ANNUAL REPORT 2020

LEONI

LEONI is a global provider of products and solutions for energy and data management in the automotive sector and other industries.

The value chain encompasses wires, optical fibers, standardised cables and special cables through to custom-developed wiring systems and related components as well as 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 2019 figures	Planning as at mid-March 2020 (without Covid 19 effects)	Forecast as at end-March 2020	Actual 2020 figures
Consolidated sales	€ 4.8 billion	Moderate year-on-year sales increase	Significant decrease versus previous planning and previous year	€ 4.1 billion
EBIT before exceptional items as well as before VALUE 21 costs	€ (66) million	Mid double-digit positive € million amount	Significant deterioration versus previous planning and previous year	€ (59) million
Free cash flow	€ (308) million	A high double-digit to low three-digit negative million € amount	Significant deterioration versus previous planning and previous year	€ (69) million

Consolidated sales

4.1 € billion

about **101,000**

Employees

72

Subsidiaries

in **30** countries

ABOUT THIS REPORT

In its Annual Report 2020, LEONI publishes both financial and non-financial information. The report provides a comprehensive overview of our fiscal-2020 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

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SHAREHOLDERS' LETTER

» Aldo Kamper, Chief Executive Officer

Ladies and gentlemen,

2020 was an extraordinary year, which also confronted LEONI with new kinds of challenges. The Covid-19 pandemic impacted virtually all areas of our business and compelled us thoroughly rethink and reconfigure much of our activity.

The most important concern was and continues to be the health of our staff. Comprehensive hygiene concepts have been put in place for the sites and extensive working from home solutions have been adopted to protect our employees as well as possible to ensure that we all get through this Covid-19 pandemic in good health. In response to local lockdowns and temporary interruptions of production among our customers, we were constrained to close many of our plants temporarily, either in full or in part, and to introduce short-time working or similar measures. At the start of the second quarter this affected around 80,000 employees worldwide and around two-thirds of our production sites, especially at our major wiring systems facilities. A turnaround followed the mid-year decline in the number of new infections.

The uptake from our customers revived and demand remained at a relatively high level until the end of the year despite the onset of the second wave in the autumn. Subsequently, it was all about responding to the recovery in demand to avoid delivery bottlenecks and ensure supplies reached our customers. Despite the turnaround in the second half of the year, consolidated sales in 2020 as a whole came to € 4.1 bn and about 15 percent down on the previous year's sales due to the major strains in the first half of the year and the impact on the pandemic.

Thanks to the gradual recovery of our business performance in the second half of the year, operating earnings also improved step by step. At the same time, alongside the pandemic-related losses of sales, the cost of our VALUE 21 strategy and performance programme and various exceptional factors again weighed on reported results. In particular, these factors included strategy or pandemic-related impairments, provisions to cover contingent losses and restructuring expenses, costs to refinance the Group and the planned carve-out of the Wire & Cable Solutions Division together with external additional expenses for hygiene and protection measures. Before taking into account these exceptional factors and the VALUE 21 costs, consolidated EBIT in 2020 improved to negative € 59 million, up from a loss of € 66 million in the previous year, despite the decline in sales owing to Covid-19. Reported EBIT was a loss of € 280 million, as opposed to a loss of € 384 million in 2019. Thanks to the earnings improvement in the second half, the increase in trade liabilities with a continuation of disciplined inventory management and the positive impact from the increasing use of factoring lines, free cash flow in the second half of the year also improved substantially to negative € 69 million, well above the previous year's negative figure of € 308 million.

Notwithstanding the extremely difficult environment, we achieved significant progress in 2020 not only in terms of earnings and cash flow but also in many other areas: First of all, the stabilisation of our financial situation was of particular importance as a liquidity shortfall for the year 2020 had emerged even before the onset of the Covid-19 pandemic. We mandated an external expert opinion in accordance with auditing standard IDW S6, which confirmed our ability to restructure. The higher funding requirement, which became even more urgent as a result of the coronavirus crisis, was covered through a variety of financing measures – by taking out a € 330 million working capital facility, 90 percent of which is guaranteed by the German government and federal states, among other things. This allowed us to cushion the impact of the pandemic on our liquidity, but the situation remains challenging due to the considerable uncertainties of the Covid-19 pandemic and we continue to perform a regular review of all options to prepare for possible future deviations from our restructuring plan and to further strengthen the Company's long-term refinancing ability.

The implementation of our VALUE 21 strategy and performance programme showed a very positive development in 2020. The cost-cutting and efficiency improvement measures provided for by the programme also form the basis of our restructuring plan. They were largely implemented by the end of the third quarter of 2020 and thus earlier than planned, and will be followed up systematically going forward. Because the savings effects are heavily dependent on volumes, however, we need a substantial rebound in demand to realise the envisaged effects in full. We continue to launch new measures to secure the full effectiveness of the programme and to help improve our Company's performance and efficiency further.

We did not neglect the strategic aspects of VALUE 21 in the past financial year either. We continued to forge ahead with preparations for the sale of the Wire & Cable Solutions Division (WCS). As potential investors are primarily interested in individual parts of the division, we are currently favouring a partial sale scenario and have begun to set up organisational units to that effect. For a few units we are already in talks with potential buyers although the market setting for corporate transactions has so far been substantially clouded over due to the pandemic. We will only proceed with divestments if a fair price is achieved and the buyer is able to present a viable plan for the future. We aim to give the WCS subdivisions that have established themselves as leading providers for highly sophisticated technological cable solutions and services in various areas the opportunity, under new ownership, to realise their full potential more quickly.

In the Wiring Systems Division (WSD), which will be the focus for LEONI going forward, new projects continue to be selected primarily on the basis of profitability criteria in order to increase profitability over the long term. In addition, during the reporting year we prepared an organisational realignment with efficient, functional structures and we will continue to focus consistently on strategic customer relationships. As a leading wiring systems supplier in Europe, this will also help us to take even better advantage of our opportunities in the areas of electromobility and autonomous driving.

We are convinced that LEONI has set the right parameters in 2020 to stabilise our business performance on a sustained basis. This has all taken an extraordinary team effort by our employees the world over. On behalf of the Board of Directors, I would like to express my heartfelt thanks for their great commitment. Their dedication cannot be valued highly enough, especially against the backdrop of the challenges posed by the pandemic and the VALUE 21 measures.

We are well on course, but much work still lies ahead. The year 2021 is certain to bring fresh challenges again. Despite the progress made with vaccinations, there is still considerable uncertainty surrounding the further course of the Covid-19 pandemic; demand from our customers remains volatile, heightened risks currently exist regarding the availability of critical components, and LEONI is continuing to push ahead with major internal changes. Assuming that the recovery in demand continues and new wiring system projects are ramped up, we currently expect a rebound in sales and a significant improvement in earnings during the current financial year compared with 2020 based on the existing corporate portfolio. We are keeping a close eye on the situation to allow us to respond quickly to new developments and are coordinating closely with our partners worldwide.

All told, LEONI considers itself to be well-prepared to stabilise its business performance on a sustained basis. We will continue to make all necessary efforts to improve our operational performance, to put ourselves on a secure financial footing over the long term and to bring the Company fully back on course. I hope that you, dear shareholders, will continue to support us on this course and would like to thank you for your loyalty to LEONI. Stay well and healthy!

Nuernberg, 12 March 2021

Aldo Kamper
Chief Executive Officer

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COMPANY INFORMATION

SUPERVISORY BOARD REPORT

Dear Sir or Madam,

For LEONI AG – and for many other companies around the globe – the past 2020 financial year was an exceptionally challenging year. In addition to the effects of the Covid-19 pandemic on the already tough market environment, for LEONI AG, the 2020 financial year was characterised by the far-reaching transformation of the Company in the aim of securing the future viability of LEONI in a sustainable manner.

In the past financial year, the Supervisory Board of LEONI AG diligently and dutifully fulfilled its tasks in accordance with statutory requirements, 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 in a timely and comprehensive manner, both in writing and verbally, about all matters pertinent to LEONI. In particular, this included the strategy, planning and operating performance as well as the Group's current situation including its risk, equity and liquidity situation. Furthermore, the financing situation of LEONI was also regularly discussed. The Board of Directors explained in detail any deviation in business performance from the plans established as well as the current business performance, the situation concerning the effects of the pandemic on LEONI and its employees worldwide, and involved the Supervisory Board in decisions of material importance. To the extent that Supervisory Board approval was required under the rules of procedure, the approval was granted following extensive discussion based on the reports and documents prepared by the Board of Directors. Resolutions regarding facts that required a decision to be taken between scheduled meetings were passed at extraordinary meetings or, in exceptional cases, by circulation procedure.

The Board of Directors and the Supervisory Board also kept in close touch at all times outside their meetings. In this context, in my capacity as Chairman of the Supervisory Board, I was in close contact with, in particular, the Chairman of the Board of Directors, and the Chairman of the Audit Committee with the Chief Financial Officer, and the Chairman of the Special Committee with our Chief Restructuring Officer. We consulted regularly on fixed dates also at short notice and as required by specific circumstances. In particular in light of the exceptional entrepreneurial challenges management faced, in addition to the high number of meetings of the Supervisory Board and its committees, we maintained the high number of discussions at the previous year's level. The entire Supervisory Board was informed in detail of the content of these discussions during its next meeting at the latest.

Supervisory Board procedures

The Supervisory Board held a total of sixteen meetings during the 2020 financial year, seven of which were regular Supervisory Board meetings, one was another regular Supervisory Board meeting to discuss matters without the members of the Board of Directors ("executive session"), and eight were extraordinary Supervisory Board meetings required by specific circumstances. In this financial year, there was also ample time to regularly discuss matters also without the members of the Board of Directors, as is recommended by the German Corporate Governance Code, in the context of individual agenda items during the ordinary meetings. Furthermore, both the employee representatives and the shareholder representatives of the Supervisory Board regularly held preliminary discussions before the scheduled meetings. In the past financial year, due to the restrictions placed on contacts as from mid-March 2020, the Supervisory Board performed its duties primarily by way of video or telephone conferences. However, due to the favourable development of the pandemic at that time, we were able to realise our plan to hold at least one regular Supervisory Board meeting at a site of LEONI AG, which is why the September 2020 meeting was held as scheduled as a meeting by personal attendance in Roth at the site of LEONI Kabel GmbH on the premises of the "Factory of the Future".

The average participation rate at the meetings of the Supervisory Board and its committees was 96 percent and the Supervisory Board or relevant committee was quorate on each occasion. For the Supervisory Board meetings, the average rate was 96 percent and for the meetings of the committees, it was also 96 percent. Therefore, the overall participation rate was at a high level. A detailed overview of the Supervisory Board members' participation in the meetings of the Supervisory Board and its committees is presented below:

Participation rates [1]	**Entire Supervisory Board**	**Nomination Committee**	**Personnel Committee**	**Audit Committee**	**Special Committee**	**Strategy Committee**	**TOTAL In person**
Dr Klaus Probst	94%	100 %	100%	100%	90%	100%	95%
Franz Spieß [2]	94%		83%	80%	60%		81%
Dr Werner Lang [3]	100%	*[3]					100%
Dr Elisabetta Castiglioni	94%	100 %				100%	95%
Wolfgang Dehen	94%		100%		100%	100%	97%
Mark Dischner [2]	100%		100%		90%		97%
Janine Heide [2]	100%						100%
Dirk Kaliebe [4]	100%						100%
Karl-Heinz Lach [2]	94%					100%	94%
Richard Paglia [2]	100%			100%	90%	100%	97%
Prof. Dr Christian Rödl	94%			100%	90%		94%
Regine Stachelhaus	81%						81%
Inge Zellermaier [2]	100%					100%	100%
Total	**96 %**	**100 %**	**96 %**	**95%**	**87%**	**100%**	

1 All members of the Supervisory Board who participated in the meeting for most of the time are deemed to have been present. Members who participate in a meeting via telephone or video conference are deemed present in accordance with the rules of procedure for the Supervisory Board. This provision is in line with the recommendation in D.8 sentence 2 1st half sentence of the German Corporate Governance Code.

2 Employee representative

3 Left the Supervisory Board with effect as of 24 July 2020. Due to a potential lack of independence, Dr Lang waived participation in the meetings of the Nomination Committee the subject of which was the election of his successor to the Supervisory Board.

4 Court-appointed by resolution of 15 August 2020 with immediate effect.

Moreover, all Supervisory Board members had the possibility to attend the meetings of the committees – with the exception of the highly confidential meetings of the Personnel Committee and the Nomination Committee – at any time as guests and to inspect the documents and minutes of the committee meetings. Guest participation is not included in the above table; this opportunity was, however, utilised on a regular basis, in particular on the Special Committee and the Strategy Committee. On a case-by-case basis, the Board of Directors asked senior employees to report in order to provide as complete a picture of the developments as possible to the Supervisory Board.

The members of the Supervisory Board take responsibility for undertaking any training or professional development measures necessary to fulfil their duties and are supported by the Company in this regard. For the purpose of providing targeted further training, a training session on the subject of capital market law took place in the executive session. There is a structured onboarding process for new members of the Supervisory Board that aims to provide an overview of, among other things, the operating activities of LEONI AG and the procedures of the Supervisory Board. In the course of the Supervisory Board's executive session, the members of the Supervisory Board classified this onboarding process as being overall very helpful and valuable.

During the reporting period, no conflicts of interest of members of the Board of Directors or the Supervisory Board arose.

Further information on the procedures of the Supervisory Board can also be found in the Corporate Governance Declaration.

Main topics of discussion by the Supervisory Board

In the past financial year, our work focused on two main topics: The effects of the Covid-19 pandemic on LEONI AG, its operating activities and the health of its employees on the one side and the continued efforts of LEONI AG to improve its earnings, asset and liquidity position and regarding the future strategic direction of LEONI AG and its Group on the other side.

We reported on major entrepreneurial challenges already in the previous year. Against this background, at each regular meeting we had the Board of Directors provide us with a detailed report on the current business situation, including the status of the VALUE 21 performance and strategy programme as reported already in the previous year. Furthermore, the Board of Directors informed us at each regular meeting about the current liquidity planning as well as the current business performance, earnings and equity situation of LEONI AG and its Group. We 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. The Supervisory Board also dealt on a regular basis with significant measures for improving the operating profitability for the Group and with particularly relevant customer projects. The Board of Directors in each case reported on the development of the measures taken in order to improve their profitability and to minimise risks.

Due to the joint efforts of the Board of Directors and the employees of LEONI AG, LEONI AG's ability to restructure and that it is fully financed was confirmed on 13 March 2020 by an expert opinion in accordance with the IDW S6 standard of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer). Only shortly thereafter, this success was significantly clouded by the effects of the Covid-19 pandemic, which, as from mid-March, also impacted LEONI AG and the automotive industry as a whole. In late March 2020, the Company faced material additional effects on sales, earnings and liquidity. However, to mitigate the effects of the pandemic, on 20 April 2020, LEONI AG received a commitment for a joint guarantee of the German Federal Government and the State Governments of Bavaria, Lower Saxony and North Rhine-Westphalia for an operating loan in the amount of € 330 million. In connection with the application for this joint guarantee of German Federal and State Governments, the expert opinion in accordance with the IDW S6 standard of the Institute of Public Auditors in Germany was updated taking into consideration possible effects of the Covid-19 pandemic on the Company.

The Supervisory Board closely followed the activities of the Board of Directors in connection with the financing situation as well as the measures taken as a reaction to the Covid-19 pandemic. In particular at the regular meetings on 28 January and 23 March 2020, we dealt in detail – and to an extent exceeding that of the reporting at each meeting – with issues relating to strategy and planning but also with the progress of the negotiations with financing partners and individual measures taken by the Board of Directors with regard to the financing situation. Such negotiations and measures were also the subject matter of the extraordinary meetings on 13 February, 4 March and 13 March 2020, at each of which we also granted the Supervisory Board's consent to individual measures proposed by the Board of Directors to ensure the Company's full financing. In the extraordinary meeting on 13 March 2020, we appointed Hans-Joachim Ziems, a restructuring expert, in the capacity of Chief Restructuring Officer as a member of the Board of Directors with effect as of 1 April 2020. With regard to the effects of the Covid-19 pandemic on the business activities and financing situation of LEONI AG, in particular, we had ourselves informed by the Board of Directors in a telephone conference on 20 March 2020. In the extraordinary meeting of 15 April 2020, the Board of Directors explained the current developments regarding the Covid-19 pandemic and the measures taken, which included an additional operating loan.

In solidarity with the employees of LEONI AG, the Supervisory Board declared a salary cut in the amount of 40 percent of the basic compensation for the period between April and September.

In the course of the strategic realignment of LEONI AG, we also dealt with the progress made regarding the works for the separation of the Wire & Cable Solutions Division ("WCS") and the preparation of a divestment of the Division, in particular at the meetings on 23 March, 7 May, 28 May, 23 July, 17/18 September, 13 November and 10 December 2020. In this context, we evaluated, among other things, the status of the divestment process and the strategic approach.

We dealt with the Covid-19 pandemic for the first time at our meeting on 28 January 2020. At each of the meetings on 23 March, 7 May and 28 May 2020, we had ourselves informed by the Board of Directors about the effects of the pandemic on the work of the LEONI Group, for instance on the production or the infection situation among our employees. We constantly dealt with this topic throughout the entire year under report and had ourselves informed by the Board of Directors in regular Covid-19 reports. On 28 May 2020, we then also gave our approval to hold the 2020 Annual General Meeting as a virtual meeting owing to the circumstances. On 17/18 September 2020, we also discussed the effects of the pandemic on the Wiring Systems Division ("WSD").

The additional financial burdens that are to be expected due to the ongoing pandemic were taken into account in the context of our deliberations regarding strategy and planning issues at our meeting on 10 December 2020.

Furthermore, in the 2020 financial year, in several meetings we dealt with the corporate governance and the organisational structure of LEONI AG and its Group:

Even if it will become mandatory only in 2021, we submitted a new compensation system for the Board of Directors already to the 2020 Annual General Meeting for approval. With the assistance of an independent compensation expert, we developed this new compensation system that – in the Supervisory Board's opinion – supports the long-term strategic direction of LEONI AG and creates the right incentives for the Board of Directors. This compensation system was the subject matter of our meetings on 28 January and 23 March 2020 and also of comprehensive preparatory work in the Personnel Committee of the Supervisory Board.

Moreover, at our meetings on 7 May and 28 May 2020, we dealt with the adjustment of the composition of the Board of Directors to the leaner organisational structure as part of the comprehensive transformation of LEONI AG. In the process, the number of members of LEONI AG's Board of Directors was reduced from five to three members and the Board of Director's allocation of responsibilities was adjusted accordingly with effect as of 1 June 2020. More detailed information can be found in the description of the Board of Directors' areas of responsibility contained in the Corporate Governance Declaration. At the meeting on 10 December 2020, we also resolved on a revised version of the rules of procedure of the Supervisory Board and the rules of procedure of the Board of Directors. The organisation of the Divisions, in particular of the WSD, was the subject matter of our deliberations on several occasions, in particular on 23 March, 7 May, 28 May, 23 July and 17/18 September 2020. On 10 December 2020, we approved the adjustment of the internal organisation of the WCS Division.

Besides our advice on the processes regarding the adjustment of the internal organisation, several meetings of the Supervisory Board covered in detail the consequences and the further assessment of both the ramp-up difficulties at the Mérida plant and the fraud case uncovered in 2016.

Apart from these key issues, at our meetings we primarily dealt with the following matters:

At the meeting on 28 January 2020, the Supervisory Board approved the planning for 2020 and the medium-term planning for the years from 2021 onwards. Due to the work on the above-mentioned expert opinion in accordance with the IDW S6 standard of the Institute of Public Auditors in Germany that was being performed during this period, such approval was given subject to possible adjustments, in particular regarding the 2020 planning. Furthermore, we dealt with the 2020 investment planning and approved an investment volume in the total amount of € 307.6 million. Further issues we dealt with were the approval of the agenda for the Annual General Meeting and the reports that must be prepared by the Supervisory Board as part of the Annual Report.

At the balance sheet meeting on 23 March 2020, we discussed and reviewed the annual and consolidated financial statements for 2019 and the combined management report of LEONI AG and its Group, including the non-financial Group statement. The auditor participated in this meeting and answered our questions. The passing of the final resolution was adjourned for a couple of days due to the major effects of the Covid-19 pandemic. Upon recommendation of the Audit Committee, on 23 March 2020 we also resolved to propose the auditing company Deloitte GmbH Wirtschaftsprüfungsgesellschaft of Munich to the Annual General Meeting as auditor for the audit of the annual and consolidated financial statements for the 2020 financial year. Furthermore, we approved, among other things, the Corporate Governance report and the Supervisory Board report for the 2019 financial year. In addition to these annually recurring tasks, the management audit in the division WSD was addressed at this meeting. We also adopted the final new compensation system for the members of the Board of Directors, which was adjusted to comply with the requirements of the German Act Implementing the Shareholders' Rights Directive (ARUG II) and the new recommendations of the German Corporate Governance Code. Thus, the annual financial statement of LEONI AG for 2019 was adopted.

On 30 March 2020, we held a combined meeting of the Audit Committee and an extraordinary meeting of the Supervisory Board. At this meeting, after having conducted another review, we approved the annual and the consolidated financial statements for 2019 and the combined management report of LEONI AG and its Group, including the non-financial Group information statement.

At the meeting on 7 May 2020, we dealt with the risk management system of LEONI AG and the areas of ethics, risk & compliance, data protection and information security. Again, the organisation of the 2020 Annual General Meeting was an item on the agenda.

At the meeting on 28 May 2020, in addition to the above-mentioned key issues, the matters discussed included the increased demands of different stakeholders on the subject of sustainability within the Group. We also resolved on the draft resolutions to be proposed to the Annual General Meeting.

At our extraordinary meeting on 9 July 2020, the Supervisory Board dealt with, among other matters, the succession of Dr Lang and the election of a second deputy chairman of the Supervisory Board; in the year under report, no second deputy chairman was elected. Furthermore, the Supervisory Board discussed initial experiences made with holding virtual general meetings.

On 23 July 2020, we again discussed questions relating to the succession on the Supervisory Board and elected Ms Stachelhaus as a member of the Nomination Committee.

At an extraordinary meeting on 6 August 2020, after having successfully completed the search for candidates, we recommended Dirk Kaliebe to be appointed by a court as the successor of Dr Lang on the Supervisory Board for the period until the 2021 Annual General Meeting.

At the meeting on 17/18 September 2020, due to the continuing pandemic, we again dealt with the expert opinion in accordance with the IDW S6 standard of the Institute of Public Auditors in Germany after it had been amended to include a Covid-19 scenario. We appointed Ms Stachelhaus as a member of the Mediation Committee and Mr Kaliebe as a member of the Audit Committee and the Special Committee with effect as from 1 January 2021. The topics of this meeting also included the subject areas of compliance – in particular the Compliance Management System –, sustainability reporting and the future IT infrastructure of the LEONI Group.

At our executive session on 12 November 2020, we initially discussed our understanding of our role as the Supervisory Board and assessed our communication with the Board of Directors. We discussed the results of our annual self-assessment and adopted an updated competence profile for the Supervisory Board. In preparation of the resolution on the compensation of the Supervisory Board members that has to be passed at the 2021 Annual General Meeting, we discussed the compensation structure in the Supervisory Board taking into consideration a market comparison. The planned adjustment of the rules of procedure of the Supervisory Board and the Board of Directors was another subject matter discussed at the executive session.

At another extraordinary meeting on 13 November 2020, we obtained information about the initial status of the planning for 2021 and the medium-term planning for the years as from 2022 onwards and also the long-term refinancing of the Group. In addition, we obtained reports about the development of business and liquidity and the status of the implementation of VALUE 21. At this meeting, we further dealt with the market position and the competitive environment of LEONI AG.

At our last meeting on 10 December 2020, we again examined the status of the planning for 2021 and the medium-term planning for the years as from 2022 onwards, including capital expenditure and personnel planning. We also dealt with the status of the early risk warning system of LEONI AG and the Group.

Work of the committees

For the purpose of promoting the effectiveness and efficiency of its work, the Supervisory Board of LEONI AG establishes committees of the Supervisory Board. Therefore, the Supervisory Board has established an Audit Committee, a Personnel Committee, a Nomination Committee, a Strategy Committee and a Special Committee. In addition, there is the Mediation Committee pursuant to Section 27 (3) of the German Co-Determination Act (MitbestG).

These six committees of the Supervisory Board prepare the topics to be dealt with and the resolutions to be adopted in the plenary sessions of the Supervisory Board.. 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. Information regarding the composition and work of the committees can be found in the Corporate Governance Declaration. The committees also met – due to the Covid-19 pandemic – on some occasions by way of telephone and video conferences.

The **AUDIT COMMITTEE** convened for four regular meetings and one extraordinary meeting during the year under report. The Audit Committee discussed the annual and consolidated financial statements for the 2019 financial year, the combined management report for LEONI AG and the Group for the 2019 financial year and the half-year financial report as of 30 June 2020 and the quarterly releases as of 31 March and 30 September 2020. The corresponding documents for the 2019 annual and consolidated financial statements and for the half-year financial report were also discussed with the auditor. The Audit Committee furthermore prepared the passing of the resolution by the Supervisory Board on the annual and consolidated financial statements, on the 2019 Combined management report and on the reporting of non-financial information. In line with the recommendation in D11 of the German Corporate Governance Code, the committee also evaluated the quality of the auditor's work and the auditor's independence during the year under report. The Audit Committee approved to a limited extent non-auditing services provided by the auditor. Moreover, the Audit Committee instructed the auditor elected by the Annual General Meeting to perform the audit for the 2020 financial year. The Audit Committee regularly, and also with the assistance of the relevant managers, dealt with compliance, the internal control system and risk management, taxes, the findings of the Internal Audit department and sustainability. In addition, the agenda regularly included subjects from the areas of information security and data protection. The Audit Committee also comprehensively addressed the effects of the pandemic on the business activities and material processes, in particular, in connection with the initial effects of the Covid-19 pandemic as of the end of the first quarter of 2020 and the corresponding implications for the process of the audit and the preparation of the financial statements. Moreover, in the meeting in November 2020, the focal areas of the audit were discussed with the auditor.

In a total of twelve meetings, the **SPECIAL COMMITTEE** dealt intensively with the financial restructuring process of LEONI AG. The Special Committee focussed, on the one side, on monitoring the liquidity and debt situation of LEONI AG and providing advice to the Board of Directors with regard to different financing options. On the other side, it also dealt with the equity development of LEONI AG. The committee discussed in detail the effects of the Covid-19 pandemic on, in particular, the liquidity planning of LEONI AG. It advised the Board of Directors on the measures that were initiated and that are still to be initiated, it monitored the implementation of the adopted measures and was always in close contact with the Board of Directors and the entire Supervisory Board.

The **PERSONNEL COMMITTEE** met six times during the 2020 year under review. The committee primarily dealt with the restructuring of the compensation system for the members of the Board of Directors taking into account the German Act Implementing the Shareholders' Rights Directive, the German Corporate Governance Code and strategic personnel adjustments regarding the Board of Directors. In this respect, in particular the reduction of the size of the Board of Directors and the appointment of Mr Ziems as the Chief Restructuring Officer ("CRO") with effect as of 1 April 2020 were discussed and resolved on. Other topics were the adjustment of the allocation of responsibilities to the new functions and dealing with key positions in the new organisation. Furthermore, the Personnel Committee discussed in detail potential corporate social responsibility (CSR) components under the new compensation system with the Board of Directors in order to be able to measure these key factors and any progress made in this respect. The parameters discussed included environmental protection, customer and employee satisfaction.

The **STRATEGY COMMITTEE** held two meetings during the past financial year. One of the main topics was the current market development and the relative position of LEONI AG in the competitive environment. Another main topic was the technological advancement of the Wiring Systems Division in the context of the increasing electrification in the automotive sector and its consequences for LEONI AG were discussed. Furthermore, strategic considerations regarding the Covid-19 pandemic and its effects on market recovery and growth, the development of production facilities with regard to the technological development, efficiency improvement and cost optimisation and regarding the reorganisation of the Group in connection with the separation of the Wire & Cable Solutions Division and the preparation of a divestment of the Division were made.

The **NOMINATION COMMITTEE** met three times in order to find a successor for Dr Lang, who had resigned from his office with effect as at the end of 24 July 2020.

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

Declaration of conformity and audit of the annual financial statements

The Board of Directors and the Supervisory Board resolved in March 2020 to update the declaration of conformity pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz, "AktG") during the year. In December 2020, the next regular declaration of conformity was issued. Both declarations are permanently accessible to the shareholders on the Company's website.

Upon the proposal by the Supervisory Board and in line with the recommendation of the Audit Committee, the ordinary Annual General Meeting of LEONI AG's shareholders on 23 July 2020 appointed the auditing company Deloitte GmbH Wirtschaftsprüfungsgesellschaft of Munich ("Deloitte") as the auditor for the 2020 financial year. The auditors responsible pursuant to Section 319a (1) sentence 4 of the German Commercial Code (HGB) was Sebastian Kiesewetter (starting with the 2019 financial statements). Deloitte audited and in each case granted an unqualified certificate for the annual financial statements of LEONI AG, the consolidated financial statements and the Combined management report for the 2020 financial year. Before the Supervisory Board proposed to appoint Deloitte as the auditor at the Annual General Meeting, Deloitte had confirmed to the Chairman of the Supervisory Board and to the Audit Committee that there were no circumstances that might compromise, or raise doubts about, their independence as auditors. Deloitte also explained the extent to which services for the Company other than the audit were either performed in the preceding financial year or contractually agreed for the subsequent year.

The provisions of the German Commercial Code (Handelsgesetzbuch, "HGB") were applied to prepare the annual financial statements and the Combined management report of LEONI AG. The International Financial Reporting Standards (IFRS) as adopted 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. 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 review of the early risk warning system as part of the audit found that the Board of Directors has taken suitable measures as required under Section 91 (2) AktG, in particular to set up a monitoring system, and that this monitoring system is suitable for the early detection of developments that might threaten the Company's continued existence.

The annual and consolidated financial statements of LEONI AG and 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 11 March 2021 and reported its findings to the Supervisory Board during the latter's regular meeting on 15 March 2021. We subsequently discussed the financial statements and reports in depth. The auditing firm'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 regarding the key audit matters for LEONI AG and the Group for the 2020 financial year were presented. The key audit matters for the audit of the consolidated financial statements were i) the valuation of goodwill, other intangible assets and property, plant and equipment and ii) the recognition and valuation of provisions for losses from onerous contracts, and for the audit of the annual financial statements they were the valuation of shares in affiliated companies, loans to affiliated companies as well as receivables from affiliated companies. In addition, the risks to continued existence and the assessment made by the Board of Directors regarding the Group's ability to continue its business activities were explained. The audit did not give rise to any objections.

The Supervisory Board approved the findings of the audit of the financial statements. The final result of the audit of the annual and consolidated financial statements and of the Combined management report of LEONI AG 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 2020 financial year as prepared by the Board of Directors. The annual financial statements of LEONI AG have thus been duly adopted.

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 met the applicable requirements and did 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

With effect as from 1 April 2020, Hans-Joachim Ziems was appointed as a member of the Board of Directors of LEONI AG. The appointment is for a limited term, ending on 31 March 2021. In his capacity as Chief Restructuring Officer, of the responsibility for the Company's ongoing financial and operational restructuring was allocated to Mr Ziems.

In addition, with effect as from 1 June 2020, Bruno Fankhauser and Martin Stüttem left the Board of Directors by mutual agreement with the Company. We once again thank them for their work and their great commitment to the Company.

As already stated in last year's report, Regine Stachelhaus was appointed by court to replace Dr Ulrike Friese-Dormann on the Supervisory Board with effect as of 12 November 2019 and initially for a limited time period until the 2020 Annual General Meeting. The 2020 Annual General Meeting confirmed the appointment of Ms Stachelhaus for the remainder of Dr Friese-Dormann's term of office.

Another change in the composition of the Supervisory Board also occurred in the preceding financial year. Dr Werner Lang left the Supervisory Board with effect as of 24 July 2020. Based on the proposal of the Nomination Committee and by court resolution of 15 August 2020 with immediate effect, Dirk Kaliebe was appointed as a member of the Supervisory Board; in accordance with the requirements of the German Corporate Governance Code, his appointment is initially on a temporary basis until the close of the 2021 Annual General Meeting. The Supervisory Board thanks Dr Werner Lang for his commitment and his personal dedication as a member of the Supervisory Board.

Thanks to the Board of Directors and staff

The Supervisory Board thanks all members of the Board of Directors as well as all staff for their commitment in the 2020 financial year. In 2021, our Company will once again be operating in a demanding setting and will continue to face challenges both due to the continuing Covid-19 pandemic and the initiated transformation of LEONI AG and the Group. The Supervisory Board wishes the Board of Directors and all members of staff every success with the tasks ahead.

Nuremberg, 15 March 2021

Dr Klaus Probst
Chairman of the Supervisory Board

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	—
until 23/07/2020 *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)
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	—
from 15/08/2020 **Dirk Kaliebe** | born 1966 | Berlin consultant; former CFO of Heidelberger Druckmaschinen AG	—
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)
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

SUPERVISORY BOARD

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 (until 23/07/2020), Regine Stachelhaus (from 17/09/2020), 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 Elisabetta Castiglioni, Dr Werner Lang (until 23/07/2020), Regine Stachelhaus (from 17/09/2020)
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

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

Ingrid Jägering (54) 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.

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

Aldo Kamper (50) 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.

Hans-Joachim Ziems
in charge of Restructuring, a member of the Board of Directors since 1 April 2020

After studying business administration, Hans-Joachim Ziems (67) 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. Since April 2020, he has been a member of LEONI AG's Board of Directors as Chief Restructuring Officer.

ANNUAL REVIEW

LEONI presents active cable solutions for future-proof computer centres

At the DesignCon trade fair, LEONI showcased its first active fiber optic and copper cables for computer centres that can transfer data volumes of 400 G/s and more. These high-performance and energy-saving cable solutions are exceptionally well suited for the challenges of growing data transfer rates driven by such megatrends as big data, 5G, IoT (Internet of Things) and artificial intelligence.

Expert opinion confirms full financing and ability to restructure

An expert opinion on restructuring pursuant to the S6 auditing standard confirmed LEONI's full financing and ability to restructure. 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.

To ensure that it is fully financed, LEONI reached an agreement with its lenders on measures to cover its liquidity requirement.

The most important measures to safeguard full financing include major expansion of the factoring programmes already launched, sale-and-leaseback transactions involving assets in Germany and China as well as restructuring of existing bilateral credit lines into another syndicated loan. This restructuring of existing credit facilities has improved the maturity structure as the corresponding financing volume will definitely be available until the end of 2022. To ensure its full financing, LEONI has furthermore committed itself not to pay out any dividend until its restructured credit lines are repaid.

Heavy strain due to the Covid-19 pandemic: measures to safeguard continuation of our business operation

Given the economic uncertainties related to spread of the coronavirus, LEONI anticipated a substantial strain on sales, earnings and liquidity. The virus' spread in March resulted in major carmakers stopping their production. Against the backdrop of the related sales decline involving numerous customers and products, LEONI was also forced to decide to temporarily but sharply curtail production at its European, North African and American wiring systems facilities. Short-time working was furthermore introduced in Germany alongside similar measures at other European facilities to cut costs and safeguard continued existence of business operations. The Company also planned to apply for grants to boost its financial scope.

Significant progress made in implementing VALUE 21

At its balance-sheet press conference, LEONI presented far-reaching successes of its VALUE 21 performance and strategy programme, which is to yield gross cost savings of € 500 million p.a. from 2022: More than 60 percent of the initiatives planned to achieve this were already implemented by the end of 2019.

Coronavirus crisis: automotive industry stops production and LEONI temporarily shuts down plants

The first peak of the Covid-19 pandemic led to carmakers in many parts of the world ceasing production for several weeks. LEONI was also compelled to keep numerous plants temporarily closed. High priority was given to implementing a hygiene plan to protect staff. This included organising additional shuttle services for staff and distributing protective clothing, masks as well as disinfectants.

Hans-Joachim Ziems a new member of the Board of Directors

Hans-Joachim Ziems became a member of the Board of Directors effective 1 April 2020. An experienced restructuring expert, he already worked for the Company previously as a senior manager with the authority of a 'Generalbevollmächtigter' and now took charge of implementing the restructuring plan as Chief Restructuring Officer (CRO).

Jumbo government guarantee for a € 330 million working capital loan

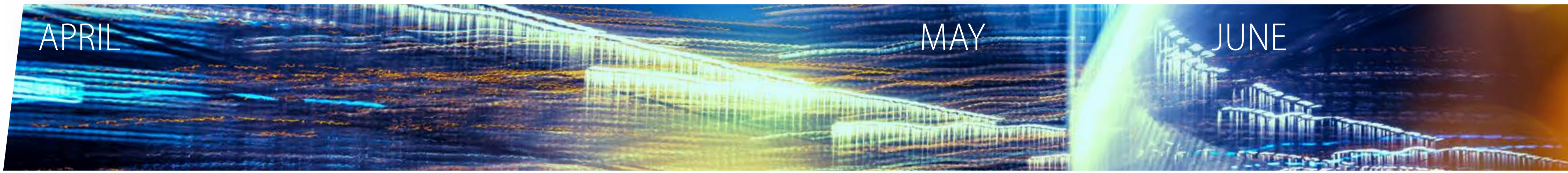
The German federal government as well as the states of Bavaria, Lower Saxony and North Rhine-Westphalia granted LEONI a jumbo guarantee for a working capital loan of € 330 million against the backdrop of the coronavirus pandemic. The loan, which matures on 31 December 2022, was granted on standard market terms by our core banks and is 90 percent covered by the guarantee.

LEONI announces plan to partially sell its WCS

For the planned carve-out of its Wire & Cable Solutions Division, LEONI will in the future concentrate on a partial-sale scenario as investors are signalling interest in individual WCS units because of the variety of skills and different customer bases. The necessary organisational and company-law conditions were to be established in the months ahead. LEONI will only sell units if a fair price can be achieved and there are viable plans to continue operating them.

LEONI changes Board of Directors structure

Effective 1 June 2020, LEONI's Board of Directors was adapted to the leaner Group holding company, which will in future concentrate on capital market and governance-related matters. The Board was downsized and is now composed of CEO Aldo Kamper, CFO Ingrid Jägering and CRO Hans-Joachim Ziems. The two heads of division, Martin Stüttem and Bruno Fankhauser, left the Group's Board of Directors.



Virtual Annual General Meeting due to coronavirus pandemic

Given the Covid-19 pandemic restrictions, our Annual General Meeting had to be held virtually for the first time in 2020. The event ran smoothly and in accordance with the statutory requirements. As it remains uncertain how the pandemic will develop, our 2021 Annual General Meeting will probably also be held virtually to protect everyone involved.

Commitment to sustainability

With publication of our annual Sustainability Report, which also serves as our Global Compact Communication on Progress, we inform the interested public on corporate sustainability-related activities at LEONI. Despite the difficult underlying conditions, our aspiration remains to always give sustainability appropriate weighting in our entrepreneurial conduct. In so doing, we aim to strike a balance between economic focus and social as well as ecological responsibility.

LEONI develops extremely durable and highly flexible SPE cables

As the world's first cable manufacturer, LEONI launched Single Pair Ethernet (SPE) data transmission technology cables for use in drag chains and torsion applications. SPE is the infrastructure basis for the Industrial Internet of Things (IIoT), or Industry 4.0. LEONI's newly developed SPE-Trailing and SPE-Torsion products make SPE cables specifically for high mechanical load and high-flex applications in the mechanical engineering sector available for the first time.

Production at almost all plants nearly back to normal levels

Production at about 95 percent of LEONI's plants was largely running normally by the end of September. The ramp-up was closely coordinated with our customers and dependent on the Covid-19 situation in the various regions: Our plants in China were back to good capacity utilisation as early as mid-year, whereas this took some more time at our facilities in the EMEA region and the Americas.

VALUE 21: Planned measures applied early

Measures sufficient to achieve the sustainable gross cost savings targeted under our VALUE 21 performance and strategy programme were implemented by the end of the third quarter – and thus significantly sooner than originally planned. However, the programme's net benefit will depend on future business performance, which will probably continue to be compromised by the opposing factors and uncertainties due to the Covid-19 pandemic. We shall therefore continually be launching fresh initiatives to ensure the programme's full effectiveness as well as to further improve performance and efficiency.

Shutdown of business activity at Stolberg facility announced

Due to the persistently poor profitability of LEONI Kerpen GmbH in Stolberg, LEONI said that it would discontinue business operations at the facility. The Company is currently examining whether it might be possible to facilitate economically feasible continuation of part of the operation with reduced capacity in the hands of a new owner.

Business performance stabilised in the third quarter; more Covid-19 risks

The figures released for the third quarter of 2020 showed a clear recovery of consolidated sales as well as significant improvement in EBIT and free cash flow. Given the return to sharply increasing infection rates in the fourth quarter and the persistently great uncertainty, LEONI continued to focus on lasting stabilisation of its business and worked at full pace on resolutely applying the requisite measures.

New electronic solutions for the wiring system of the future

LEONI presented a new generation of intelligent power distributors for safe energy supply within the vehicle. Such trends as towards automated driving and growing electrification impose increasingly high demands on the wiring system. Our intelligent, modular and system-optimised electronic solutions facilitate reliable power management in ever more complex wiring systems, which permanently supply numerous sensors, actuators, safety-related driving functions and other electronic systems with power.

CORPORATE GOVERNANCE DECLARATION

The Corporate Governance Declaration pursuant to Sections 289f and 315d HGB is the key instrument for reporting on corporate governance (principle 22 of the German Corporate Governance Code in its version of 16 December 2019). It is part of the Combined management report. Pursuant to Section 317 (2) sentence 6 HGB, the auditor must limit its audit of the infor-mation provided pursuant to Sections 289f (2) and (5) and Section 315d HGB to considering only whether or not the information has been provided.

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 of the Supervisory Board and the German Corporate Governance Code („DCGK 2020"), which are considered in all decision-making processes.

Declaration of conformity pursuant to Section 161 AktG

Current declaration pursuant to Section 161 AktG of 10 December 2020

On 10 December 2020, the Board of Directors and the Supervisory Board of LEONI AG issued the declaration regarding the German Corporate Governance Code pursuant to Section 161 AktG shown below:

Declaration by the Board of Directors and the Supervisory Board of

LEONI AG

on the recommendations of the

‚Government Commission on the German Corporate Governance Code'

in accordance with Article 161 of the German Companies Act (AktG)

1. Since submitting the last Declaration of Conformity on 13 December 2019, LEONI AG has complied with all of the recommendations of the German Corporate Governance Code in the version of 7 February 2017 („DCGK 2017") as published by the Federal Ministry of Justice and Consumer Protection in the official part of the Federal Gazette (Bundesanzeiger) on 24 April 2017, with the below-mentioned exceptions:

- In accordance with its duties, the Supervisory Board of LEONI AG has concerned itself with the appropriateness of the compensation of the Board of Directors, giving consideration to the periodic developments of the company-internal salary and wage structures, however, without application of the recommendation in section 4.2.2, para. 2, sentence 3 DCGK 2017 in a targeted and structured way, according to which the ratio of the compensation of the Board of Directors and the compensation of the upper management and the workforce overall have to be considered in regard to temporal development. It is the conviction of the Supervisory Board that earlier practice and statutory specifications in accordance with Article 87 of the German Stock Corporation Act (AktG) suffice for determining the compensation of the Board of Directors in consideration of normal compensation. Standards of comparison are only beneficial if they are realistic, provide a basis for orientation, and allow sufficient leeway for considerations to be made on a case-by-case basis. It is the opinion of the Supervisory Board that the recommendation in section 4.2.2, para. 2, sentence 3 DCGK 2017 does not satisfy these requirements in the case of a company 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 would, in the opinion of the Supervisory Board, have been subject to manipulation and ultimately arbitrary, and would not have resulted in standards of comparison which are no longer comprehensible. Therefore, the recommendation did not serve as an efficient tool for determining the compensation of the Board of Directors.

- According to section 4.2.3, para. 2, sentence 2 DCGK 2017, the compensation structure for members of the Board of Directors shall contain fixed as well as variable components. LEONI AG deviated from this recommendation with regard to the board member Hans-Joachim Ziems. Mr. Ziems was appointed member of the Board of Directors for the period from 1 April 2020 until 31 March 2021. Beginning from October 2019, he has previously acted in the capacity of general representative (Generalbevollmächtigter) and therefore as an executive employee with a fixed monthly salary. This previously existing financial arrangement was not to be changed at the expense of LEONI AG. Therefore, the existing employment contract was extended as management board service contract under the same material conditions. Accordingly, no variable compensation components were agreed upon. It is the opinion of the Board of Directors and the Supervisory Board that this deviation was justified as the incentive effects, which are usually associated with variable compensation, would not have been appropriate considering that Mr. Ziems' activity on the Board of Directors is limited to one year and the special tasks he was assigned.

2. LEONI AG complies, and will continue to comply, with all the recommendations of the German Corporate Governance Code in the version of 16 December 2019 („DCGK 2020") as published by the Federal Ministry of Justice and Consumer Protection in the official part of the Federal Gazette (Bundesanzeiger) on 20 March 2020.

Relating to the deviation from section 4.2.3, para 2, sentence 2 DCGK 2017 mentioned under no. 1 above, LEONI AG states, for information purposes only, that the member of the Board of Directors Mr. Ziems continues to receive a fixed compensation. This, however, does not constitute a deviation from the recommendations of the DCGK 2020 as – in contrast to DCGK 2017 – it no longer recommends variable compensation components.

Nuremberg, 10 December 2020

LEONI AG

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

The declarations of conformity issued by LEONI AG for the past five financial years, including the current declaration printed above, may also be viewed on the Company's website at » **www.leoni.com/en/investor-relations/corporate-governance/**.

Update of the declaration during the year on 30 March 2020
LEONI AG updated the declaration preceding the current declaration of conformity, i.e. the declaration of 13 December 2019, during the year on 30 March 2020 as printed below. The update was made to reflect the appointment of Hans-Joachim Ziems as a member of the Board of Directors. The Supervisory Board and Hans-Joachim Ziems as the Chief Restructuring Officer have agreed on payment of a fixed salary; no variable compensation components exist.

Intrayear-Addition to the Declaration by the Board of Directors and the Supervisory Board of

LEONI AG

on the recommendations of the

‚Government Commission on the German Corporate Governance Code'

in accordance with Article 161 of the German Companies Act (AktG)

The Board of Directors and the Supervisory Board of LEONI AG submitted the last Declaration of Conformity in accordance with Article 161 AktG on 13 December 2019. In addition to this declaration dated 13 December 2019, the following is declared:

The Supervisory Board of LEONI AG decided to appoint Mr. Hans-Joachim Ziems as a member of the Board of Directors for the period of one year (1 April 2020 until 31 March 2021). Mr. Ziems was assigned the responsibility for the ongoing financial and operational restructuring of the company. Beginning from October 2019, Mr. Ziems already acted as general representative (Generalbevollmächtigter) as part of the ongoing restructuring of the company, equipped with an employment contract as an executive employee receiving a fixed monthly salary. This previously existing financial arrangement shall not be changed at the expense of LEONI AG due to the change in positions from general representative to member of the Board of Directors. Therefore, the Supervisory Board, in agreement with Mr. Ziems, decided on a prolongation of the existing employment contract on the same material terms, i.e. with the current fixed salary, as a management board service contract. No variable compensation components were agreed upon with Mr. Ziems.

Due to the aforementioned compensation agreement with Mr. Ziems, LEONI AG declares a deviation from the recommendation 4.2.3 of the German Corporate Governance Code in the version of 7 February 2017 as published in the official part of the Federal Gazette (Bundesanzeiger) on 24 April 2017, according to which compensation structure shall encompass both fixed and variable components. Furthermore, the compensation agreement with Mr. Ziems' represent deviations from recommendation G.6 to G.11 of the German Corporate Governance Code in the version of 16 December 2019 as published in the official part of the Federal Gazette (Bundesanzeiger) on 20 March 2020. It is the opinion of the Board of Directors and the Supervisory Board that these deviations are justified as the incentive effects, which are usually associated with variable compensation, would not have been appropriate considering that Mr. Ziems' activity on the Board of Directors is limited to one year and the special tasks he was assigned.

With regard to the other members of the Board of Directors, LEONI AG intends to comply with all of the aforementioned recommendations.

Nuremberg, 30 March 2020

LEONI AG

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

Other corporate governance practices

Suggestions of the Code
LEONI AG follows the suggestions of the 2020 Code and complies with the non-obligatory suggestions of the 2020 Code with the following exception:

The Board of Directors has not taken an advance decision as to whether, in the event of a takeover offer, it should convene an extraordinary general meeting at which shareholders will discuss the takeover offer and may decide on corporate actions (suggestion A.5). The Board of Directors would take such a decision on a case-by-case basis depending on the terms of a potential takeover offer and the specific need for discussions and decisions and taking into account the amount of work and resources that an extraordinary general meeting would require.

External standards and internal sets of rules
In addition to the legal requirements and the 2020 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 health, safety and environmental protection policy for LEONI's company divisions that had been transferred to the divisional level in 2019. Further details are provided in the Group information statement (prepared pursuant to Section 315 HGB) and can be viewed on the website of LEONI AG at » www.leoni.com/en/compliance/.

Ethics, risk and compliance management
The areas of risk management, internal control system and compliance management and related additional areas (Group guidelines management, data protection, information security, insurance management and sustainability reporting) are allocated to the "Ethics, Risk & Compliance" department organisationally and procedurally. Efficiency gains are achieved by combining and coordinating activities in the context of the risk management processes, for example through the joint use of systems and integrated reporting. For details regarding the risk management system, the internal control system and the compliance management system, reference is made to the sections headed › Risk- and opportunity report and non-financial Group information statement in the › Combined management report.

Website with information on the compensation of the members of the Board of Directors and of the Supervisory Board

In accordance with the applicable transitional provisions, the compensation report on the past financial year and the auditor's report pursuant to Section 162 AktG have not been prepared yet, and no general meeting resolution on the compensation of the Supervisory Board has been adopted yet. The resolution on the compensation paid, and the compensation system applicable, to the members of the Supervisory Board will be on the agenda of the Annual General Meeting on 19 May 2021; the relevant explanations on the compensation and the compensation system as required by law will be set out in the invitation to the meeting. The above documents will also be available on the Company's website immediately after the Annual General Meeting and will remain publicly available on that website in accordance with the legal requirements. The resolution on the compensation system for the members of the Board of Directors was adopted at the Annual General Meeting on 23 July 2020. More detailed information on the currently applicable compensation system for the members of the Board of Directors is publicly available at » www.leoni.com/en/investor-relations/corporate-governance/board-of-directors/. The compensation report is included in the Annual Report under the heading › Compensation report.

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

In the 2020 financial year, the Board of Directors and the Supervisory Board of LEONI AG collaborated closely with mutual trust for the benefit of the Company. The Supervisory Board actively assists in and monitors the Board of Directors' work. In their numerous 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.

Composition and procedures of the Board of Directors

Composition of the Board of Directors

As provided for by LEONI AG's Articles of Association, the Board of Directors of the Company has at least two members. On 31 December 2020, the Board of Directors had three members, namely Aldo Kamper as the Chief Executive Officer (CEO), Ingrid Jägering as the Chief Financial Officer (CFO) and Hans-Joachim Ziems as the Chief Restructuring Officer (CRO).

During the 2020 financial year, the following changes occurred regarding the composition of the Board of Directors:

With effect as from 1 April 2020, Hans-Joachim Ziems was appointed as a member of the Board of Directors of LEONI AG. The appointment is for a limited term, ending on 31 March 2021. Mr Ziems has been placed in charge of the Company's ongoing financial and operational restructuring. As reported in the previous year, Mr Ziems had already been working for the Company as a representative of LEONI AG authorised by a general power of attorney (Generalbevollmächtigter) prior to his appointment as a member of the Board of Directors.

With effect as from 1 June 2020, Bruno Fankhauser and Martin Stüttem left the Board of Directors. This change was due to the comprehensive transformation of LEONI AG. The changed composition of the Board of Directors emphasises LEONI's strategic direction and is intended to increase flexibility, accelerate decision-making processes and promote entrepreneurship within the Group.

In 2020, the Board of Directors was, thus, composed as follows:

Bruno Fankhauser, business economist (Betriebsökonom) (licentiatus rerum politicarum), 49	
First appointed: 1 February 2016	Left as at: 1 June 2020
Areas of responsibility:	Until 31 December 2020, CEO of the Wire & Cable Solutions Division and until 31 May 2020 head of the Corporate Digitalization department (after that date, the department was dissolved and the activities were reintegrated into the Wire & Cable Solutions and the Wiring Systems Divisions)
Ingrid Maria Jägering, industrial business management assistant (Industriekauffrau), 54	
First appointed: 1 August 2019	Appointed until: 31 December 2022
Areas of responsibility:	Chief Financial Officer (CFO) and from 1 June 2020 Labour Director; head of the following departments: Corporate Accounting, Corporate Controlling, Corporate Ethics, Risk & Compliance (new designation due to the combination of the former Corporate Risk & Insurance, Corporate Compliance, Corporate Data Protection and Corporate Sustainability departments), Corporate Finance & Treasury, Corporate Information Technology (new designation due to the combination of the former Corporate Information Management and Corporate Information Security departments), Corporate Internal Audit and Corporate Taxes (including Customs Compliance); furthermore, head of Human Resources and head of Purchasing & Facility Management of LEONI AG in Nuremberg, i.e. at holding-level; additionally CFO of the Wiring Systems Division
Aldo Kamper, MBA, 50	
First appointed: 1 September 2018	Appointed until: 31 December 2026
Areas of responsibility:	Chief Executive Officer (CEO) and until 31 May 2020 Labour Director; also head of the Corporate Communications & Investor Relations (new designation due to the combination of the former Corporate Communications & Marketing and Corporate Investor Relations departments), Corporate Human Resources Management, Corporate Legal and Corporate Strategy departments; additionally CEO of the Wiring Systems Division.
Martin Stüttem, degree in engineering (Diplom-Ingenieur), 54	
First appointed: 1 April 2017	Left as at: 1 June 2020
Areas of responsibility:	Until 31 December 2020 COO of the Wiring Systems Division; prior thereto (until 31 December 2019) also head of the Corporate Sustainability (now part of the Corporate Ethics, Risk & Compliance department), of Corporate Process Management, Corporate Quality & SHE Management and Quality & Knowledge Management departments regarding matters of LEONI AG in Nuremberg, i.e. at holding-level; the departments mentioned last were dissolved after that date and reintegrated into the Wire & Cable Solutions and Wiring Systems Divisions)
Hans-Joachim Ziems, degree in business administration (Diplom-Kaufmann), 67	
First appointed: 1 April 2020	Appointed until: 31 March 2021
Areas of responsibility:	Chief Restructuring Officer (CRO); also CRO of the Wiring Systems Division, CRO of the Wire & Cable Solutions Division and head of the Financial & Operational Restructuring and Liquidity Management departments of LEONI AG.

Leadership and management

The Board of Directors is responsible for directing and managing the business of 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.

The law and the rules of procedure govern the collaboration and the allocation of duties among the members of the Board of Directors. The rules of procedure and the related schedule of responsibilities are regularly reviewed by the Supervisory Board as to whether any updates are necessary. The rules of procedure for the Board of Directors as amended from time to time are available on LEONI's website at » www.leoni.com/en/investor-relations/corporate-governance/.

Covid-19-related stresses weighed heavily on the Board of Directors' work in the past financial year, which was focused on improving operating performance, sustained stabilisation of the Group, ensuring sufficient liquidity, monitoring the equity situation and project risks and long-term ability to refinance.

Another focus of the work of the Board of Directors was the VALUE 21 performance and strategy programme. Most of the measures planned to be taken as part of the programme to lower costs and to enhance efficiency have already been implemented since the end of the third quarter of 2020, i.e. earlier than planned.

In addition, in the year under report the Board of Directors continued to press ahead with the preparations for the sale of the Wire & Cable Solutions Division (WCS) and, in the Wiring Systems Division (WSD), the Board of Directors prepared the organisational realignment, which was subsequently started in early 2021, in order to strengthen our core business and to promote financial recovery.

The Covid-19 pandemic not only constituted a financial strain, but also required comprehensive hygiene concepts and new work arrangements to protect staff health to the greatest possible extent. Moreover, in reaction to locally imposed lockdowns and temporary halts in production by customers, sites had to be closed in part or entirely for some time and short-time work or similar measures introduced for limited periods.

Compliance

As part of 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 continued to implement the recommendations in the year under report. 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.

Communication and transparency

The Board of Directors is also responsible for all communication with which LEONI AG informs shareholders, associations of shareholders, financial analysts, the media and the interested public about the Company's development and significant events.

All mandatory publications and detailed supplementary information are made available as soon as possible in each case on LEONI's website. Numerous publications, such as ad hoc announcements, press releases, interim and annual reports, are issued in both German and English. LEONI AG broadcasts conference calls and the annual balance sheet press conference and the analyst conference live on the internet. The latest financial calendar with information on the dates of all key publications and events can also be accessed on the website.

The CEO's speech at the Annual General Meeting of LEONI AG and a presentation shown during that speech can be followed online. This presentation will be available on LEONI's website at » www.leoni.com/fileadmin/corporate/investors/events/2020/annual_general_meeting/praesentation_hv_2020.pdf until the next Annual General Meeting.

Sharing information with the Supervisory Board

The Board of Directors informs the Supervisory Board regularly, promptly and comprehensively about all relevant events and about the planning, the business performance, the risk situation and the compliance measures. In addition to the Supervisory Board meetings in which the members of the Board of Directors are present, the chairmen 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 in the year under report.

Compensation
All information about the compensation system for the members of the Board of Directors is contained in the compensation report and also available on LEONI's website at » www.leoni.com/en/investor-relations/corporate-governance/board-of-directors/. During the year under report, D&O insurance was in place for the members of the Board of Directors that provides for a deductible per occurrence of at least 10 percent and a maximum of one and a half times the amount of the individual member's fixed annual compensation.

Composition and procedures of the Supervisory Board and its Committees

Composition of the Supervisory Board
In accordance with Section 7 (1) sentence 1 no. 1 of 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 in conformity with the provisions of the DCGK 2020 concerning diversity and appropriate participation of women and with other criteria that ensure qualified supervision and advice of the Board of Directors of LEONI AG. Additional information regarding the achievement of the gender quota can be found in the section Information regarding the achievement of the quota set forth in Section 96 (2) AktG with regard to the Supervisory Board below.

In the 2020 financial year, Dr Klaus Probst continued to hold the office as the Chairman of the Supervisory Board; the First Deputy Chairman of the Supervisory Board during the entire financial year was Franz Spieß. The position of Second Deputy Chairman of the Supervisory Board was held by Dr Werner Lang until 24 July 2020. After Dr Werner Lang had left the Supervisory Board, the position of Second Deputy Chairman was not filled again and still remains open based on a Supervisory Board resolution of 23 July 2020.

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 recommendations in the 2020 Code, as applicable. 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 member holds a total of four comparable mandates.

As already reported last year, Regine Stachelhaus was appointed by a court to replace Dr Ulrike Friese-Dormann on the Supervisory Board with effect as of 12 November 2019 and initially for a limited time period until the 2020 Annual General Meeting; the 2020 Annual General Meeting confirmed the appointment of Regine Stachelhaus for the remainder of Dr Ulrike Friese-Dormann's term of office. Furthermore, in the period under report Dr Werner Lang left the Supervisory Board with effect as of 24 July 2020. To replace him, Dirk Kaliebe was appointed as a member of the Supervisory Board by resolution of 15 August 2020 with immediate effect. The term of office of Dirk Kaliebe is limited in time until the end of the next Annual General Meeting of LEONI AG in May 2021.

As at 31 December 2020, the Supervisory Board therefore had the following members:

Dr Klaus Probst, Chairman of the Supervisory Board

67, former President & CEO of LEONI AG, retired

Supervisory Board member since: 2017

Appointed until: 2022

Committee memberships

- Mediation Committee pursuant to Section 27 (3) MitbestG (Chairman)
- Audit Committee
- Personnel Committee (Chairman)
- Nomination Committee (Chairman)
- Strategy Committee
- Special Committee

Memberships of other statutory supervisory boards in Germany

- until 8 July 2020: Chairman of the Supervisory Board of Grammer AG, Amberg (market-listed)
- until 25 June 2020: Member of the Supervisory Board of Zapp AG, Ratingen (not market-listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

none

In the opinion of the Supervisory Board, the Supervisory Board member is independent from the Company and its Board of Directors. It has no personal or business relationship with the Company or its Board of Directors that may cause a substantial – and not merely temporary – conflict of interest. LEONI AG does not have a controlling shareholder.

Franz Spieß, Deputy Chairman of the Supervisory Board

64, first senior authorised signatory of the IG Metall trade union in Schwabach

Supervisory Board member since: 2006

Appointed until: 2022

Committee memberships

- Mediation Committee pursuant to Section 27 (3) MitbestG
- Special Committee
- Audit Committee
- Personnel Committee

Memberships of other statutory supervisory boards in Germany

none

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

none

Employee representative

Dr Elisabetta Castiglioni

56, CEO of A1 Digital International GmbH & A1 Digital Deutschland GmbH, Vienna/ Munich

Supervisory Board member since: 2017

Appointed until: 2022

Committee memberships

- Nomination Committee
- Strategy Committee

Memberships of other statutory supervisory boards in Germany

none

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

- until 29 September 2020: Member of the Board of Directors of Euskaltel S.A., Derio, Spain (market-listed)
- Member of the Supervisory Board of A1 Telekom Austria AG, Austria (not market-listed)

In the opinion of the Supervisory Board, the Supervisory Board member is independent from the Company and its Board of Directors. It has no personal or business relationship with the Company or its Board of Directors that may cause a substantial – and not merely temporary – conflict of interest. LEONI AG does not have a controlling shareholder.

Wolfgang Dehen

67, former CEO of Osram Licht AG, retired

Supervisory Board member since: 2017

Appointed until: 2022

Committee memberships

- Personnel Committee
- Special Committee (Chairman)
- Strategy Committee (Chairman)

Memberships of other statutory supervisory boards in Germany

- Member of the Supervisory Board of TÜV SÜD AG, Munich (not market-listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

none

In the opinion of the Supervisory Board, the Supervisory Board member is independent from the Company and its Board of Directors. It has no personal or business relationship with the Company or its Board of Directors that may cause a substantial – and not merely temporary – conflict of interest. LEONI AG does not have a controlling shareholder.

Continuation of the Supervisory Board composition:

Mark Dischner

47, Chairman of the General Works Council of LEONI AG

Supervisory Board member since: 2017

Appointed until: 2022

Committee memberships

- Personnel Committee
- Special Committee

Memberships of other statutory supervisory boards in Germany

- Member of the administrative board of Sparkasse Mittelfranken-Süd (not listed)
- until 25 June 2020: Member of the Supervisory Board of Zapp AG, Ratingen (not market-listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

none

Employee representative

Janine Heide

37, Trade union secretary of the IG Metall trade union, Offenbach office

Supervisory Board member since: 2019

Appointed until: 2022

Committee memberships

neine

Memberships of other statutory supervisory boards in Germany

- Deputy Chairwoman of the Supervisory Board of Caverion Deutschland GmbH, Munich (not market-listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

none

Employee representative

Dirk Kaliebe

54, adviser; former CFO of Heidelberger Druckmaschinen AG

Supervisory Board member since: 2020

Appointed until: 2021

Committee memberships

none

Memberships of other statutory supervisory boards in Germany

none

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

none

In the opinion of the Supervisory Board, the Supervisory Board member is independent from the Company and its Board of Directors. It has no personal or business relationship with the Company or its Board of Directors that may cause a substantial – and not merely temporary – conflict of interest. LEONI AG does not have a controlling shareholder.

Karl-Heinz Lach

62, Works council chairman at LEONI Kerpen GmbH, Stolberg

Supervisory Board member since: 2007

Appointed until: 2022

Committee memberships

- Strategy Committee

Memberships of other statutory supervisory boards in Germany

none

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

none

Employee representative

Continuation of the Supervisory Board composition:

Richard Paglia

54, Senior Vice President of Global Purchasing, Wire & Cable Solutions Division

Supervisory Board member since: 2012

Appointed until: 2022

Committee memberships

- Audit Committee
- Special Committee
- Strategy Committee

Memberships of other statutory supervisory boards in Germany

none

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

none

Employee representative

Prof Dr Christian Rödl

52, Lawyer, tax consultant, managing partner at Rödl & Partner

Supervisory Board member since: 2015

Appointed until: 2022

Committee memberships

- Audit Committee (Chairman)
- Special Committee

Memberships of other statutory supervisory boards in Germany

- Member of the Supervisory Board of Concentro Management AG, Nuremberg (not market-listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

- Member of the advisory board (Gesellschafterbeirat) of UVEX Winter Holding GmbH & Co. KG, Fürth (not market-listed)

In the opinion of the Supervisory Board, the Supervisory Board member is independent from the Company and its Board of Directors. It has no personal or business relationship with the Company or its Board of Directors that may cause a substantial – and not merely temporary – conflict of interest. LEONI AG does not have a controlling shareholder.

Regine Stachelhaus

65, Independent entrepreneur

Supervisory Board member since: 2019

Appointed until: 2022

Committee memberships

- Mediation Committee pursuant to Section 27 (3) MitbestG
- Nomination Committee

Memberships of other statutory supervisory boards in Germany

- Member of the Supervisory Board of CECONOMY AG, Düsseldorf (market-listed)
- Member of the Supervisory Boards of COVESTRO AG and COVESTRO Deutschland AG, Leverkusen (market-listed)
- Member of the Supervisory Board of SPIE Deutschland & Zentraleuropa GmbH, Ratingen (not market-listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

- Member of the Supervisory Board of SPIE SA, France (market-listed)

In the opinion of the Supervisory Board, the Supervisory Board member is independent from the Company and its Board of Directors. It has no personal or business relationship with the Company or its Board of Directors that may cause a substantial – and not merely temporary – conflict of interest. LEONI AG does not have a controlling shareholder.

Inge Zellermaier

57, Paramedic

Supervisory Board member since: 2017

Appointed until: 2022

Committee memberships

- Vermittlungsausschuss gem. § 27 Abs. 3 MitbestG
- Strategieausschuss

Memberships of other statutory supervisory boards in Germany

none

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

none

Employee representative

Responsibilities and procedures 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 applicable law, the Articles of Association, the 2020 Code and the rules of procedure. The rules of procedure for the Supervisory Board as amended from time to time have been published on LEONI's website at » www.leoni.com/en/investor-relations/ corporate-governance/. The change to the rules of procedure for the Supervisory Board made in December 2020 is explained in more detail in the Supervisory Board report.

The Supervisory Board regularly reviews the efficiency of its work. In the 2020 financial year, the Supervisory Board held an executive session on 12 November 2020 at 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 include, for example, the integration of the Special Committee into the rules of procedure for the Supervisory Board, the regular training of Supervisory Board members and an increased involvement of each Supervisory Board member in the preparation of the agenda. Other measures include the structured long-term leadership development and the long-term succession planning of the Board of Directors, taking into account the Group-wide top management tier, and also the strategic succession planning of the Supervisory Board based on the continued development of a competence profile derived from the strategy and the current Board composition. Other aims are to keep working, together with the Board of Directors, on the development of LEONI's corporate culture also in the currently challenging environment and to take a closer look at digitalisation at every organisational level.

The objective to hold at least one Supervisory Board meeting per year at a production facility of LEONI AG was met – in light of the current hygiene requirements due to the Covid-19 pandemic – by holding a two-day Supervisory Board meeting in one of our sites in September 2020. The other Supervisory Board meetings in 2020 were held, for the most part, as virtual meetings due to the Covid-19 pandemic. More details on the Supervisory Board's work under the impact of the Covid-19 pandemic and, in particular, on the number of meetings and the key issues discussed are set out in the Supervisory Board report.

In addition, the Chairman of the Supervisory Board takes part, in an appropriate scope and in close coordination with the Board of Directors, in meetings with investors to the extent that those meetings relate to the work and responsibilities of the Supervisory Board.

Compensation
Information about the structure and the amount of the compensation of the members of the Supervisory Board is provided in the Compensation report in the Annual Report. During the year under report, D&O insurance was in place for the members of the Supervisory Board that provides for a deductible per occurrence of at least 10 percent and a maximum of one and a half times the amount of the individual member's fixed annual compensation.

Supervisory Board Committees
To increase the efficiency of the Supervisory Board's work, the following Committees are in place, which, except for the Mediation Committee, met regularly during the year under report: the Audit Committee, the Personnel Committee, the Nomination Committee, the Mediation Committee, the Special Committee and the Strategy Committee. The respective Committee chairpersons report on the Committees' work during the Supervisory Board meetings.

The tasks and responsibilities of the Committees are as follows:

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.

In 2020, the year under report, the Audit Committee convened for four ordinary meetings and one extraordinary meeting. 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 expert knowledge in the fields of accounting and auditing. He has never been a member of the Board of Directors of LEONI AG. The Audit Committee's task is to discuss and review in advance the annual financial statements, the consolidated financial statements, the management report and the Combined management report, 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 in place in each case. 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 statement of independence. It instructs the auditor to perform the audit and agrees on the fees with said auditor, determines the focal areas of the audit and monitors the audit.

Alongside the Chairman of the Supervisory Board as Committee chair, the **PERSONNEL COMMITTEE** comprises his 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. In 2020, the year under report, the Personnel Committee convened for a total of six meetings. 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 addition to the Supervisory Board Chairman, 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. As at 31 December 2020, the members of this Committee were the Chairman of the Supervisory Board, Dr Elisabetta Castiglioni and Regine Stachelhaus. It is the Nomination 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 Supervisory Board to represent the shareholders. The suitability of a candidate is judged 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. In 2020, the year under report, the Nomination Committee convened for a total of three meetings.

To perform the duties set out in Section 31 (3) sentence 1 MitbestG, the Supervisory Board has formed a **MEDIATION COMMITTEE** pursuant to Section 27 (3) MitbestG, which consists of the Chairman of the Supervisory Board as Committee chair, his 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 Mediation Committee did not meet in the financial year.

The **STRATEGY COMMITTEE** consists of three members of each the shareholder representatives and the employee representatives all of whom are 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 calendar year, in addition to the Supervisory Board's annual strategy meeting. In 2020, the year under report, the Strategy Committee convened for a total of two meetings. The Strategy Committee deals with the corporate strategy in an advisory and preparatory capacity. Its principal tasks comprise advising the Board of Directors on the Company's strategic development, preparing strategy meetings and decisions of the Supervisory Board on matters requiring consent concerning acquisitions, 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** is subject to the principle of equal representation and consists of six members. Based on his many years of operational experience and expertise, Wolfgang Dehen was 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 to monitor the asset and liquidity situation, including monitoring 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 liquidity situation and on current issues in connection with the Covid-19 pandemic. In 2020, the year under report, the Special Committee's meetings were typically held once a month together with the members of the Board of Directors.

More details on the focal points of the Committees' work in the 2020 financial year are set out in the Supervisory Board report.

Avoiding conflicts of interest

The competence profile of the Supervisory Board imposes certain rules regarding the independence of Supervisory Board members that are aimed at avoiding conflicts of interest. More details can be found in the section Diversity concept below.

A description of the conflicts of interest that arose in the 2020 financial year and how they were handled is contained in the Supervisory Board report.

Shares held by members of the Board of Directors and of the Supervisory Board

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 list of the transactions that were reported can be found on the website of LEONI AG at » www.leoni.com/en/investor-relations/corporate-governance/directors-dealings/.

Diversity on the Board of Directors and the Supervisory Board of LEONI AG

LEONI considers diversity a key factor of success for the Company's future viability. Living diversity is a strategic factor of 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. Increasing internationalisation requires LEONI AG to lead teams reflecting diversity. Without this capability and experience, it is not possible to take appropriate account of different cultural backgrounds within the Group. Maintaining a balanced age structure ensures a regular introduction of leadership talent, and simultaneously ensures that knowledge as well as work and life experience are retained for as long as possible in the Company's best interest. Gender diversity, in turn, is reflected in 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 by way of mentoring programmes, e-learning courses and targeted training activities.

Diversity concept for the composition of the Board of Directors

Competence profile and diversity concept

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. These two sets of rules provide for the following guidelines to be adhered to by the Board of Directors when appointing its members:

- diversity in terms of cultural background 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 a standard retirement age at the time of appointment (currently at 65 years of age).

LEONI pursues the objective of appointing a number of women to the Board of Directors that equals a percentage of at least 15 percent and has exceeded this target by appointing Ingrid Jägering as CFO.

More details on the representation of both sexes on the Board of Directors, including information on the progress made in achieving the targets, are set out in Stipulations pursuant to Section 111 (5) AktG regarding representation on the Board of Directors below.

Manner and progress of the implementation

The implementation of the concept is ensured to a material extent by involving the Supervisory Board in the strategic, financial and current affairs 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 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. Also when filling positions on the first management level below the Board of Directors, which is subject to the Personnel Committee's consent, both the Board of Directors and the Supervisory Board take care to comply with the afore-mentioned criteria.

The implementation of the above-mentioned criteria is further ensured in the following way, which is also a means to promote long-term succession planning within the LEONI Group:

- 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 internal employees for the first and second management level while considering knowledge, experience and diversity aspects to promote in-house candidates 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 ensuring that the Board of Directors reflects an appropriate structure as regards experience and age.

Diversity concept for the composition of the Supervisory Board

To ensure that it monitors and advises the Board of Directors in a qualified manner, the Supervisory Board has established a competence profile. The profile emphasises the level of independence, integrity, commitment and professionalism that is expected of all Supervisory Board members and is thoroughly reviewed and updated on a continuous basis. Moreover, the Supervisory Board is of the opinion that the diversity concept integrated into the competence profile ensures that different societal groups and stakeholders of LEONI AG are represented. The competence profile as amended from time to time is available at » www.leoni.com/en/investor-relations/corporate-governance/.

Competence profile of the Supervisory Board

The candidates who are proposed to be elected as Supervisory Board members shall be able, based on their experience, expert knowledge, independence, commitment, integrity and personality, 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 Supervisory Board members shall 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 competence profile pursues the objective to ensure 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);
- personnel and
- leadership at a company that operates internationally.

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

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

The aim of the diversity criteria integrated into the competence profile is not merely for the Supervisory Board members to be highly qualified in terms of expertise, but to have a sufficient degree of diversity on the Supervisory Board in order to be able to successfully perform tasks in an international setting when working in mixed-gender teams. These criteria are also intended to serve as a blueprint for the Company as a whole. The consideration of consistency and renewal with respect to (impending) appointments shall contribute to sustainability and add new impulses.

Diversity criteria include the following:

- appropriate consideration of women as members of the Supervisory Board and its Committees;
- 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 a standard retirement age (70 years of age) 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 stage of the selection process and to ensure that the Supervisory Board reflects an appropriate structure as regards experience and age.

Independence
The competence profile also provides for rules to be complied with to ensure the independence of the Supervisory Board:

- All shareholder representatives shall be independent within the meaning of the DCGK 2020. 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 that may cause a substantial and not merely temporary conflict of interest.
- Conflicts of interest shall be avoided, for example, by ensuring that no directorships or similar positions or advisory tasks are exercised for key competitors of LEONI.
- The Supervisory Board shall not include more than two former members of the Board of Directors of LEONI AG.

Manner of implementation of the competence profile; evaluation
In elections of new members of the Supervisory Board to act as shareholder representatives, the Nomination Committee takes the competence profile into account in its work. 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.

In addition, the Supervisory Board is of the opinion that the following factors are key in ensuring diversity and the appropriate qualification in terms of expertise of the Supervisory Board:

- scanning of the market for suitable supervisory board candidates with the involvement of experienced recruitment consultants;
- sharing information with the Board of Directors and management levels with respect to diversity (regular reporting at Supervisory Board meetings);
- onboarding programme for new members of the Supervisory Board.

Regular evaluation of the Supervisory Board's work also contributes to the implementation of the competence profile and its further development. The Supervisory Board performs regular evaluations of its work using a questionnaire that has been created specifically for this purpose and by discussing the findings at its executive sessions. One aspect of this evaluation is to detect any areas where the Supervisory Board members feel there are shortcomings in the composition of the Supervisory Board and, if necessary, to amend the competence profile accordingly in response. The evaluation performed in the year under report showed that the Supervisory Board members did not see any need to make adjustments to the existing competence profile. More details on the findings of the evaluation in the 2020 financial year are set out under Responsibilities and procedures of the Supervisory Board above.

Status of the implementation of the objectives with respect to the competence profile and the diversity and independence of the members of the Supervisory Board
Currently, the Supervisory Board of LEONI AG consists of members who fulfil the requirements as set out in the competence profile. The Supervisory Board members are collectively familiar with the sector in which LEONI AG operates. The degree of diversity deemed to be sufficient under the targets set for the composition of the Supervisory Board regarding differing career backgrounds, professional expertise and experience has also been achieved. The Supervisory Board members' curricula vitae that are published on the website of LEONI AG and updated annually show the diversity of the career and educational backgrounds of the individual Board members.

In addition, the following requirements for the entire Supervisory Board with regard to specific areas of expertise are 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 corporate law, compliance, risk management, antitrust law, the capital market and M&A.
- At least one member has in-depth knowledge in the area of attracting and promoting personnel.
- At least one member besides the financial expert has in-depth knowledge regarding corporate governance, risk management and compliance.
- At least one member has many years of experience and competence in the areas of restructuring and liquidity management.

Moreover, none of the members of the Supervisory Board was older than 70 years when elected or has been a member of the Board for more than 15 years.

The Supervisory Board also has an appropriate number of independent members. The Supervisory Board is of the opinion that all of the shareholder representatives are independent within the meaning of the DCGK 2020, as applicable. In particular, they have no personal or business relations with LEONI AG, its corporate bodies, a controlling shareholder or an affiliated company of the latter that may cause a substantial and not merely temporary conflict of interest. In the Supervisory Board's opinion, Dr Werner Lang's role as a managing director *(Geschäftsführer)* of Lang Verwaltungsgesellschaft mbH, which is the general partner *(Komplementärin)* of MEKRA Lang GmbH & Co. KG, a customer of LEONI AG, did not constitute such a conflict of interest. The Supervisory Board members do not hold directorships or similar positions or perform advisory tasks for important competitors of the LEONI Group either. The Supervisory Board report provides information about the handling of possible conflicts of interest in the individual case.

Information on the representation of both sexes on the Board of Directors and the Supervisory Board and at the top management levels at LEONI AG

Information regarding the achievement of the minimum percentage set forth in Section 96 (2) sentence 1 AktG with regard to the Supervisory Board

In accordance with Section 96 (2) sentence 1 AktG, at least 30 percent of the members of the Supervisory Board of LEONI AG are women and at least 30 percent of the members are men. Both the shareholder representatives and the employee representatives on the Supervisory Board have objected to joint achievement of these minimum percentages. Therefore, the minimum percentage needs to be achieved both as regards the shareholder representatives and as regards the employee representatives. As the Supervisory Board has a total of twelve members, according thereto, there must be at least two men and two women among the shareholder representatives and at least two men and two women among the employee representatives.

In the 2020 financial year, four of the Supervisory Board members were female: two among the shareholder representatives and two among the employee representatives.

The minimum percentage requirement pursuant to Section 96 (2) sentence 1 AktG is thus fulfilled.

Stipulations pursuant to Section 111 (5) AktG regarding representation on the Board of Directors

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.

The Supervisory Board has targeted a minimum percentage for the Board of Directors of LEONI AG of 15 percent to be reached by 30 June 2022. This targeted minimum percentage has been reached as of 31 December 2020 because the Board of Directors had two male members and one female member at that time.

Stipulations regarding the two management levels below 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 setting its target minimum percentages for the Board of Directors and the two management levels below the Board of Directors, LEONI AG, as a technology-focused company, has taken into account industry-specific circumstances and the current percentage of women among its staff.

For the next two management levels below the Board of Directors, the Board of Directors has set the target minimum percentages to be met by 30 June 2022 at 15 percent for both levels.

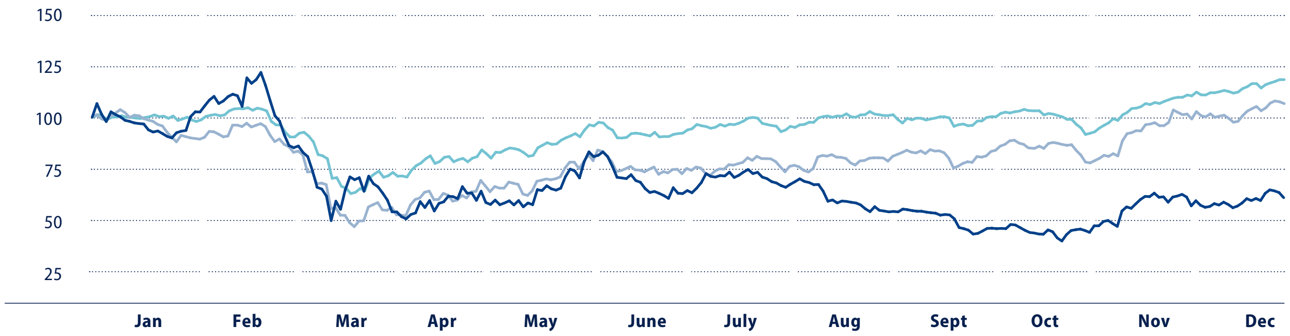
As at 31 December 2019, there was no female employee working on the first management level below the Board of Directors. In the 2020 financial year, there was no change in any of the positions on that level so that it was not possible to increase the percentage of women. The target value has therefore not been reached as at 31 December 2020.

On the second management level, the percentage of women is 31 percent (as at 31 December 2020). Compared to the previous year (21 percent), the minimum percentage has risen by 10 percentage points. The target minimum percentage of female employees working on the second management level below the Board of Directors has thereby been exceeded until 31 December 2020.

More information on how LEONI AG addresses equal treatment of both sexes and on the range of diversity topics besides gender equality is contained in the non-financial reporting.

THE LEONI SHARE

Share performance in 2020



Indexed at 30 December 2020

Overview of key LEONI share data

First listed on	1 January 1923
Ticker symbol	LEO
ISIN	DE0005408884
WKN	540888
Class of shares	Ordinary bearer shares with no par value
Market segment	Regulated market, Prime Standard
Indices	SDAX (until 20 December 2020), CDAX, Prime All Share, Classic All Share
Share capital	€ 32,669,000
Number of shares	32,669,000
Free float	100 percent

Multi-year overview of key LEONI share figures

		2020	2019	2018	2017	2016
Number of shares at yearend	in millions	32.669	32.669	32.669	32.669	32.669
Earnings	€/share	(10.10)	(13.30)	2.31	4.44	0.30
Equity	€/share	8.14	19.47	33.10	31.33	28.03
Dividend	€/share	0[1]	0	0	1.40	0.50
Total payout	€ million	0[1]	0	0	45.7	16.3
Payout ratio	%	0[1]	0	0	32	156
High for the year[2]	€/share	12.48	34.43	65.54	63.40	36.39
Low for the year[2]	€/share	4.47	8.49	25.59	34.95	23.45
Yearend closing price2[2]	€/share	6.65	10.35	30.28	62.39	33.85
Price/earnings ratio[3]		neg.	neg.	13.1	14.1	112.8
Dividend yield[3]	%	0[1]	0	0	2.2	1.5
Market capitalisation on 31 Dec	€ million	217	338	989	2,038	1,106
Average daily trading volume	no. of shares	266,438	315,110	225,880	208,997	257,733

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

Equity markets bullish despite Covid-19 pandemic
The Covid-19 pandemic and its consequences at times affected share prices around the globe considerably in 2020. In the first quarter, worldwide outbreak of the virus caused major slumps in key share indices. As the first wave of new infections abated, especially so in China and Europe, the markets recovered as of April despite poor economic data. The monetary and fiscal-policy measures applied by numerous countries, the apparently rapid suppression of the pandemic in China as well as progress in the development of vaccines that was announced underpinned investors' confidence.

The mounting second wave and renewed lockdowns dampened sentiment again in the autumn. Despite persistently high infection rates in the Americas and Europe, share prices continued to pick up as of November following the reports of success from several vaccine manufacturers and the US elections, in some cases even hitting new highs. For the year as a whole and among others, the US-based S&P 500 index as well as the international MSCI World were up significantly (+16 percent and +14 percent versus the end of 2019). After a sharp drop early in the year, the EuroStoxx also recovered but was down somewhat overall (by 5 percent from its 2019 closing level).

On balance, the pandemic did not make much of an impression on the German equity market either in 2020. The country's leading DAX index gained by nearly 4 percent, while the SDAX was up by 18 percent. The shares of the German automotive and component supply companies also performed moderately well: Year on year, the DAX Automobiles sector index rose by 6 percent and the sub-index for the automotive component suppliers appreciated by 7 percent.

LEONI share dips considerably
The consequences of the Covid-19 pandemic initially weighed on the LEONI share's performance in 2020 to a similar extent as on the overall market. The fallout from the Covid-19 crisis affected our in any case tight earnings and liquidity situation significantly. Shortly after our share reached its high for the year of € 12.48 on 20 February 2020, it slumped heavily by mid-March 2020. The confirmation of LEONI's ability to restructure by an expert opinion pursuant to the IDW S6 auditing standard and granting of a guarantee by the federal government and federal states put an end to the slide. From April, the price moved in line with the overall market, but waned again in the second half of the year and on 21 October fell to € 4.47, its low in 2020. In November, LEONI's share managed to gain ground again, underpinned by stabilisation of its business in the third quarter and upbeat sentiment on the markets. At the end of 2020, the share was priced at € 6.69, equating to 35 percent less than the figure of € 10.35 one year before.

On 31 December 2020, the market capitalisation of the approximately 32.7 million LEONI shares diminished to € 217 million from approximately € 338 million on the same day of the previous year. In December 2020, Deutsche Börse changed the composition of its key share indices as part of an extraordinary review. Given its low market capitalisation, the LEONI share temporarily no longer met the criteria for the SDAX and was therefore no longer listed in this index after 21 December 2020. Based on its recent, good performance and the therefore increased market capitalisation, the LEONI share was included in the SDAX again on 22 March 2021.

Trading in LEONI shares
A total of 1.28 million shares (previous year: 0.91 million) were traded on the Frankfurt Stock Exchange in 2020, while a sum of 67.7 million LEONI shares changed ownership in the XETRA electronic system, as opposed to 79.1 million in the previous year. Trading activity dropped significantly in 2020. On 2 January, the

average daily trading volume on XETRA for the past year (based on a 240-day moving average) still stood about 325,335 shares. By December 2020, this figure was down to 267,486 shares per day (30/12/2020). The corresponding value of daily trading in euros stood at an average of approximately € 1.9 million (previous year: € 4.9 million).

Shareholder structure and voting rights announcements

100 percent of the roughly 32.7 million LEONI shares continued to be in free float in 2020. The proportion held by private investors came to over 90 percent. In regional terms, the weighting of shareholdings shifted towards Germany: Nearly 80 percent of LEONI shares were in the hands of German shareholders at the end of 2020, as opposed to just over 70 percent one year before. On the other hand, the holdings of foreign shareholders, who are based mainly in Switzerland, Austria, the United Kingdom, the United States and Ireland, diminished.

Voting rights announcements received during the 2020 financial year as well as earlier disclosures can be viewed on our website.
» www.leoni.com

Dividend

For the 2020 financial year, LEONI reported consolidated sales of € 4.1 billion, EBIT before exceptional items and VALUE 21 costs of negative € 59 million and free cash flow of negative € 69 million. Judging by the analyst consensus, LEONI thus performed significantly better than expected following the Covid-19-induced slump in the first half of the year and an extraordinarily strong fourth quarter in the forecast key figures of free cash flow and EBIT before special factors as well as before VALUE 21 costs. However, the overall economic situation does not constitute any appropriate basis for paying out a dividend. To ensure its full financing, LEONI has furthermore committed itself, among other things, not to pay out any dividend until its restructured credit lines are repaid by the end of 2022.

Ratings of the LEONI share

In 2020, 13 financial analysts (previous year: 19), who assess our company on behalf of banks and investment firms, regularly issued ratings of the LEONI share (as at February 2021). Most recently, four capital market specialists rated our share as a hold, nine advised to underweight or sell and one analysis firm had our share under review.

Analyst ratings as at January 2021

Analyst	Institution	Rating	Date
Punzet	DZ Bank	Sell	17 February 2020
Diermeier	Independent Research	Sell	29 January 2021
Kukalj	Quirin Bank	Sell	28 January 2021
Raab	Kepler Cheuvreux	Reduce	28 January 2021
Asumendi	JP Morgan Cazenove	Neutral	28 January 2021
Tonn	Warburg Research	Sell	26 January 2021
Laskawi	Deutsche Bank	Hold	22 January 2021
Glowa	Hauck & Aufhäuser	Hold	21 January 2021
Eggeling	Oddo BHF	Reduce	11 November 2020
Steilen	Commerzbank	Reduce	11 November 2020
Biller	LBBW	Sell	12 August 2020
Schuldt	Pareto	Hold	09 July 2020
Cosman	HSBC	Hold	20 March 2020

Intensive investor relations work
In keeping with good corporate governance, LEONI attaches great importance to high transparency as well as an ongoing dialogue with shareholders and stakeholders. As part of our investor relations (IR) work, we inform our shareholders, analysts and other financial market players, the media as well as the interested public promptly, thoroughly and equally on the Company's performance, strategic decisions and other matters of high priority.

Regular communication with institutional investors and the business press is a key element of LEONI's IR work. During the year under report, the Board of Directors took increased part again in » roadshows and capital market conferences most of which took place virtually because of the Covid-19 pandemic. To present our 2019 financial statements as well as our quarterly figures, we furthermore on each occasion hosted separate conference calls for financial analysts and business journalists. There were also one-on-one discussions with analysts, investors and representatives of the media.

Our Annual General Meeting is traditionally the focal point of dialogue with our shareholders. In 2020, we were initially forced to postpone the event because of the Covid-19 crisis and ultimately to hold it virtually. Our online Annual General Meeting went smoothly and in keeping with the statutory requirements, although we would have preferred to speak with our shareholders in person. Given the still uncertain development of the pandemic, we plan to also hold our 2021 Annual General Meeting virtually to protect everyone involved. As in the previous year, our shareholders can register to receive their invitation to the Annual General Meeting electronically prior to the event via this link www.leoni.com/de/hv2021.

Shareholders and all other interested parties can follow our press conferences and analyst meetings in full and live on our »website The presentations given during these events and the Annual General Meeting can also be viewed there for a limited period afterwards. On our » website we furthermore provide all relevant publications as well as comprehensive data and background material about the Company and the LEONI share. This includes ad hoc announcements, press releases as well as annual and interim reports just as basic information on our share, current analyst ratings and the respectively applicable fiscal calendar.

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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 offer our customers solutions for energy and data transmission in vehicles and industrial applications. LEONI's business is organised by two divisions (or segments):

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 for in-vehicle data and energy management solutions to supply our customers with innovative products and services in line with the automotive megatrends of electromobility, 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. 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 various areas of the automotive, capital goods, medical devices, telecommunications, energy and infrastructure industries. The focus is on technologically sophisticated products as well as customer-specific applications for industrial niche markets.

The two divisions are structured differently and operate in differing market environments. They are in future to develop independently so they can fully unleash their potential. LEONI will therefore concentrate mainly on the wiring systems business and plans to part with the WCS Division. Various investors are expressing interest in subdivisions of the WCS given the variety of skills it has and customers it serves. As it is LEONI's overall concern to identify buyers that offer a fair price and present viable plans for the future, the Company is prioritising a partial-sale scenario and was, at the end of December 2020, in negotiations to partially sell LEONI Kerpen GmbH. LEONI was furthermore in negotiations as of 31 December 2020 to sell LEONI Schweiz AG including its subsidiary LEONI Studer AG. The Adaptricity AG subsidiary will remain in the Group. The agreement to sell LEONI Schweiz AG was signed on 19 February 2021. Completion of the disposal is expected during the 2021 financial year. Further explanations are contained in the › Supplementary report.

1.2. Organisational structure

Following the Group's holding company's realignment begun in 2019, **LEONI AG**'s organisation was focussed more on financing as well as governance and capital market-related tasks. Other functions that were up to now performed by the AG on an overarching basis for the divisions are gradually being transferred to 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** during the year under report, ten Business Units (BUs) with global operations served customers in Europe, Asia and the Americas and simultaneously coordinated 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. Additionally, there are Central Functions for the senior management level and the supporting functions.

From 2021, the organisational structure will be aligned to functions with the aim, within the context of clearer process responsibility, to achieve even more standardisation benefits and efficiency enhancements than before to raise competitiveness. To this end, all corporate functions will be assigned respectively to the six areas of Sales, Technology, Operations, Personnel, Finance and the CEO. Senior management will be composed of the heads of these areas. Sales will continue to be aligned by customers.

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 advantages and logistical requirements, and they are situated in the nearest possible regional proximity to our customers. As part of the realignment pending for 2021, all production facilities will be pooled into nine country organisations while responsibility and decision-making powers in the individual countries will be raised.

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 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. 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.

To prepare for the planned partial disposals, a realignment of the WCS Division was launched in 2020 into the business areas of 'automotive' and 'industry' as well as one portfolio unit. Functional preparation for carve-out of the individual WCS subdivisions was begun in 2020 and is to be completed in 2021.

1.3. 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 2020, LEONI was, with 72 subsidiaries (previous year: 70) in 30 countries (previous year: 31), located in Asia, the America and EMEA (Europe, Middle East and Africa). The Wiring Systems Division comprised three domestic and 28 foreign companies, six of which were located in Asia, seven in the Americas and 15 in the EMEA region. The Wire & Cable Solutions Division accounted for 13 domestic and 22 foreign companies, of which six in Asia and six in the Americas as well as ten in the EMEA region. There are furthermore six subsidiaries operating for both divisions. In addition, there is LEONI AG as the holding company. There was an insignificant enlargement of the scope of consolidation during the year under report, due among other factors to preparation for selling the WCS Division in parts. This does not have any material effect on the Group's financial position or performance.

1.4. Customers and markets

The LEONI Group's customers principally include motor vehicle manufacturers and their suppliers. This customer group provided about 80 percent of LEONI's total sales in 2020 (previous year: 82 percent). With sales to the five largest customers and their suppliers we generated a business volume of approx. € 1.6 billion during the period under report (previous year: € 1.9 billion), which equated to about 39 percent of consolidated sales (previous year: 39 percent).

The **Wiring Systems Division** supplies the leading carmakers worldwide, with product for small to compact and mid-range cars and up to models in the premium and luxury segments. The commercial vehicle industry is furthermore of major importance. In addition, customers include 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, in particular the medical and communications technology, 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 currently LEONI's most important market with a share of some 69 percent (previous year: 69 percent) of sales. The Americas account for approximately 16 percent (previous year: 17 percent) and Asia for about 15 percent (previous year: 14 percent).

1.5. Competitive situation and advantages

The **Wiring Systems Division** is a leading producer of cable harnesses and wiring systems in Europe. Worldwide, we are among the five largest companies in this segment, disproportionately strongly so in Europe. Our most significant competitors are Aptiv, Sumitomo, Yazaki and Dräxlmaier. 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 in proximity to customers. 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 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** is a leading cable provider in Europe, and 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, such core skills developed over decades 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 international footprint provides additional advantages.

1.6. Strategy and VALUE 21

The LEONI Group's strategy essentially aims to run its two divisions independently of one another. This involves the WSD focussing on developing, producing as well as selling best-in-class wiring systems and the WCS Division concentrating on innovative cable and system solutions.

Sustained improvement of performance – measures applied sooner than planned

We devised VALUE 21, our comprehensive performance and strategy-enhancement programme, back in 2018 and have been resolutely applying it since 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. The programme has four key aims: sustained improvement of performance throughout the Group, entrepreneurially independent strategic development of the two divisions, sharper focus in the Wiring Systems Division on profitability and cash flow as well as optimising the portfolio of the Wire & Cable Solutions Division.

Work on improving the earnings and cash flow situation again constituted the biggest part of implementing VALUE 21 during the year under report. 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 administration costs. From 2022 and compared with 2018, it is to yield sustained, gross cost savings of at least € 500 million per year.

The measures to meet this gross cost savings target were already implemented by the end of the third quarter of 2020 and there fore significantly earlier than originally planned. By the end of 2020, the programme had incurred costs amounting to € 112 million, which equates to most of the originally budgeted overall cost of about € 120 million. The effects of the initiatives are dependent on the development of our business volume. However, demand will have to pick up significantly again for it to be possible to fully realise the savings potential. As the Covid-19 pandemic presents opposing factors and uncertainties, we are continually launching new measures to safeguard the programme's full effectiveness as well as to further improve performance and efficiency.

Raising entrepreneurial autonomy and carving out the WCS Division

LEONI reviewed its corporate structure, the strategy for its divisions and also their optimum future ownership structure as part of its VALUE 21 programme. The plan is for the two divisions to increasingly operate independently of one another to be able to realise their full potential and given the only very minor synergies between each other. This will establish sharply focussed businesses able to better and more quickly realise individual market and technology developments as well as investment. Going forward, LEONI will in the process concentrate primarily on developing the wiring systems segment, having made progress towards carving out its Wire & Cable Solutions Division. As various investors are, because of the variety of skills the WCS Division has and customers it serves, more interested in individual subsegments, a partial-sale scenario is the one chiefly being pursued. A subsegment is meanwhile to be sold only if a fair value can be achieved and the buyer can present a viable plan for the future.

Wiring Systems Division as systems supplier and development partner

With its focus on the wiring systems segment, LEONI can concentrate its resources on developing the Company into a global provider of solutions for the European automotive sector as well as for the international component supply business and the commercial vehicle market. By developing WSD into a systems supplier and development partner to its customers, we are well on our way to in future not only selling products, but further enhancing our own range of components and services in the fields of energy and data management. In the electromobility sector, we regard ourselves as well set-up both technologically and in terms of market position to benefit from the progressing switch to electric and hybrid vehicles. The potential market for the WSD continues to grow particularly with the increase in electrification.

VALUE 21 furthermore provides for in future giving even greater priority to market opportunities and being more focussed 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 orders are profitability and the utilisation of our capacity, both existing and presently still under construction. Just as the restructuring and cost reduction measures, focused growth is to contribute to improving cash flow and the EBIT margin.

WCS as a leading provider of special cables and connectivity solutions

The WCS Division is expected to develop even more strongly in each of its various core areas towards being a leading provider of specialised cables and connectivity solutions with long-term growth potential. With a broad, varied product and performance portfolio, the WCS units provide for a wide range of growing end markets including the healthcare sector, factory automation, the transport industry as well as the automotive market. The Wire & Cable Solutions Division has grown in key market segments over recent years and has achieved a strong competitive position as a provider of technologically highly sophisticated cable solutions as well as services.

As part of VALUE 21, the aim, alongside improving performance, is a clear focus on strategic core markets as well as on expanding higher margin business and corresponding optimisation of the portfolio. In 2020, we therefore developed our business and product areas further with respect to their strategic importance and profitability. Following initial steps in 2019, such further action was taken during the reporting period as the announced closure or partial sale of LEONI Kerpen GmbH and the planned disposal of LEONI Schweiz AG to improve the cost position on a sustained basis. The intended carve-out is to enable the WCS units to realise their full potential more quickly under a different ownership structure.

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 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 (» **www.leoni.com/de/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 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. Exceptional items comprise material impairment of goodwill, intangible assets, property, plant and equipment as well as other assets, significant expenses for contingent losses on customer contracts, costs to prepare 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), other non-recurring expenses incurred by strategic decisions as well as external additional expenses in connection with the Covid-19 pandemic[1] (for example additional coach transfers, protective clothing, masks and disinfectants). Costs for the VALUE 21 programme comprise all the related restructuring and severance costs as well as third-party 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 2021 financial year is presented in the › **Forecast**. In the sections hereinafter, additionally presented key figures and performance indicators serve to provide better understanding and more explanation of the course of business as well as the asset, financial and earnings situation.

1 From the first half of 2020 onwards, non-recurring effects are expanded to include external additional expenses to protect staff in connection with the Covid-19 pandemic.

2. BUSINESS AND UNDERLYING CONDITIONS

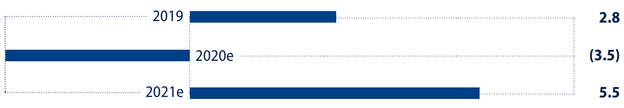
2.1. Macroeconomic setting

According to the International Monetary Fund (IMF), the global economy suffered its severest slump in decades because of the Covid-19 pandemic in 2020. The fallout from the pandemic, such as lockdowns, disrupted supply chains and major uncertainty in many sectors of the economy, led, according to IMF estimates issued in January 2021, to a 3.5 percent decline in global economic output in the past year. Growth in the second half of the year was meanwhile somewhat better than initially expected: in October 2020, the IMF had still forecast a 4.4 percent drop. After heavy decreases in the first half, many countries recovered surprisingly well as of the third quarter. The factors contributing to this alongside lower infection rates in the summer months included extensive government assistance and the expansionary monetary policy of many central banks as well as growing confidence thanks to rapid progress made in testing, treatment methods and vaccine research.

The swift revival of the economy in China, where gross domestic product (GDP) was probably up by 2.3 percent over the year as a whole despite the crisis, was also of great significance. In October, the IMF was still forecasting 1.9 percent growth. For the developing and emerging countries altogether, the IMF most recently estimated a 2.4 percent decrease in GDP (October's forecast was of a 3.3 percent drop). In the industrialised nations, the situation likewise improved considerably in the second half as opposed to previous projections, even though overall GDP there was down by an estimated 4.9 percent in 2020 (October's forecast was of a 5.8 percent drop). According to these figures, the United States were down by 3.4 percent, the eurozone dipped by 7.2 percent and in Germany there was a 5.4 percent decrease.

Global economic growth 2019 to 2021

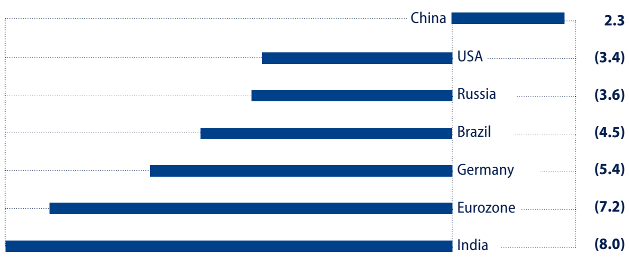
percent



Source: IMF World Economic Outlook, January 2021

2020 economic growth in selected regions

percent



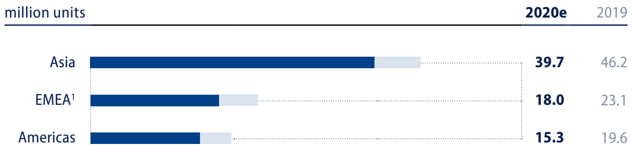
Source: IMF, World Economic Outlook, January 2021, estimate

2.2. Business by sector

The Covid-19 pandemic also left clear traces on the **automotive sector**. The German Association of the Automotive Industry (VDA) in provisional statements says worldwide car sales in 2020 were down significantly from the previous year. The decrease differed in severity between the key regions: In Europe, new vehicle registrations plunged by 26 percent in the first eleven months; in the United States they dipped by 17 percent and in China, where there was a considerable recovery from May, by 8 percent.

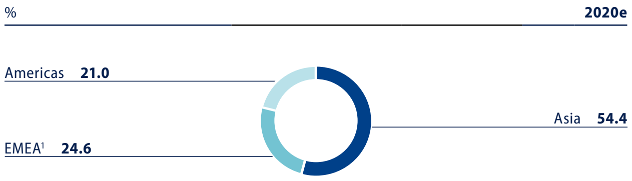
The diminished demand and disruptions to the supply chain due to the pandemic led to temporary plant shutdowns and major curtailing of production worldwide in the automotive industry. The IHS Automotive market research institute estimates that the vehicle manufacturers produced 73 million cars and light commercial vehicles globally in the past year, which equated to an 18 percent decline compared with 2019. The slump in the EMEA region and in the Americas was, at 22 percent in both cases, meanwhile sharper than in Asia, where 14 percent fewer cars rolled off the line. Vehicles with alternative drive technologies presented a clear counterpoint: IHS Automotive says this segment posted a 21 percent worldwide increase during the reporting period.

Output of cars and light commercial vehicles by region



1 Europe, Middle East and Africa Source: IHS Light Vehicle Production Forecast, October 2020

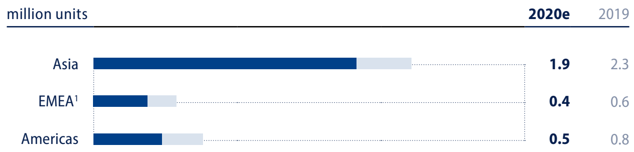
Output of cars and light commercial vehicles by region



1 Europe, Middle East and Africa Source: IHS Light Vehicle Production Forecast, October 2020

The number of units produced in the **commercial vehicle industry** also decreased significantly in 2020. According to IHS Automotive, 24 percent fewer medium and heavy commercial vehicles were manufactured globally than in 2019. Here, too, the smallest drop was in Asia at a rate of 17 percent. In Europe, 29 percent fewer commercial vehicles left factories, and in the Americas the decline was even one of 39 percent. Based on our own observations and broken down by vehicle groups, the construction machinery segment was most severely affected, followed by the truck and engine businesses. By contrast, the dip in the agricultural vehicle and machinery segment was comparatively moderate.

Output of heavy commercial vehicles by region



1 Europe, Middle East and Africa Source: IHS MHCV Model Production Quarterly Volumes, August 2020

According to projections of the German Electrical and Electronic Manufacturers' Association (ZVEI; August 2020), the worldwide **electrical goods industry** is likely to have contracted by three percent in the past year. This probably involved a larger coronavirus-induced drop of 7 percent in the industrialised countries than in the emerging countries with a 1 percent decrease. Broken down by region, market volume was down by 7 percent in both Europe and the Americas, whereas there was a reduction of just 1 percent in Asia. The losses affected all sectors of importance to LEONI: from IT (down 6 percent) and communications technology (down 5 percent) to automation and electromedicine (both down 3 percent) and through to power engineering (down 2 percent).

According to computations of the German Engineering Federation (VDMA; base scenario of September 2020), there was a global sales slump of 7 percent in the **mechanical engineering sector** in the past year. The trajectory differed by region: double-digit decreases in Europe and the United States were opposed by slight gains in China.

2.3. Other factors

Similar to the economy as a whole, the sector-specific trends that are of major importance to LEONI's business performance, the fallout from the Covid-19 pandemic also directly impacted on our activity in 2020. The section headed › Overview of LEONI's performance contains detail in this regard. 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. On the balance sheet, there may – depending on the price of copper – be write-downs on partial quantities of inventory or provisions to cover contingent losses. 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. Another potential determinant involves the increased risk since 2020 with respect to the availability of critical components in the automotive sector.

Personnel costs are a further highly 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.

We keep a very close eye on the **political situation** n 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 factors** that are of importance for LEONI also include international laws. The stricter CO_2 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 in isolated cases.

3. BUSINESS REPORT

3.1. Overview of LEONI's performance and comparison with the forecast

Overview of business performance

Fallout from the Covid-19 pandemic substantially affected the LEONI Group's business performance in 2020. Due to the lock-downs and in some cases multiple-week production shutdowns among our customers in early 2020, we were also compelled to temporarily stop production in both of our divisions. Numerous LEONI plants worldwide had to either drastically curtail production or were temporarily closed entirely. Working hours were furthermore cut, for instance by introducing short-time working in Germany and comparable steps taken in other countries. To protect our employees as well as possible against infection, we relocated some of their activity to working from home where feasible and devised a comprehensive hygiene plan that is being applied at our facilities around the world. It comprises, alongside general rules of conduct, supply of protective clothing, masks and disinfectants as well as shuttle transfers to facilities with our own fleet of buses. More detail on this is contained in the section headed "Coronavirus pandemic-related measures" in the › non-financial Group information statement. The necessary measures were coordinated by a Coronavirus Task Force that was set up early on.

The Covid-19 pandemic led to plunging sales in both divisions, especially so in the second quarter of 2020. As the first pandemic wave abated, the markets gradually recovered in the third quarter: After the summer break, customer uptake was in line with our expectations, meaning that we made good progress since then in stabilising our operating business. There was a significant revival of demand in the fourth quarter despite the once again rising infection rates. In fiscal 2020 as a whole, however, customer uptake from both the automotive sector and other industries of importance to LEONI was down from the previous year, and LEONI's **consolidated sales** contracted from € 4.8 billion to € 4.1 billion. The Wiring Systems Division contributed € 2.5 billion (previous year: € 3.0 billion) to consolidated sales and the Wire & Cable Solutions Division provided € 1.6 billion (previous year: € 1.8 billion).

The coronavirus-induced drop in sales affected 2020 operating income, but it also gradually improved in the second half of the year. The Company furthermore incurred various exceptional charges and costs related to the VALUE 21 performance and strategy programme. These exceptionals included particularly impairment of assets, provisions to cover contingent losses and non-recurring costs relating to strategic decisions, refinancing costs as well as external additional expenses in connection with Covid-19. On the other hand, there were positive operating effects from initiatives under the VALUE 21 programme that were implemented by the end of the third quarter of 2020 and therefore earlier than planned (› Strategy and VALUE 21) as well as such temporary measures as short-time working.

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

€ million	2020	2019
EBIT before exceptional items as well as before VALUE 21 costs	**(59)**	**(66)**
Exceptional items	(196)	(233)
VALUE 21 costs	(24)	(86)
EBIT	**(280)**	**(384)**

1 Definition › Governance of the operating business
2 Reconciliations for the divisions are contained in the › Reports by division / Segment report.

Before exceptional items and VALUE 21 costs, the **consolidated EBIT**-level result improved to a loss of € 59 million (previous year: a loss of € 66 million). In the Wiring Systems Division, the figure was a loss of € 92 million (previous year: a loss of € 118 million) while the WCS Division generated earnings of € 34 million (previous year: € 51 million). Including expenses for VALUE 21 in the amount of € 24 million and exceptional charges of € 196 million, the Company reported an EBIT-level loss of € 280 million (previous year: a loss of € 384 million), of which the Wiring Systems Division accounted for a loss of € 210 million (previous year: a loss of € 370 million) and the Wire & Cable Solutions Division for a loss of € 69 million (previous year: a loss of € 14 million). Free cash flow improved compared with the previous year thanks to the more positive earnings trend, our still stringent working capital management and a Group-wide decrease in investment from negative € 308 million to negative € 69 million.

Comparison with the forecast

Group key figures	Actual 2019 figures	Planning as at mid-March 2020 (excl. Covid-19 effects)	Forecast as at end-March 2020	Actual 2020 figures	Evaluation
Sales	€ 4.8 billion	Moderate year-on-year sales increase	Significant decrease versus previous planning and previous year	€ 4.1 billion	Forecast matched
EBIT before exceptional items as well as before VALUE 21 costs	€ (66) million	Mid-double-digit, positive million € amount	Significant deterioration versus previous planning and previous year	€ (59) million	Forecast exceeded
Free cash flow	€ (308) million	A high double-digit to low three-digit negative million € amount	Significant deterioration versus previous planning and previous year	€ (69) million	Forecast exceeded

In its originally planning for 2020 prepared before outbreak of the Covid-19 pandemic, LEONI AG's Board of Directors still expected a moderate increase in sales and substantial improvement in EBIT before exceptional items as well as before VALUE 21 costs and in free cash flow. At the end of March, as the pandemic spread, we had to anticipate that these three key figures would be well below the previous year's and down from our original planning because of the coronavirus crisis. A more specific forecast for 2020 was not possible as the duration and course of the pandemic and especially its financial consequences for LEONI could not be reliably estimated either at the end of March nor later in the year. Overall, consolidated sales declined significantly in 2020 – as projected at the end of March – compared with the previous year, although there was a surprisingly good uptrend as of the fourth quarter. EBIT before exceptional items as well as before VALUE 21 costs benefited from the gradual improvement in our business performance, more restrictive cost management as well as measures under VALUE 21 and exceeded the previous year's figure as well as our projections of March. Free cash flow did not decline versus 2019 as feared, but improved significantly based on the better operating performance, the smaller amount of investment as well as positive effects related to working capital and also exceeded our original planning, which anticipated a high double-digit to low three-digit negative million € amount. This favourable deviation from the analyst consensus became foreseeable when preparing our annual financial statements in January 2021 and was immediately shared publicly in an ad hoc announcement.

3.2. Group sales and earnings

Consolidated sales dip by 15 percent to € 4.1 billion

Consolidated sales dropped by 15 percent to € 4,134 million in 2020. The impact of the Covid-19 pandemic led to volume decline in both divisions. Due to the lockdowns and plant shutdowns among our customers in many parts of the world, LEONI was also compelled to temporarily stop its production at numerous plants.

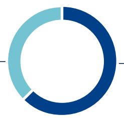
In line with the course of the pandemic, the coronavirus crisis initially hit particularly our business in Asia and then, after a time lag, the EMEA region (Europe, Middle East and Africa) and the Americas. The subsequent recovery was also regionally staggered in time. Overall, there were decreases everywhere: In the EMEA area, sales were down by 15 percent to € 2,850 million; in the Americas by 20 percent to € 661 million and in Asia by 7 percent to € 622 million.

Group sales performance

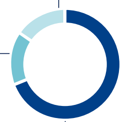
	€ million	%
2019 sales	**4,846**	
Organic change	(651)	(13.5)
Effects of changes in the scope of consolidation	(6)	(0.1)
Currency translation effects	(41)	(0.8)
Copper price effects	(14)	(0.3)
2020 sales	**4,134**	(14.7)

Consolidated sales by division

%	2020	2019
Wire & Cable Solutions	**38.5**	37.5
Wiring Systems	**61.5**	62.5



Consolidated sales by region



%	**2020**	2019
EMEA total	**69.0**	69.1
– Germany	**23.5**	23.2
– Rest of Europe	**29.0**	30.0
– Eastern Europe	**15.3**	14.7
– Africa	**1.1**	1.1
– Rest of EMEA	**0.1**	0.1
Americas	**16.0**	17.1
Asia	**15.1**	13.8

The EBIT-level result before exceptional items as well as before VALUE 21 costs improved to a loss of € 59 million
Losses of sales as a consequence of the Covid-19 pandemic affected the LEONI Group's earnings situation in 2020. Exceptional items totalling negative € 196 million (previous year: negative € 233 million) and expenses of € 24 million (previous year: € 86 million) for the VALUE 21 performance and strategy programme additionally weighed on EBIT.

The exceptionals included asset impairment charges totalling € 63 million (previous year: charges of € 77 million) that pertained mainly to the Wire & Cable Solutions Division. They were related, among other factors, to the planned sale of LEONI Schweiz AG, which incurred impairment charges of € 28 million in the fourth quarter of 2020. The 2021 closing figures will involve realisation of accrued exchange gains, which will offset this negative effect. Other valuation allowances were made due to the changed economic conditions as a consequence of the Covid-19 pandemic as well as based on portfolio adjustments. The valuation allowances also include € 3 million in expenses for contingent losses on customer contracts. These expenses totalled € 53 million in the year under report; the other € 50 million (previous year: € 119 million) concerned provisions to cover contingent losses in the Wiring Systems Division. These provisions were made due, among other factors, to expected volume changes involving some projects as a consequence of the fallout from the Covid-19 pandemic as well as revised cost estimates and could impact on liquidity across a multi-year period.

Another exceptional item involving total charges of € 32 million (previous year: charges of € 16 million) was due to restructuring provisions and other expenses pertaining to strategic decisions that, during the year under review, concerned almost entirely the WCS Division. Most of this provision was set aside in the fourth quarter for the announced closure and intended partial sale of our business at the Kerpen location.

In addition, there were costs for refinancing the Group of € 24 million (previous year: € 15 million) and for preparing carve-out of the Wire & Cable Solutions Division of € 5 million (previous year: € 6 million). The Company furthermore incurred additional, external expense in connection with Covid-19 particularly in the labour-intensive production of the Wiring Systems Division amounting to € 22 million - for example for additional shuttle bus services, protective clothing, face guards or disinfectants.
The VALUE 21 cost comprised mainly consulting fees, restructuring expenses as well as severance costs and were substantially diminished as expected. The measures under the programme to boost performance were applied by the end of the third quarter and therefore earlier than planned, and also showed initial benefit. The focal areas included materials procurement and efficiency enhancements in production. The benefits are volume-dependent and will only become fully effective once demand picks up again.

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

€ million	**2020**	**2019**
EBIT before exceptional items as well as before VALUE 21 costs	**(59)**	**(66)**
Exceptional items	(196)	(233)
of which impairment charges	(63)	(77)
of which provisions for contingent losses	(50)	(119)
of which refinancing costs	(24)	(15)
of which costs to prepare for WCS carve-out	(5)	(6)
of which non-recurring charges due to strategic decisions	(32)	(16)
of which additional, external Covid-19-related costs	(22)	0
VALUE 21 costs	(24)	(86)
of which consulting fees	(11)	(30)
of which restructuring expenses	(10)	(53)
of which other expenses	(3)	(3)
EBIT	**(280)**	**(384)**

1 Definition › Governance of the operating business

Despite the exceptional factors and VALUE 21 costs, there was a decrease in the LEONI Group's **cost of sales** during the reporting period that was slightly larger in proportion to business volume, namely of 16 percent to € 3,754 million. Among the factors positively reflected were benefits due to the VALUE 21 programme and measures to cut working hours, which partially offset the Covid-19-induced loss of sales. The previous year furthermore still included greater expenses for contingent losses on customer contracts. Gross profit on sales rose from € 354 million to € 379 million, which equates to a **gross margin** of 9.2 percent (previous year: 7.3 percent).

Selling expenses, which in the previous year included major additional freight costs due to the ramp-up problems at our facility in Mérida, Mexico, dropped by 14 percent to € 243 million. There was a 7 percent decrease in **general administration expenses** to € 312 million, which was due, among other factors, to the smaller exceptional items and VALUE 21 costs compared with the previous year. **Research and development costs** decreased by 20 percent to € 129 million, due also to diminished personnel expenses.

There was an increase in other operating income, which included government grants and proceeds from sale-and-leaseback transactions, from € 27 million to € 39 million. Other operating expenses rose due especially to asset impairments related to the planned disposal of LEONI Schweiz AG from € 22 million to € 54 million. Income from associated companies and joint ventures, which stemmed principally from our joint venture in Langfang, China, was up from € 34 million to € 40 million.

Overall, there was a 2020 improvement in **consolidated EBIT** to a loss of € 59 million (previous year: a loss of € 66 million) before non-recurring items as well as VALUE 21 costs and to a loss of € 280 million (previous year: a loss of € 384 million) after exceptionals as well as VALUE 21 costs.

Considering the financial result, which includes an increase in finance costs from €36 million to € 59 million due to the larger debt, the Company reported a loss before taxes of € 337 million (previous year: a loss of € 419 million). Income taxes changed from liability of € 16 million in the previous year to income of € 7 million in fiscal 2020, due particularly to having formed deferred tax assets on loss carryforwards. The **consolidated net loss** came to € 330 million as opposed to a loss of € 435 million in the previous year.

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. The key objectives are worldwide safeguarding of the Group's liquidity, optimising finance costs and revenue as well as controlling and minimising currency and interest rate risks.

To assure its long-term borrowing requirements, the Group uses various capital market instruments such as syndicated loans, a working capital facility signed in 2020 in connection with the Covid-19 pandemic as well as borrower's note loans at corporate level for the entire group. LEONI uses a wide range of instruments to keep its exposure to individual markets or types of finance as low as possible. Generally speaking, LEONI pursues long-term collaboration with international banks, factoring and leasing companies as well as trade credit insurers that is based on mutual trust.

Group subsidiaries are financed mostly in their functional currency. The principal financial liabilities in 2020 were denominated in euros, US dollars, Indian rupees, South Korean won, Romanian lei and British pounds sterling.

The LEONI Group manages – where possible – its liquidity 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. LEONI also uses the instruments of factoring and reverse factoring, which are also managed at corporate level, to improve its liquidity. Given their flexibility in terms of sales growth and the associated borrowing requirement, these constitute an important addition to the other instruments for managing liquidity.

Financing measures in 2020

Extensive refinancing measures were necessary during the period under report. Borrower's note loans maturing in March and November 2020 in a total amount of € 191 million were repaid on time. These repayments as well as the negative cash flow expected for 2020 led to a financing requirement on the basis of which the Board of Directors began at the end of 2019 to initiate and apply various packages of measures. The aim was to increase available liquidity by € 200 million to ensure full financing without increasing the Group's existing funding framework when considering the repayments.

At the beginning of 2020, LEONI agreed several sale-and-lease-back transactions involving assets in Germany and China, which provided an inflow of cash of about € 66 million during the financial year. In March, it was agreed to make an approved credit line not locally required in China available to the LEONI Group globally as well as to convert bilateral credit lines and loans without fixed terms into loan commitments with terms fixed to the end of 2022. This involved a total volume of € 276 million at the exchange rates of the time (Revolving Credit Facility, RCF II). To ensure its full financing, LEONI furthermore committed itself, among other things, not to pay out any dividend until its restructured credit lines are repaid. Information on other undertakings and covenants is contained in the section headed "Liquidity risks / interest rate and financing risks" of the ›Risk and opportunity report. 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 as part of agreeing RCF II. In this connection, our trade credit insurers issued statements of goodwill confirming provision of these credit lines as required. The factoring volume was furthermore substantially expanded. At the beginning of March 2020, an existing factoring line was increased by € 50 million. New lines totalling € 280 million were set up with two factoring companies.

At the end of 2020, factoring reduced trade receivables by € 221 million (previous year: € 219 million). Of the current financial liabilities, € 21 million (previous year: € 60 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 2020, trade liabilities amounting to € 161 million (previous year: € 142 million) were transferred to factoring companies in the context of signed reverse factoring agreements.

Expert opinion on restructuring in line with IDW S6

As early as the end of 2019, LEONI commissioned an expert opinion in line with the IDW S6 Technical Guidance on Financial Reporting and Auditing Issues published by the Institute of Public Auditors in Germany, Incorporated Association (IDW) to confirm the course on which it has embarked and its full financing. The expert opinion is based on a restructuring plan jointly prepared by LEONI and third-party experts for the years 2020-2022, which follows on from and partially goes beyond the VALUE 21 performance and strategy programme. The expert opinion on restructuring of 13 March 2020 contained a positive survival and continuation forecast on condition that the mitigating measures described above to ensure liquidity are applied.

Guarantee assures additional finance requirement due to Covid-19

The additional, major financial strains to be expected because of the Covid-19 pandemic called for further increase in financial scope to safeguard continued existence of business operations. In April 2020, the Group therefore signed a € 330 million working capital facility on standard market terms and maturing at the end of 2022 (of which € 240 million may be drawn immediately and a further € 90 million from April 2021) with its core banks, 90 percent of which being 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). The restructuring expert opinion was updated in this context and restructuring capability as well as full financing of the Company until the end of 2022 was again reaffirmed in April, subject to continued systematic implementation of the restructuring plan and gradual market recovery during the year as expected.

Financial situation and net financial debt

Alongside the credit lines (RCF II and III) as described above that were signed in fiscal 2020, LEONI continues to have a syndicated loan facility in the amount of € 750 million that matures in June 2023 (RCF I) at its disposal. The Group therefore has long-term financing commitments totalling € 1,253 million (previous year: € 998 million). There are furthermore various borrower's note loans, maturing in 2022 to 2028, in a total amount of nearly € 400 million. Information concerning risks related to financing and liquidity is contained in the section headed "Liquidity risks / interest rate and financing risks" of the ›Risk and opportunity report.

The LEONI Group's freely available liquidity amounted to € 503 million [1] at end of 2020 (previous year: € 624 million), of which € 196 million in cash (previous year: € 144 million) and € 307 million in available credit lines (previous year: € 480 million). As at the balance sheet date, guarantees amounting to € 80 million (previous year: € 74 million) must be deducted from freely available liquidity.

1 Figures including freely available liquidity as contained in "Assets / liabilities held for sale"; details in the following table "Calculation of net financial liabilities"

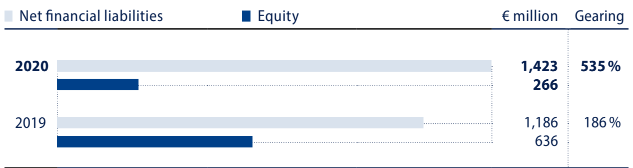
Net financial liabilities rose from € 1,186 million as at the previous year's reporting date to € 1,423 million in 2020. Gearing (net financial liabilities as a percentage of equity) rose from 186 percent to 535 percent.[1]

Calculation of net financial liabilities

€ million	2020	2019	Change
Cash and cash equivalents	187	144	43
Current financial liabilities	(50)	(365)	315
Long-term financial debts	(1,543)	(965)	(578)
Net financial liabilities	(1,406)	(1,186)	(220)
Cash and cash equivalents contained in "Assets held for sale"	8	0	8
Financial debt contained in "Liabilities held for sale"	(26)	0	(26)
Net financial liabilities including items contained in "Assets /liabilities held for sale"	(1,423)	(1,186)	(237)

1 Net financial liabilities including items contained in "Assets / liabilities held for sale"

Equity and net financial liabilities / Gearing[1]



1 Net financial liabilities including items contained in "Assets / liabilities held for sale"

Free cash flow improved to negative € 69 million

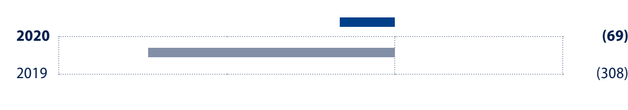
Cash flows from the LEONI Group's operating activities increased to € 55 million in fiscal 2020 (previous year: negative € 22 million). Alongside the improved result, the reasons for this uptrend were the increase in trade liabilities related to the business recovery combined with continued, strict inventory management as well as use of factoring and reverse factoring lines.

The Company invested € 124 million (previous year: € 286 million), with the reduced capital spending, which mostly involved expansion of capacity for new customer projects, being offset by cash receipts from the disposal of assets principally connected with sale-and-leaseback transactions. **Free cash flow** improved significantly from negative € 308 million to negative € 69 million.

Cash provided by financing activity amounted to € 124 million (previous year: € 298 million). The cash inflow from the described financing measures (RCF II and III) compensated for the repayments as well as higher interest payments. No **dividend** was paid in 2020.

After taking exchange rate-related changes into account, the LEONI Group's cash and cash equivalents increased to € 196 million at the end of 2020 (previous year: € 144 million), of which € 8 million was included in the balance sheet item "Assets held for sale".

Free cash flow



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

€ million	2020	2019
Cash flows from operating activities	55	(22)
Cash flows from capital investment activities	(124)	(286)
Free cash flow	**(69)**	**(308)**
Cash flows from financing activities	124	298
Change in cash and cash equivalents[1]	52	(8)
Cash and cash equivalents on 31 December[2]	196	144

1 Including exchange rate-related change
2 Including cash and cash equivalents contained in "Assets held for sale"

Investment in operating business sharply reduced

Capital spending on the operating business was sharply curtailed and restricted to what was necessary for operations during the year under review. Excluding the addition of rights of use under IFRS 16, the LEONI Group's spending on property, plant and equipment as well as intangible assets dipped to € 182 million in 2020 (previous year: € 271 million). The Wiring Systems Division invested about € 126 million of this total (previous year: € 177 million) and the Wire & Cable Solutions Division accounted for € 55 million (previous year: € 89 million). More information is contained in the › Reports by division/ Segment report.

The addition of rights of use, which stemmed from having signed new leases connected, among other things, with sale-and-leaseback transactions, accounted for € 145 million Group-wide (previous year: € 86 million). Capital expenditure thus totalled € 327 million (previous year: € 357 million).

LEONI Group capital expenditure

€ million	2020	2019
Addition excluding rights of use (IFRS 16)	182	271
Addition of rights of use (IFRS 16)	145	86
Capital expenditure (addition of property, plant and equipment as well as intangible assets)	**327**	**357**

3.4. Asset situation

The LEONI Group's balance sheet as at 31 December 2020 was reduced by 3 percent year on year to € 3,497 million. On the **asset side**, there was an overall decrease in **non-current assets** of 8 percent to € 1,867 million. Among other factors, this reflected the Company's disciplined capital spending, impairments of assets and reclassification of the assets of held-for-sale LEONI Schweiz AG into the current balance-sheet item of "assets held for sale". The item covering property, plant and equipment contracted by 5 percent to € 1,383 million, goodwill was down by 7 percent to € 129 million and intangible assets decreased by 17 percent to € 55 million. Deferred taxes dropped by 34 percent to € 65 million due to netting between tax assets and liabilities. In renegotiations, a customer agreed with respect to a major project to waive the price discounts on future business volumes that LEONI had anticipated. The corresponding item was derecognised on both the asset and liability sides. For this reason among others there was a decrease in other non-current assets by 34 percent to € 94 million. The decreases were offset by an increase in the share of associated companies and joint ventures by 12 percent to € 50 million thanks to the good performance of the joint venture in Langfang, China.

Overall, **current assets** increased by 4 percent to € 1,630 million. The increase was due mainly to reclassification of non-current assets into the item "assets held for sale" for LEONI Schweiz AG, to which a total of € 89 million was added (previous year: nil). There was furthermore an increase in cash and cash equivalents by 30 percent to € 187 million. On the other hand, trade accounts receivables were virtually unchanged at € 518 million (previous year: € 527 million). Inventories diminished by 7 percent to € 500 million among other reasons because of the reclassification of the inventories of held-for-sale LEONI Schweiz AG into the item "assets held for sale". Contract assets decreased by 10 percent to € 94 million because of the smaller volume of customer-specific inventories.

On the liabilities side of the balance sheet, it was principally the financing measures (RCF II and III) described in the section › Financial situation that led to a significant increase in non-current financial debts by 60 percent to € 1,543 million. Furthermore, the included non-current lease liabilities rose by 45 percent to € 225 million. Overall, **non-current liabilities** increased by 40 percent to € 1,909 million. Other provisions furthermore rose, due mainly to changes in provisions to cover contingent losses, by 24 percent to € 122 million. On the other hand, deferred taxes were down by 65 percent to € 27 million due in particular to netting between tax assets and liabilities.

Current liabilities declined by 17 percent overall to € 1,322 million. This included a reduction in current financial liabilities including the short-term proportion of long-term loans from € 365 million to € 50 million due mainly to on-schedule repayment of maturing borrower's note loans. There was furthermore a substantial drop – from € 135 million to € 65 million – in current financial liabilities, which was the result of, among other factors, the previously mentioned derecognition related to contract negotiations. By contrast, trade liabilities rose by 8 percent to € 825 million because of the business recovery during the year. A total of € 80 million of current and non-current liabilities was also reclassified to the item "liabilities held for sale" (previous year: nil) in connection with the planned disposal of LEONI Schweiz AG.

There was a year-on-year reduction in **equity** from € 636 million to € 266 million, which was due primarily to the reduction in retained earnings to € 42 million (previous year: € 372 million) mostly because of the consolidated net loss in 2020. As at the end of December 2020, this worked out to an equity ratio of 7.6 percent (previous year: 17.7 percent).

3.5. General statement on economic growth

The Board of Directors deemed 2020 to be an exceptional year, which presented LEONI with major challenges. The coronavirus-related production outages and the corresponding decline in volumes severely affected the business performance of both divisions in the first half of the year. Although demand gradually rebounded in the second half of the year, we recorded a significant decrease in sales over the year as a whole. EBIT before exceptional items as well as before VALUE 21 costs improved thanks to gradual pick-up in business performance and beneficial effects of the VALUE 21 programme. The successive improvement in operating business performance in the second half of 2020 almost compensated for the impact of the Covid-19 pandemic. Despite these improvements in the second half, business performance in fiscal 2020 was unsatisfactory given the very poor first half because of Covid-19.

The Board of Directors continues to rate as positive the status of our VALUE 21 programme as a core element of our restructuring plan. LEONI made great progress here in spite of the very difficult market environment. The measures planned to raise efficiency, optimise operations and save costs were fully implemented by the end of the third quarter and therefore sooner than announced. As the savings potential is heavily dependent on volumes, however, it will not unfold its full effect until demand picks up further.

The financial situation initially stabilised in 2020. While free cash flow was still negative, it did improve substantially compared with 2019 due to the uptrend in earnings, our still strict working capital management and the decrease in capital investment. The refinancing through 2022 that was agreed during the year under report assured the Group's full funding. A working capital facility, 90 percent of which is guaranteed by the German government and federal states, ensured the additional funding required because of the Covid-19 pandemic. Given the imponderables of the pandemic, the Board of Directors regularly scrutinises all options for preparing to possibly deviate from the restructuring plan and to secure more finance. Information on the related risk is contained in the section headed "Liquidity risks / interest rate and financing risks" of the › Risk and opportunity report.

A key task continues to be to bolster the equity base as the equity ratio was down substantially year on year at the end of 2020.

On the whole, the Board of Directors remains confident that LEONI's business can be lastingly stabilised and that both performance and efficiency can be further improved based on resolute implementation of the VALUE 21 measures and carve-out of the Wire & Cable Solutions Division.

3.6. 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.

LEONI AG's organisation was trimmed further in 2020 and the Company increasingly acts as a Group holding company focused on financing as well as governance and capital market-related tasks. Other functions that were up to now performed by the AG on an overarching basis for the divisions are gradually being transferred to the divisions. The structure of the two divisions is guided by their respective customer groups and markets, subdivided into business groups and business units. This involves LEONI AG holding the shares in the operational units of the Wire & Cable Solutions (WCS) Division and the Wiring Systems Division (WSD) as well as Business Group Industrial Solutions (BG IN). A realignment of the Wire & Cable Solutions Division was launched in the financial year as part of the WCS carve-out. LEONI Industry Holding GmbH, a wholly-owned subsidiary of LEONI AG, was consequently established on 11 September 2020. It was entered in the commercial register on 3 November 2020. This company will hold entities of Business Group Industrial Solutions (BG IN) during the transformation process.

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. 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 budgeted for a significantly better result year on year in LEONI AG's financial statements for fiscal 2020. The annual result for fiscal 2020 considering dividends and profit transfers increased to income of € 142 million (previous year: a loss of € 324 million). The forecast for the 2020 financial year was thereby exceeded. Considering dividends and profit transfers, the Board of Directors has budgeted for LEONI AG's fiscal-2021 result to be significantly better than the previous year's. 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	**2020**	**2019**
1. Sales	163	195
2. Other own work capitalised	1	1
3. Other operating income	114	30
4. Cost of materials Cost of purchased services	(104)	(119)
5. Personnel expenditure:		
a) wages and salaries	(27)	(35)
b) social-security contributions and expenditure for retirement benefits and support payments	(4)	(7)
6. Amortisation of intangible investment assets and depreciation of property, plant and equipment	(10)	(10)
7. Other operating expenses	(61)	(106)
8. Income from profit transfer agreements	220	0
9. Income from financial loans	13	29
10. Other interest and similar income	12	13
11. Write-downs on investments	(103)	(3)
12. Expenses due to loss assumption	(33)	(288)
13. Interest and similar expenses	(38)	(22)
14. Income taxes	(2)	(3)
15. Earnings after taxes	142	(324)
16. Net income / loss	142	(324)
17. Loss carried forward from the previous year	(161)	0
18. Reversals from other retained earnings	0	162
19. Reversals from statutory reserves	0	1
20. **Retained loss**	(19)	(161)

LEONI AG presents sales revenues stemming principally from onward charging for corporate IT services, management consulting and insurance policies as a single item. Compared with the previous year, sales revenues were down to € 163 million (2019: € 195 million) due to less passing on of VALUE 21 costs and exceptional costs. Other operating income is composed among other items of proceeds of € 11 million from having sold a site and building under a sale-and-leaseback agreement, income unrelated to the accounting period from reversals of provisions in the amount of € 3 million (previous year: € 2 million) and gains on currency translation amounting to € 31 million (previous year: € 11 million). This also includes reversal of valuation allowances formed on receivables from and loans to associated companies with effect on the income statement in the amount of € 47 million. It is due principally to reversal of valuation allowances for receivables from / loans to associated companies as well as the sale of the loan to LEONI Automotive do Brasil Ltda. to LEONI Bordnetz-Systeme GmbH. The cost of materials of € 104 million (previous year: € 119 million) represents spending on purchased services and comprises data processing costs and consulting fees in the amount of € 45 million (previous year: € 59 million), fees for consulting on data processing of € 24 million (previous year: € 30 million) as well as maintenance charges and licensing fees in the amount of € 32 million (previous year: € 26 million). The legal and consulting fees include extraordinary expenses relating to the VALUE 21 measures as well as exceptional costs stemming from refinancing and preparing for carve-out of the Wire & Cable Solutions Division in the amount of € 12 million (previous year: € 45 million). Personnel expenditure in the financial year was down by € 8 million to € 27 million. The decrease was due to a smaller number of staff as well as the composition of the Board of Directors and its compensation. Other operating expenses of € 61 million (previous year: € 106 million) chiefly comprises losses on foreign currency valuation of € 26 million (previous year: € 28 million) as well as expenses due to valuation allowances for receivables from associated companies in the amount of € 13 million (previous year: € 36 million). In the previous year, other operating expenses also included expenditure of € 10 million related to VALUE 21. Income from financial loans was down by € 16 million to € 13 million in the financial year (previous year: € 29 million), which was due to the smaller amount of loans to associated companies by the beginning of December. The write-downs on investments include, due to the planned sale of LEONI Studer AG as well as other restructuring measures already initiated, depreciated holdings in LEONI Kabel GmbH in the amount of € 80 million as well as valuations allowances for loans to associated companies in the amount of € 22 million (previous year: € 3 million). The interest income of € 12 million (previous year: € 13 million) involves, as was also the case in the previous year, primarily matters relating to associated companies. Interest expenses of € 38 million (previous year: € 22 million) mainly comprise interest related to the syndicated loan and long-term operating loans of € 24 million (previous year: € 16 million).

The balance of the profit and loss transfer agreements signed with subsidiaries yielded a gain of € 187 million in fiscal 2020 (previous year: a loss of € 288 million), of which LEONI Bordnetz-Systeme GmbH accounted for a loss of € 33 million (previous year: a loss of € 206 million) and LEONI Kabel GmbH for a gain of € 220 million (previous year: a loss of € 83 million).

The bottom line for 2020 was a profit for the year of € 142 million, which is mostly attributable to the profit transfers from LEONI Kabel GmbH and LEONI Bordnetz-Systeme GmbH. This equates to an increase by totalling € 466 million compared with the previous year and is attributable principally to LEONI AG's measures to bolster equity and the income of approx. € 600 million from associated LEONI companies under their profit and loss transfer agreements with LEONI AG. Inter-Group selling of investments as well as levying of a special dividend are notable factors in this respect. By contrast, adverse effects stem for impairment of fixed assets.

Assets and financial position of LEONI AG

LEONI AG – balance sheet (HGB) € million	2020	2019
Aktiva		
Assets	22	29
Intangible assets	1	3
Shares in associated companies	408	489
Loans to associated companies	659	487
Investments	1,067	976
Fixed assets	1,091	1,008
Accounts receivable and other assets	557	572
Cash and bank balances	72	31
Current assets	629	603
Prepaid expenses	9	10
Total assets	**1,728**	**1,620**
Liabilities		
Equity (contingent capital € 6 million)	296	154
Pension plans and similar obligations	21	21
Tax provisions	0	1
Other provisions	22	32
Provisions	43	54
Financial debt	1,102	1,100
Other liabilities	287	312
Total equity and liabilities	**1,728**	**1,620**

Intangible assets were down by € 7 million year on year. The change is due principally to scheduled amortisation.

The key asset items on LEONI AG's balance sheet are shares in associated companies (€ 408 million) and loan receivables from associated companies (€ 659 million). The holding in LEONI Kabel GmbH was written down by € 80 million due to LEONI Kabel GmbH's planned sale of LEONI Studer AG as well as other restructuring measures already initiated. Loans to associated companies were up by € 172 million year on year, which is attributable in particular to new loans to Leonische Holding Inc. (USA) amounting to € 195 million. Write-downs on loans to associated companies amounting to € 22 million made during the financial year have an opposing effect. The further decrease is attributable to repayments. Receivable from associated companies were down by € 13 million, which was due mainly to the receivable of profit transfer from LEONI Kabel GmbH.

Compared with the previous year, bank deposits were up from € 31 to € 72 million.

Equity increased by € 142 million year on year due primarily to the profit transfer from LEONI Kabel GmbH. Equity accounts for 17.1 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 of € 19 million.

Liabilities to banks were up by € 2 million year on year. The principal factor in this respect is having taken out operating loans in the amount of € 283 million (RCF I € 43 million and RCF III € 240 million). On the other hand, there was on-schedule repayment of borrower's note loans totalling € 191 million as well as repayments of RCF II in the amount of € 88 million.

The balance is net financial liabilities of € 1,030 million (previous year € 1,069 million). This decrease is attributable to the increase in cash and cash equivalents.

LEONI AG – net debt (HGB) € million	2020	2019
Financial debt	1,102	1,100
less cash and cash equivalents	72	31
Net financial debt	1,030	1,069

Other liabilities were down by € 25 million overall due to less liabilities vis-à-vis external factoring partners of € 33 million being the notable factor in this respect. The reason for this is the amendment of an agreement with a factoring partner whereby transactions are conducted directly via the respective company and no longer via LEONI AG. On the other hand, there are increases in liabilities to associated companies of € 10 million and as well as in value added tax liabilities of € 2 million.

4. REPORTS BY DIVISION / SEGMENT REPORT

4.1. Wiring Systems Division

Key events 2020

Impact of the Covid-19 pandemic

The Covid-19 pandemic severely affected the activities of the Wiring Systems Division in 2020. In the first half of the year, it led to multi-week shutdowns of production among carmakers worldwide, which is why LEONI was also compelled to temporarily close numerous of its plants, especially so in April. Production and logistics were initially affected in China; later on also in Europe, Africa and the Americas. We re-started production in close coordination with our customers. By mid-year, all facilities were open again and the uptake figures in China were back to a good level. There was a time lag in the recovery of demand in Europe and the Americas. After the summer break, carmakers' production mostly ramped up according to plan again, which also led to increasing capacity utilisation at our plants. At the end of September, about 95 percent of them were operating at largely normalised output levels. There was a significant recovery of demand from carmakers in the fourth quarter, despite the second wave of the Covid-19 pandemic. Where possible, we applied cost-cutting and working time-reducing measures to cushion the significant overall decrease in uptake. We furthermore introduced comprehensive hygiene and protective measures to guard our staff against infection. More detail on this is contained in the section headed "Coronavirus pandemic-related measures" of the › non-financial Group information statement.

Performance in 2020

Key figures: Wiring Systems		2020	2019	Change (%)
External sales	€ million	2,543	3,027	(16.0)
EBIT before exceptional items as well as before VALUE 21 costs[1]	€ million	(92)	(118)	21.9

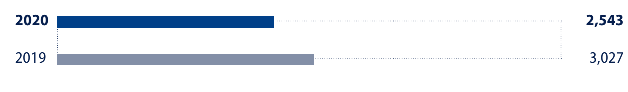
1 Definition › Governance of the operating business

Based on assessment of the Covid-19 pandemic at the time, the Board of Directors had assumed for 2020 that the division's external sales and EBIT before exceptional items as well as before VALUE 21 costs would fall substantially short of planning at the time and also well short of the previous year's figures. Sales were down significantly year on year, as projected at the end of March 2020. EBIT before exceptional items as well as before VALUE 21 costs, by contrast, improved considerably compared with the previous year.

Sales down by 16 percent

The Wiring Systems Division's external sales dropped by 16 percent to € 2,543 million in the 2020 financial year. The losses were due mostly to the Covid-19 pandemic, which led to declining demand in virtually all customer segments. The changed copper price as well as effects relating to the scope of consolidation and currency translation had no material influence. Broken down by region, sales decreased by 17 percent to € 1,910 million in the EMEA area; by 22 percent to € 325 million in the Americas and by 5 percent to € 308 million in Asia.

Wiring Systems, external sales € million



Wiring Systems, sales performance	€ million	%
2019 sales	**3,027**	
Organic change	(442)	(14.6)
Effects of changes in the scope of consolidation	(6)	(0.2)
Currency translation effects	(32)	(1.1)
Copper price effects	(3)	(0.1)
2020 sales	**2,543**	(16.0)

Most of the business volume continued to be 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. There was also once again a noteworthy extent of shipments to the international component supply and commercial vehicle industries. The projects for our customers that were started in 2020 performed according to plan.

Earnings before exceptional items as well as before VALUE 21 costs significantly improved

Before exceptional items as well as before VALUE 21 costs, the Wiring Systems Division reported a loss before interest and taxes of € 92 million (previous year: a loss of € 118 million). This significant improvement despite the reduced sales was the result above all of the absence of non-recurring charges, which were incurred in the previous year at a facility in Mexico. Measures under the VALUE 21 programme also exerted a positive effect. The accomplishments included enhanced efficiency in production thanks to automation as well as improvements of the procurement process and successes on the sales side in asserting claims vis-à-vis customers. This programme again incurred costs as well as other adverse non-recurring effects during the year under report.
As expected, the costs of the VALUE 21 programme diminished and amounted to € 22 million in the reporting period (previous year: € 50 million). Exceptional items amounted to expense of € 96 million (previous year: expense of € 203 million). They principally involved forming provisions to cover contingent losses related to the pandemic-induced lowering of volume projections concerning some projects or in the context of revised cost estimates. Additional, external expenses to protect staff in connection with the pandemic were also included. Other notable exceptional effects stemmed from the pro-rated costs of refinancing the Group as well as asset impairments. In the previous year, this item included mainly impairment charges and provisions for contingent losses. The reported EBIT-level result was a loss of € 210 million (previous year: a loss of € 370 million).

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

€ million	2020	2019
EBIT before exceptional items as well as before VALUE 21 costs	(92)	(118)
Exceptional items	(96)	(203)
VALUE 21 costs	(22)	(50)
EBIT	(210)	(370)

Operational investment reduced to € 126 million

The Wiring Systems Division spent € 248 million during the reporting period on property, plant and equipment as well as intangible assets, as opposed to € 244 million in the previous year. Of this total, addition of rights of use accounted for € 122 million during the year under report (previous year: € 67 million), which were the result of sale-and-leaseback transactions, among other factors. Capital investment for the operating business was down significantly to € 126 million (previous year: € 177 million). The focal points were new plant construction and extensions for pending customer projects, especially in Bulgaria, Morocco, Romania, Serbia and Tunisia.

Order situation: still selective on choosing projects

In the 2020 financial year, the Wiring Systems Division booked new orders with an expected project volume of € 1.4 billion (previous year: about € 2 billion), of which e-mobility projects accounted for about 14 percent (previous year: 20 percent). In line with our strategy as sharpened under VALUE 21, we selected 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 strategic customer relationships. The Covid-19 pandemic also curtailed the volume of new orders placed in fiscal 2020 and led to award of projects being postponed. The Wiring Systems Division's expected project volume covering the entire term of the projects came to € 21.2 billion at the end of 2020 (previous year: € 22.9 billion), of which cable harnesses for electric and hybrid vehicles accounted for about 28 percent (previous year: 26 percent). The exact scope and timing of deliveries will be determined by the actual uptake from our customers.

4.2. Wire & Cable Solutions Division

Key events 2020

Impact of the Covid-19 pandemic

The business of the Wire & Cable Solutions Division was likewise severely affected by the coronavirus pandemic, although the course differed by region. Whereas the crisis peaked early in China during our reporting period and the situation soon largely normalised again, the fallout in the other regions only became palpable later on and in different ways. The automotive sector recorded the sharpest slump. Due to vehicle manufacturers stopping their production and shutdowns being mandated by government in some countries, many LEONI plants also had to temporarily close in the first half. Demand recovered over the summer and into the autumn, at some points even exceeding the pre-crisis levels, and remained at a good level through to the yearend despite the once again aggravated pandemic situation. The course of the crisis was mixed in the industrial business. In many markets LEONI had already made a weak start into the year, yet the coronavirus-induced decline during the first wave of the pandemic turned out to be relatively moderate. However, the recovery in the second half of the year progressed considerably more slowly. In response to the coronavirus crisis, hygiene and protective measures for staff were introduced in all areas and cost-cutting with such counteraction as short-time working was resolutely applied.

Carve-out preparation

Preparations for carving out the Wire & Cable Solutions Division were continued during the year under report. Against the backdrop of the feedback from the market to date, we are prioritising a partial sale scenario as potential investors are showing more interest, because of the varied skills and customer bases of the various WCS units, in individual subdivisions than in the entire division.

During the 2020 financial year, we began to establish the preconditions for carving out WCS sub-segments. The WCS Division was therefore reorganised into saleable business segments. This also includes portfolio units for which a review of specific solutions was announced as part of VALUE 21. In this connection, the discontinuation of business operations at the Stolberg facility of LEONI Kerpen GmbH was announced in mid-October. Part of the business may be passed on into the hands of a new owner; LEONI is examining purchase bids for sections of the business. We furthermore launched and implemented various smaller-scale restructuring measures during the year under report.

The market has already signalled fundamental buying interest for some WCS business segments, but the setting for business acquisitions and disposals remained challenging. LEONI will agree a deal only if a fair value can be achieved and potential buyers present a viable plan for the future, one which provides our employees and customers with fresh growth prospects.

Performance in 2020

Key figures: Wire & Cable Solutions		2020	2019	Change (%)
External sales	€ million	1,591	1,818	(12.5)
EBIT before exceptional items as well as before VALUE 21 costs[1]	€ million	34	51	(33.6)

1 Definition › Governance of the operating business

Based on assessment at the time of the Covid-19 pandemic, the WCS Division's EBIT before exceptional items as well as before VALUE 21 costs was projected to fall significantly short of the planning at the time as well as clearly down year on year. Both key figures were, as forecast, significantly below the previous year's figures.

Sales down to € 1.6 billion

The Wire & Cable Solutions Division's external sales decreased by 13 percent from the previous year's figure of € 1,818 million to € 1,591 million in 2020. The principal reason for this decline was the fallout from the Covid-19 pandemic. Copper price and currency translation factors only led to minor changes. Looked at by region, the sales volume in the EMEA region was down by 11 percent to € 940 million; in the Americas by 19 percent to € 336 million and in Asia by 9 percent to € 315 million.

Wire & Cable Solutions, external sales € million

Wire & Cable Solutions, sales performance	€ million	%
2019 sales	**1,818**	
Organic change	(209)	(11.5)
Currency translation effects	(8)	(0.4)
Copper price effects	(11)	(0.6)
2020 sales	**1,591**	(12.5)

Sales of standard and special cables for the automotive industry declined by 14 percent overall in the reporting period because of the worldwide drop in demand from the vehicle manufacturers. While business involving standard cables was down, there was again an uptrend in demand for such special cables as high-speed data cables for driver assistance and infotainment systems as well as high-voltage and charging leads for electric vehicles.

In Business Group Industrial Solutions, the volume of business dipped by 9 percent overall in 2020. This also reflected the consequences of the pandemic, but these also impacted in differing severity on the various market segments. We recorded decreases in sales of special cables and cable systems for factory automation and robotics, fiber optics, data communication and the solar industry. The performance of our business with the oil and gas industry also remained weak. On the other hand, sales in the market segments of transportation and infrastructure stabilised. We furthermore generated encouraging gains with special cables and cable systems for medical technology.

Earnings before exceptional items as well as before VALUE 21 costs of € 34 million

The Wire & Cable Solutions Division's earnings before interest and taxes (EBIT) before exceptional items and VALUE 21 costs amounted to € 34 million in 2020, down from € 51 million in the previous year. Counteraction and initial cost-reducing effects of the VALUE 21 programme were not enough to entirely offset the negative effects of the coronavirus crisis. Furthermore, exceptional charges totalling € 100 million (previous year: charges of € 29 million) weighed on the result. They principally comprised asset impairments related to the planned disposal of LEONI Schweiz AG as well as being due to changed economic conditions as a consequence of the Covid-19 pandemic. There were furthermore restructuring provisions due to strategic decisions, especially in relation to the announced closure and/or the targeted partial sale of our business at the Stolberg facility. In the previous year, the exceptional items comprised mostly depreciation of fixed assets. The costs of the VALUE 21 programme diminished substantially to € 2 million in the reporting period (previous year: € 36 million). The reported EBIT-level result was a loss of € 69 million (previous year: a loss of € 14 million).

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

€ million	2020	2019
EBIT before exceptional items as well as before VALUE 21 costs	**34**	**51**
Exceptional items	(100)	(29)
VALUE 21 costs	(2)	(36)
EBIT	**(69)**	**(14)**

Capital investment scaled back significantly

In the 2020 financial year, the Wire & Cable Solutions Division's capital expenditure on property, plant and equipment as well as intangible assets was reduced because of the difficult underlying conditions to € 78 million (previous year: € 107 million), of which € 23 million (previous year: € 18 million) was due to application of IFRS 16 and measures concerning the operating business accounted for € 55 million (previous year: € 89 million). Capital investment was focused on capacity expansion for special industrial and automotive data cables.

New orders worth € 1.6 billion

The Wire & Cable Solutions Division booked new orders worth € 1,649 million in the reporting period, down from € 1,732 million in the previous year, which works out to a book-to-bill ratio of about 1.

5. OTHER INDICATORS (INCL. NON-FINANCIAL GROUP INFORMATION STATEMENT)

5.1. Procurement

Materials procurement plays a major role for the LEONI Group. Metals, plastics and components are among the most important elements we require for our products. Group-wide, the cost of materials amounted to € 2,413 million in fiscal 2020 (previous year: € 2,866 million), which worked out to a ratio to sales of 58 percent (previous year: 59 percent). The Covid-19 pandemic had a major effect on procurement in both divisions. Division-overarching initiatives under the VALUE 21 performance programme were nevertheless also applied in the segments.

WCS: Demand for raw materials down significantly due to Covid-19

The cost of materials in the Wire & Cable Solutions Division in the period under report amounted to € 1,119 million (previous year: € 1,293 million), or 64 percent of the segment's sales (previous year: 65 percent). Structurally, there was no significant change in the WCS Division's procurement in 2020, the Covid-19 pandemic did however exert a massive influence on both our strategic as well as day-to-day purchasing.

The nationwide lockdowns resulted in significant quantity changes in the Wire & Cable Solutions Division. The annual volume of copper, which remains our most important raw material and which we source from major, strategic suppliers, was down considerably to below 140,000 tons (previous year: about 160,000 tons). The copper price, which is based on trading on the London Metal Exchange, dipped significantly in the first three months of 2020 and reached its low of € 437.16 per 100 kg on 23 March. The metal thereafter appreciated again through to the yearend. The high was reached on 18 December at a price of € 657.66 per 100 kg. On average, copper cost € 547.97 per 100 kg in the reporting period and thus nearly 1 percent more than the previous year's average of € 544.48 per 100 kg.

Copper price in 2020 (low DEL price)

Source: http://del-notiz.org

The quantities of such other metals as nickel, silver and tin, which round off our portfolio, were also down. The price trends were mixed: Silver cost an average of 23 percent more in 2020 than in the previous year, whereas the prices of nickel and tin were down by 3 percent and 10 percent, respectively.

In the case of the standard plastics of PVC and PE, which account for the second-largest proportion of the WCS Division's cost of materials, volumes were likewise down and were significantly below 50,000 tons per annum for the first in years (previous year:

52,000 tons). The quantities of such special insulation materials as thermoplastic elastomers, fluoropolymers, polyurethane and silicone remained largely stable despite the pandemic.

Following the temporary slump in prices and excess supply of raw materials, the situation turned after the lockdown and especially after the summer, which led to rising prices and supply bottlenecks. We managed to secure our supply chains throughout thanks only to our long-standing partnerships as well as our extended network of suppliers. Towards the end of the year, raw material prices continued to trend significantly upward due to the generally good order situation, especially so in China. Some of our suppliers are therefore saying that they will be substantially expanding their capacity in 2021.

WSD: Procurement affected by coronavirus
In the Wiring Systems Division, the cost of materials amounted to € 1,450 million in 2020 (previous year: € 1,760 million), which corresponded to 57 percent of the division's sales (previous year: 58 percent). Connectors continued to be the most important group of materials with a 39 percent share of total expenses, followed by cables and conductors with 36 percent, while 11 percent was spent on fixings, 7 percent on electrical components and 6 percent on injection moulded parts.

The Wiring Systems Division sources the cables and conductors for the manufacture of wiring systems mostly from the Wire & Cable Solutions Division, but also from outside LEONI. Such components as connectors and fixings are largely procured from other suppliers. This frequently involves suppliers that are stipulated by customers in the automotive industry as part of being awarded the contract.

The Covid-19 pandemic also exerted major influence on the WSD's procurement during the year under report. Generally speaking, there was a considerable reduction in our procurement volume because of the multi-week shutdowns of production among carmakers worldwide and the related, temporary closing of our production. When production started up again, supply of our plants with the parts needed had to be assured quickly, even though many of the component suppliers were likewise substantially affected by the pandemic. There were insolvencies among a small number of suppliers. The resulting bottlenecks could only be compensated at high cost and partially by allocating the components. Prices tended to remain moderate because of the economic downturn triggered by the crisis. As a matter of principle, we confront price increases with intensive worldwide negotiations with our suppliers, technical substitution or change of supplier.

5.2. Employees

LEONI Group with 101,007 employees
The LEONI Group's core workforce totalled 101,007 employees at the end of 2020, which was 6,079 more people than one year earlier (previous year: 94,928). The growth was due mostly to recruitment in the Wiring Systems Division for pending customer projects and concerned mainly the EMEA region.

Most of LEONI's employees, i.e. 96,420 people or 95 percent, worked outside Germany (previous year: 90,048 people or 95 percent). LEONI employed 4,587 people in Germany in the period under report (previous year: 4,880). Group-wide, 7 percent of staff (previous year: 8 percent) worked in high wage countries and 93 percent (previous year: 92 percent) worked in low-wage countries.

In the Wiring Systems Division, the number of employees increased by 6,476 people to 92,662 staff in the year under report due to capacity expansion required for new customer projects. Mainly, there was recruitment directly at production facilities in North Africa and Eastern Europe. On the other hand, there were reductions of non-production staff in line with VALUE 21.

The workforce of the Wire & Cable Solutions division was reduced by 337 staff year on year to 8,120 people, with about 41 percent of the cuts involving trade staff and 59 percent non-trade jobs. In particular, this reflected restructuring measures at various industrial cables facilities in Germany and reductions in the wake of VALUE 21, which mostly affected non-trade staff in high wage countries.

The even leaner LEONI AG group holding company employed 225 staff on 31 December 2020 (285 in the previous year).

Group-wide, moreover, LEONI had 26,926 people working on temporary employment contracts at the end of 2020 (previous year: 25,771) and a further 3,634 people (previous year: 3,060) on contracts with manpower agencies, thereby enabling quick response to fluctuating demand, among other things.

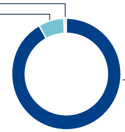
Due to the plant shutdowns because of the Covid-19 pandemic, the LEONI Group's core workforce was temporarily reduced by approximately 3,000 staff between March and July 2020. The number of employees was raised again to the level of the beginning of the previous year when production re-started. We managed to largely avoid compulsory redundancies because of the coronavirus crisis. The factors helping in this respect included such government support schemes as short-time working pay, which was used in a targeted way and adjusted to the course of business. We were therefore at all times in a position to respond flexibly as well as with fully qualified and familiarised staff to pandemic-induced fluctuations in customer uptake.

Collaboration with employee representatives was again very constructive, especially in response to the Covid-19 pandemic. In close coordination with the co-determination bodies, we very quickly and resolutely applied measures worldwide to avert threats to the workforce and the Company. We were thus at all times able to promptly and pragmatically address changes in the infection rates in the localities of LEONI facilities with adjustments to the required work safety precautions. The capacity needed to supply customers was simultaneously assured.

On average, LEONI's workforce in Germany in 2020 was aged 43 years (previous year: 41 years) and, as in the previous year, with the Company for twelve years. During the period under report, 69 employees in Germany celebrated their 25th anniversary with the Company (previous year: 70). For Germany, the ratio of people with disabilities stood at about 3 percent (previous year: 4 percent). 375 people (previous year: 523) worked part-time and a further 158 were in semi-retirement (previous year: 138).

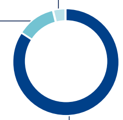
Employees by division as of 31 December 2020

%	2020	2019
LEONI AG	0.2	0.3
Wire & Cable Solutions	8.0	8.9
Wiring Systems	91.7	90.8

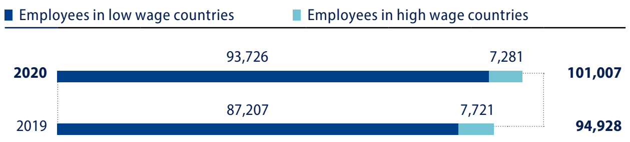


Employees by region as of 31 December 2020

%	2020	2019
Asia	3.7	4.1
Americas	12.1	13.7
EMEA total	84.1	82.2
– Eastern Europe	34.9	34.3
– Africa	42.5	40.4
– Germany	4.5	5.1
– Rest of EMEA	2.2	2.4



Trend in the number of employees by wage region as of 31 December 2020



5.3. Research & Development

R&D objectives
LEONI conducts in-depth research and development (R&D) work. The objective is to realise new products and solutions in order to further enhance our strong competitive position in many markets. We are increasingly concentrating on forward-looking solutions for energy and data transmission 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 2020 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 also continue to be of importance in project-related development of customised wiring systems. In addition, we stepped up work on high-voltage battery systems to improve our position in the electromobility sector.

Expanding our offering for electromobility also continued to be an R&D focal point in the Wire & Cable Solutions Division. During the year under report, for example, we worked on developing high-voltage cables that, for hybrid vehicles, are especially heat resistant. In the automotive segment, the focus was furthermore on extending our range of data and sensor cable products, which is an area increasingly gaining significance because of the growing extent of information and assistance systems in vehicles. Completing our portfolio of automotive Ethernet cables likewise remained an important issue. Ethernet technology facilitates flexible linking of electronic components and driver assistance systems with an increasing data transfer requirement, and is a key foundation of wiring systems for autonomous driving. In the WCS industrial fields, there was again broad range of R&D work directed at the various market segments. One focal point involved developing solar cables with optimised water resistance, which can be deployed in floating solar equipment for instance on reservoirs.

R&D spending of € 129 million in 2020
Group-wide, spending on R&D came to € 129 million in 2020 (previous year: € 161 million), which, as in the previous year, equated to a 3 percent proportion of consolidated sales. Assets furthermore included € 2 million in capitalised development costs (previous year: € 2 million), which are of minor significance to the LEONI Group.

Of the Group-wide R&D expenditure, the Wiring Systems Division accounted for € 102 million (previous year: € 144 million), which was 4 percent of the division's sales (previous year: 5 percent). The Wire & Cable Solutions Division incurred development costs amounting to € 24 million (previous year: € 15 million), which equated to 1 percent of the segment's sales (previous year: 1 percent).

At the end of the reporting period, a total of 1,842 people (previous year: 1,861), or 2 percent of the Group's workforce (previous year: 2 percent), worked in R&D. Of that number, 1,550 employees (previous year: 1,565) worked in the Wiring Systems Division and 292 (previous year: 296) 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 despite the adverse effects of the Covid-19 pandemic. The number of newly registered proprietary rights came to 35 patents and utility models (previous year: 45), of which 21 from the Wiring Systems Division (previous year: 21) and 14 from the Wire & Cable Solutions Division (previous year: 24). Key new projects of the past year are presented below:

Wiring Systems Division

ZONAL CONCEPTS IN WIRING SYSTEM ARCHITECTURE – Together with a premium carmaker, the Wiring Systems Division developed forward-looking ideas for implementing zonal concepts for the impending changes in wiring system architecture. Zonal architecture is defined as the use of several cable harnesses distributed across the vehicle. It is intended to simplify construction of the wiring system, which has up to now consisted of one large, increasingly complex vehicle cable harness that links many individual components with one another. At the same time, this facilitates highly automated production of the cable harnesses, which yields further quality and safety benefits. LEONI is contributing its expertise on the system level. This collaboration is to be continued in the upcoming few years as well, and to generate competitive advantages for us and our customer.

IMPROVED POWER DISTRIBUTION IN COMMERCIAL VEHICLES – As part of an advance development project we have, in collaboration with a customer in the commercial vehicle industry, come up with a solution to raising electronic power distribution in the vehicle to a new level. This power supply, which benefits from high availability and integrated intelligence, constitutes a key basis for autonomous driving as defined by SAE Level 4. The concomitant electrification of assemblies furthermore makes it possible to achieve reduced CO2 emissions.

WIRING SYSTEM PRODUCTION OF THE FUTURE – In 2020, together with a car industry customer, we analysed models for production of the future, their impact on the wiring system as well as interaction with the architecture. The knowledge thereby acquired is very valuable both for the strategic goal-setting of our customer and for LEONI, and will help us to make our future collaboration more efficient.

Wire & Cable Solutions Division

RANGE OF HIGH-VOLTAGE CABLES EXPANDED – The Wire & Cable Solutions Division enlarged its range of high-voltage cables for use in hybrid and electric vehicles further during the year under report: one example involves having created a portfolio of heat-resistant HV cables with silicone insulation, for which we received initial customer approvals and started production. In this connection, we set up a silicone production line in China because of the growing demand for local manufacturing. We furthermore worked on a portfolio of especially flexible high-voltage cables with crosslinked XPE insulation. In 2020, we completed the product development of corresponding single-core cables and started the process of validation by our customers.

FURTHER INTERNATIONALISATION OF OUR ETHERNET PRODUCT RANGE – In 2020, we adapted our automotive Ethernet products, the base technology for connecting electronic components for autonomous driving – accompanied by approvals from various international customers – to the specific requirements of additional markets. Here, too, we have already received initial orders.

MARKET-READY HPC CHARGING CABLES – We completed the development of our high power charging (HPC) cables for e-vehicles in 2020. At the end of the year under report, we received approval from the certification agencies, meaning that we can now expand the business worldwide.

WIRING FOR A NEXT-GENERATION OF MRT EQUIPMENT – On behalf of a well-known manufacturer of medical technology, the WCS developed the complete wiring for a new generation of magnetic resonance tomography units. Production of these MRT units has already started. We are supplying the complete wiring to several of the customer's plants around the world. The cable harnesses for this are made in both Europe and Asia to ensure local supply.

Development projects and collaboration
Again in 2020, LEONI participated in various, in some cases subsidised, development and collaborative projects. In the Wire & Cable Solutions Division, this included the "E|ProFIL" research project, subsidised by the German Federal Ministry for Economic Affairs and Energy, on the development of efficient production of inductive charging pads for electric vehicles. As an associated partner, we are also working on the "DC-Industrie 2" programme, which is studying the potential of direct-current technology for industrial production plants. In the fiber optics field, too, we were involved in several research projects. These involved, for example, the "ADOPD" project supported by the EU for the development of optical neural networks and the study, subsidised by the German Federal Ministry for Education and Research, into new technologies for using optical fibers in optical sensor technology.

As a member of various initiatives and trade bodies, we continually exchange ideas with other companies and the scientific community on the latest technological trends. Among other schemes, the Wiring Systems Division is engaged in the Cluster Automotive of Bayern Innovativ GmbH, the eNOVA Strategy Board for the Automotive Future and the NAV-Alliance platform.

The Wire & Cable Solutions Division continued to be a member of several national and international technical committees 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). In addition, we are engaged in standards and committee work in, among others, the SPE Industrial Partner Network, various IEC (International Electrotechnical Commission) working groups and the PROFIBUS User Organisation.

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

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 (CSR-RUG) 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.

We succeeded during the year under report in continuing our key sustainability management activity despite the strains of the Covid-19 pandemic.

1 Not reviewed by Deloitte as auditors for content in keeping with the Germany legal requirements, but subjected to a review by Ernst & Young to obtain limited assurance

Materiality analysis and summary of the relevant topics
During the year under report and as part of the VALUE 21 programme, the duties of Corporate Sustainability were integrated into the new Corporate Ethics, Risk and Compliance department as the Sustainability Management System (ERC SMS). Together with the responsible departments, the ERC SMS 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. This did not reveal any new, material issues. As things stand, the primary focus of our stakeholders is not on the matter of resource and materials efficiency. This applies particularly to our customers with respect to their supply chain. This aspect is therefore also given lower priority at LEONI and was not rated as material by the materiality analysis conducted during the year under report. 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 and energy consumption;
- respect of human rights both within the LEONI Group and the supply chain based on the LEONI Code of Conduct for Business Partners, the LEONI 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.

Inclusion of the Board of Directors
The member of the Board of Directors in charge of the Sustainability department is kept informed of current developments concerning all relevant, non-financial aspects by regular exchange of information with those responsible for 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 also the Sustainability Steering Committee's task to determine the Company's strategic sustainability orientation and to take corresponding long-term, sustainability-related decisions. In addition to the Board of Directors, the Supervisory Board was also involved in 2020 and was updated on sustainability matters.

CSR Orientation 2030
Our CSR Orientation 2030 has been in force since 2019. The programme constitutes a strategic framework for comprehensive, structured and rigorous further development of the key non-financial matters at LEONI. It stipulates the individual targets, measures and key performance indicators (KPIs).

LEONI has, since this reporting year, used a digital tracking system to collect the data required to calculate the KPIs. By means of electronic questionnaires, quantitative and qualitative sustainability data is collected from 88 operational units and facilities. All relevant units, meaning research and administrative locations with more than 50 staff as well as all operating sites, are included. The data is centrally consolidated once a year in the ERC SMS department and forms a key basis for discussing the strategic direction of sustainability management. The questionnaire to collect the sustainability data was revised and extended in 2020 as part of introducing the digital tracking system.

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 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 2020.

Employee matters
The Corporate Human Resources department of LEONI AG is responsible for organisational promotion of employee concerns (diversity and employee satisfaction). The head of this department reports to the Chief Executive Officer (CEO) of LEONI AG. The SHE departments of the divisions, which reported to the respective COO during the period under report, are responsible for occupational health and safety.

LEONI continues to strive to provide its staff 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.

The working conditions changed for virtually all employees in 2020 because of the Covid-19 pandemic. Detail in this regard is contained in the section headed › Coronavirus pandemic-related measures.

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 an increasingly complex set of tasks and challenges within 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 making it easier for employees to move between departments and job roles.

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 to about 20 percent by 2030 and to maintain the already existing, balanced ratio in the overall workforce. We intend to likewise significantly increase the share of non-German citizens in senior management.

In 2020, women held 6.3 percent (previous year: 5.6 percent) of the senior management positions within the LEONI Group worldwide. LEONI's three-member Board of Directors has included one woman since the end of the reporting period. Worldwide, about 55 percent of LEONI's total workforce was female (previous year: 54 percent).

Most of our measures to promote women in senior management, such as targeted training towards qualifications for women with potential, could not be implemented in 2020, or only with great restrictions like using virtual formats, because of the Covid-19 pandemic. Of course our recruitment consultants continue to be called upon to identify and introduce female candidates for all of our vacancies.

International experience and stints in foreign countries are an important element in our management training, especially so for senior management positions. Despite the pandemic, staff and managers were again, in the past year, assigned to other countries to perform management duties or work on key projects (e.g. facility set-up, project ramp-ups or similar). The proportion of non-Germans in senior management was approximately 24 percent at the end of the reporting period (previous year: 22 percent).

Employee satisfaction
LEONI strives to provide a working environment for all its employees worldwide 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 embedded in our LEONI Code of Conduct and in the LEONI 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.

Our measurement and promotion of employee satisfaction was also affected by the Covid-19 pandemic in 2020. Local surveys on employee satisfaction were conducted at various locations with a focus on handling of the pandemic and the Company's corresponding health protection as well as on satisfaction with the conditions for working from home. The next global survey of employee satisfaction together with extrapolation of specific measures is planned for 2021.

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 that it contains with respect to occupational health and safety 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.

We are increasingly applying internationally recognised standards to ensure the health and safety of our employees. The OHSAS 18001 multi-site certificates of the Wiring Systems Division were broadened in 2020. At the end of the year under report, 55 percent of employees Group-wide worked in an OHSAS 18001 or ISO 45001 certified location. As part of the annual, Group-wide data collection in the areas of safety at work, health protection and emergency management, both work accidents and activity related to health and safety at work are recorded at all relevant facilities.

As part of its CSR Orientation 2030, LEONI set itself the target of reaching a rate of 0.5 accidents per 100 employees Group-wide by 2030. Various related occupational health and safety initiatives again took place during the year under report. They ranged from safety training through to implementing preventive coronavirus-related measures, with each facility setting its particular emphases. The rate of work accidents[1] stood at 0.55 per 100 employees in 2020 (previous year: 0.67). Our Covid-19-related protective measures (especially short-timing working and working from home) also influenced this figure.

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

Coronavirus pandemic-related measures

The Covid-19 pandemic has changed the working conditions at LEONI considerably. The temporary closure of numerous facilities worldwide for most employees led to short-time working and/or suspension of work to avoid compulsory redundancies.

To protect their health as much as possible, staff were encouraged to work from home if feasible. We therefore also very swiftly and significantly expanded the corresponding technical preconditions, such as VPN capacity. The support measures for home offices and virtual teamwork – also to maintain psychological and physical health at the home workplace – are to be developed further in 2021 and implemented on a lasting basis.

We furthermore established a Coronavirus Task Force, which devised a comprehensive hygiene plan and implemented it immediately at all locations worldwide to protect all employees as well as possible against infection. This plan comprises such general guidelines and rules of conduct as keeping your distance, etiquette on coughing and sneezing as well as group conduct. Mouth and nose-covering masks and numerous ways of disinfecting are also made available to all staff worldwide. The plan furthermore describes measures to protect groups at particular risk within the workforce and for proactive health management. These include specific rules on transport to the workplace, especially at locations with a LEONI-owned fleet of shuttle buses, as well as access to the sites and buildings, where temperature must be taken. The plan furthermore also comprises guidelines for team meetings as well as the layout and use of workplaces in offices and in production.

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 the ecosystem to an absolute minimum. In particular, we strive to achieve reduction in energy consumption and the associated CO_2 emissions as our contribution to climate protection.

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 matter in our LEONI Code of Conduct. 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 (Eco-Management and Audit Scheme) as well as energy management systems in line with ISO 50001 to establish suitable foundations on which to realise these principles and to be able to monitor the ecological impact of our activity.

At the end of 2020, the Wiring Systems Division had 49 (previous year: 33) existing and newly commissioned operating units or facilities ISO 14001 certified.

The intention in the WCS Division is also for all facilities to gradually be audited to the ISO 14001 standard. A Group certification that includes 31 facilities (previous year: 30) was successfully passed during the year under report. The related matrix certificate is valid until October 2022.

Group-wide, 80 percent of employees worked at locations at the end of 2020 that were certified to either ISO 14001 or EMAS III, and 3 percent at locations that fulfil the standard for energy management systems under ISO 50001.

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 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.

Despite the pandemic, some LEONI facilities managed to launch new energy efficiency projects or continue existing ones during the period under report; for example, the installation of more efficient solar panels at the facility in Monticelli D'Ongina, Italy, the switch to LED lighting at the facilities in Naberezhnye Chelny, Russia and Celaya, Mexico as well as the replacement of about 400 air-conditioners and heaters at the facility in Montigny, France.

Despite the increased number of staff, the LEONI Group's energy consumption in absolute terms (electricity and other power) dropped during the year under report to 484,030 MWh (previous year: 521,473 MWh[1]). Energy consumption per € 1 million in sales came to 117.1 MWh and was therefore up by about 10 percent on the previous year (106.8 MWh per € 1 million in sales). Energy consumption was also up compared with the base year of 2016 (111.5 MWh per € 1 million in sales). Effectively, energy consumption relative to sales rose in the year under report due to special Covid-19-related factors.

Respect of human rights

The LEONI Group commits itself to upholding internationally recognised human rights. Management, all employees and our business partners are called upon to prevent modern slavery and human trafficking in the context of our activities. This is stipulated in the LEONI Code of Conduct, the LEONI Code of Conduct for Business Partners as well as the LEONI Social Charter. In our statement on respecting human rights, we likewise explicitly declare that we do not tolerate any human rights abuses, with violations being unequivocally sanctioned.

In November 2020, the Board of Directors of LEONI AG launched the Human Rights project. Its aim is to develop a due-diligence process intended to effectively fulfil present and future legal requirements and reporting obligations with respect to human rights. Measures are furthermore to be developed and implemented to prevent human rights abuses within the Group of companies and among key business partners.

The project extends and replaces the former Modern Slavery Prevention programme. As part of this, we complemented the already existing whistleblower platform to include such other issues as discrimination and illegal working conditions at the beginning of 2020.

LEONI also requires its business partners to act sustainably and, in particular, to uphold human rights at all times. We issued the corresponding LEONI Code of Conduct for Business Partners in 2019.

Our standard terms and conditions require all our suppliers to observe our LEONI Social Charter and/or the principles of the UN Global Compact. A new supplier to either division will be approved only if the supplier accepts either the principles of the UN Global Compact or our LEONI Social Charter. Observance of the LEONI Code of Conduct for Business Partners was in 2020 moreover introduced in the Wiring Systems Division as an additional criterion for assessing our suppliers of production input materials.

1 A provisional figure of 502,574 MWh was reported in the 2019 Annual Report. The final figure of 521,473 MWh was reported in the 2019 Sustainability Report.

This criterion will be adapted in the supplier self-audit for the Wire & Cable Solutions Division in 2021. Additional measures to implement the LEONI Code of Conduct for Business Partners are furthermore to be applied in 2021; for example, inclusion of the conduct principles into our General Purchasing Conditions. 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 2020.

LEONI furthermore strives 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 sourced 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 both 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.

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 guidelines on compliance in the anti-corruption category contain corresponding stipulations. Our guideline for combating corruption and bribery was updated during the period under report. LEONI has a systematic Compliance Management System to ensure and check that it is observed.

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

As part of our restructuring under VALUE 21, the Corporate Compliance department became part of the new Corporate Ethics, Risk & Compliance department. The head of this department (simultaneously Chief Compliance Officer) reports directly to the Chief Financial Officer (CFO) of LEONI AG and also has reporting lines to the Chairman of the Supervisory Board as well as the Chairman of the Supervisory Board's Audit Committee.

For the purpose of combating corruption and bribery, we set up the following modules for staff on our Compliance Management Dashboard:

- Distribution of guidelines and training material
- Conducting compliance audits of business partners
- Documentation and approval of conflicts of interest
- Documentation and approval of gifts, invitations, donations and sponsorship.

Our Living Code serves to enhance understanding of the values presented in the LEONI Code of Conduct: an internal, interactive information platform that simultaneously serves as a means of training for the LEONI Code of Conduct. It conveys the most important compliance principles for employees by using examples, explanatory videos, charts, check-lists, links etc. and was updated during the year under report. Among other subjects, the training course developed for the Living Code covers the subject of anti-corruption and is obligatory for any active employees with a Windows account, which equates to about 16 percent of our workforce. About 12,300 members of staff (previous year: 13,300) successfully completed this training in 2020.

All new employees must pass this special e-learning course on anti-corruption when joining the Company and then in regular three-year intervals. Due to the short-time working because of the coronavirus pandemic, the 60-day deadline for completing the e-learning course was suspended for six months in March 2020. Participants therefore had time until September to complete their training. In 2020, about 1,800 employees (previous year: about 1,500) successfully completed their training.

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 (with the governance functions of Risk Management, Internal Control System and Compliance Management as the second line of defence (governance) and the oversight function of Internal Audit as the third line of defence). 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. The Risk Management and Internal Control System department, which reports indirectly to the CFO, performs the corporate monitoring and coordinating of the risk management process. It also determines and describes the Group's overall risk situation. Furthermore, decentralised Business Partner Risk & Opportunity (BRO) officers, Controlling and the operational managers of all relevant business areas as well as the WSD Central Project Audit Team are tied into the system. During the financial year, activity to improve the effectiveness and efficiency of governance, risk and compliance within the company was driven further forward and the Risk Management as well as Internal Control System departments were integrated in a new Ethics, Risk & Compliance department. The group function of Ethics, Risk & Compliance reports directly to the CFO of LEONI AG.

Risk management is tied into 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. Alongside the risk early-warning system, which stems from legal requirements, the Company thus has a system for monitoring risks, which also evaluates material information from all management systems with respect equally to opportunities as well as risks and makes it transparent. The early risk early-warning system is part of the risk management system.

OPPORTUNITY MANAGEMENT – Opportunity management at LEONI is a firm component of the risk management process. Not only the risks (threats), but also the opportunities are systematically identified as deviations from planned forecasts and/or targets.

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 or annual risk summit meetings for the holding company and the divisions or Corporate Risk Committee meetings take place for this purpose with corresponding focal points. In both these risk summits and the Corporate Risk Committee meetings, 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 in depth. This activity is accompanied by regular risk assessments for material risks and opportunities as well as by the Corporate Risk Committee, which meets quarterly.

The responsibility for identifying and mitigating risk as well as realising opportunities always remains with the 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.

The aim of risk aggregation is to ascertain the LEONI Group's overall risk exposure based on considering the relative significance of individual risks. The methodology of Monte Carlo simulation is applied for this purpose. Monte Carlo simulation is a stochastic method that, based on the law of large numbers, runs a very large number of similar random experiments. The process considers combination effects of the aggregation of risks to assess any threat to the Company's existence and thereby to meet the requirements of Section 91 (2) of the German Stock Corporation Act. The individual risks (net) reported Group-wide form the basis for risk simulation at LEONI.

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.

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 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 of the risk management system's effectiveness pursuant to IDW Audit Standard 981 for the core areas of treasury and project risks was begun during the financial year. The audit follows the appropriateness review carried out in 2018 and will be completed in the first quarter of 2021.

6.3. Internal Control System

Within the Group, the management of the subsidiaries is responsible as operating management for the design and functioning of the Internal Control System – as the first line of defence. The Internal Control System (ICS) is, as a corporate function, assigned to the second 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 corporate 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 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. The Internal Control System is geared to supporting identification of procedural, inherent risks through to uncovering of weaknesses and avoiding fraud. Control activity by a wide variety of internal and external offices is intended to ensure that the ICS is continuously developed further in a risk-oriented manner and that identified weaknesses are addressed structurally and in good time.

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.

ACCOUNTING PROCESS-RELATED INTERNAL CONTROL 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 Combined management report. In particular, this involves the following elements:

- Identification of key areas of risk and control with relevance to the accounting process;
- 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.

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. During the financial year, activity to improve the effectiveness and efficiency of governance, risk and compliance within the company was driven further forward and the Compliance Management System, just as the Risk Management and Internal Control System, were consolidated into a new Ethics, Risk & Compliance department. The CMS 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. Additional information is contained in the › 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 underlying observation horizon for opportunities and risks in LEONI's risk management system is in principle a rolling one-year period.

	Loss potential (net risk)		
Probability of occurrence	**< 10 million Euro**	**10 to 100 million Euro**	**> 100 million Euro**
> 50 %			
> 10 % bis 50 %	- Currency development - Bad debt	- Liquidity risks / interest rate and financial risks - Compliance risks - Project and performance risks - Sales fluctuations (economic cycle / Corona) - Personnel risks (fluctuation / days lost) - Copper price fluctuations	- Cyber risks (break in the supply chain to the customer)
bis 10 %	- Valuation allowances - Natural disasters	- Loss of a customer - Product liability / recall	

low risk · medium risk · high risk

Compared with the previous year, there were the following key changes to the above matrix: The probabilities of occurrence for compliance risks and bad debt have increased, whereas the probability of occurrence and also the loss potential of valuation allowances have decreased. The liquidity risks / interest rate and financial risks as well as risks due to the Covid-19 pandemic remain at the same high level.

Hereinafter we present in greater detail the principal opportunity and risk categories as well as the reasons for changes in opportunities and risks. The opportunity and risk situation furthermore also reports on the principal risks across the above-mentioned observation horizon of risk management. So far as neither division is explicitly highlighted, the opportunities and risks concern both divisions.

Strategic and market-related risk and opportunities

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. Pressure on prices and costs lead to disproportionately large growth in production capacity located in low-wage countries. This means that shipments to customers frequently cross 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 closures of seaports and airports. The option of temporary supply to our customers from production facilities in 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 raise the significance of this risk factor further. Relocation is possible only with a corresponding lead time necessitated by recruiting the additional production staff and setting up the capacity needed. 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 or natural disasters, could result in a supply bottleneck persisting several weeks. All production facilities have applied preventive measures and documented these 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. We can, furthermore, also compensate for supply bottlenecks by relocating production at short notice thanks to the number of production facilities as well as existing capacity reserves we have. To insure against location risks, LEONI has signed corresponding property and business interruption insurance policies.

RISKS AND OPPORTUNITIES DUE TO SALES AND CYCLICAL FLUCTUATION AS WELL AS CORONAVIRUS – Customers in the automotive industry and among its suppliers account for the bulk of LEONI's consolidated sales. The current trend in this sector's market therefore has great influence on LEONI's business volume and consolidated result.

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 task force teams that are working together with the authorities, our customers and suppliers on protecting our employees as well as possible and on maintaining supply to our customers. Due to the Covid-19 pandemic, there may again be interruptions to production or bottlenecks in global supply chains in 2021, which could adversely impact on supply to our customers. There are presently increased risks with respect to such bottlenecks, especially concerning the availability of critical components and thus to LEONI's production and delivered quantities. At the same time, the effects of the Covid-19 pandemic, the supply chain ´disruptions and the non-availability of components could negatively affect demand and the uptake from customers.

Unplanned negative effects on sales opportunities could lead to sales decline and therefore adverse impact on LEONI's earnings and liquidity.

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 such copper price fluctuation is regarded as a separate risk, but also as a separate opportunity. 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 – Digitalization (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 and opportunities

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 strive 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, and an early warning system based on the risks and opportunities relative to the project's term. If a project were to be delayed on the customer's part, this could lead to losses of sales that might be partially or entirely compensated through negotiations only after a time lag. Alongside the improved project management, risks related to customer projects in the WSD continue to be minimised by having set up a divisional audit department that reports directly to the WSD's CEO. It is exclusively engaged in independently reviewing major customer projects to identify any deviation from the project planning at an early stage and thereby to enable this to be counteracted immediately. The findings based on this auditing work are furthermore regularly made transparent in the context of a project-overarching meeting and the implementation of measures is systematically followed up. Furthermore, the Controlling department regularly and thoroughly reviews the principal customer projects and, as in the year under report, recognises contingent losses on customer projects or project plans, making adjustments where necessary. Project and performance-related risks were thereby reduced in the risk assessment period.

RISKS DUE TO INFORMATION TECHNOLOGY / CYBER RISKS – 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 corresponding systems and data at all times. Serious disruption such as system outages, attacks on our networks, loss or corruption of data could result in interruptions of 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 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. We have a Cyber Secure insurance policy to protect against residual risks.

During the financial year, we forged ahead further with the project to set up SAP S/4 HANA. The plan for 2021/2022 is to initially replace an existing ERP platform on a pilot basis and to migrate towards SAP S/4 HANA. Risks involved in a major project to replace existing ERP systems can arise due especially to the dependence of highly interconnected processes and systems, which is why every project step is being accompanied by the correspondingly necessary risk mitigation.

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 measures as part of process safety and quality management. Generally, LEONI's 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, by means of an implemented workflow alert 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 reliable service in terms of delivery, mean that there would normally be early notice of losing a customer and would allow for corresponding measures to be applied in good time.

PERSONNEL-RELATED RISKS – Changes in the availability of staff – temporarily also due to the coronavirus – in high wage and low-wage countries (e.g. due to an aggravating shortage of skilled people) 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. The imponderables with respect to the course ahead of the coronavirus pandemic (especially with regard to possible mutations of the Covid-19 viruses) could have negative effects on staff availability in 2021, too. To prevent and counteract this, LEONI already applied risk-mitigating measures in 2020 to protect staff against infection and thereby to safeguard the stability of production, and will keep this going in 2021. Detail in this regard is contained in the section headed "Coronavirus pandemic-related measures" of the › non-financial Group information statement.

OPERATIONAL OPPORTUNITIES – The LEONI Group's operating strengths include its strong 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.

Financial

LIQUIDITY RISKS / INTEREST RATE AND FINANCIAL RISKS – Given the economic downturn in 2019 and the negative effects of the Covid-19 pandemic on our 2020 sales, income and financial situation, liquidity risk is a material risk to LEONI's ability to continue its business operations in 2021 and 2022.

As a general principle, stringent cash pooling is used to safeguard liquidity where this is possible. 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 13 weeks is used to manage future liquidity requirement. Medium-term liquidity is furthermore planned via our budget and medium-term planning. This planning considers 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.

In 2020, we applied key measures to ensure liquidity (milestones of the expert opinion on restructuring in line with the IDW S6 auditing standard), which also form the basis for minimising future risks. With respect to the details of these measures and their implementation status, we refer to the section headed › Financial situation . The Board of Directors continuously reviews the implementation progress of the restructuring measures. In addition, the external consultant on restructuring regularly checks and confirms implementation of the milestones set by the expert opinion in line with the IDW S6 auditing standard. In 2020, comparison with the restructuring plan revealed an actually smaller liquidity requirement, and the consultant on restructuring regularly confirmed that the milestones were being reached.

The newly adopted budget and medium-term planning for 2021-2025 builds on the restructuring plan, but also includes updated knowledge of weaker projections for the market and the opposing, positive effects of the planned disposals of WCS in whole or part. Based on this budget and medium-term planning, LEONI's full financing is assured. The external consultant on restructuring also confirmed the plausibility of our budget and medium-term planning. Falling short of the planned sales and earnings could impact negatively on liquidity or raise the risk to it. Such deviation could arise due especially to further unforeseen developments, particularly in relation to the imponderables of the Covid-19 pandemic (incl. greater threats stemming from virus mutations and a third or farther-reaching lockdown) and the macroeconomic conditions as changed by the pandemic. The incalculable effects of the Covid-19 pandemic mean major uncertainty with respect to operating performance. The negative impact of the Covid-19 pandemic could lead, if it goes far beyond the planning assumptions or other adverse effects on liquidity simultaneously occur, to a risk to LEONI's ability to continue as a going concern. The planned disposals of WCS in whole or part will counteract this and also contribute to reducing these liquidity risks, provided the transactions can be completed within the planned time frame. This applies regardless of the sequence of the disposals of WCS in whole or part and of the planning assumption that all such disposals are actually realised. The risk-minimising effect correlates with the rate at which the disposals of WCS in whole or part is realised as well as the timing and outcome of realisation compared with our planning.

Our VALUE 21 performance and strategy programme is to yield sustained, gross cost savings of at least € 500 million per year from 2022 before opposing effects. The measures to attain this gross cost savings target were implemented in 2020. Demand will have to pick up significantly again for it to be possible to fully realise this savings potential. As the Covid-19 pandemic presented opposing factors and uncertainties in 2020 and may also do so in 2021, we are continually launching new measures to underpin the gross cost savings target under the VALUE 21 programme as well as to further improve performance and efficiency.

The new RCF II and RCF III loan agreements signed during the year under report have fixed terms to the end of 2022. Another syndicated loan agreement has a term to 2023 and several borrower's note loans mature between 2022 and 2028. The existing reverse factoring line was furthermore firmly committed until the end of 2022 as part of agreeing RCF II. The existing factoring lines are likewise firmly committed to the end of 2022. All told, the existing liabilities consequently have terms until 2022 or longer, meaning that there are no material interest rate and financial risks during this risk assessment period, provided unforeseen events do not call for more liquidity.

Beyond this risk assessment period, there is material interest rate and financial risk to LEONI's ability to continue its business operations because the RCF II and RCF III loans mature at the end of 2022 and refinancing will thereafter be necessary. Talks with banks, factoring and reverse factoring finance providers as well as trade credit insurers are planned. The Board of Directors rates the prospects of success of measures launched and planned (among other factors considering the updated market trend and the intended disposals of WCS in whole or part in the planning) as well as the talks on refinancing post-2022 based on information currently available and considering the uncertainty of the Covid-19 pandemic for business performance, LEONI's liquidity situation as well as continuation of its business activity as given with overwhelming probability, especially also because of the further mitigating measures that are possible by then (these could include more government assistance and the start of further negotiations with OEMs).

Another material factor for diminishing the interest rate and financing risk by the end of 2022 and thereafter will be the disposals of WCS in whole or part in the years 2021 and 2022. Including the cash provided by these partial disposals, the aim is to achieve gearing by the end of 2022 that matches the sector average; this would boost ability to refinance.

In conjunction with the newly signed loan agreements there is the risk that the undertakings and covenants agreed therein are broken, thereby being exposed to incurring penalties or the agreements being prematurely terminated. RCF II and RCF III contain certain undertakings and covenants for the borrower of RCF III and for the borrowers and guarantors under RCF II, respectively. These undertakings and covenants encompass mainly an obligation to maintain a certain minimum liquidity at Group level (applies only to RCF II), certain obligations to provide information and to report as well as regularly share financial information with lenders, restrictions concerning the disposal of assets and obligations to perform mandatory unscheduled repayment in the event of carrying out certain (disposal) measures. All undertakings and covenants under RCF II and RCF III were fulfilled during the year under report, and, from today's perspective, nor is any risk anticipated in either 2021 or 2022 of these covenants not being observed or of corresponding measures to ensure observance of the covenants.

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. Moreover, the principal entities have, from the aspect of weighing risk and economic efficiency, taken out a trade credit insurance policy to protect against bad debt. The year under report has shown with respect to both factoring and the trade credit insurance policy for own receivables that trade credit insurers are being restrained in granting new credit lines against the backdrop of the Covid-19 pandemic and a consequently increased risk of business insolvencies and bad debt. On the one hand, this increases the risk that receivables cannot be sold to the factoring partner to the planned extent and, on the other hand, the risk of defaults on own receivables from customers that we could not insure. Both could adversely impact on the Group's result and its liquidity. To counteract this, the German federal government has set up a protective shield for trade credit insurers and given guarantees amounting to € 30 billion, meaning that the trade credit insurers can largely maintain credit limits at the existing levels. The measure has a two-fold positive effect for LEONI: on the one hand, the existing credit limits for receivables from customers remain largely in place and, on the other hand, the factoring volumes can be taken advantage of if the factoring partners receive corresponding insurance cover for the sold receivables from customers.

RISKS DUE TO IMPAIRMENT – LEONI regularly 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. During the financial year, which was affected principally by sales decreases and poorer earnings prospects for the subsequent years due to the Covid-19 pandemic, the impairment tests found need for write-down on some assets, which was recognised accordingly. The business planning for projects and subsidiaries was furthermore thoroughly reviewed. Thanks to these risk-mitigating measures, the risk of valuation allowances has, in respect of both loss potential and the probability of occurrence during the risk assessment period, diminished considerably.

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 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 risks 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.

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.

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 already reported in the previous year, 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. These proceedings have been concluded since 2017 by way of settlement agreements without any acceptance of liability. Previously there were still three proceedings involving individual claimants in the United States as well as one in a Canadian province. In the United States, LEONI managed to conclude all outstanding proceedings apart from one by dismissal of action or a small, insignificant settlement payment and expects also to be able to terminate the last proceedings in the foreseeable future in a similar way. The remaining proceedings in Canada have been suspended since 2014. Based on the assessment of local lawyers, LEONI expects these proceedings to have been concluded by the settlement in other provinces. A corresponding ruling is still pending, however.

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 cooperating with national investigating authorities to bring perpetrators to justice as well as asserting claims for damages under civil law based on possible breaches of duty by former employees. The latter is in 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 by the authorities in one of the countries concerned are still ongoing, while the authorities in another country have discontinued their investigations due to insufficient prospects of success. LEONI continues to support the authorities in finding and clarifying the facts. The measures to recover the assets were not continued in the year under report because of the lack of leads and prospects of success.
- **Assertion of claims for damages:** Based on a legal opinion, 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 is 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 is 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 control regulations, embargoes or customs regulations, could affect our business activity and compromise our financial position and performance. For example, China passed a new export control law in December 2020, which business partners outside China are also obliged to observe. Any infringements could entail penalties, sanctions as well as loss of reputation. We make sure of resolutely observing the corresponding regulations. A Group Guideline therefore stipulates the responsibilities and processes with respect to observing export control regulations and embargoes, and export control coordinators for monitoring the processes in these countries have been appointed; they are trained regularly.

Protectionist action, trade wars or sanctions in the countries and regions in which LEONI operates, especially so in the United States and Asia, could adversely affect LEONI's business activity. The increase in regional or international trade barriers including anti-dumping duties, the withdrawal of states from bilateral and multilateral trade agreements as well as the United Kingdom's exit from the European Union (Brexit) could impact negatively on the global economy and therefore lead to less demand for LEONI's products. Trade barriers or increased customs duties (incl. due to Brexit) could furthermore increase production costs and consequently compromise the competitiveness of LEONI's products as well as negatively affect its operating profit.

As a global supplier to the automotive and industrial sectors, LEONI is exposed to substantial risks related to the performance of the global economy and the conditions underlying free trade. For this reason, we continually analyse the underlying statutory conditions and the resulting opportunities and risks for LEONI.

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 in 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 and contained a positive survival and continuation forecast. The mitigating measures to ensure medium-term liquidity were applied as planned in 2020. The budget and medium-term planning that the Board of Directors has newly issued and adopted is based on the expert opinion on restructuring, considers the updated findings on market trend and the disposals of WCS in whole or part, and is therefore based on assured full financing and the Company's ability to continue as a going concern. The consultant on restructuring endorsed the plausibility of our budget and medium-term planning.

The Board of Directors is aware that unforeseen developments, particularly in connection with the imponderables of the Covid-19 pandemic and the macroeconomic conditions changed by the pandemic, could lead to falling short of the budget and medium-term planning. The risks related to the Covid-19 pandemic could threaten LEONI's ability to continue as a going concern as defined by Section 322 (2) sentence 3 of the German Commercial Code (HGB) especially if this goes far beyond the planning assumptions or other negative effects on liquidity simultaneously occur. Disposals of WCS in whole or part are pertinent to the Company's assured full financing and could additionally counteract the imponderable risks of the Covid-19 pandemic as well as the risks to liquidity, provided the transactions can be completed within the planned time frame. The Board of Directors has furthermore applied corresponding measures that cushion the impact of the Covid-19 pandemic on production and the supply chain.

Given the maturity of major loans, there will be a need to refinance by the end of 2022 at the latest. If LEONI were to be unable to refinance at that time, there would be an existence-threatening financing risk to LEONI's ability to remain a going concern as defined by Section 322 (2) sentence 3 of the German Commercial Code (HGB). The Board of Directors has, alongside the operational measures aimed at improving profitability and liquidity, taken action particularly with the planned disposals of the WCS Division in whole or part to bring LEONI's gearing into a target corridor matching the sector average, which will establish the ability to refinance.

The next most significant risk to the entire Company continues to be a break in the supply chain to a customer due to IT / cyber risks. In the opinion of the Board of Directors, the risk situation generally and for the LEONI Group has aggravated further in the area of IT / cyber risk. The next most significant opportunity lies in over-fulfilment of the VALUE 21 performance and strategy programme.

The Board of Directors rates the prospects of success of measures launched and planned, especially to overcome the fallout from the Covid-19 pandemic and regarding the refinancing risk at the end of 2022 based on information currently available and considering the uncertainty of the Covid-19 pandemic for business performance, LEONI's liquidity situation as well as continuation of its business activity, as given with overwhelming probability.

7. SUPPLEMENTARY REPORT

On 9 February 2021, Mr Stefan Pierer disclosed that Pierer Industrie AG has, since 8 February 2021, held 10.0003061 percent of the voting rights in LEONI AG through a purchase of shares. Given that the 10 percent threshold of voting rights was exceeded, he additionally disclosed on 3 March 2021 on behalf of the other subsidiaries named in the voting rights announcement of 9 February 2021, namely Pierer Konzerngesellschaft mbH and Pierer Industrie AG, the following in accordance with Section 43 (1) of the German Securities Trading Act: The investment serves primarily to implement strategic targets, while the sale of shares, also to realise trading gains, has not been ruled out. Depending on the market price and the Company's general performance, the intention within the next twelve months is to possibly acquire more voting rights through purchase or by other means. His aim is for Mr Klaus Rinnerberger, member of Pierer Industrie AG's management board, to obtain a seat on LEONI AG's Supervisory Board. He furthermore intends to direct opinions, thoughts and recommendations towards the Company and thereby to possibly exert influence on the appointment or recall of members of the Company's administrative, management and supervisory bodies. There is presently no intention to effect a material change to the Company's capital structure, especially with respect to the ratio of equity to borrowed finance or its dividend policy. The purchase of the voting rights was financed from own resources.

On 19 February 2021, LEONI signed an agreement to sell 100 percent of its shares in LEONI Schweiz AG including its subsidiary LEONI Studer AG. Completion of the transaction is expected during the 2021 financial year.

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

Macroeconomic setting

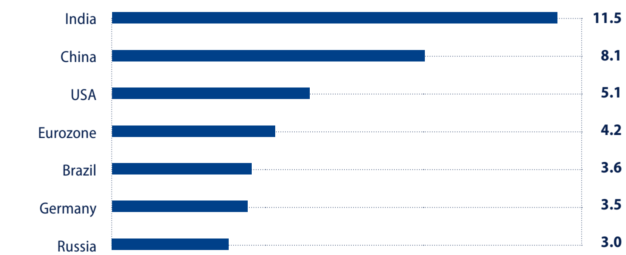
The macroeconomic outlook for 2021 remains very uncertain due to the lack of clarity around the further course of the Covid-19 pandemic. Although the International Monetary Fund forecasts an economic recovery this year - also based on the expected vaccination successes - it sees great risks given the renewed rise in infection numbers and highly contagious virus variants. Increasing trade restrictions and geopolitical upheaval may put an additional brake on progress. By contrast, rapid further progress with coronavirus vaccinations and treatment methods would have a positive effect.

The IMF is projecting 5.5 percent global growth in gross domestic product for 2021 (as at January 2021). Accordingly, the industrial nations should grow by 4.3 percent. GDP is expected to increase by 5.1 percent in the United States, 4.2 percent in the eurozone and 3.5 percent in Germany. Economic output in the developing and emerging countries should grow by 6.3 percent. This growth will be supported mainly by China, which is expected to increase its gross domestic product in 2021 by 8.1 percent, and by other Asian countries. On the other hand, GDP in many other countries that only have limited resources at their disposal to tackle the crisis is expected to increase only slightly.

Global economic growth 2020 to 2022 %

Source: IMF World Economic Outlook, January 2021

2021 economic growth in selected regions %

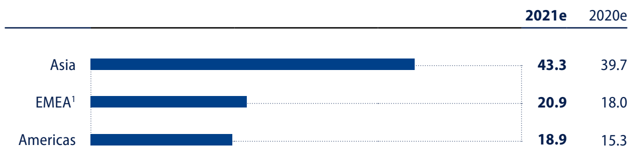


Source: IMF, World Economic Outlook, January 2021, estimate

Business by sector

The outlook in LEONI's main customer industries is also marked by a high level of risk because of the unpredictability of the further course of the Covid-19 pandemic. Accordingly, the forecasts of the relevant associations are also subject to considerable uncertainty. In the **car industry**, global production of cars and light commercial vehicles could increase by 14 percent in 2021, according to IHS Automotive. Generally speaking, IHS expects growth across all regions. At 23 percent, growth is forecast to be particularly strong in the Americas, followed by 16 percent in Asia and 9 percent in the EMEA region. Output of cars with alternative drive systems is expected to continue its very positive growth as IHS expects this segment to record an increase of almost 60 percent.

Output of cars and light commercial vehicles by region million units



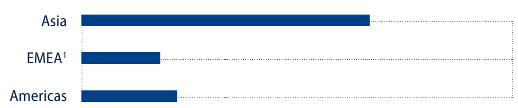
1 Europe, Middle East and Africa

Source: IHS Light Vehicle Production Forecast, October 2020

IHS Automotive estimates a slight increase in production of just over 3 percent for medium and heavy **commercial vehicles**. Strong growth of 27 percent is forecast for the Americas, while the EMEA region is also expected to realise a gain of 17 percent.

By contrast, Asia should see a decline of 6 percent. We can assume that demand on the market for trucks as well as for agricultural and construction machinery will recover slightly, even if an adverse impact on supply chains due to the second wave of the pandemic is to be expected.

Output of heavy commercial vehicles by region million units



	2021e	2020e
Asia	**1.8**	1.9
EMEA[1]	**0.5**	0.4
Americas	**0.6**	0.5

1 Europe, Middle East and Africa Source: IHS MHCV Model Production Quarterly Volumes, August 2020

The German Electrical and Electronic Manufacturers' Association (ZVEI) estimates that the global **electronic goods industry** will expand by 6 percent in 2021, with growth equally supported by the industrialised and emerging markets. The recovery is also broad-based in regional terms: a growth rate of 7 percent is projected for Asia and the Americas, with Europe advancing by 6 percent. Growth in the segments of importance to LEONI should be slightly above par. The expected growth will lie in automation, energy technology as well as communication and information technology at 7 percent each, and in electromedicine at 8 percent.

A recovery is also expected for the **mechanical engineering** sector this year: in its baseline scenario, the German Engineering Federation (VDMA) projects global sales growth of 6 percent for the sector. This growth will be mainly supported by Europe, which is expected to record a gain of 10 percent. By contrast, increases solely in the low single-digit percentage range are forecast in the United States and China.

8.2. Business performance and future direction

LEONI Group

Alongside the business and underlying conditions presented above, this forecast is based on the budget and medium-term planning for the years 2021 to 2025. The following table provides a summary overview of the most important key figures.

LEONI Group forecast [1]

		Actual 2020 figures	Forecast for 2021
Consolidated sales	€ billion	4.1	Substantial year-on-year growth in the low double-digit percentage range
EBIT before exceptional items as well as before VALUE 21 costs	€ million	(59)	Substantial year-on-year improvement
Free cash flow	€ million	(69)	Significant year-on-year deterioration

1 Based on the scope of consolidation as at 31 October 2020, excluding LEONI Schweiz AG

This guidance assumes that the impact of the pandemic will be overcome in the course of the 2021 financial year and that the gradual rebound of the operating business continues. Due to the fact that the effects of the Covid-19 pandemic remain impossible to calculate, the outlook in the current financial year is subject to considerable uncertainty for LEONI, too. Moreover, expectations are based on stable exchange rates and copper prices. They include no assumptions on increases or expansions of the scope for additional customs duties in international goods traffic. We otherwise refer to the statements in the › Risk and opportunity report.

With the exception of LEONI Schweiz AG, this outlook is based on the scope of consolidation as at 31 December 2020. LEONI was already in negotiations for the sale of LEONI Schweiz AG (WCS) at the end of 2020, and therefore the company was reclassified under the balance sheet item "Held for sale" as at 31 December 2020. The sale agreement was signed on 19 February 2021. Completion of the divestment is expected in the 2021 financial year (› Supplementary report). The forecast does not include the impact of possible divestments and acquisitions on the key figures shown in the table.

In its current planning for 2021, the Board of Directors expects a substantial year-on-year increase in **consolidated sales** coming to a low double-digit percentage rate (2020: € 4.1 billion).

This projection is based on the ramp-up of new wiring systems projects and the expected continuation of the rebound in demand.

Consolidated **EBIT before exceptional items as well as before VALUE 21 costs** will, as things stand at present, show a marked improvement versus the previous year (2020: a loss of € 59 million). In particular, projected additional sales and the positive effects from the VALUE 21 programme and the restructuring plan will impact positively.

The cost of the VALUE 21 programme will decline compared with 2020 (2020: € 24 million). We expect to see a substantial decrease in the negative exceptional items (2020: € 196 million) resulting from the restructuring plan, which consist primarily of external additional expenses due to the Covid-19 pandemic and the cost of refinancing as well as preparations for carve-out of the Wire & Cable Solutions Division.

For **free cash flow**, the Board of Directors projects a significant deterioration compared with the previous year (2020: negative € 69 million). This deterioration will be due to the fact that exceptional items in connection with the restructuring plan were recognised in profit and loss in 2020 and thus already impact liquidity but will not have an effect on cash until 2021. In this context, the restructuring at the Kerpen plant is worth mentioning, in particular. The forecast does not include any effects on liquidity from potential divestments or acquisitions. Disposals of WCS subdivisions that are planned but not yet contained in the forecast could have a positive effect versus the cash flow forecast.

The Board of Directors' expectations are based on the assumption that the major customer industries, especially the automotive industry, will develop as described in section › Business and underlying conditions and that potential disruptions to production as a result of the Covid-19 pandemic or bottlenecks in the global supply chains will have no material impact. However, heightened risks exist at present with regard to such bottlenecks, particularly regarding the availability of critical components. We otherwise refer in this regard to the › Risk and opportunity report.

Performance of the Wiring Systems Division

The Wiring Systems division is expected to improve its sales substantially in 2021 compared with the previous year (2020: € 2.5 billion) thanks to upcoming new ramp-ups. EBIT before exceptional items as well as before VALUE 21 costs will, based on the sales growth, also record a marked improvement over the previous year (2020: a loss of € 92 million). The Board of Directors moreover expects positive effects from implementation of the VALUE 21 programme and the restructuring plan. The Company will continue to focus on a steady improvement in performance in 2021 and beyond.

The Board of Directors sees opportunities for the future development of WSD primarily through the concentration on strategically important customers, especially from the European car as well as international component supply and commercial vehicle industries, and the continuing highly disciplined assessment of potential new orders with regard to their profitability. As one of the leading wiring systems suppliers in Europe, LEONI wants to develop into a systems and development partner for its customers, in both the low and high voltage segments, and further improve its cost position by focusing on added value and profitability. In the electromobility segment, the Company considers itself to be well-positioned, both in technological terms and with regard to its market position, to benefit from the ongoing changeover to electric and hybrid vehicles.

Performance of the Wire & Cable Solutions Division

The Board of Directors projects modest sales growth for the Wire & Cable Solutions Division (2020: € 1.6 billion). Increases are expected in the automotive sector, particularly for special cables and cables for electromobility but also for standard cables. As things stand at present, the industrial business is set to expand as well. Growth will be achieved primarily in transportation, telecom systems and robotic systems. EBIT before exceptional items as well as before VALUE 21 costs is expected to be virtually unchanged from the previous year in absolute terms (2020: € 34 million) based on the sales growth and positive effects from the VALUE 21 programme along with negative effects from general cost increases.

Opportunities to expand business in the WCS Division exist primarily in e-mobility, special solutions for medical technology and factory automation. In general terms, the envisaged separation from the LEONI Group, which we will continue to implement systematically in 2021, will enable the different WCS units to realise their full potential more quickly under a different ownership structure.

The forecast with the exception of LEONI Schweiz AG is based on the scope of consolidation as at 31 December 2020. LEONI was in negotiations for the sale of LEONI Schweiz AG (WCS) at the end of 2020, and therefore the company was reclassified to the item "Held for sale" as at 31 December 2020. The sale agreement was signed on 19 February 2021. Completion of the divestment is expected in the 2021 financial year (› Supplementary report). The forecast does not include the impact of possible divestments and acquisitions on the key figures shown in the table.

General statement on future growth

For the 2021 financial year, the Board of Directors in its existing planning projects a significant recovery in sales in the low double-digit percentage range due to the expected continuation of the recovery in demand and the ramp-up of new wiring system projects, based on the existing corporate portfolio. EBIT before exceptional items as well as before VALUE 21 costs will record a substantial improvement compared with 2020. For free cash flow the Board of Directors projects a substantial year-on-year deterioration due to the above-mentioned effects on the extraordinary items already recognised in profit and loss in fiscal 2020 in connection with the restructuring plan and their impact on liquidity. The forecast does not include the impact of possible divestments and acquisitions on the key figures shown in the table.

The expectations on which the forecast is based assume that there will be no material impact due to potential interruptions to production as a result of the Covid-19 pandemic or bottlenecks in global supply chains. However, heightened risks exist at present with regard to such bottlenecks, particularly regarding the availability of critical components. We otherwise refer in this regard to the › Risk and opportunity report.

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 2020 (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 select MDAX and SDAX companies as well as consideration of the wage and salary structure within the Company, just as it considers 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 the Code.

Basic principles of the compensation system
The system for compensating members of the Board of Directors applicable for the period under report has been in force since 1 January 2020. It is aimed towards supporting the Company's business strategy and the long-term performance of both the Company and its associates.

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 Compensation System consists of non-performance-related (fixed) and performance-related (variable) compensation components.

The non-performance-related compensation comprises a fixed salary, fringe benefits as well as a pension contribution. The fixed salary amounts to approx. 33 percent of the target direct compensation. Pension provision and the fringe benefits amount to approx. 12 percent of the fixed salary.

The performance-related compensation comprises a one-year, short-term incentive (STI) component and a multi-year, long-term incentive (LTI) component, which account for approx. 55 percent of the total target direct compensation. The long-term compensation component for all members of the Board of Directors accounts for approx. 36 percent of the total target direct compensation.

The following table provides an overview of the structure and system:

	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 Short-term incentive	(adjusted) EBIT margin of the Group, Free cash flow margin	0 to 175 % (Target fully met = 100 %)	Contractual stipulation Target attainment Audited and adopted consolidated financial statements pursuant to IFRS Determination of the disbursement amount by the Supervisory Board	Per annum in the subsequent year
3. Long-term compensation component Long-term incentive	ROCE of the Group Total Shareholder Return („r TSR") of the LEONI share Corporate Social Responsibility ("CSR") - not yet in force	0 to 150%	Contractual stipulation, target attainment Audited and adopted consolidated financial statements pursuant to IFRS Determination of the disbursement amount by the Supervisory Board	In the year following the past fiscal year of the three-year performance period. Conversion of 50% of the gross amount disbursed into LEONI shares with a 12-month holding period
4. Pension provision	Fixed compensation	Fixed amount (30% of the fixed compensation)	Contractual stipulation	Monthly

Fixed compensation

The fixed compensation 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 select MDAX and SDAX companies.

Fringe benefits

The contractually guaranteed fringe benefits essentially include the usual additional benefits such as contributions to insurance policies (e.g. group accident insurance, life and invalidity insurance and contribution to retirement plans, healthcare and nursing care insurance) and the provision of a company car also for private use. The maximum amount of fringe benefits is determined by the Supervisory Board for the coming fiscal year.

Variable components

In addition to the fixed compensation, there are two variable compensation components, each of which have upper limits in absolute terms and can drop to nil.

ONE-YEAR VARIABLE COMPENSATION (STI):

The calculation for each financial year of a performance-related compensation component, the short-term incentive (STI), depends on attainment of the targets for the two key performance indicators of the (adjusted) EBIT margin and the free cash flow margin. Both targets are included by equal halves in calculation of the STI.

The degree of target attainment after the end of a financial year amounts, for the (adjusted) EBIT margin, to between nil and 150 percent and for the FCF margin to between nil and 200 percent.

Accordingly, the weighted overall target attainment for the STI of a year amounts to between nil and 175 percent and the actual amount of the STI paid to between nil and 175 percent of the STI target amount.

The EBIT margin is computed based on the EBIT reported in the consolidated financial statements of a year (earnings before interest and taxes) in relation to the total sales of the same financial year. In making the calculation, the Supervisory Board adjusts EBIT for factors stemming from the acquisition or divestment of an entity or part of an entity. The EBIT margin is quoted as a percentage.

The FCF margin describes free cash flow reported in the consolidated financial statements for the respective financial year in relation to sales in the same financial year, calculated as a percentage.

Free cash flow is the sum of cash inflows from operating activities and cash outflows for capital investment activities. The calculation includes an adjustment for effects resulting from the acquisition or divestment of an entity or part of an entity.

MULTI-YEAR VARIABLE COMPENSATION (LTI):
A long-term compensation component that takes appropriate account of the Company's market capitalisation and integrates sustainability targets serves to further strengthen sustained, positive business performance.

Of the gross amount of disbursed LTI, which will be determined for the first time in 2023 for the performance period from 2020 to 2022, 50 percent must be invested in LEONI shares that are to be held for a period of at least twelve months.

The amount to be paid depends, initially for the period in which no CRS component has yet been defined, on achievement of the targets of relative total shareholder return (rTSR) compared with the overall SDAX and ROCE (return on capital employed). As long as no sustainability targets and no CSR targets have been provided, the relative TSR will be taken into account as a share price-based component at 60 percent and the ROCE with 40 percent as LTI target figures.

Once the Supervisory Board has determined sustainability targets and CSR components as additional LTI components, these will account for 25 percent of the LTI component while the rTSR as share price-based component will then have a weighting of 45 percent and the ROCE target a weighting of 30 percent in calculation of the LTI.

For the ROCE, a target is set for each of the three financial years of a performance period and the degree of target attainment is determined. Each annual target is computed based on the EBIT reported in the consolidated financial statements of a year (earnings before interest and taxes) in relation to the average of capital employed that is reported in the consolidated financial statements of the same year. In making the calculation, the Supervisory Board adjusts EBIT and the capital employed for factors stemming from the acquisition or divestment of an entity or part of an entity. The ROCE is stated as a percentage.

The rTSR is based on comparison of LEONI's share performance in the three financial years of the performance period (TSR-LEONI) with the performance of the SDAX index in the same three financial years (TSR-SDAX).

LEONI's share price performance is calculated using the opening price as a volume-weighted average of closing prices of the LEONI share in XETRA trading of the Frankfurt Stock Exchange in the last two months before the start of the respective performance period and the closing price as a volume-weighted average of closing prices of the LEONI share in XETRA trading of the Frankfurt Stock Exchange in the last two months of the respective performance period as well as the dividend as sum of all dividends paid out per share during the performance period as follows:

TSR-LEONI = (closing price + dividend)/opening price

CSR:
CSR stands for Corporate Social Responsibility. It comprises success factors of the Company that are not expressed directly in balance sheet items, but which are indispensable for the sustained success of LEONI. But because the management function of these targets, contrary to measurable targets with a macro-economic focus, is not easy to determine, the LTI tranche of fiscal 2020 will not as yet be guided by sustainability targets and CSR targets. The sustainability targets and CSR targets are to become part of the LTI component no later than when the compensation for the Board of Directors in fiscal year 2023 is determined; should this not be the case, the target amount of the LTI component will be reduced by 25 percent.

ABSOLUTE UPPER LIMIT:

The target total compensation, which is the sum of the fixed compensation, pension provision, fringe benefits, the one-year variable compensation and the multi-year variable compensation, as well as the one-year and multi-year compensation amounts themselves, has an absolute upper limit for each member of the Board of Directors in each year of their contract term.

The compensation system is appropriate relative to other select SDAX and MDAX companies that are meaningfully comparable in terms of their sector, size, region and transparency of their management board compensation. It meets all requirements for a contemporary, competitive compensation of members of the Board of Directors and is in line with good corporate governance in terms of its structure, specific arrangement and amount.

The compensation 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.

Special arrangements apply for the appointment of Mr Hans-Joachim Ziems as a member of the Board of Directors (CRO) for the period from 1 April 2020 to 31 March 2021. These are explained under the item "Special arrangements for the appointment of Mr Hans-Joachim Ziems as a member of the Board of Directors".

Pension provision

The Company generally grants every member of the Board of Directors an annual amount totalling 30 percent of the applicable fixed salary (gross) to build up a retirement plan. The member of the Board of Directors may, by way of deferred compensation, convert this amount into an entitlement to a company pension scheme in the form of a direct commitment. If the member of the Board of Directors does not avail him/herself of the opportunity of deferred compensation, the pension amount will be paid out to them together with the salary for the month of July.

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.

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).

General statement on the appropriateness of the compensation system

The Compensation System for the Board of Directors of LEONI AG thus meets all requirements for a contemporary, competitive compensation of members of the Board of Directors and is in line with good corporate governance in terms of its structure, specific arrangements and amount.

- High transparency and comprehensibility
- Balanced selection of performance indicators
- Comprehensible weighting of the individual compensation components
- Close alignment to the Company's success and performance
- Consideration of long-term targets
- Inclusion of share price performance and increase in enterprise value
- Appropriateness and customariness in a horizontal and vertical perspective

Cost of compensation in 2020

The compensation for members of the Board of Directors is presented in line with the existing reference tables of the 2017 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.

Special arrangements for the appointment of Mr Hans-Joachim Ziems as a member of the Board of Directors

In its meeting on 13 March 2020, the Supervisory Board decided to appoint Mr Hans-Joachim Ziems as a member of the Board of Directors for a period of one year (1 April 2020 to 31 March 2021) as Chief Restructuring Officer (CRO) and, in that capacity, to take charge of the Company's ongoing financial and operational restructuring. Mr Ziems had already been working for the Company since October 2019 based on an employment contract as a senior manager with the authority of a 'Generalbevollmächtigter'. Under this employment contract, Mr. Ziems received a fixed monthly salary of € 108 k (gross). Indirectly, Mr Ziems also benefits from the fees of the Ziems & Partner consulting firm, which has also been working for LEONI since October 2019. Mr Ziems is a major shareholder in the Ziems & Partner consulting firm. The Ziems & Partner consulting firm is paid for its advice on restructuring at customary, hourly rates according to time actually spent and a performance component. The Supervisory Board considered and approved this mandate agreement with the Ziems & Partner consulting firm in reaching its decision on appointing Mr Ziems as a member of the Board of Directors.

Mr Ziems' transfer from the position of 'Generalbevollmächtigter' to the Board of Directors is not to alter the existing financial arrangement, especially not at LEONI's expense. The Supervisory Board therefore decided in the context of the compensation system and in view of the special situation involving Mr Ziems, who is to be a member of the Board of Directors for only one year, to maintain his existing employment contract on the same material terms, i.e., with the same fixed salary, as a Board of Directors employment contract. The Supervisory Board has thereby intentionally deviated from the compensation system that applies to the other members of the Board of Directors because this, in the Supervisory Board's assessment, is necessary in the interest of the Company's long-term well-being (Section 87a (2) sentence 2 of the German Stock Corporation Act). With this purely fixed compensation, the Company has also deviated from the provision under Section 87 (1) sentence 2 of the German Stock Corporation Act and various recommendations of the German Corporate Governance Code and has to that extent declared a deviation. However, these deviations seem reasonable and justified because successful financial and operational restructuring of the Company is the crucial basis for its long-term well-being and the other incentive structures of compensation for members of the Board of Directors are evidently inappropriate for Mr Ziems as a restructuring consultant.

Special arrangements for the appointment of Mr Aldo Kamper as a member of the Board of Directors

The payment of a partial amount of € 487 k for 2020 as agreed in the existing Board of Directors service contract to compensate for the lapsing stock awards due to termination of his previous employment is granted accordingly.

Special arrangements for the appointment of Ms Ingrid Jägering as a member of the Board of Directors

Under her previous service contract with the Company to the end of 2019, Ms Jägering was entitled to short-term, medium-term and long-term compensation components. The guarantees agreed in the previous Board of Directors service contract for a short-term and medium-term component amounting to at least 75 percent of the plan value of the respective component as well as 75 percent of the maximum value of the long-term component for 2020 shall be considered as follows: The STI amount to be paid in 2021 for 2020 shall be at least € 453 k gross. The LTI amount paid for the 2020-2022 performance period shall be at least € 678 k gross and comprise € 453 k gross for the minimum amount of the 2020 medium-term component and € 225 k gross for the guaranteed 2020 long-term component.

Special arrangements for the appointment of Mr Bruno Fankhauser and Mr Martin Stüttem as members of the Board of Directors

Mr Fankhauser and Mr Stüttem were appointed as members of the Board of Directors until 31 May 2020. Their pro-rated fixed salary plus all contractually agreed fringe benefits were paid up to the date of termination.

Apart from the above, there is no other entitlement to payments, especially not for variable compensation (short-term, medium-term and long-term components) for the period from 1 January 2020 to 31 May 2020.

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 2020

[excerpt from the reference table of the Code]	**Aldo Kamper** President / CEO (from 1 September 2018)				**Ingrid Jägering** Chief Financial Officer / CFO (from 1 August 2019)				**Hans-Joachim Ziems** Member of the Board of Directors (1 April 2020 til 31 March 2021)				**Martin Stüttem** Member of the Board of Directors 1 April 2017 til 31 May 2020				**Bruno Fankhauser** Member of the Board of Directors 1 February 2016 til 31 May 2020				**Karl Gadesmann** Chief Financial Officer / CFO until 31/12/2019				**Total**	
	2019	**2020**			**2019**	**2020**			**2019**	**2020**			**2019**	**2020**			**2019**	**2020**			**2019**	**2020**			**2019**	**2020**
GRANTED BENEFITS € '000			min	max			min	max			min	max			min	max			min	max			min	max		
1. Total compensation pursuant to GCGC																										
Components not performance-related	806	892	892	892	218	607	607	607		886	886	886	528	206	206	206	542	230	230	230	523	0	0	0	2,617	2,821
Performance-related components (targets)	1,612	1,460	0	2,342	457	974	0	1,562		0	0	0	1,038	0	0	0	1,038	0	0	0	1,038	0	0	0	5,184	2,434
Total compensation pursuant to GCGC	**2,700**	**2,622**	**1,162**	**3,504**	**754**	**1,761**	**787**	**2,349**		**886**	**886**	**886**	**1,566**	**206**	**206**	**206**	**1,768**	**312**	**312**	**312**	**1,561**	**0**	**0**	**0**	**8,348**	**5,787**
2. Reconciliation of the compensation from GCGC to IFRS (Expenses)																										
Total compensation pursuant to GCGC	2,700	2,622			754	1,761				886			1,566	206			1,768	312			1,561	0			8,348	5,787
Expenses of the compensation pursuant to IFRS	**2,331**	**1,662**			**754**	**1,918**				**886**			**528**	**206**			**730**	**312**			**523**	**0**			**4,865**	**4,984**
3. Reconciliation of the compensation from GCGC to HGB (Art. 314)																										
Total compensation pursuant to GCGC	2,700	2,622			754	1,761				886			1,566	206			1,768	312			1,561	0			8,348	5,787
Compensation pursuant to HGB (Art. 314)	**2,331**	**1,662**			**754**	**1,918**				**886**			**1,219**	**206**			**1,561**	**312**			**1,354**	**0**			**7,220**	**4,984**
ALLOCATIONS € '000																										
Components not performance-related	806	892			218	607				886			528	206			542	230			523	0			2,617	2,821
Performance-related components (actual figures)	1,371	1,713			458	593				0			346	346			416	416			416	416			3,008	3,484
Total compensation pursuant to GCGC	**2,458**	**2,875**			**754**	**1,380**				**886**			**874**	**552**			**1,146**	**728**			**939**	**416**			**6,172**	**6,837**

The 'granted benefits' table presents, in the compensation for members of the Board of Directors pursuant to the 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 € 5,787 k in fiscal 2020 (previous year: € 8,348 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. During its meeting of 25 February 2021, the Supervisory Board dealt with determining the target attainment for the 2020 financial year. In conformity with the corresponding requirements in the compensation system, the Supervisory Board decided to adjust, with respect to the STI, the 2020 target attainment for the effects of the Covid-19 pandemic.

The compensation pursuant to IFRS in the financial year amounted to € 4,984 k in 2020 (previous year: € 4,865 k) and pursuant to Section 314 HGB to € 4,984 k (previous year: € 7,220 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 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 € 6,837 k for the 2020 financial year (previous year: € 6,172 k). Other compensation comprises the non-monetary benefits in the use of company cars and top-ups on insurance policies.

The final partial payment of € 487 k gross agreed between LEONI AG and Mr Kamper to compensate for the lapsing stock awards due to termination of his previous employment was made on 31 December 2020.

The fiscal 2020 expense for Board of Directors members' disability and other benefits excluding deferred compensation amounted to € 65 k (previous year: € 46 k). The defined benefit obligation came to € 110 k (previous year: € 80 k). The individual figures are presented in the table below.

Pension commitments (excl. deferred compensation) € '000

	Service costs		Defined benefit obligation	
	2019	2020	2019	2020
Aldo Kamper [1]	31	26	61	78
Ingrid Jägering [1]	15	39	19	32
Total	46	65	80	110

1 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

Article 12 of LEONI AG's Articles of Association governs 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, Nomination and special committees) comes to € 8 k per ordinary member and to € 16 k per committee chairperson per reporting year. 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. An attendance fee shall only be paid once for several meetings held on the same day.

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

Cost of compensation € '000		**Fixed compensation (net)**	**Attendance money**	**Compensation for committee work**	**Other**	**Total**
Dr Klaus Probst	**2020**	136	6	56	0.4	198
Chairman of the Supervisory Board	**2019**	170	10	56	0.0	236
Franz Spieß	**2020**	102	4	24	0.0	130
1st Deputy Chairman of the Supervisory Board, Employee representative	**2019**	128	10	24	0.0	162
Dr Werner Lang	**2020**	56	3	0	0.0	59
2nd Deputy Chairman of the Supervisory Board and Member of the Supervisory Board until 23/07/2020	**2019**	128	10	8	0.0	146
Dr Elisabetta Castiglioni	**2020**	68	2	16	4.7	91
	2019	85	9	8	0.0	102
Wolfgang Dehen	**2020**	68	4	40	1.3	113
	2019	85	9	40	2.4	136
Mark Dischner	**2020**	68	3	16	0.0	87
Employee representative	**2019**	85	10	16	0.0	111
Dr Ulrike Friese-Dormann	**2020**	0	0	0	0.0	0
Member of the Supervisory Board until 08/11/2019	**2019**	73	8	8	1.8	91
Janine Heide	**2020**	68	3	0	1.6	73
Member of the Supervisory Board from 15/01/2019, Employee representative	**2019**	81	9	0	1.5	92
Dirk Kaliebe	**2020**	32	1	0	0.3	33
Member of the Supervisory Board from 15/08/2020	**2019**	0	0	0	0.0	0
Karl-Heinz Lach	**2020**	68	3	8	0.0	79
Employee representative	**2019**	85	9	8	0.0	102
Richard Paglia	**2020**	77	4	24	0.0	105
Employee representative	**2019**	85	10	24	0.0	119
Prof. Dr Christian Rödl	**2020**	68	3	24	0.0	95
	2019	85	10	24	0.0	119
Carmen Schwarz	**2020**	0	0	0	0.0	0
Member of the Supervisory Board until 15/01/2019, Employee representative	**2019**	3	0	0	0.0	3
Regine Stachelhaus	**2020**	68	2	0	0.8	71
Member of the Supervisory Baord from 12/11/2019	**2019**	12	0	0	0.0	12
Inge Zellermaier	**2020**	68	3	8	0.0	79
Employee representative	**2019**	85	10	8	0.0	103
Total	**2020**	**947**	**41**	**216**	**9.0**	**1,213**
	2019	**1,189**	**114**	**224**	**5.7**	**1,532**

10. ADDITIONAL DISCLOSURES AND EXPLANATIONS PURSUANT TO SECTIONS 289 A (1) AND 315 A (1) OF THE GERMAN COMMERCIAL CODE (HGB)[1]

COMPOSITION OF THE SHARE CAPITAL: The Company's share capital amounted to € 32,669,000.00 on 31 December 2020 (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.

1 In each case in conjunction with Section 83 (1) page 2 of the Introductory Law to the German Commercial Code (EGHGB), i.e. in the version applicable for fiscal 2020.

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, consultants on voting rights as well as by persons who offer themselves in a professional capacity to shareholders to exercise voting rights at the Annual General Meeting. In particular, Section 135 of the German Stock Corporation Act (AktG) applies.

There are, in connection with Section 19 (11) of Directive (EU) no. 596/2014 (Market Abuse Regulation) and based on internal stipulations for members of LEONI AG's Board of Directors and Supervisory Board, certain trading constraints concerning dealings in LEONI AG shares, especially at the time the Company's business results are published. There are furthermore retention obligations in connection with the compensation for members of the Board of Directors as well as for executives (Long Term Incentive Programme).

There were no reports or information otherwise made known as at the balance sheet date 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. 6 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) 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 23 July 2020 to amend the Articles of Association in line with the respective utilisation of Contingent Capital 2020 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 23 July 2020 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 22 July 2025 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. The lowest amount of the Company's share capital existing at the time the Annual General Meeting approves this authorisation, at the time of this authorisation taking effect or at the time when this authorisation is exercised is decisive. In the process, 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 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 was authorised by the Annual General Meeting to use these treasury shares acquired on the basis of this authorisation or earlier authorisations as follows:

1. The shares may be sold via the stock exchange or, with the Supervisory Board's approval, by a public offer to all shareholders relative to their shareholding percentage.

2. These shares may also, with the Supervisory Board's approval, be sold through means other than the stock market or by offer to all shareholders, on condition that they 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. The lowest amount of the Company's share capital existing at the time the Annual General Meeting approves this authorisation, at the time of this authorisation taking effect or at the time when this authorisation is exercised is decisive. Further details are contained in the authorisation granted by the Annual General Meeting.

3. The shares may, with the Supervisory Board's approval, be offered and transferred for payment in kind, especially as a (partial) payment for the purpose of indirectly or directly acquiring businesses, parts of businesses or shares in businesses or other assets in the context of business combinations.

4. The shares may be used 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.

5. Holders or creditors of conversion / warrant-linked rights to shares in the Company or corresponding conversion / option obligations may be granted subscription rights to compensate for dilution to the extent that would be due to them after already having exercised these rights or having fulfilled these obligations; treasury shares can be used to serve such subscription rights.

6. The shares may be transferred 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. The detailed preconditions stem from the authorisation.

7. The shares may be redeemed without another 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.

8. The shares may, with the Supervisory Board's approval, be used to pay a scrip dividend.

If the acquired treasury shares are used for one of the purposes stated in Fig. 2 to 6 of this section, shareholders' rights to subscribe shall be excluded. If the acquired treasury shares are used for the purpose stated in Fig. 8, the Board of Directors is authorised to exclude the right to subscribe. 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 Supervisory Board is furthermore authorised to use treasury shares acquired by the Company in the context of compensation agreements with members of the Board of Directors; shareholders' rights to subscribe shall be excluded to that extent as well. The detailed preconditions stem from the authorisation.

No use of this authorisation has been made to date. The Company did not hold any treasury shares on 31 December 2020, nor did it on 31 December 2019.

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 percent 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 increase on a non-cash basis, especially to be able to offer the 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 percent 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 furthermore authorised, based on the shareholder resolution at the Annual General Meeting on 23 July 2020 and Article 4 (6) of the Articles of Association, with the approval of the Supervisory Board, until 22 July 2025 once or several times to issue warrant-linked and/or convertible bonds, profit-sharing rights and/or participating bonds (or combination of these instruments; collectively referred to as 'bonds') with a total par value of up to € 500,000,000. This authorisation includes granting 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 more detailed provisions of 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, however, authorised, subject to the Supervisory Board's approval, to the exclude shareholders' right to subscribe to the bonds

- to exclude fractional amounts that might arise due to the subscription ratio from the subscription right of the shareholders and
- if and to the extent required so that holders of previously issued bonds with warrant-linked and/or conversion rights, or warrant-linked and/or conversion obligations may be granted right to subscription in the amount that would be due to them after exercising their warrant-linked and/or conversion rights, or fulfilling their warrant-linked and/or conversion obligations as shareholders;
- so far as the bonds are issued for payment in kind, especially to be able to offer the bonds to third parties as part of business combinations or for the purpose of (also indirectly) acquiring businesses, parts of businesses or shares in businesses or other assets or rights to acquire assets or receivables from the company or its group subsidiaries as defined by Section 18 of the German Stock Corporation Act;
- 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.

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 2020). The contingent capital increase can be carried out to the extent only that holders of option exercise and/or conversion rights or those with obligations exercise options or convert, profit-sharing rights or participating bonds (or combinations of these instruments) that are issued by the Company or a Group company for cash payment as defined by Section 18 of the German Stock Corporation Act, in which the Company directly or indirectly holds at least 90 percent of the votes and of the capital on the basis of the authorisation granted at the Annual General Meeting on 23 July 2020 make use of the option exercise or conversion rights, or so far as they are obliged to exercise the option or convert, fulfil their obligation to exercise the option or convert, 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 in each case provided no other forms of fulfilment are used.

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 € 65.7 million on 31 December 2020, 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 within ten days after notification by the lender, however, at the Company's request, not until within ten days after a negotiation deadline of up to 60 days has expired.

Under the syndicated loan agreement of 2018 covering a revolving credit facility totalling € 750 million (revised by an amendment agreement of 28 May 2020) there is a right, in the event of a change of control, for each lender to termination and repayment of their share of the outstanding loan at the end of the respective interest period, together with accrued interest and all other amounts incurred under or according to the finance documents concerned. As under the borrower's note loans placed in 2018, this termination right can only be exercised after corresponding notification by the lender within ten days or not until within ten days after a deadline of up to 60 days has expired, if the Company first requests negotiations with the lender.

The right to termination and repayment pertaining to the loans concerned is, under both the borrower's note loans 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).

Under the syndicated loan agreement of 13 March 2020 as well as the syndicated loan agreement of 22 April 2020 backed by a jumbo guarantee provided by the German government and federal states, lenders likewise have the right, in the event of a change of control, to terminate and require repayment. These rights are likewise afforded to each lender individually for their respective share of the loan or facility and can also in the case of the syndicated loan agreement backed by a jumbo guarantee provided by the German government and federal states be exercised upon a corresponding demand from the federal or state government. The individual right to terminate and demand repayment lapses if the lender concerned does not inform the agent of the concerned syndicated loan agreement within ten days (syndicated loan agreement of 13 March 2020) or 30 days (syndicated loan agreement of 22 April 2020) of receiving the change-of-control notification of their intention to terminate. 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 agreements on compensation with members of the Board of Directors for the event of a takeover bid as reported in the 2019 Annual Report have been dropped completely based on revision of the compensation system and the corresponding adjustment of the Board of Directors service contracts. More information on compensation for members of the Board of Directors can be found in the › Compensation report.

Nuremberg, 12 March 2021

The Board of Directors

Aldo Kamper   Ingrid Jägering   Hans-Joachim Ziems

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CONSOLIDATED INCOME STATEMENT

€ '000 01/01 to 31/12	Notes	2020	2019
Sales	[6]	4,133,538	4,845,712
Cost of sales		(3,754,411)	(4,491,438)
Gross profit on sales		**379,127**	**354,274**
Selling expenses		(242,987)	(281,328)
General and administration expenses		(311,766)	(335,305)
Research and development expenses		(128,709)	(161,155)
Other operating income	[7] [8]	39,137	27,488
Other operating expenses	[7]	(54,302)	(21,928)
Result from associated companies and joint ventures	[19]	39,844	34,008
EBIT		**(279,656)**	**(383,946)**
Finance revenue	[9]	1,482	566
Finance costs	[9]	(58,793)	(35,610)
Other income from share investments		65	93
Income before taxes		**(336,902)**	**(418,897)**
Income taxes	[10]	6,766	(15,941)
Consolidated net loss / income		**(330,136)**	**(434,838)**
attributable to: Equity holders of the parent company		(329,903)	(434,547)
Non-controlling interests		(233)	(291)
Earnings per share (basic and diluted) in Euro	[31]	(10.10)	(13.30)
Weighted average shares outstanding (basic and diluted)	[31]	32,669,000	32,669,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ '000 01/01 to 31/12	2020	2019
Consolidated net loss	**(330,136)**	**(434,838)**
Other comprehensive income		
Items that cannot be reclassified to the income statement:		
Actuarial gains or losses on defined benefit plans	(22,265)	(24,953)
Income taxes applying to items of other comprehensive income that are not reclassified	(7,646)	4,120
Share of the actuarial gains and losses that pertain to associates and joint ventures	0	(122)
Items that can be reclassified to the income statement:		
Cumulative translation adjustments		
Losses and gains arising during the period	(9,403)	15,956
Less reclassification adjustments included in the income statement	(2,214)	247
Total cumulative translation adjustments	(11,617)	16,203
Cash flow hedges		
Gains and losses arising during the period	(5,576)	7,924
Less reclassification adjustments included in the income statement	7,984	(8,936)
Total cash flow hedges	2,408	(1,012)
Parts of the items that can be reclassified to the income statement, which pertain to associates and joint ventures	(427)	182
Income taxes applying to items of other comprehensive income that are reclassified	(490)	(761)
Other comprehensive income (after taxes)	**(40,037)**	**(6,343)**
Total comprehensive income	**(370,173)**	**(441,181)**
attributable to: Equity holders of the parent company	(369,967)	(441,101)
Non-controlling interests	(206)	(80)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets € '000	Notes	31/12/2020	31/12/2019
Cash and cash equivalents		187,489	144,213
Trade accounts receivable	[11]	518,388	527,242
Other current financial assets	[12]	55,784	60,912
Other current assets	[13]	166,978	166,395
Receivables from income taxes		18,947	21,927
Inventories	[14]	499,612	536,703
Contract assets	[6]	94,052	104,729
Assets held for sale	[4]	88,836	0
Total current assets		**1,630,086**	**1,562,121**
Property, plant and equipment	[15]	1,382,962	1,452.921
Intangible assets	[16]	55,224	66,582
Goodwill	[18]	129,380	139,202
Shares in associated companies and joint ventures	[19]	49,908	44,694
Contract assets	[6]	81,193	84,753
Other non-current financial assets		9,532	7,872
Deferred taxes	[10]	64,616	98,208
Other long-term assets		94,112	142,185
Total non-current assets		**1,866,927**	**2,036,417**
Total assets		**3,497,013**	**3,598,538**

Equity and liabilities € '000	Notes	31/12/2020	31/12/2019
Current financial debts and current proportion of long-term financial debts	[21]	50,142	364,774
Trade accounts payable	[22]	824,552	766,484
Other financial liabilities	[23]	64,755	134,774
Income taxes payable		19,912	19,175
Other current liabilities	[24]	190,675	196,324
Provisions	[25]	91,971	116,644
Liabilities held for sale	[4]	80,263	0
Total current liabilities		**1,322,270**	**1,598,175**
Long-term financial debts	[21]	1,542,873	965,010
Long-term financial liabilities		18,572	24,743
Other non-current liabilities		13,020	11,071
Pension provisions	[26]	185,597	187,720
Other provisions	[25]	121,513	98,051
Deferred taxes	[10]	27,203	77,630
Total non-current liabilities		**1,908,778**	**1,364,225**
Share capital	[27]	32,669	32,669
Additional paid-in capital	[27]	290,887	290,887
Retained earnings	[27]	42,292	372,195
Accumulated other comprehensive income		(101,415)	(61,351)
Equity holders of the parent company		264,433	634,400
Non-controlling interests		1,532	1,738
Total equity	[27]	**265,965**	**636,138**
Total equity and liabilities		**3,497,013**	**3,598,538**

CONSOLIDATED STATEMENT OF CASH FLOWS

€ '000 01/01 to 31/12	2020	2019
Consolidated net loss/income	**(330,136)**	**(434,838)**
Adjustments to reconcile cash provided by operating activities:		
Income taxes	(6,766)	15,941
Net interest	54,709	34,188
Dividend income	(65)	(93)
Depreciation and amortisation	221,739	204,550
Impairment of non-current assets and assets held for sale	60,333	62,322
Non-cash result from associated companies and joint ventures	(39,844)	(34,008)
Result of asset disposals	(9,739)	(5,548)
Effect of deconsolidation	0	349
Change in operating assets and liabilities		
Change in receivables and other financial assets	12,087	61,314
Change in inventories	(4,781)	68,006
Change in other assets	52,465	(3,752)
Change in restructuring provisions	1,210	39,159
Change in other provisions	(9,340)	114,691
Change in liabilities	33,443	(136,896)
Income taxes paid	(13,868)	(42,045)
Dividends received	33,460	35,102
Cash flows from operating activities	**54,907**	**(21,558)**
Capital expenditures for intangible assets	(10,537)	(30,381)
Capital expenditures for property, plant and equipment	(186,067)	(271,299)
Acquisitions of associated companies and joint ventures	0	(600)
Capital expenditure on other financial assets	(1,125)	(2,625)
Cash receipts from disposals of intangible assets	51	0
Cash receipts from disposals of fixed assets	74,007	15,291
Cash receipts from disposal of other financial assets	71	39
Income from the disposal of a business operation/subsidiaries less cash and cash equivalents paid	0	3,302
thereof: Disposal proceeds € 0 k (previous year: € 4,181 k)		
Cash and cash equivalents paid € 0 k (previous year: € 879 k)		
Cash flows from capital investment activities	**(123,600)**	**(286,273)**
Cash receipts from acceptance of financial debts	671,673	536,120
Cash repayments of financial debts	(499,002)	(212,851)
Interest paid	(49,257)	(25,409)
Interest received	624	331
Cash flows from financing activities	**124,038**	**298,191**
Change of cash and cash equivalents	55,345	(9,640)
Currency adjustment	(3,616)	2,099
Cash and cash equivalents at beginning of period	144,213	151,754
of which included in the balance sheet in the item „Assets held for sale“	0	0
of which included in the balance sheet in the item „Cash and cash equivalents“	144,213	151,754
Cash and cash equivalents at end of period	195,942	144,213
of which included in the balance sheet in the item „Assets held for sale“	8,453	0
of which included in the balance sheet in the item „Cash and cash equivalents“	187,489	144,213

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				Accumulated other comprehensive income					
(€ '000)	Share capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Cash flow hedges	Actuarial gains and losses	Equity holders of 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**
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 December 2019	**32,669**	**290,887**	**372,195**	**59,026**	**1,096**	**(121,473)**	**634,400**	**1,738**	**636,138**
1 January 2020	**32,669**	**290,887**	**372,195**	**59,026**	**1,096**	**(121,473)**	**634,400**	**1,738**	**636,138**
Net loss			(329,903)				(329,903)	(233)	(330,136)
Other comprehensive income				(12,071)	1,918	(29,911)	(40,064)	27	(40,037)
Total comprehensive income							(369,967)	(206)	(370,173)
31 December 2020	**32,669**	**290,887**	**42,292**	**46,955**	**3,014**	**(151,384)**	**264,433**	**1,532**	**265,965**

CONSOLIDATED FINANCIAL STATEMENTS
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 2020 were compiled 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 2020 are in line with those of the previous year with the exception of the new IFRS requirements applied for the first time in the 2020 financial year. These are explained under › Note 2 .

Given the economic downturn in 2019 and the negative effects of the Covid-19 pandemic on our 2020 sales, income and financial situation, liquidity risk is a material risk to LEONI's ability to continue its business operations in 2021 and 2022. Beyond this risk assessment period through 2022 there is material interest rate and financial risk to LEONI's ability to continue its business operations because the RCF II and RCF III loans mostly mature at the end of 2022 and refinancing will thereafter be necessary. With respect to the present, major uncertainty in connection with events or circumstances that might give rise to significant doubt in the Company's ability to continue operating its business, we refer to the comments in Section 6.5, 'Opportunity and risk situation', in the subsections headed 'Interest rate and financing risks / liquidity risk' as well as 'The Board of Directors' assessment of the opportunity and risk situation' in the combined management report. The liquidity and financial risks described point to material uncertainty that gives rise to significant doubt in the Company's ability to continue as a going concern and correspond to risk to continued existence as defined in Section 322 (2) sentence 3 of the German Commercial Code (HGB). For further explanations we refer to Section › 6.5 Opportunity and risk situation and the sections of the › Combined Management Report headed "Liquidity risk / interest rate and financing risks' as well as 'The Board of Directors' assessment of the opportunity and risk situation'.

The Board of Directors on 12 March 2020 authorised the presented consolidated financial statements for the year ended 31 December 2020 for submission to the Supervisory Board.

The consolidated financial statements will be disclosed 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, meaning from the time when the Group has acquired control over the subsidiary and are thus also included in the capital consolidation. 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 are directly related to an operating transaction are allocated to operating income (EBIT) and presented under other operation expenses or other operating income.

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	31/12/2020	31/12/2019
Brazil	Real	BRL	6.39065	4.51220
China	Renminbi Yuan	CNY	8.00210	7.81250
United Kingdom	Pound	GBP	0.90280	0.85000
Korea	Won	KRW	1,339.23000	1,296.37000
Mexico	Peso	MXN	24.45210	21.23860
Poland	Zloty	PLN	4.58185	4.26150
Romania	Leu	RON	4.86850	4.78300
Russian Federation	Rubel	RUB	91.43380	69.78000
Switzerland	Swiss Franc	CHF	1.08435	1.08580
USA	Dollar	USD	1.23040	1.12280

Annual average exchange rate — 1 euro in foreign currency units

Country	Currency	ISO Code	2020	2019
Brazil	Real	BRL	5.87449	4.41883
China	Renminbi Yuan	CNY	7.89072	7.73777
United Kingdom	Pound	GBP	0.88668	0.87702
Korea	Won	KRW	1,346.35269	1,301.71692
Mexico	Peso	MXN	24.45809	21.70434
Poland	Zloty	PLN	4.45486	4.29974
Romania	Leu	RON	4.83738	4.74484
Russian Federation	Rubel	RUB	82.92904	72.80077
Switzerland	Swiss Franc	CHF	1.07221	1.11226
USA	Dollar	USD	1.14489	1.12156

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 mostly 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 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 of the majority of its customers, LEONI has an enforceable right to payment for the series-supply performance completed to date. The conditions for revenue 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. Performance-related grants that cannot be directly offset with the expenses incurred are recognised in other operating income. Grants for an asset are deducted from the cost of the asset. Given the tight liquidity situation due to the Covid-19 pandemic, LEONI also received government assistance as defined by IAS 20 in the 2020 financial year. Such assistance is action by government designed to provide an economic benefit that is specific to an entity or range of entities qualifying under certain criteria. We refer to › Note 8 for the disclosures according to this standard.

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.

Non-current assets held for sale

A non-current asset, or a disposal group, is classified as held for sale and presented separately in the statement of financial position if the related carrying amount is realised mainly by a sale transaction and not by continued use, and if the criteria pursuant to IFRS 5 in this regard are met. To qualify, the asset must be available for immediate sale in present condition on usual terms (saleable condition) and such a disposal is highly probable. This is the case if management is committed to a plan to sell and an active programme to locate a buyer has been initiated. IFRS 5 also covers discontinued operations. These are components of an entity that are classified as held for sale and represent either a separate major line of business ora geographical area of operations. There was no case of discontinued operations during the financial year. If non-current assets or a disposal group are classified as held for sale, they are no longer depreciated and are measured at the lower of carrying amount and fair value less costs to sell. If the fair value of the assets held for sale or the disposal group, less the selling costs, is less than the net carrying amount of the assets, a write-down is made on the fair value, less the selling costs. If the disposal plan changes and the criteria pursuant to IFRS 5 for an asset or disposal group that were classified as held for sale are no longer met, they are no longer presented separately but reclassified to the balance sheet item where they were originally recorded. They are valued at the lower of the carrying amount before the asset or disposal group was classified as held for sale (as adjusted for any subsequent depreciation, amortisation or revaluation that would have been recorded without classification as held for sale) and their recoverable amount at the date of the decision not to sell.

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. We refer to the comments regarding IAS 36 below.

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, 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, 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 payments), less incentive payments to be received
- variable lease payments that are based on an index or interest rate, initially measured by the index or interest 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
- 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 interest 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 re-measures 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 interest 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 assets being lower than € 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. As in the case of goodwill, the review is carried out as at 31 December of each year and according to the same principles. 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 December. 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 can be made up to a maximum of the amount of amortised cost.

The underlying assumptions on which LEONI bases fair value, less cost to sell, of the cash-generating units include long-term growth rates of 1.0 percent and discount rates (after taxes) of 8.56 percent to 9.93 percent (previous year: 8.45 percent to 9.74 percent).

Detailed explanations of the impairment tests in the financial year are included in › Note 18.

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 17.

Financial instruments

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. Trade receivables categorised by the "Sell" business model were 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 expected credit loss 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. Also factored into calculation of impairment is a 20-percent recovery rate, i.e. the proportion of receivables already written off that can still be recovered. 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 twelve 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, the Company did not 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 earnings 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. If there is a history of losses, a deferred tax asset is recognised for an unused tax loss carryforward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carryforward can be utilised. The legally independent entities are, on each balance sheet date, assessed individually in this respect, with any history of loss included in the assessment. Further details are presented in › Note 10.

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. Cash inflows and outflows due to factoring and reverse factoring are attributed to operating activity. Interest payments are presented accordingly under financing activity. 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 and received is classified as cash flow from financing activities. 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 measures presented in the Management Report concerning the plan to have an organisational structure for the Wiring Systems Division aligned by function and preparations for carving out the Wire & Cable Solutions Division did not lead to any change in segmentation. These measures will not take effect until 2021. 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) as well as before exceptional items as well as before VALUE 21 costs separately to take decisions on allocation of resources and to determine the profitability of the segments. EBIT before exceptional items as well as before VALUE 21 costs adjusts earnings for exceptional such non-recurring factors as impairments, material expenses for contingent losses on customer contracts, costs in preparation for carving out the Wire & Cable Solutions Division and refinancing costs and other once-off expenses incurred based on strategic decisions as well as additional, external expenses related to the Covid-19 pandemic to allow a better comparison between periods and better interpretation of the operating profitability. It is ascertained in line with the accounting and valuation principles of the consolidated financial statements.

Key judgements, 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. Estimates and judgements based on the Covid-19 pandemic are, subject to the currently unforeseeable worldwide consequences, of increased uncertainty. The global economy suffered a severe slump in 2020 because of the Covid-19 pandemic, the fallout from which substantially affected the LEONI Group's business performance. This resulted in adverse effect on the performance indicators of consolidated sales, EBIT before exceptional items as well as before VALUE 21 costs and free cash flow. Like any company operating worldwide, LEONI must deal with challenges in the supply chain, logistics, limited availability of staff and, in some cases, its customers changing the quantities they take up. Measures that the Company took, for example by setting up a Coronavirus Task Force, and also financial support from governments had mitigating effect.

The macroeconomic outlook especially for 2021 remains very uncertain due to the lack of clarity around the further course of the Covid-19 pandemic. High risk likewise defines the prospects for LEONI's most important customer industries. Accordingly, the forecasts are also subject to major uncertainty. The rapid progress being made with coronavirus vaccinations and treatment methods is nevertheless exerting a positive effect. In its current planning, the Board of Directors already anticipates a significant increase in consolidated sales for 2021 because of the expected continuation in the recovery of demand. The Board also projects that EBIT before exceptional items as well as before VALUE 21 costs will improve substantially as early as the upcoming year. These expectations are based on the assumption that there will be no material impact due to potential interruptions to production as a result of the Covid-19 pandemic or bottlenecks in global supply chains. There are at present heightened risks exist with regard to such bottlenecks, particularly regarding the availability of critical components. Generally speaking, this guidance assumes that the impact of the pandemic will be overcome in the course of the 2021 financial year and that the gradual rebound of the operating business continues. The related expectation is that the market will return to pre-crisis levels in the medium term. Progressing and ongoing spread of the coronavirus could lead to loss of sales and unexpected impact on earnings and liquidity. There is major risk in this respect given the once again rising rates of infection and highly infectious virus mutations. Covid-19-induced impact on the consolidated financial statements could furthermore stem from interest-rate adjustments in Germany and elsewhere, from volatile foreign exchange rates, bad debt, changing sales and cost structures or uncertain forecasts with respect the size and timing of cash flows. These factors could affect fair values and the carrying amounts of assets and liabilities, the size and timing of revenue recognition as well as cash flows. Any negative deviation from the underlying assumptions could thus require impairment of goodwill or other non-current assets, whereas positive deviation might under certain circumstances also trigger reversals of impairment. It is furthermore within the realm of possibilities that there may again be interruptions to production or bottlenecks in global supply chains in 2021, which could adversely impact on supply to our customers. At the same time, the effects of the Covid-19 pandemic, the supply chain disruptions and the non-availability of components could negatively affect demand and the uptake from customers, which could in turn lead to sales decline and therefore adverse impact on LEONI's earnings and liquidity. The probable economic trend as well as country-specific, government measures were considered based on the information available at the time in updating these estimates and judgements pertinent to the consolidated financial statements.

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 and cost trends 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 projected take-up quantities as well as the discount rate are subject to major uncertainty particularly against the backdrop of the unforseeable course of the Covid-19 pandemic.

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 und 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 26.

The restructuring principally concerned measures initiated in the context of production shutdowns or capacity adjustments due to strategic decisions related to the Covid-19 pandemic. Given specific planning scenarios and already adopted restructuring measures, the costs of the measures can be reliably calculated with respect to their quantity and price-induced valuation parameters. Management has appropriately considered the Group's restructuring for accounting purposes and has formed 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 unavoidable costs exceed the 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

Update of the references to the conceptual framework for financial reporting in the IFRS standards

Together with the revised conceptual framework for financial reporting, which came into force upon publication on 29 March 2018, the International Accounting Standard Board (IASB) also issued amendments to references to the conceptual framework in the IFRS standards. However, not all amendments update these announcements with respect to references and quotes from the conceptual framework in such a way that they refer to the revised conceptual framework. Some announcements are updated only to state the version of the conceptual framework to which they refer (the IASB conceptual framework adopted by the IASB in 2001, the IASB conceptual framework of 2010 or the newly revised conceptual framework of 2018) or to point out that the definitions in the standard were not updated together with the new definitions that were developed in the revised conceptual framework.

The amendments that actually involve updates concern IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32.

The Company applied these amendments for the first time in the current financial year. Their application did not have any effect on the consolidated financial statements.

Amendments to IFRS 3

The amendments to IFRS 3, Business Combinations serve to clarify definition of a business. To be considered as such, an acquisition must include, at a minimum, an input and a substantive process, which together significantly contribute to the ability to create outputs. It may be considered a business even if the business combination does not include all the inputs and processes required to create outputs. These amendments did not have any effect on the consolidated financial statements.

Amendments to IAS 1 and IAS 8

These amendments refer to the definition of the term 'material'. Information is thereby material if, under normal circumstances, omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amended definition of 'material' was considered in preparation of the financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7 (Phase 1)

On 26 September 2019, the IASB published amendments to IFRS 9, Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement as well as IFRS 7, Financial Instruments: Disclosures. In a first phase, these changes must be applied to financial years beginning on or after 1 January 2020. They are intended to mitigate the impact of IBOR reform on financial reporting.

This reform provides for replacing various interest rate benchmarks known as Interbank Offered Rates (IBORs), which are applied to a variety of financial instruments. The cash flows included in a hedging relationship will thereby change, causing uncertainty in terms of their timing and amount. Given the previous requirements under IFRS 9 and IAS 39, it could therefore be necessary to end hedge accounting.

The IASB has split the IBOR project into two phases. In the first phase, the amendments concern financial reporting in the period before replacement of an existing interest rate benchmark by an alternative interest rate. The adopted amendments therefore apply exceptions with respect to affected hedging relationships that nevertheless make hedge accounting possible. For instance, it must be assumed when making the judgement that the cash flows from an expected transaction are highly probable that the interest rate benchmark used for calculating the cash flows is unaffected by the replacement.

At LEONI, the EURIBOR is used as the interest rate benchmark for all designated hedging relationships. As the EURIBOR has, since 2019, been deemed to conform to the requirements of the EU Benchmarks Regulation (BMR), there are no hedging relationships that refer to affected interest rate benchmarks. These amendments consequently did not have any effect on the consolidated financial statements.

Future, new accounting requirements
The IFRS 16 Covid-19-Related Rent Concessions Amendments published by the IASB on 28 May 2020 were adopted into European law on 9 October 2020. The amendments make it easier for lessees, when applying the requirements under IFRS 16, to account for modifications to a lease due to rent concessions as a consequence of the coronavirus pandemic.

The amendments are applicable to financial years beginning on or after 1 June 2010. Early application is permitted, but this was not done and therefore had no effect on the consolidated financial statements. We currently do not anticipate making use of these easements in the future either.

On 13 January 2021, the EU endorsed Phase 2 of the amendments to IFRS 9, IAS 39 and IFRS 7, the requirements of which must be applied from 1 January 2021. The second phase of the IBOR project deals with questions concerning financial reporting at the time an existing interest rate benchmark is replaced with an alternative interest rate. The amendments to the standards provide for easement of the changes brought about by the IBOR reform with respect to accounting for affected financial instruments. In particular, they can affect modifications to financial instruments and hedge accounting. The amendments furthermore impact on IFRS 4, IFRS 16 and disclosures under IFRS 7. LEONI's designated interest rate hedging relationships and key parts of its variable-interest loans relate to the EURIBOR reference rate, which fulfils the requirements of the EU Benchmarks Regulation (BMR). In the cases of instruments referencing other reference interest rates affected by the IBOR reform, LEONI plans to apply the easements of the second phase of the IBOR project. Changes to existing contracts that may be required are to be agreed in such a way that application of the easements is possible.

3 | Scope of consolidation

Along with LEONI AG, the consolidated financial statements account for 16 companies in Germany and 56 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	31/12/2020	31/12/2019
Germany	17	16
Outside	56	55
Total	**73**	**71**

During the period under report, two subsidiaries of the Wire & Cable Solutions Division in China and the United Arab Emirates that were no longer operating were liquidated. A reorganisation of the division was begun in 2020 to prepare for the planned partial disposals and the scope of consolidation of restructured accordingly. As part of this, a new entity was established that will hold some of the subsidiaries during the transformation process. One entity of the Wire & Cable Solutions Division in China was furthermore split into three entities.

The scope of consolidation furthermore changed in the Wiring Systems Division through full consolidation of an entity of minor significance that was until then not consolidated.

These changes in the scope of consolidation had no material effect on the Group's financial position or performance. A complete list of the fully consolidated subsidiaries as well as of the associates and joint ventures on 31 December 2020 is shown at the end of these notes.

4 | Acquisitions and disposals of subsidiaries as well as of assets and liabilities held for sale

No subsidiaries were acquired or sold in the 2020 financial year.

As of 31 December 2020, LEONI was engaged in negotiations to sell LEONI Schweiz AG including its subsidiary LEONI Studer AG, which is allocated to the Wire & Cable Solutions Division. The Adaptricity AG subsidiary will remain in the Group. The agreement to sell LEONI Schweiz AG was signed on 19 February 2021. Completion of the disposal is expected during the 2021 financial year (cf. › Note 36).

On 31 December 2020, the assets and liabilities of the companies concerned, which amounted to € 88,836 k and € 80,263 k respectively, were classified as held for sale. The measurement made at the time of transition in December worked out to need for a write-down of € 28,482 k, of which € 22,954 k pertained to property plant and equipment as well as intangible assets and € 5,528 k to goodwill allocated by Business Group Industrial Solutions to the business unit held for sale (cf. › Note 17).

The principal groups of assets and liabilities held for sale of the companies concerned are presented below:

€ '000	31/12/2020
Receivables from deliveries and services	6,644
Inventories	41,872
Other current assets	14,954
Intangible assets	1,602
Tangible assets	23,765
Assets held for sale	**88,836**
Current financial liabilities	1,422
Liabilities from deliveries and services	25,090
Other current liabilities	5,189
Short-term provisions	1,296
Non-current financial debt	25,000
Other non-current liabilities	3,531
Long-term provisions	18,735
Liabilities held for sale	**80,263**
Net assets held for sale included in the consolidated balance sheet	**8,573**

Gains on currency translation in the amount of € 37,630 k furthermore pertain to the business unit held for sale, which are still presented in accumulated other income and will not be recognised in income until the time the business unit held for sale is disposed.

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
Receivables from deliveries and services	6,803
Inventories	4,581
Other current assets	139
Tangible assets	4,372
Other non-current assets	1,280
Cash and cash equivalents	879
Assets disposed	18,055
Liabilities from deliveries and services	5,426
Other current liabilities	1,979
Current financial liabilities	1,623
Other non-current liabilities	624
Liabilities disposed of	9,652
Net assets	**8,403**
Minority interest disposed 49 %	(4,119)
Consideration received	4,181
Net assets disposed of Share 51 %	(4,283)
Outgoing OCI	(247)
Deconsolidation effect	**(349)**

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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 2020 and 2019 financial years are as follows:

	Wire & Cable Solutions		Wiring Systems Division		Reconciliation		LEONI Group	
€ '000	2020	2019	2020	2019	2020	2019	2020	2019
Gross sales	1,745,880	2,000,593	2,543,759	3,029,430	(156,101)	(184,311)	4,133,538	4,845,712
Less intersegment sales	155,371	182,339	730	1,972	(156,101)	(184,311)	—	—
External sales	1,590,509	1,818,254	2,543,028	3,027,458	—	—	4,133,538	4,845,712
of which domestic	393,634	389,220	576,484	735,104	0	0	970,118	1,124,324
of which foreign	1,196,875	1,429,034	1,966,544	2,292,354	0	0	3,163,419	3,721,388
% foreign proportion	75.3	78.6	77.3	75.7			76.5	76.8
EBIT	(68,747)	(13,990)	(209,871)	(370,453)	(1,038)	497	(279,656)	(383.946)
as a percentage of external sales	(4.3)	(0.8)	(8.3)	(12.2)			(6.8)	(7.9)
EBIT before exceptional items as well as before VALUE 21 costs	34,013	51,209	(91,825)	(117,632)	(1.039)	597	(58,851)	(65,826)
as a percentage of external sales	0.0	2.8	(3.6)	(3.9)			(1.4)	(1.4)
Financial result and other investment income							(57,246)	(34,951)
Income before taxes							(336,902)	(418,897)
Income taxes							6,766	(15,941)
Consolidated net loss / income							(330,136)	(434,838)
Earnings from measurement under the equity method	(886)	0	40,730	34,008	0	0	39,844	34,008
Depreciation / amortisation	61,737	59,984	147,444	130,260	12,558	14,306	221,739	204,550
EBITDA	(7,011)	45,994	(62,427)	(240,194)	11,521	14,804	(57,917)	(179,396)
Balance sheet total	2,007,705	1,876,696	2,448,699	2,449,466	(959,391)	(727,624)	3,497,013	3,598,538
Investment in property, plant and equipment as well as intangible assets	77,585	106,818	247,733	244,195	1,855	6,111	327,173	357,124
Acquisitions / investments in financial assets	12,775	3,227	72	45	(11,600)	0	1,246	3,272
Average number of employees	8,284	8,658	86,182	85,611	225	322	94,690	94,591

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:

	EMEA total		of which:								Americas		Asia		Reconciliation		LEONI Group	
			Germany		Eastern Europe		Rest of Europe		Rest of EMEA									
€ '000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
External sales																		
Wire & Cable Solutions	940,341	1,060,449	393,634	389,221	304,344	348,450	222,896	297,996	19,468	24,782	335,559	412,979	314,609	344,826			1,590,509	1,818,254
Wiring Systems Division	1,909,849	2,287,770	576,484	735,104	329,562	363,492	975,883	1,154,931	27,919	34,243	325,318	414,530	307,861	325,158			2,543,028	3,027,458
	2,850,191	**3,348,219**	**970,118**	**1,124,325**	**633,906**	**711,942**	**1,198,779**	**1,452,927**	**47,388**	**59,025**	**660,876**	**827,509**	**622,470**	**669,984**			**4,133,538**	**4,845,712**
Non-current assets [1]	1,132,242	1,155,383	333,660	354,181	499,684	481,337	44,098	95,736	254,800	224,129	186,338	217,587	169,143	190,870	371	357	1,488,094	1,564,197

1 Non-current assets include property, plant and equipment, intangible assets and investments in associates and joint ventures.

As in the previous year, China accounted for the most significant proportion of consolidated external sales by national market in Asia with a 12.1 percent (previous year: 10.3 percent) share while, in the Americas, the United States accounted for 7.5 percent (previous year: 8.8 percent).

In the 2020 financial year, sales to one customer of the Wiring Systems Division totalled € 423,534 k and thus accounted for more than 10 percent of consolidated sales. In the previous year, there were no sales to any one customer accounting for 10 percent or more of consolidated sales.

6 | Sales

€ '000	2020	2019
Group		
Transfer at a certain point in time	2,397,489	2,544,919
Transfer over a certain period of time	1,736,049	2,300,794
of which development services	40,895	48,293
of which customised products	1,695,154	2,252,501
Sales	**4,133,538**	**4,845,712**
Wiring Systems		
Transfer at a point in time	806,979	726,664
Transfer over a certain period of time	1,736,049	2,300,794
of which development services	40,895	48,293
of which customised products	1,695,154	2,252,501
Sales	**2,543,028**	**3,027,458**
Wire & Cable Solutions		
Transfer at a point in time	1,590,509	1,818,254
Sales	**1,590,509**	**1,818,254**

The performance obligations in the Wire & Cable Solutions Division 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.

The performance obligations relating to series supply in the Wiring Systems Division 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 € 51 million (previous year: about € 60 million).

The contract assets totalling € 175,245 k (previous year: € 189,482 k) broke down as follows:

€ '000	2020	2019
Current contract assets	**94,052**	**104,729**
Development contracts	11,631	12,505
Customer-specific products without any option for alternative use	82,421	92,224
Long-term contract assets	**81,193**	**84,753**
Development contracts	81,193	84,753
Contract assets	**175,245**	**189,482**

7 | Other operating income and other operating expenses

€ '000	2020	2019
Government grants	13,947	3,768
Gains on disposals of property, plant and equipment as well as intangible assets	11,860	7,573
Provision of services for joint venture in Langfang	6,330	4,694
Insurance compensation	410	2,477
Other	6,590	8,976
	39,137	**27,488**

In the 2020 financial year, performance-related government grants of € 13,947 k (previous year: € 3,768 k) broke down by € 9,303 k (previous year: € 1,387 k) in subsidy for export business in Egypt and € 1,756 k (previous year: € 1,465 k) from the Chinese government with the aim of promoting the development of e-mobility technology. More information in this regard can be found in › Note 8.

Gains on disposals of property plant and equipment as well as intangible assets exerted a beneficial effect of € 11,860 k (previous year: € 7,573 k). Most of these stemmed from a sale-and-leaseback transaction in Germany.

Providing services for our joint venture in Langfang generated income of € 6,330 k (previous year: € 4,694 k; cf. also ›Note 19 in this regard).

€ '000	2020	2019
Impairment of a business unit held for sale	28,482	0
Exchange losses	12,482	9,523
Goodwill impairment	4,092	1,928
Factoring cost	2,798	3,308
Loss on disposals of property, plant and equipment and intangible assets	2,125	2,155
Other taxes	1,411	1,308
Other	2,912	3,706
	54,302	**21,928**

The other operating expenses in the amount of € 54,302 k (previous year: € 21,928 k) included, among other items, € 28,482 k (previous year: nil) in impairment of a business unit held for sale in Switzerland and furthermore exchange losses in the amount of € 12,482 k (previous year: € 9,523 k).

8 | Government grants

The Group obtained various performance-related government grants in the 2020 financial year, which totalled € 40,410 k (previous year: € 5,166 k), of which € 26,462 k (previous year: € 1,398 k) was directly offset in the income statement with the expenses incurred. Grants related to short-timing working or similar schemes in countries other than Germany a consequence of the Covid-19 pandemic accounted for most of this in the amount of € 24,229 k (previous year: nil).

Performance-related grants in the amount of € 13,947 k (previous year: € 3,768 k), which pertained mainly to the Wiring Systems Division, were furthermore presented in other operating income. Of this, € 9,303 k (previous year: € 1,387 k) was attributable to the subsidy for export business in Egypt while another € 1,756 k (previous year: € 1,465 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 € 431 k (previous year: € 5,151 k) were recognised in fiscal 2020. In the previous year, this still included grants for a wiring systems plant in Serbia. These were deducted from the costs to purchase and manufacture the related property, plant and equipment.

The received grants are tied to creating and retaining jobs, to tax payments and to achieving a specified sales volume in these companies.

In April 2020, furthermore, the Group signed a € 330 million working capital facility on standard market terms and maturing at the end of 2022 (of which € 240 million may be drawn immediately and a further € 90 million from April 2021) with its core banks, 90 percent of which being 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).

9 | Finance revenue and costs

The finance revenues in the amount of € 1,482 k (previous year: € 566 k) involved exclusively interest income. As in the previous year, they were computed on the basis of the effective interest rate method. LEONI AG generates interest income from interest hedging transactions.

Finance costs broke down as follows:

€ '000	2020	2019
Interest expenses	44,026	25,812
Finance cost from to lease liabilities	9,609	4,402
Finance cost from pension obligations	2,406	3,378
Other finance costs	2,752	2,018
Finance costs	**58,793**	**35,610**

The interest expenses included interest of € 38,561 k (previous year: € 24,166 k) that was likewise computed on the basis of the effective interest rate method. The increase in interest expenses is due to the Group's higher gearing, which resulted from having drawn on the granted RCFI – III credit facilities.

10 | Income taxes

€ '000	2020	2019
Current taxes		
Germany	8,354	4,916
Outside	10,646	29,170
	18,999	**34,086**
Deferred taxes		
Germany	(9,793)	12,866
Outside	(15,973)	(31,011)
	(25,765)	**(18,145)**
Income taxes	**(6,766)**	**(15,941)**

In the 2020 financial year, the Group recorded tax income of € 6,766 k (previous year: tax expense of € 15,941 k) in the income statement. Tax expense of € 8,136 k (previous year: tax income of € 3,359 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 2020 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.

	2020		2019	
	€ '000	%	€ '000	%
Expected tax expense (2020: 29.6 %; 2019: 29.6 %)	(99,723)	29.6	(123,994)	29.6
Foreign tax rate differentials	1,462	(0.4)	2,130	(0.5)
Loss carryforwards for which no tax assets could be recognised and changes in valuation allowances	74,297	(22.1)	116,733	(27.9)
Non-deductible expenses	25,571	(7.6)	9,645	(2.3)
Foreign tax at source	272	(0.1)	15,539	(3.7)
Prior-period tax income / expense	4,001	(1.2)	2,967	(0.7)
Income from equity investments	(11,804)	3.5	(10,075)	2.4
Other	(841)	0.2	2,996	(0.7)
Effective income taxes / tax rate	**(6,766)**	**2.0**	**15,941**	**(3.8)**

The year-on-year change in the tax rate is attributable primarily to not having recognised deferred tax assets against current losses.

The loss carryforwards for which no tax assets could be recognised and the changes in valuation allowances in the amount of 74,297 k (previous year: € 116,733 k) in the fiscal year involved particularly tax assets not capitalised in the amount of € 71,418 k (previous year: € 119,752 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 legal factors and information available were taken into account. Deferred tax assets that were recognised in preceding periods were written down in the amount of € 6,600 k (previous year: nil). 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 € 3,655 k (previous year: a negative amount of € 1,729 k). The item included a negative amount of € 66 k (previous year: negative € 1,290 k) for the use of loss carryforwards for which no tax assets were recognised in the previous years.

Deferred tax assets can be recognised only to the extent that the Company has sufficient taxable temporary differences or so far as there are convincing, substantial indications that sufficient taxable profit will be available against which the Company's unused tax losses can be utilised. Based on management's assumptions for and estimates of future business performance, there are convincing, substantial indications that these tax assets will be realised. This assessment is in turn based on experience as well as the currently available information and forecasts. Accordingly, deferred tax assets on loss carryforwards were recognised in the amount of € 31,215 k (previous year: € 22,795 k) in the cases 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. Changes to foreign tax rates are recognised in the income statement in a partial amount of negative € 1,603 (previous year: tax expense of € 415 k) in the item Other amounting to negative € 841 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	2020	2019	2020	2019
Inventories	15,772	16,312	(225)	6,689
Accounts receivable and other assets	19,297	17,231	1,533	12,546
Property, plant and equipment	7,313	5,554	2,231	1,413
Intangible assets	855	682	173	44
Non-current financial assets	6,253	1,561	4,774	580
Tax loss carryforwards	250,796	213,001	36,932	91,336
Liabilities and provisions	45,928	52,670	(5,450)	24,824
Pension provisions	37,019	35,623	(737)	(71)
Total	383,233	342,635		
Valuation allowance	(260,609)	(218,805)	(25,726)	(107,959)
Deferred tax assets (before offsetting)	**122,623**	**123,830**		
Inventories	5,784	7,637	(14)	701
Accounts receivable and other assets	6,813	8,247	2,732	260
Property, plant and equipment	22,375	24,374	(2,797)	5,920
Intangible assets	9,231	12,842	3,436	24
Non-current financial assets	17,130	33,366	16,107	(2,748)
Liabilities and provisions	20,455	6,258	(14,282)	(2,373)
Pension provisions	42	2	(61)	21
Other (outside basis difference)	3,381	10,525	7,143	10,525
Deferred tax liabilities (before offsetting)	**85,210**	**103,252**		
Deferred tax income / expense			**25,734**	**41,731**
Net deferred tax assets / tax liabilities	**37,413**	**20,578**		

No deferred tax assets on temporary differences and tax loss carryforwards were recognised in the amount of € 260,609 k (previous year: € 218,805 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	2020	2019
Deferred tax assets	325,226	317,013
Valuation allowance	(260,609)	(218,805)
Net deferred tax assets	**64,616**	**98,208**
Deferred tax liabilities	**27,203**	**77,630**
Net deferred tax assets / tax liabilities	**37,413**	**20,578**

Deferred tax assets and liabilities with the same terms were netted at the level of the individual Group companies or taxable entities to determine the net amount of deferred tax assets and liabilities.

There are deferred tax liabilities in the amount of € 3,381 k (previous : year: € 10,525 k) with respect to dividend decisions that trigger foreign withholding taxes and for which the dividend payout has not yet occurred. 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 negative € 749,472 k on 31 December 2020 (previous year: € 115,340 k).

On the balance sheet date, the Group had foreign income tax but also German corporate tax loss carryforwards totalling € 917,670 k (previous year: € 792,309 k), of which € 772,638 k (previous year: € 666,238 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. 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 allowed Group companies based in the United States to carry back loss carryforwards of approx. € 46,211 k to preceding years, resulting in tax refunds of approx. € 15,712 k. The remaining tax losses eligible for limited carryforward pertained exclusively to foreign subsidiaries and will expire by 2030 at the latest if not utilised.

The table below shows the usability of these foreign loss carryforwards:

€ '000		**2020**
Useable until	2021	3,997
Useable until	2022	10,330
Useable until	2023	18,383
Useable until	2024	16,440
Useable until	2025	33,667
Useable until	2026	15,649
Useable until	2027	21,106
Useable until	2028	5,950
Useable until	2029	6,683
Useable until	2030	12,827

The Group had domestic trade tax loss carryforwards as well as foreign loss carryforwards for US state tax in the amount of € 625,025 k on the balance sheet date (previous year: € 518,043 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 € 3 k (previous year: € 50 k) and German corporate tax loss carryforwards amounting to € 3 k (previous year: € 50 k) were utilised. Foreign income tax loss carryforwards were used in the amount of € 2,069 k (previous year: € 5,308 k). Loss carryforwards for US state tax were not used in the financial year (previous year: nil).

11 | Trade accounts receivable

The trade receivables in the amount of € 518,388 k (previous year: € 527,242 k) were non-interest bearing. On the balance sheet date, trade receivables were reduced by factoring amounting to € 220,915 k (previous year: € 218,920 k). In genuine factoring, the factoring company assumes the default risk of the receivables.

For both the trade receivables (› cf. Note 11) and other financial assets the maximum risk of loan default corresponds to the carrying amount of the receivables.

There were no signs of any payment defaults beyond the allowance on the reporting date.

12 | Other current financial assets

€ '000	2020	2019
Receivables from associated companies and joint ventures	6,929	4,795
Other financial assets	48,855	56,117
	55,784	**60,912**

The other current financial assets presented in the amount of € 48,855 k (previous year: € 56,117 k) include other financial assets in the amount of € 26,121 k (previous year: € 44,341 k) and derivative financial assets in the amount of € 22,734 k (previous year: € 11,776 k). While financial derivatives increased by € 10,958 k, there was a process-related decrease due to factoring in financial assets by € 17,704 k.

13 | Other current assets

€ '000	2020	2019
Receivables for VAT	90,893	94,754
Prepaid expenses	34,837	34,828
Advance payments	15,815	15,482
Salary advances and travel cost advances	4,134	6,030
Receivables for other taxes	3,495	3,933
Other assets	17,804	11,368
	166,978	**166,395**

14 | Inventories

€ '000	2020	2019
Raw materials and manufacturing supplies	288,600	295,574
Work in progress	83,165	86,264
Finished products and merchandise	127,847	154,865
	499,612	**536,703**

The amount of impairment of inventories, recognised as expense, was € 33,793 k (previous year: € 28,936 k). As in the previous year, the fiscal 2020 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 € 2,413,448 k (previous year: € 2,866,138 k).

The carrying amount included inventories in the amount of € 26,133 k (previous year: € 29,909 k) that were measured at net realisable value.

15 | Property, plant and equipment

Interest amounting to € 315 k (previous year: € 395 k) was capitalised in the financial year and concerned construction projects in Germany. Reversals amounting to € 2,547 k (previous year: nil) were made in the financial year for technical equipment and machinery. This reversal was the result of having tested a cash-generating unit for impairment and was recognised in the cost of sales in the previous year in line with the impairment.

The Group received compensation of € 412 k (previous year: € 1,809 k) 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 2019	**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**
Acquisition costs on 01 January 2020	809,016	1,515,810	379,171	145,732	2,849,729
Currency differences	(17,219)	(37,229)	(6,044)	(1,722)	(62,214)
Additions	137,750	89,227	24,257	65,219	316,453
Reclassification to assets held for sale	44,073	71,958	9,409	3,001	128,441
Disposals	121,211	26,189	15,351	1,676	164,427
Reclassification	23,312	72,995	8,944	(105,251)	0
31 December 2020	787,575	1,542,656	381,568	99,300	2,811,099
Accumulated depreciation on 01 January 2020	223,113	901,166	262,840	9,689	1,396,808
Currency differences	(4,597)	(21,516)	(3,898)	(406)	(30,417)
Increase in depreciation	56,398	108,148	38,876	2,202	205,624
Increase in impairment	1,232	19,541	3,487	2,140	26,400
Reclassification to assets held for sale	19,278	57,088	6,806	0	83,172
Reversal	0	2,547	0	0	2,547
Disposals	46,257	22,312	14,483	1,507	84,559
31 December 2020	210,611	925,392	280,016	12,118	1,428,137
Net carrying amount on 31 December 2020	**576,964**	**617,264**	**101,552**	**87,182**	**1,382,962**

16 | 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 2019	**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**
Acquisition costs on 01 January 2020	165,114	122,717	21,499	18,122	327,452
Currency differences	(719)	(1,778)	(168)	(24)	(2,689)
Additions	4,536	0	1,669	4,515	10,720
Reclassification to assets held for sale	8,493	0	4,510	796	13,799
Disposals	0	847	266	367	1,480
Reclassification	809	0	2,404	(3,213)	0
31 December 2020	162,290	120,092	20,628	17,194	320,204
Accumulated amortisation on 01 January 2020	122,477	120,711	14,413	3,269	260,870
Currency differences	(631)	(1,744)	(77)	0	(2,452)
Increase in amortisation	14,879	1,232	1,172	(1,168)	16,115
Increase in impairment	1,146	382	435	5,250	7,213
Reclassification to assets held for sale	6,836	0	3,912	0	10,748
Reversal	0	3,318	0	0	3,318
Disposals	105	940	265	1,390	2,700
31 December 2020	130,930	116,323	11,766	5,961	264,980
Net carrying amount on 31 December 2020	**31,360**	**3,769**	**8,862**	**11,233**	**55,224**

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 € 1,359 k (previous year: € 2,716 k); the average residual useful life was about four years. Brands acquired in the context of business combinations were included in the amount € 1,817 k in the financial year (previous year: € 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 € 3,769 k (previous year: € 2,006 k); the average residual useful life of the customer relationships amounting to € 3,763 k (previous year: € 1,998 k) was about seven years.

Amortisation of intangible assets with a finite useful life was included in the following function costs:

€ '000	2020	2019
Cost of sales	2,871	3,814
General and administration expenses	11,849	12,834
Selling expenses	429	330
Research and development expenses	967	2,160
Total	**16,115**	**19,138**

Reversals amounting to € 3,318 k (previous year: nil) were made in the financial year for customer relationships. This reversal was the result of having tested a cash-generating unit for impairment and was recognised in the cost of sales in the previous year in line with the impairment.

17 | 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 the assumptions across the detailed planning period are presented below:

Segment/CGU	**Impairment** € million	**Recoverable amount** € million	**Average sales growth** %	**Average EBIT margin** %	**WACC** %
Wire & Cable Solutions					
LE 1 in China	(1.5)	2.0	50.5	1.5	9.17
LE 2 in Germany	(4.0)	4.8	4.6	(6.9)	8.99
LE 3 in Germany	(2.2)	7.6	4.3	(0.5)	8.95
LE 4 in Germany	(1.3)	— [2]	— [2]	— [2]	— [2]
LE 5 in Switzerland	(4.1)	— [1]	— [1]	— [1]	— [1]
LE 6 in USA	(1.5)	3.1	5.9	5.2	8.67
BG	(4.8)	407.2	6.3	4.9	9.48
Total	**(19.4)**	**424.7**			
Wiring Systems					
OEM 1	(2.4)	(12.8)	(1.0)	(4.5)	9.64
OEM 2	(1.4)	4.8	25.6	(2.3)	9.13
Total	**(3.8)**	**(8.0)**			

1 No disclosure, application of IFRS 5 at the end of the year.
2 No disclosures due to relocation of operating business

In the Wire & Cable Solutions Division, the test resulted in recognition through profit or loss of impairment expense concerning the legal entities totalling € 19.4 million. This need for write-down is attributable primarily to tougher economic conditions in individual markets as well as the impact of Covid-19. In addition, the reclassification into assets and liabilities held for sale in LE 5 in Switzerland incurred an impairment expense of € 20.4 million, which pertained exclusively to property plant and equipment as well as other intangible assets.

In the Wiring Systems Division, there was impairment of € 3.8 million, which was attributable to the fallout from Covid-19. In the case of one single Business Unit, furthermore, a reversal of impairment was made in the amount of € 5.8 million because of significantly improved business conditions.

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 1.0 percent (previous year: 1.5 percent).

Further, individual assets in addition to the aforementioned write-downs were impaired by € 10.3 million. These principally involve cancellation of a few ongoing development projects due to changed assessment with respect to some capital investment. Overall, asset impairment amounted to € 33.5 million, which was reflected in the income statement mainly in the cost of sales (€ 25.8 million), in research and development costs (€ 6.0 million) as well as general administrative costs (€ 1.4 million). The impairment reversal of € 5.8 million was, on the other hand, reflected in the cost of sales. The impairment due to reclassification into assets and liabilities held for sale in the amount of € 20.4 million was recognised as other operating expenses.

18 | Goodwill

Goodwill in the financial year is summarised as follows:

€ '000	2020	2019
Acquisition costs on 01 January	151,071	150,142
Accumulated allowance	11,869	9,921
Carrying amount 01 January	**139,202**	**140,221**
Valuation allowance	(4,103)	(1,928)
Deconsolidation	(5,528)	0
Currency translation differences	(191)	910
Carrying amount on 31 December	**129,380**	**139,202**
Acquisition costs on 31 December	144,631	151,071
Accumulated allowance 31 December	15,251	11,869
Carrying amount on 31 December	**129,380**	**139,202**

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 December 2020.

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 at segment level of € 68.7 million (previous year: € 68.7 million).

Within the Wire & Cable Solutions Division, an item of goodwill in the amount of € 60.7 million (previous year: € 66.1 million) was allocated to Business Group Industrial Solutions (BG IN). The change relates to one deduction by € 5.5 million following a reclassification into assets held for sale. The goodwill of Business Group Automotive Cables (BG AM) was written down in the full amount of € 4.1 million in the first quarter because of the worsened market situation as a consequence of the Covid-19 pandemic.

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	
2020		**BG AM**	**BG IN**
Average sales growth	10.9	6.3	5.1
Average margin	2.9	3.9	5.0
2019			
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 1.0 percent (previous year: 1.5 percent). 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 9.14 percent (previous year: 8.69 percent), for Business Group Automotive Cables 9.48 percent (previous year: 9.20 percent) and for Business Group Industrial Solutions 8.96 percent (previous year 8.45 percent).

The item of goodwill allocated to Business Group Industrial Solutions within the Wire & Cable Solutions Division in the amount of € 60.7 million was tested for impairment. The after-tax discount rate was 8.96 percent (previous year: 8.45 percent). From an increase in the discount rate by 6.10 percentage points (previous year: 0.82 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 9.14 percent (previous year: 8.69 percent). From an increase in the discount rate by 1.98 percentage points (previous year: 1.98 percentage points) the recoverable amount would, all other parameters being equal, match the carrying amount.

19 | 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.

€ '000	2020	2019
Current assets	188,094	143,693
of which cash and cash equivalents	*19,279*	*12,310*
Non-current assets	44,082	41,147
Current liabilities	137,948	99,898
of which current financial liabilities	*75,536*	*80,823*
Non-current liabilities	2,742	6,452
of which non-current financial debt	*0*	*5,242*
Sales	380,278	324,266
Interest income	395	342
Interest expenses	1,671	605
Depreciation / amortisation	8,553	7,639
Expenses	276,038	236,554
Earnings before taxes	**94,410**	**79,810**
Income tax expense or revenue	(12,392)	(12,020)
Earnings after taxes	**82,018**	**67,790**
Other comprehensive income	(1,714)	364
Total comprehensive income	**80,304**	**68,154**
Pro-rata comprehensive income	40,152	34,077
Net assets (excl. goodwill)	**91,487**	**78,490**
Pro-rata net assets	45,743	39,245
Pro-rata goodwill	3,915	4,010
Carrying amount of investment	**49,658**	**43,255**
Non-significant joint ventures	250	1,439
Carrying amount of investment on balance sheet	**49,908**	**44,694**
Average number of employees	**1,004**	**749**

LEONI received a dividend of € 33,477 k from Langfang-based LEONI Wiring Systems Co. Ltd. in the financial year (previous year: € 23,372 k).

The carrying amount of joint ventures and associated companies that are individually not significant was € 250 k (previous year: € 1,439 k).

The summarised financial information, based on the values pertaining to LEONI that were substantially reduced due to having discontinued the Intedis GmbH & Co. KG business, is presented below:

€ '000	2020	2019
Income from continuing operations	(279)	113
Other earnings after taxes	0	(122)
Total comprehensive income	**(279)**	**(9)**

20 | 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 22 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 twelve 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.

The development of rights of use by asset class in the previous year and during the reporting year as well as 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 01 January 2019	**138,227**	**9,999**	**9,708**	**157,934**
Acquisition costs on 01 January 2019 (adapted)	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. Dezember 2019	196,907	24,793	19,964	241,664
Accumulated amortisation on 01 January 2019 (adapted)	0	0	0	0
Increase in amortisation	31,081	3,890	6,124	41,095
Reversal of amortisation	1,450	123	83	1,656
31 December 2019	29,631	3,767	6,041	39,439
Net carrying amount 31 December 2019	**167,276**	**21,026**	**13,923**	**202,225**
Acquisition costs on 01 January 2020	196,907	24,793	19,964	241,664
Currency differences	(8,664)	(699)	(344)	(9,707)
Additions	131,363	7,318	6,354	145,035
Deconsolidation	212	1,050	563	1,825
Disposals	21,988	1,615	2,986	26,589
31 December 2020	297,406	28,747	22,425	348,578
Accumulated amortisation on 01 January 2020	29,631	3,767	6,041	39,439
Currency differences	(1,707)	(211)	(149)	(2,067)
Increase in amortisation	39,001	6,414	7,465	52,880
Increase in impairment	821	0	0	821
Deconsolidation	178	120	336	634
Disposals	9,684	770	3,093	13,547
31 December 2020	57,884	9,080	9,928	76,892
Net carrying amount on 31 December 2020	**239,522**	**19,667**	**13,923**	**271,686**

The allocations to rights of use from leasing are presented in the statement of cash flows as non-cash additions to financial assets. The adjustment or reassessment of leases affected accruals in the amount of € 8,497 k and disposals in the amount of € 4,935 k during the year under review.

The following amounts are recognised in the income statement:

€ '000	2020	2019
Amortisation of rights of use	52,880	41,095
Finance cost on lease liabilities	9,609	4,402
Expenses for short-term leases	2,347	2,570
Expenses for low-value leased items	821	0
Impairments on rights of use	842	514
Variable leasing expenses	391	561
Income for sub-leases	149	148
Total amount of leasing expenses classified to the income statement	**66,741**	**48,995**

Cash outflows due to leasing totalled € 66,828 k (previous year: € 48,964 k).

There were few sale-and-leaseback transactions of significance during the year under report. The sale of buildings yielded € 65,794 k during the year under report (previous year: € 1,168 k), generating a gain on disposal of € 9,388 k.

Lease liabilities in the amount of € 270,463 k (previous year: € 196,424 k) are recognised under financial debt, of which € 45,543 k current and € 224,920 k non-current.

The future (undiscounted) minimum rental payments on non-cancellable operating leases are presented according to their maturity in › Note 29 ("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 not recognised under lease liabilities for such leases amounted to € 391 k (previous year: € 561 k), the payouts for which amounted to € 353 k (previous year: € 523 k).

Based on the extension and termination options, the potential, future cash outflows come to a figure of € 61,174 k (previous year: € 2,308 k). In particular, this concerns options to extend by up to 21 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 in the amount of € 227 k (previous year: € 309 k); to leases for minor-value assets in the amount of € 498 k (previous year: € 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 in the amount of € 221 k (previous year: € 14,620 k).

21 | Financial liabilities

€ '000	2020	2019
Current financial liabilities and short-term proportion of long-term loans	50,142	364,774
Non-current financial debts	1,542,873	965,010
	1,593,015	**1,329,784**

The financial liabilities comprised liabilities to banks, notes payable, lease liabilities as well as other loan obligations. During the year under report, current financial liabilities in the amount of € 543 k as well as non-current financial liabilities in the amount of € 25,879 k were reclassified to the balance sheet item 'liabilities held for sale'.

Current financial liabilities and the short-term proportion of long-term loans amounted to € 50,142 k on the reporting date (previous year: € 364,774 k). The decrease in current financial liabilities was due principally to repayment of borrower's note loans in the amount of € 191 million maturing in 2020 and refinancing of the Group, by which current financial liabilities in the amount of € 53 million were settled and a further sum of € 69 million was reclassified to non-current debt.

Non-current financial debts, which increased significantly year on year, amounted to € 1,542,873 k on the reporting date (previous year: € 965,010 k).

LEONI AG's 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 mid-2023). An additional net withdrawal of € 43 million in the 2020 financial year increased utilisation of RCF I to € 460 million. On the other hand, various bilateral lines and loans (previously without fixed maturity) were converted into a new syndicated loan with a fixed maturity date at the end of 2022 during the reporting period (RCF II). After reclassification of liabilities held for sale, the available amount of this loan comes to € 243 million, of which € 221 million was utilised by the end of the financial year.

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). This loan was drawn in the available amount of € 240 million as of 1 December 2020.

Because the credit lines used (RCF I – III) are not expected to be repaid within the next twelve months, they were reported under non-current financial liabilities on the balance sheet as at 31 December 2020.

Financial liabilities as at 31 December 2020 also include a borrower's note loans in the amount of € 397 million. These are mostly due for repayment in the years 2023 and 2024. The interest regularly payable on these loans is allocated to current financial liabilities.

Current and non-current lease liabilities amounted to € 270,463 k on 31 December 2020 (31/12/2019: € 196,424 k).

The overview below shows the existing borrower's note loans:

Nominal value € '000	**Carrying amount 31/12/2020** € '000	Payment year	Repayment	Interest	Hedging instrument
4,688	4,725	2015	matures 2022	fixed income	none
9,000	9,099	2012	matures 2022	fixed income	none
21,000	21,054	2015	matures 2022	variable rate	none
19,000	19,208	2015	matures 2022	fixed income	none
11,000	11,002	2018	matures 2023	fixed income	none
87,000	86,980	2018	matures 2023	variable rate	Cash flow hedge
66,500	66,525	2018	matures 2024	fixed income	none
87,000	86,983	2018	matures 2024	variable rate	Cash flow hedge
12,000	12,178	2015	matures 2025	fixed income	none
58,000	58,045	2018	matures 2026	fixed income	none
13,500	13,514	2018	matures 2028	fixed income	none
8,000	7,999	2018	matures 2028	variable rate	Cash flow hedge

Detail of the financial liabilities and hedging instruments is to be found in ›Note 29.

22 | Trade accounts payable

On 31 December 2020, trade liabilities amounted to € 824,552 k (previous year: € 766,484 k), which included reverse factoring liabilities in the amount € 161,240 k (previous year: € 141,705 k).

23 | Current financial liabilities

€ '000	2020	2019
Liabilities to associated companies and joint ventures	1,960	1,562
Other liabilities	62,795	133,212
	64,755	**134,774**

Current financial liabilities included payables amounting to € 21,219 k (previous year: € 59,765 k) from the receipt of payment on receivables that were sold within factoring contracts. The decrease is due to a process change in most of the Group companies, as a consequence of which customer payments were collected more quickly by the factoring partner.

Also included are liabilities related to anticipated discounts on future business volumes amounting to € 13,951 k (previous year: € 55,852 k), which were down year on year thanks mainly to improved contractual terms.

24 | Other current liabilities

€ '000	2020	2019
Liabilities to employees	98,201	102,284
Tax liabilities	37,.093	41,523
Liabilities connected with social security	21,726	26,656
Other accruals	33,656	25,861
	190,675	**196,324**

25 | Provisions

The changes in provisions are summarised as follows:

€ '000	1/1/2020	Usage	Dissolution	Allocation	Allocation of interest	Currency differences	31/12/2020	Current provisions 2020	Non-current provisions 2020	Current provisions 2019	Non-current provisions 2019
Personnel-related provisions	30,406	5,595	2,651	7,236	150	106	**29,440**	1,998	27,442	1,871	28,535
Provisions for product warranties	17,798	5,039	1,569	3,936	0	53	**15,073**	15,073	0	17,798	0
Other provisions for purchasing and distribution	112,520	58,251	42,669	101,456	0	1.470	**111,586**	29,028	82,558	55,453	57,067
Restructuring provisions	39,843	29,730	3,818	34,859	0	101	**41,053**	41,053	0	36,676	3,167
Other provisions	14,128	290	1,996	4,940	0	450	**16,332**	4,819	11,513	4,846	9,282
Total	**214,695**	**98,905**	**52,703**	**152,427**	**150**	**2,180**	**213,484**	**91,971**	**121,513**	**116,644**	**98,051**

The personnel-related provisions involved mainly long-term provisions for anniversary bonuses in the amount of € 9,712 k (previous year: € 14,048 k) and for semi-retirement provisions in Germany in the amount of € 8,176 k (previous year: € 8,198 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 20 years. The payments relating to provisions for partial retirement will probably be spread over the next six years.

The product warranties were determined based on experience, with goodwill concessions also taken into account. Provisions were added in the amount of € 3,936 k (previous year: € 12,088 k) for claims under warranty and/or for compensation in fiscal 2020. These provisions for claims under warranty and/or for compensation were offset by claims against the insurer in the amount of € 220 k (previous year: € 50 k).

In purchasing and distribution, there were order-related provisions for several onerous contracts totalling € 104,563 k (previous year: € 107,298 k). They pertain mostly to reassessment of the customer order portfolio and market prospects against the backdrop of present macroeconomic and sector-specific conditions. Losses could consequently, in the course of 2021 and thereafter over a multi-year period, impact on liquidity. The successful renegotiation of a major project exerted a positive effect that led to a reversal of provision and was recognised in the cost of sales.

The additions to restructuring provisions principally involved severance payments, which were necessitated in the context of production shutdowns or capacity adjustments due to strategic decisions related to the Covid-19 pandemic. Most of this concerned the Wire & Cable Solutions Division and will affect liquidity by the end of 2021.

Other provisions contain primarily provision for the soil decontamination of a site in Germany.

26 | 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 97.1 percent (previous year: 97.4 percent) and 99.1 percent (previous year: 99.5 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).

As of 31 December 2020, the net liability stemming from the pension commitment in Switzerland has no longer been presented under pension provisions, but rather, according to IFRS 5, under liabilities held for sale. The disclosures as required by IAS 19 for one remaining subsidiary in Switzerland were at this time presented under other companies for reasons of materiality.

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 € 70,643 k (previous year: € 57,419 k), equating to 29.0 percent (previous year: 25.6 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 € 4,588 k were made in the financial year (previous year: € 4,481 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:

2020

Change in defined benefit obligations € '000	**UK**	**Germany**	**Switzerland**	**Other**	**Total**
Defined benefit obligations at the beginning of the fiscal year	224,295	144,239	114,070	14,263	496,867
Current service cost	1,563	2,206	2,758	1,318	7,845
Interest cost	4,429	1,724	174	162	6,489
Actuarial (gains) / losses	33,229	4,435	(143)	(188)	37,333
Past service cost	34	0	0	(871)	(837)
Contributions by plan participants	23	2,146	2,331	0	4,500
Currency differences	(13,707)	0	150	(305)	(13,862)
Sale of subsidiaries / reclassification to liabilities held for sale	0	0	(114,419)	1,453	(112,966)
Transfers under Swiss law	0	0	2,377	0	2,377
Benefits paid	(6,256)	(3,382)	(7,298)	(379)	(17,315)
Defined benefit obligations at the end of the fiscal year	**243,610**	**151.368**	**0**	**15,453**	**410,431**

Change in plan assets € '000	**UK**	**Germany**	**Switzerland**	**Other**	**Total**
Fair value of plan assets at the beginning of the fiscal year	166,876	46,804	94,031	1,436	309,147
Interest income	3,342	560	143	38	4,083
Return on plan assets (excl. interest income based on discount rate)	12,989	338	1,755	(19)	15,063
Currency differences	(10,048)	0	107	(49)	(9,990)
Contributions by the employer	6,892	243	2,331	324	9,790
Contributions by plan participants	23	2,146	2,331	0	4,500
Administrative costs, fees and taxes	(851)	0	0	0	(851)
Sale of subsidiaries / reclassification to liabilities held for sale	0	0	(95,777)	1,211	(94,566)
Transfers under Swiss law	0	0	2,377	0	2,377
Benefits paid	(6,256)	(998)	(7,298)	(167)	(14,719)
Plan assets at the end of the fiscal year	**172,967**	**49,093**	**0**	**2,774**	**224,834**
Net liability due to defined benefit plans	**70,643**	**102,275**	**0**	**12,679**	**185,597**

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**

The pension obligations are presented on the balance sheet as a net liability in the amount of € 185,597 k (previous year: € 187,720 k).

The transfers under Swiss law concerned 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 € 354,895 k (previous year: € 441,733 k) in funded obligations and € 55,536 k (previous year: € 55,133 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:

2020 € '000	UK	Germany	Other	Total
Current employees with non-vested benefits	68,159	75,777	5,038	148,974
Current employees with vested benefits	0	0	10,415	10,415
Former employees with non-vested benefits	92,778	30,116	0	122,894
Pensioners	82,673	45,475	0	128,148
Defined benefit obligations at the end of the fiscal year	**243,610**	**151,368**	**15,453**	**410,431**

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**

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	2020	2019
Actuarial losses at the beginning of the fiscal year	151,427	126,345
Actuarial (gains) / losses		
– due to the change in demographic projections	8	(5,190)
– due to the change in financial estimates	41,165	48,767
– due to adjustments based on experience	(3,840)	532
Return on plan assets (excl. interest income based on discount rate)	(15,063)	(19,027)
Actuarial losses at the end of the fiscal year	**173,697**	**151,427**

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:

	2020				2019			
	UK	**Germany**	**Switzerland**	**Total**	**UK**	**Germany**	**Switzerland**	**Total**
Discount rate	1.25%	0.90%	0.15%	0.89%	2.09 %	1.21 %	0.15 %	1.35 %
Rate of wage and salary increase	2.85%	2.50%	1.00%	2.27%	2.91 %	2.50 %	1.00 %	2.33 %
Rate of compensation increase	2.81%	1.75%	0.00%	1.86%	2.81 %	1.75 %	0.00 %	1.78 %

The assumptions made for calculating net periodic pension costs are shown in the table below:

	2020				2019			
	UK	**Germany**	**Switzerland**	**Total**	**UK**	**Germany**	**Switzerland**	**Total**
Discount rate	2.09%	1.21%	0.15%	1.35%	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%	1.78%	3.07 %	1.75 %	0.00 %	1.91 %

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:

2020	€ '000	UK	Germany	Other	Total
Defined benefit obligations at the end of the fiscal year		**243,610**	**151,368**	**15,453**	**410,431**
Discount rate plus 1 percentage point	Change:	(39,036)	(18,585)	(1,681)	(59,302)
Defined benefit obligations:		204,574	132,783	13,772	351,129
Discount rate minus 1 percentage point	Change:	51,079	23,086	1,873	76,038
Defined benefit obligations:		294,689	174,454	17,326	486,469

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

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.

		2020		2019		
€ '000		UK	Germany	UK	Germany	Switzerland
Defined benefit obligations at the end of the fiscal year		**243,610**	**151,368**	**224,295**	**144,239**	**114,070**
Salary trend plus 0.5 percentage point	Change (absolute):	2,215	26	2,353	30	342
	Change (relative):	0.91%	0.02%	1.05 %	0.02 %	0.30 %
Salary trend minus 0.5 percentage point	Change (absolute):	(2,215)	(25)	(2,353)	(29)	(342)
	Change (relative):	(0.91)%	(0.02)%	(1.05)%	(0.02)%	(0.30)%
Rate of compensation plus 0.5 percentage point	Change (absolute):	16,615	4,246	15,294	4,247	5,475
	Change (relative):	6.82%	2.81%	6.82 %	2.94 %	4.80 %
Rate of compensation minus 0.5 percentage point	Change (absolute):	(14,400)	(3,863)	(14,118)	(3,866)	n/a
	Change (relative):	(5.91)%	(2.55)%	(6.29)%	(2.68) %	n/a
Life expectancy plus 1 year	Change (absolute):	7,754	3,577	7,059	3,534	2,966
	Change (relative):	3.18%	2.36%	3.15 %	2.45 %	2.60 %

The mortality trend is taken into account in the two (previous year: 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 3.18 percent (previous year: 3.15 percent), in Germany by 2.36 percent (previous year: 2.45 percent) and in Switzerland by 2.60 percent in the previous year.

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	2020	2019
Current service cost	7,845	8,509
Net interest cost	2,406	3,378
Past service cost	(837)	(81)
Administrative costs and taxes related to plan management	851	724
Defined benefit plan expense recognised in consolidated net income	**10,265**	**12,530**
Actuarial (gains) / losses	37,333	44,109
Return on plan assets (excl. interest income based on discount rate)	(15,063)	(19,027)
Income / expense relating to defined benefit plans recognised in other comprehensive income	**22,270**	**25,082**
Defined benefit plan expense recognised in comprehensive income	**32,535**	**37,612**

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	2020	2019
Cost of sales	3,393	4,893
General and administration expenses	2,385	1,557
Selling expenses	1,235	1,069
Research and development expenses	846	1,633
Finance costs	2,406	3,378
Defined benefit plan expense recognised in consolidated net income	**10,265**	**12,530**

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:

	2020		2019	
	€ '000	%	€ '000	%
Equity instruments	39,458	17.5	65,959	21.3
Debt instruments	10,880	4.8	41,706	13.5
of which: prices not quoted on an active market	*10,378*	*4.6*	*0*	*0.0*
Property	20,854	9.3	40,858	13.2
of which: prices not quoted on an active market	*20,583*	*9.2*	*22,361*	*7.2*
Securities funds	86,483	38.5	90,948	29.4
Qualifying insurance policies	49,133	21.9	46,848	15.2
Other plan assets	12,492	5.6	16,538	5.3
of which: prices not quoted on an active market	*12,454*	*5.5*	*13,936*	*4.5*
Cash and cash equivalents	5,534	2.5	6,290	2.0
Total plan assets	**224,834**	**100.0**	**309,147**	**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 (in the previous year still including Switzerland), and broke down as follows:

2020	**UK**	
	€ '000	%
Equity instruments	39,091	22.6
Debt instruments	10,378	6.0
of which: prices not quoted on an active market	*10,378*	*6.0*
Property	20,583	11.9
of which: prices not quoted on an active market	*20,583*	*11.9*
Securities funds	86,483	50.0
Other plan assets	12,453	7.2
of which: prices not quoted on an active market	*12,453*	*7.2*
Cash and cash equivalents	3,979	2.3
Total plan assets	**172,967**	**100.0**

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**

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 of both plans 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).

LEONI did not make any own use of plan assets.

The contributions to plan assets amounted to € 9,790 k and were projected at € 7,995 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
2019	17,735
2020	**17,315**
Expected pension payments	€ '000
2021	10,430
2022	11,403
2023	11,953
2024	12,350
2025	13,245
2026 – 2030	72,736
Pension payments expected until 2030	**132,117**

The average, weighted Macaulay duration of benefit obligations was 19 years in the United Kingdom and 14 years in Germany.

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 € 71,974 k in the financial year (previous year: € 86,924 k).

27 | 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

The statutory reserves and other retained earnings of LEONI AG were reversed in full in the previous year.

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.

Shareholders at the Annual General Meeting on 23 July 2020 authorised the Board of Directors with the approval of the Supervisory Board until 22 July 2025 to acquire own shares totalling up to 10 percent of the Company's share capital for any permissible purpose within legal constraints; with the lowest amount of the Company's share capital existing at the time the Annual General Meeting approves this authorisation, at the time of this authorisation taking effect or at the time when this authorisation is exercised being decisive. 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 exceed 10 percent of the Company's share capital.

Contingent capital

Furthermore, the Annual General Meeting on 7 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 Board of Directors has not made any use of this adopted authorisation.

Furthermore, shareholders at the Annual General Meeting on 23 July 2020 authorised the Board of Directors, with the approval of the Supervisory Board, until 22 July 2025 once or several times to issue warrant-linked and/or convertible bonds, profit-sharing rights and/or participating bonds (or combination of these instruments) (together referred to as 'bond') with a total value of up to € 500 million 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 € 6,554 k in accordance with the warrant-linked or convertible bond terms. The pro-rated amount of the share capital accounted for such shares is to be applied to the above-mentioned volume of the pro-rated amount of share capital totalling € 6,554 k that are issued from Authorised Capital 2017 during the term of this authorisation – with or without the exclusion of the subscription right – based on the Annual General Meeting's authorisation of 11 May 2017.

Apart from euros, the bonds may also be issued – limited to the corresponding euro equivalent – in the legal tender of any OECD country. They may also be issued by any Group company of LEONI AG for, either directly or indirectly, at least 90 percent of the votes and of the capital. In this event the Board of Directors shall be authorised, with the approval of the Supervisory Board, on behalf of the Company to assume the guarantee for the bonds and to grant the holders of warrant-linked and/or convertible and bonds warrant-linked or conversion rights for registered shares in LEONI AG.

The Board of Directors has not made any use of this adopted authorisation either.

Dividend payment

It was decided not to pay any dividend in fiscal 2020.

Proposal for appropriation of retained earnings

The Board of Directors and the Supervisory Board will propose to shareholders at the Annual General Meeting to carry the retained loss computed in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) of € 18,713 k forward to the next financial year.

28 | Contingencies and other obligations

Lease obligations

We refer to › Note 20 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 € 52,560 k on the balance sheet date (previous year: € 51,197 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 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. These proceedings have been concluded since 2017 by way of settlement agreements without any acceptance of liability. Previously there were still three proceedings involving individual claimants in the United States as well as one in a Canadian province. In the United States, LEONI managed in the financial year to conclude all outstanding proceedings apart from one by dismissal of action or a small, insignificant settlement payment and expects also to be able to terminate the last proceedings in the foreseeable future in a similar way. The remaining proceedings in Canada have been suspended since 2014. Based on the assessment of local lawyers, LEONI expects these proceedings to have been concluded by the settlement in other provinces. A corresponding ruling is still pending, however.

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 could not understand either the reasoning or the calculation of the alleged damages. The responsible court in France agreed with this stance and dismissed the complaint on all points in a verdict on 21 January 2021. However, the decision has as yet not taken legal effect.

As also reported, LEONI is engaged in connection with the fraud case of 2016 and with outside support in asserting and enforcing claims against employees. This was likewise ongoing in the financial year. It is not yet possible to comment on progress and prospects of success.

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.

29 | Risk management and financial derivatives

Overview of financial instruments

The financial instruments allocated to the disposal group in accordance with IFRS 5 are, generally speaking, included in the explanations below. Further explanation regarding this disposal group can be found in › Note 4 'Acquisitions and disposals of subsidiaries as well as of assets and liabilities held for sale'.

The tables below show financial instruments held in the Group on 31 December 2020 and in the previous year:

		Recognition according to IFRS 9				
€ '000	**Measurement category acording to IFRS 9**	**Carrying amount 31/12/2020**	**Amortised cost**	**Fair value recognised in equity**	**Fair value recognised in profit or loss**	**Fair value 31/12/2020**
Assets						
Cash and cash equivalents	AC	**187,489**	195,942			**195,942**
Trade receivables	AC	**487,747**	494,391			**494,391**
Other financial receivables	AC	**41,450**	41,927			**41,927**
Financial assets held for sale	FVTPL	**30,641**			30,641	**30,641**
Other non-derivative financial assets						
Investments	FVTPL	**1,113**			1,113	**1,113**
Derivative financial assets						
Derivatives without a hedging relationship	FVTPL	**13,208**			13,208	**13,208**
Derivatives with a hedging relationship	n/a	**9,546**		9,546	0	**9,546**
Liabilities						
Trade payables	AC	**824,552**	849,642			**849,642**
Liabilities to banks	AC	**925,168**	950,383			**950,275**
Borrower's note loans	AC	**397,312**	397,312			**384,536**
Other financial liabilities	AC	**76,772**	77,401			**77,401**
Lease liabilities	n/a	**270,463**	271,670			**n/a**
Derivative financial liabilities						
Derivatives without a hedging relationship	FVTPL	**1,047**			1,047	**1,047**
Derivatives with a hedging relationship	n/a	**5,580**		5,580		**5,580**
Of which aggregated by categories according to IFRS 9:						
Financial assets at amortised cost	AC	**732,260**	732,260			**732,260**
Financial assets at fair value through profit or loss	FVTPL	**44,962**			44,962	**44,962**
Financial liabilities at amortised cost	AC	**2,274,738**	2,274,738			**2,261,854**
Financial liabilities at fair value through profit or loss	FVTPL	**1,047**			1,047	**1,047**

€ '000	Measurement category acording to IFRS 9	Recognition according to IFRS 9 Carrying amount 31/12/2019	Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss	Fair value 31/12/2019
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		**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**
Leasing 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 (excl. factoring) and other current receivables, the fair values largely correspond to the carrying amounts as they did in the previous year.

The item cash and cash equivalents includes bank deposits in the amount of € 5,049 k (previous year: nil) that are pledged to factoring partners and are there not available to LEONI.

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 must 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.

€ '000	2020	2019
Financial debt	1,593,015	1,329,784
Less cash and cash equivalents	(187,489)	(144,213)
Net financial debt	1,405,526	1,185,571
Financial debt included in 'liabilities held for sale'	26,422	0
Cash & cash equivalents included in 'assets held for sale'	(8,453)	0
Net financial liabilities including items contained in 'assets / liabilities held for sale'	1,423,495	1,185,571
Equity	265,965	636,138
Gearing	**535 %**	**186 %**

At the end of fiscal 2020, gearing stood at 535 percent (previous year: 186 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.

The current financial and liquidity situation of the LEONI Group is comprehensively presented in the combined management report (› 3.3 Financial situation). We refer hereupon 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
01/01/2020	**364,774**	**965,010**	**1,329,784**
Non-cash changes			
New borrowing	1,559	670,114	671,673
Repayment	(246,779)	(204,216)	(450,995)
Non-cash changes			
Reclassification	(73,318)	73,318	0
Effect of currency translation	(780)	(5,570)	(6,350)
Measurement effects	(21,889)	(1,009)	(22,898)
Lease liability recognition	27,118	71.105	98,223
Reclassification to 'liabilities held for sale'	(543)	(25,879)	(26,422)
31/12/2020	**50,142**	**1,542,873**	**1,593,015**

€ '000	Current	Non-current	Total
01/01/2019	**210,954**	**710,653**	**921,607**
Non-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**

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	
	2020	2019
Financial assets at amortised cost (AC)	(51,580)	7,515
Financial assets and financial liabilities at fair value through profit or loss (FVTPL)	20,680	(13,290)
Financial liabilities at amortised cost (AC)	(1,232)	(6,364)
Total	**(32,132)**	**(12,139)**

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:

31/12/2020 € '000	Gross figures	Offsetting	Net figures	Offsetting agreements	Net figures
Other financial assets					
Derivatives	21,783	0	**21,783**	(3,133)	**18,650**
Other financial liabilities					
Derivatives	(6,627)	0	**(6,627)**	3,133	**(3,494)**

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)**

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
01/01/2020	**1,096**	**4,379**	**(3,283)**
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	(5,576)	(5,507)	(69)
Reclassification in the income statement	7,984	7,984	0
Tax effect	(490)	(490)	0
31/12/2020	**3,014**	**6,366**	**(3,352)**
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)**	**(603)**	**(158)**
31/12/2019	**1,096**	**4,379**	**(3,283)**

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	2020	2019
EMEA	**61**	**62**
of which: France	13	15
Germany	12	12
Spain	5	3
Hungary	4	3
Italy	3	3
Other	24	26
Asien	**24**	**25**
of which: China	20	20
India	1	1
South Korea	1	2
Other	2	2
Americas	**14**	**13**
of which: USA	10	10
Other	4	3

The following table shows the size categories of receivables from customers on the balance sheet date:

	2020		2019	
	in %	total share in %	in %	total share in %
Largest customer	13	13	12	12
Second largest customer	6	6	7	7
Third to fifth largest customers	4-5	15	3-6	13
Other customers	≤3	66	≤3	68

The valuation allowances for trade receivables as well as contract assets were as follows:

€ '000	2020	2019
Allowances on 1 January in accordance with IFRS 9	**19,860**	17,475
Exchange rate differences	(384)	875
Additions (allowances recognised as expense)	20,886	6,921
Usage	(1,823)	(1,180)
Reversal	(4,101)	(4,231)
Reclassification to assets held for sale	(40)	0
Allowances on 31 December	**34,397**	19,860

The increase in expense resulted mainly from revised customer ratings within the default risk categories.

During the year under report, receivables amounting to about € 6 million were allocated to risk level 3 as there were objective indications of an impairment. Accordingly, the receivables were written down in full.

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	31/12/2020 Size of exposure (gross)	31/12/2020 Valuation allowance
Risk rating		
low risk	477,059	11,215
average risk	126,629	7,320
above-average risk	108,769	10,548
increased and high risk	11,425	908
very high risk	205	31
exposures at default	4,459	4,375
Total	**728,546**	**34,397**

€ '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**

This is based on the following impairment matrix:

Default risk categories	Default rate	Risk rating
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:

27 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 30 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:

%	2020	2019
Receivables (insured)	27	24
exempt from compulsory cover	43	43
no cover	30	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 18 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. LEONI furthermore analyses its 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 banks amounting to € 1,252,998 k (previous year: € 998,073 k) with terms of up to two years and six months. These credit lines were drawn via current accounts and fixed deposits in the amount of € 946,361 k (previous year: € 517,881 k). Together with the short-term proportion of long-term loans, current liabilities to banks amounted to € 3,696 k (previous year: € 126,015 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:

2020 € '000	Carrying amount 31/12/2020	Cash flow 2021	Cash flow 2022	Cash flow 2023 – 2025	Cash flow from 2026
Non-derivative financial liabilities					
Trade payables	(824,552)	(824,552)			
Liabilities to banks	(925,168)	(4,684)	(451,279)	(460,318)	
Liabilities on bills of exchange and other financial debts	(72)	(72)			
Borrower's note loans	(397,312)	(5,214)	(58,794)	(272,827)	(81,740)
Other financial liabilities	(76,700)	(76,700)			
Leasing liabilities	(270,463)	(45,543)	(41,242)	(82,612)	(101,066)
Derivative financial liabilities					
Currency derivatives without a hedging relationship	(1,047)	96,103	0		
		(97,067)	0		
Currency and interest rate derivatives in connection	(5,580)	106,393	16,804		
with cash flow hedges		(107,636)	(17,413)	(1,507)	(242)

2019 T€	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)

In addition to the financial liabilities presented above, the disposal group in accordance with IFRS 5 (in this regard ›cf. Note 4 'Acquisitions and disposals of subsidiaries as well as of assets and liabilities held for sale') in the year under report includes financial liabilities in the amount of € 52,141 k, of which lease liabilities amounting to € 1,207 k.

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. Where LEONI can choose at what time financial liabilities are repaid, the liability is allocated to the earliest period in which LEONI can be required to repay. 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 US dollars, Romanian leu, pounds sterling, Mexican pesos, Chinese yuan and Swiss francs. 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 € 939,766 k (previous year: € 818,145 k), maturing within twelve months or in a few cases within 15 months. The total fair value of forward exchange transactions existing as of the balance sheet date was € 18,502 k (previous year: negative € 6,611 k). Forward exchange transactions amounting to € 349,611 k (previous year: € 138,602 k) met the conditions for hedge accounting (cash flow hedges). The ones that met the conditions for hedge accounting were completed in the 2020 financial year. Their total fair value of € 7,318 k (previous year: € 5,667 k) was recognised in other comprehensive income. The cash flows from the underlying transactions are mostly expected during the 2021 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	
2020	€ '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		141,139	79,029	3,513	**223,681**		
Forward exchange transactions							
EUR-TND		7,038	—	—	**7,038**	3.38	
EUR-EGP		11,419	10,538	3,513	**25,470**	20.57	
EUR-GBP		1,728	—	—	**1,728**		0.90
EUR-RON		68,994	35,555	—	**104,549**	4.96	
EUR-USD		10,297	7,827	—	**18,124**		1.17
USD-MXN		37,461	24,047	—	**61,508**	22.91	
Other		4,202	1,062	—	**5,264**		
Passiva							
Currency contracts		60,197	48,929	16,804	**125,930**		
Forward exchange transactions							
EUR-TND		8,191	18,810		**27,001**	3.38	
EUR-EGP		2,383			**2,383**	18.53	
EUR-GBP		21,744	7,199	—	**28,943**	0.89	
EUR-RON		2,383	14,563	15,385	**32,331**	4.97	
USD-MXN		10,911	—	—	**10,911**	19.69	
Other		14,585	8,357	1,419	**24,361**		
2019	€ '000						
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**		
Passiva							
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	
	2020	2019	2020	2019		2020	2019
Forward exchange transactions	223,681	118,673	9,546	6,511	current or non-current other financial **assets**	– 5.507	10.673
Forward exchange transactions	125,930	19,930	(2,229)	(844)	current or 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	
	2020	2019	2020	2019
Hedging of sales, cost of sales and investment in property, plant & equipment	(4,335)	10,630	6,366	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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Hedging of sales, cost of sales and investment in property, plant & equipment	(5,507)	10,673	1,172	(43)	Other operating expenses		6,812	(8,897)	Sales revenues, cost of sales	

The amounts recognised in other comprehensive income in the context of hedge accounting came to negative € 5,507 k in the financial year (previous year: positive € 10,673 k). A negative amount of € 7,984 k (previous year: positive € 8,940 k) was reclassified via the income statement as shown in the table below.

€ '000	2020	2019
Sales revenues	(870)	(1,039)
Cost of sales	(5,942)	9,936
Other operating income/ expense (ineffectiveness)	(1,172)	43
Total	**(7,984)**	**8,940**

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. LEONI makes a qualitative assessment whether the terms of the hedging instrument exactly match those of the hedged item ('critical term match').

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 right-hand table 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.

2020		€ '000
Changes in exchange rates, equity	+ 10 %	(10 %)
MXN	783	(641)
USD	(2,035)	1,665
CNY	(223)	181
RON	14,778	(12,091)
GBP	2,955	(2,417)
Changes in exchange rates, earnings	+ 10 %	(10 %)
MXN	(1,252)	994
USD	(29,258)	23,995
CNY	(3,238)	2,365
RON	1,231	(895)
GBP	9,337	(8,016)

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

Interest rate risks

Depending on the expected trend of interest rates, the LEONI Group uses cash flow hedging instruments to hedge the risk of change in interest rates.

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.

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 seven years and ten months.

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	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Interest rate swaps	0	–	174,000	174,000	8,000	8,000	**182,000**	**182,000**	0.5161	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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Interest rate swaps	182,000	182,000	(3,472)	(3,403)	Other non-current financial liabilities		(69)	(2,749)

The hedged items had the following impact on the balance sheet:

€ '000	Change in value to determine ineffectiveness		Cash flow hedge reserve	
	2020	**2019**	**2020**	**2019**
Hedging variable interest of the borrower's note loan	(69)	(2,749)	(3,352)	(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	
	2020	**2019**
Hedging variable interest of the borrower's note loan	(69)	(2,749)

The reduction of fair value totalling € 69 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 residual 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. LEONI makes a qualitative assessment whether the contract modalities of the hedging instrument exactly match those of the hedged item.

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 still volatile interest rate setting, we have adjusted the upward shift to 100 basis points and the downward shift to 50 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:

2020		€ '000
Changes in interest, equity	+ 1.00 %	(0.50) %
EUR	3,157	(276)
Changes in interest, earnings	+ 1.00 %	(0.50) %
CNY	459	(229)
EUR	(3,535)	0

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

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.

30 | Measurement of fair value

The measurement of the fair values of assets and liabilities by hierarchy levels was as follows:

31/12/2020 €'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		46,215		**46,215**
Investments			1,113	**1,113**
Derivative financial assets				
Derivatives without a hedging relationship	971	12,237		**13,208**
Derivatives with a hedging relationship		9,546		**9,546**
Liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship		1,047		**1,047**
Derivatives with a hedging relationship		5,580		**5,580**

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**

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: Given the very short terms of the trade receivables contained in the item 'Financial assets held for sale', the fair values largely correspond to the carrying amounts as they did in the previous year. 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.

31 | Earnings per share

Basic earnings per share were calculated as follows:

	2020		2019	
	Total amount	Earnings per share	Total amount	Earnings per share
	€ '000	€	€ '000	€
Numerator:				
Income before taxes attributable to equity holders of the parent company	(336,674)		(418,611)	
Consolidated net income / loss attributable to equity holders of the parent company	(329,903)	(10.10)	(434,547)	(13.30)
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 2020, 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.

32 | 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 2020. There was furthermore a review of the half-year financial report as at 30 June 2020. The increase in fees for auditing the financial statements to € 2,864 k includes € 490 k in additional fees for auditing the previous year's financial statements, which were incurred particularly in March 2020 in connection with the Covid-19 pandemic.

Other assurance services include particularly services for the voluntary review of the risk management system. In the previous year, this included services related particularly to the planned refinancing measures.

€ '000	2020	2019
Audit	2,864	1,427
Other assurance services	194	891
Total	**3,057**	**2,317**

33 | Personnel expenses and employees

€ '000	2020	2019
Wages and salaries	920,543	1,022,987
Social-security contributions, expenses for pensions and retirement and fringe benefits	201,538	213,746
	1,122,081	**1,236,733**

The latter item includes the following retirement benefit expenses:

€ '000	2020	2019
Net periodic pension cost	10,265	12,530
Costs of defined contribution plans	71,974	86,924
	82,239	**99,454**

Annual average number of employees:

€ '000	2020	2019
Salaried staff	15,855	16,132
Wage earners	788,836	78,459
	94,690	**94,591**

The Group employed 101,007 people on the balance sheet date (previous year 94,928), of which 96,420 worked outside Germany (previous year: 90,048).

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34 | 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	2020	2019
Benefits due in the short term	3,774	3,037
Other benefits due in the long term	678	1,281
Post-employment benefits	532	547
	4,984	4,865

The system for compensating members of the Board of Directors applicable for the period under report has been in force since 1 January 2020. It is described in detail in the compensation report as part of the management report. The short-term benefits included, along with the fixed compensation, a variable component of € 953 k (previous year: € 420 k). The expense for the long-term compensation component in fiscal 2020 was € 225 k (previous year: € 383 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 € 4,984 k (previous year: € 7,220 k).

The compensation for members of the Supervisory Board in the year under report totalled € 1,213 k (previous year: € 1,532 k), which was exclusively comprised of benefits due in the short term. 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 € 576 k (previous year: € 512 k). On 31 December 2020, there were liabilities in the amount of € 45 k (previous year: € 28 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 € 1,034 k (previous year: € 961 k). There are pension obligations (DBO) vis-à-vis former members of the Board of Directors and their surviving dependants in the amount of € 21,222 k (previous year: € 22,774 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	2020	2019
Receivables from short-term loans	3,750	2,625
Trade receivables	6,929	4,795
Liabilities from deliveries and services	1,960	1,562
Income from disposals and services	13,059	11,007
Purchases and services obtained	1,619	2,021

This includes primarily the business relationships with the joint venture in Langfang, China.

Other relationships with related parties

Dr Werner Lang was a member of the Supervisory Board until 24 July 2020. 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. Until Dr Werner Lang left the Supervisory Board, LEONI sold product to MEKRA Lang GmbH & Co. KG. in the amount of € 1,142 k (previous year: € 2,610 k). At the time of his departure from the Supervisory Board, there were receivables from this company in the amount of € 94 k (previous year: € 114 k). The goods were supplied on standard market terms.

Mr Hans-Joachim Ziems has been a member of the Board of Directors since 1 April 2020. He previously worked for LEONI as 'Generalbevollmächtigter' (fully authorised representative). He is managing partner at Ziems & Partner Unternehmensberater (management consultants). In fiscal 2020, LEONI procured services from Ziems & Partner Unternehmensberater in the amount of € 12,988 k, of which there were, on 31 December 2020, still liabilities to this company in the amount of € 5,489 k. The services were procured on standard market terms.

There were no other reportable transactions with related parties.

35 | Declaration pertaining to the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)

In December 2020, 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 2020 Annual Report.

36 | Events after the balance sheet date

On 9 February 2021, Mr Stefan Pierer disclosed that Pierer Industrie AG has, since 8 February 2021, held 10.0003061 percent of the voting rights in LEONI AG through a purchase of shares. Given that the 10 percent threshold of voting rights was exceeded, he additionally disclosed on 3 March 2021 on behalf of the other subsidiaries named in the voting rights announcement of 9 February 2021, namely Pierer Konzerngesellschaft mbH and Pierer Industrie AG, the following in accordance with Section 43 (1) of the German Securities Trading Act: The investment serves primarily to implement strategic targets, while the sale of shares, also to realise trading gains, has not been ruled out. Depending on the market price and the Company's general performance, the intention within the next twelve months is to possibly acquire more voting rights through purchase or by other means. His aim is for Mr Klaus Rinnerberger, member of Pierer Industrie AG's management board, to obtain a seat on LEONI AG's Supervisory Board. He furthermore intends to direct opinions, thoughts and recommendations towards the Company and thereby to possibly exert influence on the appointment or recall of members of the Company's administrative, management and supervisory bodies. There is presently no intention to effect a material change to the Company's capital structure, especially with respect to the ratio of equity to borrowed finance or its dividend policy. The purchase of the voting rights was financed from own resources.

On 19 February 2021, LEONI signed an agreement to sell 100 percent of its shares in LEONI Schweiz AG including its subsidiary LEONI Studer AG (› cf. Note 4). Completion of the transaction is expected during the 2021 financial year.

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, 12 March 2021

LEONI AG
The Board of Directors

Aldo Kamper   Ingrid Jägering   Hans-Joachim Ziems

SCOPE OF CONSOLIDATION

Consolidated companies til 31/12/2020		Ownership in %
I. Consolidated companies		
LEONI AG, Nuremberg, Germany		
LEONI Kabel GmbH, Nuremberg	[1]	100
LEONI Industry Holding GmbH, Roth		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 Wiring Systems Spain, S.L.U., 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 Switzerland AG, Däniken, Switzerland		100
LEONI Studer AG, Däniken, Switzerland		100
Adaptricity AG, Zürich, Switzerland		88
LEONI Tailor-Made Cable UK Ltd., Chesterfield, Derbyshire, United Kingdom		100
LEONI Temco Ltd., Cinderford, Gloucestershire, United Kingdom		100
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, Morocco		100
LEONI Cable (China) Co., Ltd., Changzhou, China		100
LEONI Wire (Changzhou) Co., Ltd., Changzhou, China		100
LEONI Special Cables (China) Co., Ltd., Changzhou, China		100
Leonische Holding, Inc., Wilmington, Delaware, USA		100
LEONI Cable, Inc., Rochester, Michigan, USA		100
LEONI Cable S.A. de C.V., Cuauhtémoc, Chihuahua, Mexico		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 Automotive do Brasil Ltda., Itú, Saõ Paulo, Brazil		100
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 Ain Sebaa S.A., Aïn Sebâa, Casablanca, Morocco		100
LEONI Wiring Systems Bouskoura S.A., Bouskoura, Casablanca, Morocco		100
LEONI Wiring Systems Berrechid S.A., Bouznika, Morocco		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
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

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 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2020 to 31 December 2020 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 1 January 2020 to 31 December 2020. 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) including the reporting on corporate governance 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 5.4 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) German Commercial Code (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 2020 and of its financial performance for the financial year from 1 January 2020 to 31 December 2020, 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 corporate governance statement pursuant to section 289f and 315d HGB including the reporting on corporate governance as well as the non-financial statement pursuant to sections 315b and 315c HGB.

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 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 "Principles" in the notes to the consolidated financial statements and to section 6.5 "Opportunity and risk situation", subchapter "Liquidity risk/Interest rate and financial risks" and subchapter "The Board of Directors´ assessment of the opportunity and risk situation" of the combined management report, in which the executive directors describe uncertainties of the future business development due to the COVID-19 pandemic as well as the expiration of significant parts of the current financing at the end of the financial year 2022 as risks relating to the Group's ability to continue as a going concern. The group has planned, initiated and largely implemented measures to secure short and medium-term liquidity in the financial years 2019 and 2020. However, to ensure the ability to refinance at the end of the financial year 2022 and to secure long-term liquidity, the timely and successful implementation of further planned measures is necessary, in particular sales of selected units of the WCS Division. The timely implementation of the measures is one assumption underlying the executive directors' current multi-year plan. 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 considered whether the preparation of the consolidated financial statements using the going concern assumption and the disclosures regarding the material uncertainty on the Group's ability to continue as a going concern in the consolidated financial statements and the combined management report are appropriate. In this context, we performed an assessment of the executive directors' multi-year plan. As part of this assessment, we audited the assumptions underlying the executive directors' current multi-year plan and the measures planned in order to evaluate whether the assumptions made and the measures planned are realistic under the current circumstances. Where individual measures were already implemented, we inspected and critically assessed the corresponding contracts and agreements. With the support of our specialists from the valuation department, we checked the plausibility of expectations regarding future revenues included in the plan against general and sector-specific market expectations. In this context, we also critically evaluated the report of an external expert on the validation of the multi-year plan from February 2021.

During the entire audit, we regularly discussed the plausibility of the executive directors' multi-year plan, the individual measures, their implementation and the compliance with the restructuring plan together with the executive directors and the supervisory board and, at the end of the audit, also with the external expert.

Especially, we carefully evaluated the external expert's report on compliance with the restructuring milestones in accordance with the restructuring report based on IDW S6 from April 2020.

Particularly at the end of our audit, we carefully assessed LEONI's current short-term liquidity forecast prepared by the executive directors.

We have also verified the appropriateness of disclosures contained in the consolidated financial statements and 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 1 January 2020 to 31 December 2020. 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 the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

In the following we present the key audit matters we have determined in the course of our audit:

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 2020, a goodwill of EUR 129 million is presented in LEONI's consolidated financial statements, which corresponds to a share of around 4% of the Group´s total assets respectively 48% 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 based on valuations 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, especially given the uncertainties of the COVID-19 pandemic. 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", "Impairment of intangible assets and property, plant and equipment" as well as "Key judgments, estimates and assumptions"), in note 17 "Impairment testing of property, plant and equipment as well as intangible assets" and in note 18 "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 (WACC) supported by our valuation specialists and used their expertise to audit the WACC 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 105 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, especially given the impact of the COVID-19 pandemic. There is a risk that the provisions for onerous contracts have not been recorded 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 a key audit matter.

The information provided by the executive directors on the provisions for losses from onerous contracts can be found in section 1 „Principles of consolidation and summary of significant accounting judgments, estimates and assumptions" (section "Other provisions" and "Key judgements, estimates and assumptions") and section 25 "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 and the supervisory board are responsible for the other information. The other information comprises:

- the report of the supervisory board
- the corporate governance statement pursuant to sections 289f and 315d HGB including the reporting on corporate governance, which is referenced section 1.7 of the combined management report,
- the non-financial declaration contained in section 5.4 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 other parts of the published annual report,
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors as well as the supervisory board are responsible for the declaration according to Section 161 German Stock Corporation Act (AktG) including the reporting on corporate governance that is referenced in section 1.7 of the combined management report. Apart from that the executive directors are responsible for the other information.

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 our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance in Accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the group Management Report Prepared for Publication Purposes

Reasonable Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the attached electronic file SHA-256-value: E16BE6DB7A9A78E630EBC9D607A710E387782871C5B7727B-8E73E463B1822009 and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January 2020 to 31 December 2020 contained in the "Auditor's Report on the Consolidated Financial Statements and on the Combined Management Report" above.

Basis for the reasonable assurance opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. (3b) HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with section 328 (1) sentence 4 no. 1 German Commercial Code (HGB) and for the tagging of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of section 328 (1) HGB for the electronic reporting format.

The executive directors of the company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the Federal Gazette.

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on 23 July 2020. We were engaged by the supervisory board on 28 August 2020 / 31August 2020. We have been the group auditor of LEONI AG, Nuremberg, without interruption 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, 15 March 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Sebastian Kiesewetter)	(Alexander Hofmann)
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 2020 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 combined group management report being incorporated by reference for the reporting period from 1 January 2020 to 31 December 2020 (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 2020 and March 2021, 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, 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 and
- 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 2020 to 31 December 2020 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 intended 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, 15 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter	Yvonne Meyer
Wirtschaftsprüferin	Wirtschaftsprüferin
German Public Auditor	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, 12 March 2021

LEONI AG
The Board of Directors

Aldo Kamper | Ingrid Jägering | Hans-Joachim Ziems

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ADDITIONAL INFORMATION

TEN-YEAR OVERVIEW

1 Changed measurement from 2016 / 18

2 This key figure represents adjustment of EBIT for exceptional, non-recurring factors to facilitate easier comparability between the periods and better interpretation of operating profitability. Exceptional items comprise material impairment of goodwill, intangible assets, property, plant and equipment as well as other assets, significant expenses for contingent losses on customer contracts, costs to prepare 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), other non-recurring expenses incurred by strategic decisions as well as external additional expenses in connection with the Covid-19 pandemic (for example additional coach transfers, protective clothing, masks and disinfectants). Costs for the VALUE 21 programme comprise all the related restructuring and severance costs as well as third-party consultant fees.

3 For fiscal year 2020 net debt including items contained in "Assets / liabilities held for sale"

under IFRS			2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Sales	Group	€ '000	**4,133,538**	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
	EMEA (without Germany)	%	**45.4**	45.9	42.4	41.5	40.8	39.9	39.0	40.6	42.9	46.8
	Germany	%	**23.5**	23.2	27.2	27.7	28.3	25.5	27.0	27.8	27.0	28.8
	Americas	%	**16.0**	17.1	15.6	15.2	15.8	16.4	15.1	14.7	15.1	12.8
	Asia	%	**15.1**	13.8	14.8	15.6	15.1	18.2	18.9	16.9	15.0	11.6
	Wire & Cable Solutions	%	**38.5**	37.5	37.9	37.8	39.3	40.7	41.5	40.8	42.1	45.3
	Wiring Systems	%	**61.5**	62.5	62.1	62.2	60.7	59.3	58.5	59.2	57.9	54.7
Expenses	Cost of materials	€ '000	**2,413,448**	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
	Cost of materials	% of sales	**58.4**	59.1	58.8	58.5	57.6	59.4	59.4	60.1	60.2	60.5
	Personnel expenses	€ '000	**1,122,081**	1,236,733	1,120,472	1,058,560	971,336	925,453	816,751	766,038	730,873	669,119
	Personnel expenses	% of sales	**27.1**	25.5	22.0	21.5	21.9	20.6	19.9	19.6	19.2	18.1
	Depreciation and amortisation	€ '000	**221,739**	204,550	158,590	149,524	151,094	147,029	123,392	120,992	116,202	107,045
	Depreciation and amortisation	% of sales	**5.4**	4.2	3.1	3.0	3.4	3.3	3.0	3.1	3.1	2.9
Earnings	EBITDA	€ '000	**(57,917)**	(179,396)	302,843	376,686	230,247	298,356	305,897	284,137	354,094	344,186
	EBIT	€ '000	**(279,656)**	(383,946)	144,253	227,162	79,153	151,327	182,505	163,145	237,892	237,141
	EBIT marge	% of sales	**(6.8)**	(7.9)	2.8	4.6	1.8	3.4	4.4	4.2	6.2	6.4
	EBIT before exceptional items as well as before VALUE costs [2]	€ '000	**(58,851)**	(65,826)	157,168	–	–	–	–	–	–	–
	Income / loss before taxes (from continuing operations)	€ '000	**(336,902)**	(418,897)	120,922	202,223	54,799	125,859	150,719	131,220	199,326	196,250
	Net income / loss	€ '000	**(330,136)**	(434,838)	73,245	145,508	11,518	77,269	115,060	105,896	157,049	155,959
Cash flow [1]	Free cash flow	€ '000	**(68,693)**	(307,831)	(140,213)	11,065	(27,494)	(5,194)	(37,878)	36,788	86,211	119,204
Balance sheet	Property, plant and equipment, intangible assets, goodwill	€ '000	**1,567,566**	1,658,705	1,422,408	1,263,505	1,167,442	1,131,546	1,040,410	940,455	917,691	837,693
	Net debt [3]	€ '000	**1,423,495**	1,185,571	612,676	406,236	403,574	321,565	316,200	256,990	249,169	233,922
	Equity	€ '000	**265,965**	636,138	1,081,438	1,041,886	917,164	996,328	917,755	827,597	783,972	737,481
	Equity	% of balance sheet total	**7.6**	17.7	31.2	33.1	31.1	35.1	34.4	34.5	32.9	31.8
	Return on equity (ROE)	%	**(124.1)**	(68.4)	6.8	14.0	1.3	7.8	12.5	12.8	20.0	21.1
Employees	Employees as per 31 December		**101,007**	94,928	92,549	86,340	79,037	74,018	67,988	61,591	59,393	60,745
	employed abroad	%	**95.5**	94.9	94.5	94.6	94.5	94.1	93.7	93.1	93.0	93.4
Share	Market capitalisation 31 December	€ million	**217.2**	338.1	989.2	2.038.2	1.105.8	1.190.6	1.613.7	1.774.9	932.7	841.2
	Consolidated net income / loss per share	€	**(10.10)**	(13.30)	2.31	4.49	0.33	2.36	3.51	3.23	4.80	4.99
	Dividend per share	€	**0.00**	0.00	0.00	1.40	0.50	1.00	1.20	1.00	1.50	1.50
	Dividend yield	%	**0**	0	0	2.2	1.5	2.7	2.4	1.8	5.3	5.8

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 2021
Analyst and investor conference 2021
17 March 2021

Annual Report 2020
17 March 2021

Annual General Meeting 2021
19 May 2021

Quarterly release 1st quarter 2021
12 May 2021

Interim Report 1st half 2021
11 August 2021

Quarterly release 1st – 3rd quarter 2021
10 November 2021

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