condensed interim consolidated financial statements and interim group management report as at 30 June 2020 were subjected to a review by the auditors. The quarterly information presented in these interim consolidated financial statements is supplemental and has not been subject to a review by the auditors.

The risks that may have a materially negative impact on our business situation, our asset, financial and earnings situation, the key opportunities and the structure of our risk and opportunity management systems are presented in our Annual Report 2019. The mitigating measures to ensure short medium-term liquidity and counter the risks caused by the Covid-19 pandemic are also outlined in the Annual Report 2019 and have been implemented. The material uncertainty that raises significant doubts about the Company’s ability to continue its business operations has thereby been substantially reduced; however, this uncertainty remains, in particular due to the fact that it is impossible to predict the further development of the Covid-19 pandemic; it therefore constitutes an existential risk in analogy to Section 322 (2) sentence 3 of the German Commercial Code (HGB). The Board of Directors is, however, convinced that the mitigating measures will be able to safeguard liquidity over the short to medium term (for further details see the interim group management report 2020, risk and opportunity report).

The Board of Directors authorised release of the condensed interim consolidated financial statements on 5 August 2020.

1. Valuation methods and accounting policies

The consolidation, valuation and accounting methods applied are in line with those in the 2019 consolidated financial statements, where they are described in the notes.

No duty to apply changes in legislation or major standards for the first time exists for the 2020 financial year. Changes in details do not have a material impact on the condensed consolidated interim financial statements and are therefore not explained further.

Estimates and judgements based on the Covid-19 pandemic could impact on the amount of reported assets and debts, the disclosures on contingent assets and liabilities on the reporting date as well as on the presented income and expenses for the reporting period. Given the currently unforeseeable, worldwide consequences of the Covid-19 pandemic, these estimates and judgements are subject to greater uncertainty. The actually occurring amounts could deviate from these estimates and judgements; any changes could materially impact on the interim financial statements. Available information on the probable economic trend as well as country-specific, government measures were considered in updating these estimates and judgements.

The interest expenses incurred in connection with factoring are presented under the financial result starting in the reporting year, but are of minor significance to the consolidated financial statements.

Since 31 December 2019, LEONI has been reporting all interest paid and received as cash used for or provided by financing activity. The previous year’s figures as at 30 June 2019 were therefore adjusted. Against this backdrop, interest of € 3,694 k paid and of € 607 k received in the pre-year period was reclassified from operating cash flow to cash flow pertaining to financing activity.

2. Scope of consolidation

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

The scope of consolidation changed during the reporting period due to the liquidation of a Chinese subsidiary. This liquidation resulted in an exchange gain of € 2,220 k, which was reclassified from other comprehensive income to the income statement.

Explanations

3. Segment information

The Group has two segments subject to reporting. Detailed information on the segments is contained in the interim group management report as at 30 June 2020 as well as the Group management report for the 2019 financial year.

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

€ '000 (employees excluded)

	Q2			H1		
	2020	**2019**	**Change (%)**	**2020**	**2019**	**Change (%)**
Wiring Systems						
Gross sales	377,718	778,170	(51.5)%	1,078,727	1,571,906	(31.4)%
less intersegment sales	(59)	539	>(100.0)%	53	1,102	(95.2)%
External sales (sales to third parties)	377,776	777,631	(51.4)%	1,078,675	1,570,804	(31.3)%
EBIT	(107,213)	(40,874)	>(100.0)%	(145,415)	(179,383)	18.9%
as a percentage of external sales	(28.4)%	(5.3)%	---	(13.5)%	(11.4)%	---
EBIT before exceptional items as well as before VALUE 21 costs	(82,940)	(30,344)	>(100.0)%	(103,334)	(65,675)	(57.3)%
as a percentage of external sales	(22.0)%	(3.9)%	---	(9.6)%	(4.2)%	---
Employees 30.6. *(number)*	82,405	85,856	(4.0)%	82,405	85,856	(4.0)%
Wire & Cable Solutions						
Gross sales	320,288	518,303	(38.2)%	790,131	1,038,568	(23.9)%
less intersegment sales	24,648	48,909	(49.6)%	67,221	100,356	(33.0)%
External sales (sales to third parties)	295,640	469,394	(37.0)%	722,910	938,212	(22.9)%
EBIT	(21,041)	10,116	>(100.0)%	(40,136)	24,070	>(100.0)%
as a percentage of external sales	-7.1%	2.2%	---	-5.6%	2.6%	---
EBIT before exceptional items as well as before VALUE 21 costs	(12,152)	16,256	>(100.0)%	(8,652)	30,522	>(100.0)%
as a percentage of external sales	(4.1)%	3.5%	---	(1.2)%	3.3%	---
Employees 30.6. *(number)*	8,310	8,671	(4.2)%	8,310	8,671	(4.2)%
Consolidation/LEONI AG						
Gross sales	(24,589)	(49,448)	50.3%	(67,274)	(101,458)	33.7%
less intersegment sales	24,589	49,448	(50.3)%	67,274	101,458	(33.7)%
External sales (sales to third parties)	---	---	---	---	---	---
EBIT	(779)	489	---	(496)	237	---
EBIT before exceptional items as well as before VALUE 21 costs	(779)	500	---	(497)	299	---
Employees 30.6. *(number)*	217	336	(35.4)%	217	336	(35.4)%
Group						
Gross sales	673,417	1,247,025	(46.0)%	1,801,585	2,509,016	(28.2)%
less intersegment sales	---	---	---	---	---	---
External sales (sales to third parties)	673,417	1,247,025	(46.0)%	1,801,585	2,509,016	(28.2)%
EBIT	(129,033)	(30,269)	>(100.0)%	(186,048)	(155,076)	(20.0)%
EBIT as a percentage of external sales	(19.2)%	(2.4)%	---	(10.3)%	(6.2)%	---
EBIT before exceptional items as well as before VALUE 21 costs	(95,871)	(13,588)	>(100.0)%	(112,483)	(34,854)	>(100.0)%
as a percentage of external sales	(14.2)%	(1.1)%	---	(6.2)%	(1.4)%	---
Employees 30.6. *(number)*	90,932	94,863	(4.1)%	90,932	94,863	(4.1)%

4. Sales

Revenue from customers is broken down by time when the goods or services are transferred, as presented in the table below.

	H1 2020	H1 2019
Group	€ '000	€ '000
Transfer at a point in time	1,027,928	1,623,034
Transfer over a particular period of time	773,931	885,982
of which development services	17,898	12,676
of which customised products	756,034	873,307
Sales	**1,801,859**	**2,509,016**

	H1 2020	H1 2019
Wiring Systems	€ '000	€ '000
Transfer at a point in time	305,018	684,822
Transfer over a particular period of time	773,931	885,982
of which development services	17,898	12,676
of which customised products	756,034	873,307
Sales	**1,078,949**	**1,570,804**

	H1 2020	H1 2019
Wire & Cable Solutions	€ '000	€ '000
Transfer at a point in time	722,910	938,212
Sales	**722,910**	**938,212**

Six-month sales came to € 1,802 k (previous year: € 2,509 k) and were thus 28 percent below the previous year. The crisis-related temporary reduction and halt of production by customers led to a slump in demand in the first six months.

5. Earnings before interest and taxes

Earnings before interest and taxes fell from a loss of € 155 million in the previous year to a loss of € 186 million in the first half of 2020. The EBIT adjusted for non-recurring items as well as for the VALUE 21 performance and strategy programme (cf. > interim group management for more detail) was down by € 77 million to a loss of € 112 million (previous year: loss of € 35 million). The main drivers were especially the pronounced impact of the coronavirus crisis and the associated sales losses. In the previous year, EBIT before non-recurring items as well as before VALUE 21 costs was weighed down by € 59 million owing to start-up difficulties at our wiring systems plant in Mérida, Mexico, which have since been resolved.

Non-recurring items also include impairment of assets. Impairment of six cash-generating units accounted for € 20 million of the write-downs. Of these € 20 million, € 4 million pertain to adjusting the value of the goodwill of Business Group Automotive Cables, which was thus written down in full. The remaining € 16 million in valuation allowances pertain to the assets of six cash-generating units, of which € 5 million concerning Business Group Automotive Cables. Furthermore, alongside the impairments of the cash-generating units, the valuations of other, individual assets were adjusted in the amount of € 5 million. The discount rates applied in the impairment tests have risen due to the increased uncertainty and risks resulting from the Covid-19 pandemic. The planning used in the context of these impairment tests considered the Covid-19 effects expected from today's perspective and was based on a gradual market recovery in line with expectations during the year. The income statement contains the write-downs in cost of sales (€ 16 million), in general and administration expenses (€ 1 million), in research and development costs (€ 4 million) and in other operating expenses (€ 4 million).

Moreover, non-recurring items were considered in refinancing costs in the amount of € 13 million (previous year: € 1 million), € 8 million (previous year: € 35 million) in provisions for contingent losses - due among other factors to customers calling forward less product for individual projects - € 7 million (previous year: € 0 million) in external, additional costs to protect employees in connection with the Covid-19 pandemic as well as € 2 million (previous year: € 0 million) in costs incurred in preparing for carving out the Wire & Cable Solutions Division.

At € 12 million, the costs for the VALUE 21 programme in the first half of 2020 were substantially lower than in the pre-year period (€ 18 million).

The lower non-recurring items as well as costs in connection with VALUE 21 than in the previous year, a positive earnings effect of € 10 million from book gains in connection with a sale and leaseback transaction in the first quarter as well as savings resulting from short-time working at various sites could not offset the sales and income lost as a consequence of the Covid-19 pandemic.

6. Income taxes

Reported receivables from income tax totalling € 26,398 k rose by € 4,471 k or around 20 percent compared with the 31 December 2019 figure. This increase is largely attributable to an amendment of the law in the US.

In March 2020, due to the "CARES Act" (Coronavirus, Aid, Relief, and Economic Security Act), the rules on the use of loss carryforward in the United States changed; among other things, an option has been granted to carry back losses of the 2018, 2019 and 2020 financial years to the preceding five years. This carryback option allows group companies based in the United States to take advantage of loss carryforwards of around € 50,827 k. This leads to € 16,898 k in tax reimbursements, which have increased the tax payable.

Deferred tax assets of € 107,102 k rose by € 8,894 k compared with the 31 December 2019 figure while deferred tax liabilities during the same period declined by € 7,593 k to € 70,037 k. In particular, the changes in deferred taxes are due to the setting aside of deferred tax assets on current losses.

7. Leases

The development of rights of use by asset class during the reporting year and their position as at the reporting date is set out below:

€ '000	Land, leasehold rights and buildings	Technical equipment, plant and machinery	Other equipment, factory and office equipment	**Total**
Net carrying amount on 1 January 2020	**167,276**	**21,026**	**13,923**	**202,225**
Acquisition costs on 1 January 2020	**196,907**	**24,793**	**19,964**	**241,664**
Additions	100,327	2,671	2,021	**105,019**
Disposals	7,122	294	1,157	**8,573**
30 June 2020	**290,112**	**27,170**	**20,828**	**338,110**
Accumulated depreciation on 1 January 2020	**29,631**	**3,767**	**6,041**	**39,439**
Increase in depreciation	17,104	3,141	2,692	**22,937**
Increase in impairment	534	0	0	**534**
Disposals	2,059	281	1,144	**3,484**
30 June 2020	**45,210**	**6,627**	**7,589**	**59,426**
Net carrying amount on 30 June 2020	**244,902**	**20,543**	**13,239**	**278,684**

Lease liabilities recognised in financial liabilities developed as follows during the reporting period:

€ '000	**2020**
Carrying amount on 1 January	**196,424**
Additions	101,050
Compounding	4,186
Repayment	(27,453)
Carrying amount on 30 June	**274,207**
of which short-term	48,500
of which long-term	225,707

The additions to rights of use as well as to lease liabilities are due mainly to sale and leaseback agreements in Germany and China as well as a long-term lease for a facility in Morocco. The sale and leaseback transactions concerned production and administration buildings used by LEONI over long terms and served to provide liquidity-boosting cash of € 66 million in the first half of 2020.

8. Financial liabilities

The sum of current and non-current financial liabilities was € 1,724,355 k on 30 June 2020 (31/12/2019: € 1,329,784 k). The increased funding requirement was covered on the one hand by the further utilisation of an existing syndicate loan (RCF I with a total available amount of € 750 million and maturing in mid-2023). Additional drawing of € 211 million in the first half of 2020 increased total utilisation of RCF I to € 628 million. On the other hand, various bilateral lines and loans (previously without fixed maturity) were converted into a new syndicated loan in the amount of € 273 million with a fixed maturity date at the end of 2022 during the reporting period (RCF II). This was used in the amount of € 236 million. In April 2020, furthermore, a € 330 million working capital facility (of which € 240 million may be drawn immediately and a further € 90 million from 1 April 2021) with a term until end-2022 was secured on standard market terms with several core banks to ensure the continuation of business operations. It is 90 percent guaranteed by the German government and the federal states of Bavaria, Lower Saxony and North Rhine-Westphalia as part of measures to provide coronavirus-related aid (jumbo guarantee provided by the federal government and federal states in connection with the consequences of the Covid-19 pandemic, RCF III). € 162 million was drawn from RCF III as at 30 June 2020.

Because the credit lines used (RCF I – III) are not expected to be repaid within the next 12 months, they were reported under non-current financial liabilities on the balance sheet as at 30 June 2020.

Financial liabilities as at 30 June 2020 also include a borrower's note loans in the amount of € 424 million. These are mostly due for repayment in the years 2023 and 2024.

Lease liabilities amounted to € 274,207 k as at 30 June 2020 (31/12/2019: € 196,424 k).

9. Financial instruments

The tables below show the financial instruments held in the Group on 30 June 2020 and on 31 December 2019:

€ '000	Measurement category according to IFRS 9	Carrying amount 30/06/20	Recognition according to IFRS 9 Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss	Fair value 30/06/20
Assets						
Cash and cash equivalents	AC	170,160	170,160			170,160
Trade receivables	AC	340,579	340,579			340,579
Other financial receivables	AC	57,590	57,590			57,590
Financial assets held for sale	FVTPL	39,942			39,942	39,942
Other primary financial assets						
Investments	FVTPL	1,113			1,113	1,113
Derivative financial assets						
Derivatives without a hedging relationship	FVTPL	7,224			7,224	7,224
Derivatives with a hedging relationship	n/a	1,292		1,292	0	1,292
Liabilities						
Trade payables	AC	512,748	512,748			512,748
Liabilities to banks	AC	1,025,901	1,025,901			1,025,654
Borrower's note loans	AC	424,175	424,175			403,184
Other financial liabilities	AC	97,703	97,703			97,703
Lease liabilities	n/a	274,207	274,207			n/a
Derivative financial liabilities						
Derivatives without a hedging relationship	FVTPL	4,384			4,384	4,384
Derivatives with a hedging relationship	n/a	17,860		17,860		17,860
Of which aggregated by categories according to IFRS 9:						
Financial assets at amortised cost	AC	568,329	568,329			568,329
Financial assets at fair value through profit or loss	FVTPL	48,279			48,279	48,279
Financial liabilities at amortised cost	AC	2,060,527	2,060,527			2,039,289
Financial liabilities at fair value through profit or loss	FVTPL	4,384			4,384	4,384

€ '000	Measurement category according to IFRS 9	Carrying amount 31/12/19	Recognition according to IFRS 9			Fair value 31/12/19
			Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss	
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 primary 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		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

Due to the short terms of the cash and cash equivalents, trade receivables (excluding factoring) and other current receivables, the fair values largely corresponded to the carrying amounts as they did in the previous year.

Cash and cash equivalents include € 590 k (31/12/2019: € 0) which the Group cannot dispose of due to bilateral agreements.

The fair values of other financial receivables with residual terms of more than one year corresponded to the present values of the payments associated with the assets, taking into account the current interest-rate parameters that reflected market-related and partner-related changes in conditions.

Trade payables and other liabilities usually had short residual terms; the amounts recognised represented an approximation of the fair values.

The fair values of liabilities to banks, the borrower's note loans and the other non-current financial liabilities were determined as the present values of the payments relating to the liabilities based on the respectively applicable yield curves and taking into account the Group-specific margins. For this reason, the fair values must be allocated to hierarchy level 2.

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 and the risk of non-fulfilment on the part of the Group by determining correction values, known as credit value adjustments (CVAs) or debt value adjustments (DVAs), based on applying a premium / discount. The fair values of the interest rate hedging instruments (interest swaps) were based on discounted future cash flows. The applicable market interest rates and volatilities were used for the residual maturities of the financial instruments.

Valuation method to determine fair value

The tables below contain an overview of the valuation methods used for measuring the fair value of the financial instruments concerned as well as their fair value hierarchy classification:

30/06/20 € '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		39,942		**39,942**
Investments			1,113	**1,113**
Derivative financial assets				
Derivatives without a hedging relationship	1,130	6,094		**7,224**
Derivatives with a hedging relationship		1,292		**1,292**
Liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship	0	4,384		**4,384**
Derivatives with a hedging relationship		17,860		**17,860**

31/12/19 € '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**

There were no movements between the individual levels during the financial year or in the previous year.

Other informationen

10. Transactions with related parties

LEONI maintains relationships with associates and joint ventures as part of its ordinary business activities. This involves LEONI purchasing products and services on market terms. During the period under report, the Company generated income of € 6,006 k (previous year: € 5,463 k) from sales and providing services to associates and joint ventures. These transactions resulted in receivables of € 23,286 k (31/12/2019: € 4,795 k). LEONI generated the income and receivables mainly from its business relationship with the joint venture in Langfang, China. In the first half of 2020, a loan in the amount of € 3,375 k (31/12/2019: € 2,625 k) was granted to an associate.

LEONI generated income of € 1,063 k (previous year: € 1,429 k) from the sale of products and services to members of the Supervisory Board and their companies and made purchases worth € 2 k (previous year: € 0 k) from them during the period under report. These transactions resulted in receivables of € 175 k (31/12/2019: € 114 k). All supply and service transactions were conducted on standard market terms.

11. Board of Directors and Supervisory Board

As part of the Company's comprehensive transformation, the Supervisory Board of LEONI AG changed the structure of its Board of Directors at 1 June 2020. Martin Stüttem and Bruno Fankhauser left the Board of Directors on this date. Martin Stüttem will remain responsible for the operations of the Wiring Systems (WSD) as its COO. Bruno Fankhauser will manage the Wire & Cable Solutions (WCS) as its Divisional CEO.

The Board of Directors has been strengthened by Hans-Joachim Ziems, who joined on 1 April 2020. A restructuring expert of many years' standing, he will remain Chief Restructuring Officer (CRO) with responsibility for implementing and coordinating the ongoing restructuring measures.

The composition of the Supervisory Board did not change during the period under report.

12. Events after the reporting period

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

Nuremberg, 5 August 2020

The Board of Directors

Aldo Kamper | Ingrid Jägering | Hans-Joachim Ziems

Responsibility statement

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

Nuremberg, 5 August 2019

The Board of Directors

Aldo Kamper   Ingrid Jägering   Hans-Joachim Ziems

Review Report

To LEONI AG, Nuremberg/Germany

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated balance sheet, the consolidated statement of changes in equity as well as selected explanatory notes to the condensed interim consolidated financial statements - and the interim group management report for the period from 1 January to 30 June 2020 of LEONI AG, Nuremberg, that are part of the half-year financial report pursuant to § 115 WpHG (Wertpapierhandelsgesetz: German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the executive directors. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany (IDW)). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of personnel of the entity and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements of LEONI AG, Nuremberg, have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Without modifying our opinion, we draw attention to section "Principles" in the selected explanatory notes to the condensed interim consolidated financial statements and to section "Risk and Opportunity Report", of the interim group management report, in which the executive directors describe the major impact of the Covid-19 pandemic on the business and liquidity of LEONI Group as a risk relating to the Group's ability to continue as a going concern. The executive directors are describing several measures that have been implemented to secure short and medium-term liquidity and to reduce the risk that raises significant doubt on LEONI's ability to continue as a going concern. As presented in the interim group management report, these events and conditions relating to the Covid-19 pandemic indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, and constitutes 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.

Furthermore, we draw attention to the fact that the separately presented quarterly information as well as the respective explanatory comments within the condensed interim consolidated financial statements and the interim group management report have not been subject of our review.

Nuremberg, 6 August 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Sebastian Kiesewetter Wirtschaftsprüfer (German Public Auditor)	Signed: Alexander Hofmann Wirtschaftsprüfer (German Public Auditor)

Notes regarding forward-looking statements

This interim 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 quarterly statement.

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

Financial publications are available on our website at www.leoni.com.

This interim report is published in German and English. In case of doubt or conflict, the German language version will prevail.

Financial calendar

Quarterly statement 3rd quarter 2020	11 November 2020

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