LEONI

Interim Report

10 August 2022

Q2 and H1 | 2022

Stable second quarter: LEONI secures compensation for impacts of volatility and raw material cost increase in the wiring systems business

"LEONI made good progress on its way towards sustained recovery in the second quarter – and did so in what is still a challenging market environment. Not least, and as announced, we successfully continued the discussions with our customers on the compensation for the increases in raw material costs as well as impacts due to volatile call-offs. Furthermore, with our syndicate banks, we have made substantial progress in the past few weeks towards securing LEONI's financing for the years ahead."

Aldo Kamper, Chief Executive Officer of LEONI AG

- Consolidated sales from continuing operations[1], i.e. excluding Business Group Automotive Cable Solutions (BG AM), dropped by 9 percent in the second quarter and by 10 percent in the first half versus the respective pre-year period due to consolidation effects following further partial disposals, especially of Business Group Industrial Solutions (BG IN); the core business involving wiring systems (WSD) grew by 8 percent in the second quarter and 4 percent in first half 2022, to € 879 million and € 1.734 million respectively, despite continued tough conditions due to the war in Ukraine and supply bottlenecks in the automotive industry
- EBIT before exceptional items[2] from continuing operations came to € 14 million in the second quarter (pre-year period: earnings of € 13 million) and to negative € 30 million in the first half (pre-year period: earnings of € 13 million); the Wiring Systems Division raised its EBIT before exceptional items to € 11 in the second quarter (pre-year period: € 4 million), due among other factors to agreements reached with customers in the second quarter on cost reimbursements, which increasingly compensated for additional costs incurred in the first and second quarters because of volatile customer call-offs.
- Free cash flow (FCF) from continuing operations at negative € 92 million in the second quarter, primarily weighed down by build-up in working capital; FCF in the first half at € 62 million, driven by closing of the sale of BG IN in the first quarter

[1] After the sale of the business encompassing automotive standard and special cables pooled in Business Group Automotive Cable Solutions (BG AM) agreed in May 2022, this unit is carried as of this interim report as discontinued operations in the Group's reporting; continuing operations comprise principally the Wiring Systems Division; the previous year's figures were adjusted accordingly

[2] Changed definition versus last year, c.f. page 4 of the interim group management report.

- At the beginning of July LEONI AG has fundamentally agreed with its syndicate banks on a refinancing plan that will secure the further financing of the Group beyond 2022
- WCS carve-out: As announced on 23 May 2022, agreement on sale of the WCS unit BG AM signed with Stark Corporation Public Company Limited
- Forecasting ability remains significantly impaired; outlook unchanged from the combined management report on the 2021 financial year

Contents

Interim group management report

LEONI Group

€ million

	Q2			H1		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Sales from continuing operations	933	1,020	(8.5)%	1,886	2,096	(10.0)%
Earnings before interest, taxes and depreciation/amortisation (EBITDA) from continuing operations	30	42	(28.6)%	121	113	7.1%
Earnings before interest and taxes (EBIT) from continuing operations	(6)	(1)	>(100)%	44	23	91.3%
Earnings before interest and taxes (EBIT) from discontinued operations	4	26	(84.6)%	29	54	(46.3)%
Earnings before interest and taxes (EBIT) from continuing operations before exceptional items[1]	14	13	7.7%	(30)	13	>(100)%
Consolidated net result	(47)	(9)	>(100)%	0	19	>(100)%
Earnings per share continuing operations *(€)*	(1.55)	(0.82)	(89.0)%	(0.56)	(0.72)	22.2%
Free cash flow from continuing operations[2]	(92)	(21)	>(100)%	62	(97)	>100%
Capital expenditure of continuing operations	34	32	6.3%	61	78	(21.8)%
Equity ratio *(%)*	7.9	7.9	--	7.9	7.9	--
Employees as of 30 June *(number)*	94,761	101,734	(6.9)%	94,761	101,734	(6.9)%

Key events

- On 23 May 2022, LEONI AG signed an agreement with Stark Corporation Public Company Limited on the sale of Business Group Automotive Cable Solutions (BG AM). The activities sold generated sales of about € 1.3 billion in the 2021 financial year and were measured at an enterprise value of € 560 million. The expected cash inflow after deducting, among other items, financial liabilities and pension costs is well over € 400 million and will have a correspondingly positive effect on free cash flow. Closing of the sale is subject to various completion conditions, including the required merger and antitrust approvals, the issue of which is expected within the next six months. The LEONI Group’s financing partners must also approve closing of the deal. The activities of BG AM are treated as discontinued operations in this half-year financial report and are no longer included in comment on sales and earnings performance. The assets and liabilities of BG AM were reclassified to the respective ‘held for sale’ items on the balance sheet.
- The sale of key parts of the industrial business pooled in Business Group Industrial Solutions (BG IN) of the Wire & Cable Solutions Division to BizLink Holding Inc. was closed on 20 January 2022. The deal signed in October 2021 was still subject to various closing conditions, which have meanwhile been met. The operations sold were measured at an enterprise value of about € 450 million and generated sales of about € 510 million in the 2021 financial year. The cash inflow realised upon completion after deducting financial liabilities and pension costs, among other things, is about € 314 million and is being used to boost liquidity. The generated gain of about € 125 million is presented under reported consolidated EBIT.
- The war that broke out between Russia and Ukraine at the end of February 2022 temporarily led to disruption of supply, production and sales at our western Ukrainian facilities in Stryi and Kolomyia. Thanks especially to the exceptional commitment of our workforce at both locations, we were then rapidly able to largely resume production again. All customer demand is presently being covered. Capacity is being duplicated at other LEONI facilities as a

[1] This key figure represents adjustment of EBIT for exceptional, non-recurring factors to facilitate better comparability between the periods and interpretation of operating profitability. Starting from the 2022 financial year, effects stemming from the Group's refinancing, restructuring measures, M&A transactions as well as extraordinary costs related to the Ukraine war will be classified as exceptional items.
[2] Prior-year figure appropriately adjusted due to reclassification of bank accounts pledged to factoring partners in the amount of € 363 k (Q2) and € 773 k (H1).

precautionary and supporting measure. To the end of June 2022, the war between Russia and Ukraine incurred related, exceptional costs of € 21 million, an amount by which EBIT before exceptional items is adjusted. Alongside these exceptional factors directly recognisable, for instance through impairments due to production under war conditions also causing losses of efficiency, for which, however, no adjustment has yet been made and that therefore weigh in EBIT before exceptional items.

- The sale of the LEONI Fiber Optics companies and of j-plasma GmbH in the context of a management buy-out to Weinert Industries AG was closed in April 2022. The deal signed in December 2021 was still subject to various closing conditions, which have meanwhile been met.
- In July 2022, LEONI AG reached a fundamental agreement with its syndicate banks on a refinancing plan intended to ensure the Company's financing through to the end of 2025.
- Against this backdrop, LEONI AG will, probably at the end of 2022 or in early 2023, carry out a combination of a capital increase from authorised capital and issue of a mandatory convertible bond, which will involve issuing shares or rights and obligations to purchase shares in an amount of up to 50 percent of its share capital. Further details on this equity transaction are contained in the Notes.
- LEONI AG augmented its Board of Directors effective 1 February 2022: Dr Ursula Biernert and Ingo Spengler joined as Chief Human Resources Officer (CHRO) as well as Labour Director and Chief Operations Officer (COO), respectively. Dr Harald Nippel took up his position as Chief Financial Officer (CFO) on 1 April 2022. He succeeded Ingrid Jägering, who left LEONI on 31 March 2022, and had already been working at LEONI since 1 February 2022 to ensure a smooth transition.
- On 24 May 2022, shareholders at the Annual General Meeting of LEONI AG elected six new shareholder representatives to the Supervisory Board in keeping with the Articles of Association and the stipulated cycle. As proposed, Günther Apfalter, Tom Graf, Dr Ulla Reisch, Klaus Rinnerberger, Karin Sonnenmoser and Dr Lorenz Zwingmann joined the Board. Elections within the Company to select employee representatives on the Supervisory Board had already taken place in April. The members elected were Mark Dischner, Martin Hering, Sina Maier, Angela Rappl, Franz Spiess and Carolin Geist. During its constituent meeting on 25 May 2022, the Supervisory Board elected Klaus Rinnerberger as its board's new Chairman and Franz Spiess as Deputy Chairman.
- Work on implementing the new ValuePlus performance and strategy programme, which builds on the VALUE 21 programme successfully completed in 2021, began at the beginning of 2022. In the context of ValuePlus, we intend to streamline the business model of the Wiring Systems Division to expand LEONI's leading position as well as to take even better advantage going forward of the market opportunities provided by the automotive and commercial vehicle sectors and to be able to transpose this into a profitable business with strong cash flow.

Economic conditions

- The International Monetary Fund (IMF) says that the Ukraine war has severely affected the global economy; along with a humanitarian disaster, the war of aggression has caused major political and economic upheaval: slower economic growth, rising inflation as well as aggravation of Covid-related raw material, input material and transport bottlenecks (World Economic Outlook, July 2022).
- According to the German Association of the Automotive Industry (VDA), international automotive markets continue in 2022 to be marked by limited availability of raw materials and such input products as semiconductors; war in Ukraine as well as high inflation in both the USA and Europe are an additional burden; mixed performance in the first half: car sales in Europe down by 14 percent year on year while up by 4 percent in China; light vehicle market in the USA down by 18 percent
- IHS Global Insight says that output of passenger cars and light commercial vehicles in the first six months of 2022 decreased by 3 percent worldwide compared with the same period of the previous year; a 9 percent drop in the EMEA area and a decline of 3 percent in Asia offset by 4 percent growth in the Americas

Overview of the LEONI Group's business performance

- Sales from continuing operations[1] (excluding BG AM) down by 9 percent year on year in the second quarter and by 10 percent in the first half, due mainly to change in the scope of consolidation because of partial disposals (principally BG IN)
- Sales in the Wiring Systems Division (WSD) core business rose by 8 percent in the second quarter and by 4 percent in the first half despite difficult underlying economic conditions
- EBIT before exceptional items from continuing operations of € 14 million in the second quarter (previous year: earnings of € 13 million) and negative € 30 million (previous year: earnings of € 13 million) in the first half, decline caused above all by absence of the profit contribution from BG IN as well as increased raw material and logistics costs; initial beneficial effects on earnings in the second quarter from agreements reached with customers on compensation for additional costs incurred due to volatile customer call-offs; however, also continued losses of efficiency because of persistently sharp volatility of call-offs from customers because of global supply-chain disruptions
- Free cash flow (FCF) from continuing operations at negative € 92 million in the second quarter (previous year: negative € 21 million), weighed down primarily by build-up in working capital as well as by the operational performance in EBIT; FCF in the first half at € 62 million (previous year: negative € 97 million), which includes the € 278 million benefit from the sale of BG IN
- Outlook unchanged from the combined management report on the 2021 financial year because of still substantially impaired forecasting ability.

[1] After the sale of the business encompassing automotive standard and special cables pooled in Business Group Automotive Cable Solutions (BG AM) agreed in May 2022, this unit is carried as of this interim report as discontinued operations in the Group's reporting; continuing operations comprise principally the Wiring Systems Division; the previous year's figures were adjusted accordingly

Sales performance

Group sales performance
(€ million)

	Q2	%	H1	%
Sales from continuing operations, previous year	**1,020**		**2,096**	
Organic change	7	0.7%	(10)	(0.5)%
Effects of changes in the scope of consolidation	(151)	(14.8)%	(291)	(13.9)%
Currency translation effect	25	2.5%	45	2.1%
Copper price effect	33	3.2%	45	2.1%
Sales from continuing operations, current year	**933**	**(8.5)%**	**1,886**	**(10.0)%**
Sales from discontinued operations, current year	318		627	
Consolidated sales	**1,252**		**2,513**	

- Sales from continuing operations (excl. BG AM) down by 9 percent year on year in the second quarter and by 10 percent in the first half, affected mainly by disposal of the BG IN business; organic growth in the second quarter despite persisting bottlenecks involving semiconductors, occasionally reduced output in Ukraine because of the war and indirect effects of reduced call-offs from customers because of disruptions in global supply chains and the various lockdowns in China; negative organic change in the first half due to these factors; beneficial impact from the increased price of copper and currency translation
- Sales from discontinued operations at € 553 million in the first half of 2021 and at € 276 million in the second quarter of 2021
- Consolidated sales decreases of 5 percent in the EMEA area, of 2 percent in the Americas and of 13 percent in Asia

Earnings

Consolidated EBIT before exceptional items
(€ million)

	Q2 2022	Q2 2021	H1 2022	H1 2021
EBIT from continuing operations before exceptional items [1]	**14**	**13**	**(30)**	**13**
Mergers & Acquisitions	(13)	(8)	109	15
Restructuring	(2)	(4)	(6)	(1)
Refinancing	(4)	(2)	(8)	(5)
Exceptional costs related to the war in Ukraine	(1)	0	(21)	0
EBIT from continuing operations	**(6)**	**(1)**	**44**	**23**
EBIT from discontinued operations, current year	4	26	29	54
Consolidated EBIT	**(2)**	**25**	**73**	**76**

- EBIT before exceptional items from continuing operations at previous year's level with earnings of € 14 million, at a loss of € 30 million in the first half and thus well below the previous year; along with the pro-rated absence of the profit contribution from BG IN there was major pressure due to increased raw material and logistics costs, which could not yet be fully passed on to customers; furthermore ongoing loss of efficiency because of persistently high volatility of call-offs as a consequence of disruptions in the global supply chains of customers involving particularly semiconductors and new lockdowns in China; initial beneficial effects on earnings in the second quarter from agreements reached with customers on compensation for additional costs incurred due to the volatility
- Exceptional items in the first half mainly comprised income from the closing of the BG IN sale, refinancing costs as well as restructuring expenses related to the planned shutdown of our facility in Brake, Germany; exceptional costs related to the war in Ukraine primarily involve impairment of production assets

[1] This key figure represents adjustment of EBIT for exceptional, non-recurring factors to facilitate better comparability between the periods and interpretation of operating profitability. Starting from the 2022 financial year, effects stemming from the Group's refinancing, restructuring measures, M&A transactions as well as extraordinary costs related to the Ukraine war will be classified as exceptional items.

- Cost of sales from continuing operations affected by cost increases in the first half, the size of which was partially offset by agreements reached with customers on reimbursement of additional costs, therefore down by a proportionately smaller 5 percent that the business volume, gross profit diminished from € 288 million to € 171 million; selling expenses reduced by a proportionately larger 29 percent particularly because of structures changed due to partial disposal of WCS, other operating income in the amount of € 150 million (previous year: € 33 million) principally comprises income from completing the sale of BG IN; other operating expenses of € 13 million (previous year: € 23 million) down by € 10 million because of deconsolidation effects included in the previous year; weaker business performance of the Langfang joint venture due above all to lockdowns in China led to reduced income from associated companies of € 15 million (previous year: € 20 million)
- EBIT from continuing operations at € 44 million in the first half (previous year: € 23 million); finance costs virtually unchanged at € 28 million; large tax expense of € 35 million (previous year: € 19 million) due to valuation allowance on deferred tax assets as a consequence of having signed a sales agreement for BG AM; after-tax loss of € 18 million (previous year: a loss of € 23 million)
- Consolidated net result (incl. BG AM) at break-even (previous year: net income of € 19 million), of which continuing operations accounted for a loss of € 18 million

Financial situation

Group free cash flow
(€ million)

	Q2		H1	
	2022	**2021**[1]	**2022**	**2021**[1]
Cash flows from operating activities of continuing operations	(62)	5	(152)	(40)
Cash flows from capital investment activities of continuing operations	(30)	(27)	214	(57)
Free cash flow from continuing operations	**(92)**	**(21)**	**62**	**(97)**
Free cash flow from discontinued operations	(29)	11	(77)	(14)
Group free cash flow	**(121)**	**(11)**	**(16)**	**(111)**

- Free cash flow from continuing operations at € 62 million in the first half (previous year: negative € 97 million), boosted particularly by the sale of BG IN in the amount of € 278 million; opposing effects principally stemming from the build-up in working capital as well as the operational trend in EBIT
- Significant decrease in cash flow from the current business activity of continuing operations in the first half due primarily to more pronounced seasonal factors, build-up in working capital as well as by the operational performance in EBIT
- Continuing operations with a cash inflow from capital investment activities in the first half (previous year: cash outflow), marked mainly by the cash provided by the sale of BG IN; a larger cash outflow for investment activities than in the previous year after adjusting for this exceptional factor

Capital expenditure Group
(€ million)

	Q2		H1	
	2022	**2021**	**2022**	**2021**
Addition excluding rights of use (IFRS 16) of continuing operations	32	27	56	58
Addition of rights of use (IFRS 16) of continuing operations	2	5	5	20
Capital expenditure (additions to property, plant and equipment as well as intangible assets) of continuing operations	**34**	**32**	**61**	**78**

- Investment in property plant and equipment as well as intangible assets of continuing operations down significantly from the previous year with a total of € 61 million, of which € 51 million (previous year: € 64 million) in the Wiring Systems Division and € 8 million (previous year: € 13 million) in continuing WCS operations
- Capital expenditure excluding the addition of rights of use (IFRS 16) of continuing operations at the previous year's level; this includes particularly capacity expansion and adjustment for new customer projects as well as initial, precautionary duplication of Ukrainian production lines at other locations

[1] Prior-year figure appropriately adjusted due to reclassification of bank accounts pledged to factoring partners in the amount of € 363 k (Q2) and € 773 k (H1).

Group net financial debts
(€ million)

	30/06/2022	31/12/2021
Cash and cash equivalents	172	165
Current financial debts	(1,029)	(580)
Long-term financial debts	(511)	(1,019)
Net financial position	**(1,368)**	**(1,434)**
Cash and cash equivalents contained in 'Assets held for sale'	28	7
Financial debt contained in 'Liabilities held for sale'	(121)	(113)
Net financial debts including items contained in 'Assets / liabilities held for sale'	**(1,461)**	**(1,540)**

- Net financial debts in the amount of € 1,368 million on 30 June 2022 (31/12/2021: € 1,434 million); decrease versus 2021 yearend due principally to repayments amounting to € 131 million related to the carve-out activity; opposing effect of further drawn-down from an existing syndicate loan in the amount of € 120 million (RCF I)
- The LEONI Group's freely available liquidity[1] amounted to € 324 million at the end of the first half of 2022 (31/12/2021: € 412 million), of which € 200 million cash and € 123 million available credit lines; guarantees amounting to € 54 million (31/12/2021: € 54 million) were already deducted as at the balance sheet date; the development of freely available liquidity was influenced mainly by further drawn-down from existing syndicate loans in the amount of € 120 million (RCF I), repayments of existing syndicate loans in the amount of € 94 million (RCF II and RCF III) and on-time repayment of borrower's note loans in the amount of € 45 million
- See Risk and opportunity report concerning risks related to liquidity and financing

Asset situation

- LEONI's consolidated balance sheet as at 30 June 2022 contracted by 4 percent versus 31 December 2021, to € 3,316 million; the assets and liabilities of BG AM reclassified to 'assets held for sale'; above all therefore a reduction on the assets side of property, plant and equipment by 28 percent to € 911 million, of trade receivables by 19 percent to € 319 million, of inventories by 24 percent to € 358 million as well as of other current financial assets by 16 percent to € 76 million as well as, on the liabilities side, a reduction of trade liabilities by 23 percent to € 570 million
- On the other hand, increases in the items 'assets held for sale' from € 415 million to € 827 million as well as 'liabilities held for sale' from € 261 million to € 432 million; on 31 December 2021, these items still included the reclassified assets and liabilities of BG IN as well as the Fiber Optics companies, the sale of which was not completed until the first half of 2022
- Other significant changes involve current contract assets up from € 112 million to € 144 million in the wake of WSD's business expansion; decrease in shares in associated companies and joint ventures from € 53 million to € 26 million due principally to the dividend payout by the Langfang joint venture
- Further significant change involving financial debt because of the repayment of the RCF I syndicate loan pending in fiscal 2023 and consequently reclassification from long term to short term. short-term financial debts therefore up from € 580 million to € 1,029 million; by contrast, long-term financial debts down from € 1,019 million to € 511 million; other financial liabilities reduced by 56 percent to € 30 million due mainly to reduced factoring volumes; 42 percent decrease in pension provisions to € 72 million because of drastically changed market interest rates
- Equity up 15 percent to € 264 million due to improved, accumulated other comprehensive income, especially as a result of actuarial gains; equity ratio thus improved from 6.7 percent to 7.9 percent

[1] Including items contained in 'Assets / liabilities held for sale'

Wiring Systems Division (WSD)

Sales performance

WSD sales performance
(€ million)

	Q2		H1	
		%		%
Sales, previous year	**816**		**1,661**	
Organic change	15	1.8%	2	0.1%
Currency translation effect	22	2.7%	40	2.4%
Copper price effect	26	3.2%	31	1.9%
Sales, current year	**879**	**7.7%**	**1,734**	**4.4%**

- Sales in second quarter and in first half up slightly on the previous year's levels despite persisting pressure due to volatile customer call-offs because of disruptions in the global supply chains – particularly involving semiconductors – and temporarily reduced output in Ukraine because of the war; alongside organic growth, positive effect from copper price increases and currency translation
- Sales growth of 9 percent in the Americas and of 6 percent in EMEA offset in the first half by 14 percent decline in Asia

Earnings

WSD EBIT before exceptional items
(€ million)

	Q2		H1	
	2022	**2021**	**2022**	**2021**
EBIT before exceptional items	**11**	**4**	**(31)**	**(10)**
Mergers & Acquisitions	0	(2)	(3)	(3)
Restructuring	(2)	(2)	(8)	(4)
Refinancing	(3)	(1)	(5)	(3)
Exceptional costs related to the war in Ukraine	(1)	0	(21)	0
EBIT	**5**	**(1)**	**(68)**	**(19)**

- Initial beneficial effect on earnings in the second quarter from agreements reached with customers on compensation for cost increases, EBIT before exceptional items improved in this period; significant drop in EBIT before exceptional items in the first half; major pressure on operating profit due to increased raw material and logistics costs, which could not yet be fully passed on to customers; in addition, there continue to be losses of efficiency due to reduced customer call-offs because of the semiconductor crisis, new lockdowns in China as well as missing parts from other automotive component suppliers based in Ukraine;
- Key exceptional factors in the first half: expenses related to the planned shutdown of our facility in Brake, Germany as well as pro-rated costs of refinancing the Group; exceptional costs related to the war in Ukraine mainly involve impairment of production assets

Key events WSD

- Secure supply to customers despite the war in Ukraine and high volatility of call-offs because of disruptions in the value chains and the resulting production stoppages and changes among customers
- Duplication of Ukrainian production capacity started in LEONI's worldwide production network, especially so in Eastern Europe and North Africa

- Rising raw material and logistics costs remain a challenge; solutions to passing on added costs via price increases already being negotiated with customers
- Order intake with an expected project volume of € 1.7 billion in the first half (previous year: € 0.7 billion); of which e-mobility projects € 0.8 billion (previous year: € 0.1 billion); expected project volume covering the entire term of the projects as of 30 June 2022 at € 22.2 billion (31/12/2021: € 21.0 billion), of which € 7.0 billion (31/12/2021: € 5.8 billion) e-mobility projects

Wire & Cable Solutions Division (WCS)

Sales performance

WCS sales performance
(€ million)

	Q2		H1	
		%		%
Sales from continuing operations, previous year	**204**		**436**	
Organic change	(8)	(3.9)%	(12)	(2.9)%
Effects of changes in the scope of consolidation	(151)	(74.0)%	(291)	(66.7)%
Currency translation effect	2	1.0%	5	1.1%
Copper price effect	7	3.4%	14	3.2%
Sales from continuing operations, current year	**55**	**(73.0)%**	**152**	**(65.1)%**
Sales from discontinued operations, current year	318		627	
Sales, current year	**373**		**779**	

- Continuing operations substantially downsized by the sale of BG AM
- Sales from continuing operations down significantly year on year in both the second quarter and the first half; driven mainly by the portfolio adjustment, including the sale of BG AM

Earnings

WCS EBIT before exceptional items
(€ million)

	Q2		H1	
	2022	**2021**	**2022**	**2021**
EBIT from continuing operations before exceptional items	**3**	**10**	**(1)**	**22**
Mergers & Acquisitions	38	(7)	162	18
Restructuring	0	(2)	2	3
Refinancing	(1)	0	(3)	(1)
EBIT from continuing operations	**39**	**1**	**160**	**42**
EBIT from discontinued operations	4	26	29	54
EBIT	**43**	**27**	**190**	**95**

- Significant reduction in the EBIT before exceptional items from continuing operations in the first half; beyond the pro-rata absence of the earnings contribution from BG IN and other units sold, adversely affected by substantially increased raw material and logistics costs that could only partially be passed on to customers
- Key exceptional factors in the first half: income from closing of sale of BG IN in 2022 as well as of LEONI Switzerland and Kerpen in the previous year; income from the internal sale of the umbrella brand to the Group parent company – consolidation at Group level

Key events WCS

- Key parts of the industrial business pooled in Business Group Industrial Solutions (BG IN) sold at the beginning of the year and the LEONI Fiber Optics companies sold at the beginning of the second quarter
- Agreement on sale of Business Group Automotive Cable Solutions (BG AM) signed in the second quarter

Transactions with related parties

We refer to our comments under Note 14, Transactions with related parties, in the selected explanatory notes to the condensed interim consolidated financial statements with respect to transactions with related parties.

Supplementary report

With respect to events occurring after the balance sheet date, we refer to our comments in Note 16 'Events after the balance sheet date' in the select explanatory notes to the condensed interim consolidated financial statements.

Risk and opportunity report

- The risks that might have a materially negative impact on our business as well as our asset, financial and earnings situation, relevant opportunities and the structure of our risk and opportunity management systems are comprehensively presented in our Combined Management Report 2021.
- The risk situation described in the 2021 management report with respect to the war in Ukraine has developed further. Thanks to a comprehensive package of measures, hitherto longer-term production stoppages at LEONI and thus among customers were successfully avoided. The planning to duplicate production outside Ukraine has progressed and ensured the financial participation of customers. The risks of larger-scale disruptions of supply on the procurement side, longer-term production outages, the destruction of assets and thus losses of sales as well as adverse effect on customer call-offs will nevertheless persist if war events change.
- The risk mitigating measures to ensure medium-term liquidity have been applied as planned since 2020; the draft restructuring plan in line with the IDW S 6 auditing standard as updated in the second quarter of 2022, which now also takes account of the effects of the war between Russia and Ukraine, assumes that LEONI will be fully financed with overwhelming probability provided refinancing is successful.
- Unforeseeable developments, particularly in connection with the Covid-19 pandemic as well as the war in Ukraine and the underlying conditions thereby changed (shortage of semiconductors, delays in parts supply from China, persisting volatility in customer call-offs, increased raw material and transport prices), could lead to further falling short of our planning. If such developments went far beyond the planning assumptions or other negative effects on liquidity simultaneously occur, they could present an existence-threatening liquidity risk as defined by Section 322 (2) sentence 3 of the German Commercial Code (HGB).
- The Board of Directors has, alongside measures included in the restructuring plan, initiated other operational measures to improve profitability and liquidity especially in connection with the risks stemming from the war in Ukraine (duplication of production in other countries and cost absorption by customers) and is monitoring these regularly.
- In addition to the operational measures aimed at improving profitability and liquidity, the Board of Directors has initiated measures particularly with the (partial) disposals of WCS that have either been completed, already agreed or planned, which are intended to improve liquidity and establish ability to refinance in the short and medium term. The net proceeds to be expected from the sale of Business Group Automotive Cable Solutions (BG AM) announced on 23 May 2022 are to be used up to a total amount of € 442 million to repay financial liabilities of the LEONI Group.
- Given the maturity of major loans, there will be a need to refinance by the end of 2022 at the latest. In its ad hoc announcement on 6 July 2022, the Company said that the terms of the financial instruments presently expiring at the end of 2022 are in principal to be extended to the end of 2025. Overall, the refinancing plan will, when implemented as planned, reduce the financial liabilities by € 574 million, of which € 442 million will stem from repayment of liabilities using the funds from the BG AM sale and € 132 million is likely to come from restructuring the remaining RCF I receivables. Finance costs are to be adjusted to a uniform level for all finance tranches and moderately increased. No dividend is to be paid out until the restructured credit lines are repaid. The four syndicate banks under the Company's revolving credit facility (RCF I) agreed in 2018 will be given the option of converting a major proportion of their loans that are not settled from the proceeds of the BG AM disposal in an amount probably totalling € 132 million into equity instruments or in this respect to seek early repayment from the income from an equity transaction. Against this backdrop, LEONI AG will, probably at the end of 2022 or in early 2023, carry out a combination of a capital increase from authorised capital and issue of a mandatory convertible bond, which will involve issuing shares or rights and obligations to purchase shares in an amount of up to 50 percent of its share capital (equity transaction). The refinancing plan is otherwise subject to agreement on the detailed documentation of

the refinancing conditions as the well as the consent of the boards of the financing partners involved and of LEONI AG's Supervisory Board. Furthermore, the creditors of the borrower's note loans that LEONI has issued must be consulted on the extension structure agreed with the syndicate banks. As long as the refinancing plan is not contractually realised, the various closing conditions for the sale of Business Group Automotive Cable Solutions (BG AM) have not yet been fulfilled and the LEONI Group's financing partners have not yet granted their consent, there continues to 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 rates the prospects of success of measures launched and planned, especially to overcome the fallout from the Covid-19 pandemic as well as the Ukraine war and the underlying conditions changed thereby (semiconductor shortage, delays in parts supply from China, persisting volatility in customer call-offs, increased raw material and transport prices) and the financing risk at the end of 2022, based on information currently available and considering the described challenges with respect to business performance, LEONI's liquidity situation as well as continuation of its business activity, as given with overwhelming probability.

Outlook

Economic conditions

- The International Monetary Fund (IMF) has lowered is projection of 2022 global economic growth to 3.2 percent (World Economic Outlook, July 2022, April forecast: 3.6 percent); GDP growth in industrialised countries probably at 2.5 percent, in emerging and developing countries at 3.6 percent; outlook marked by exceptionally great uncertainty; IMF says potential risks stemming above all from spread of the Ukraine war and reciprocal sanctions, persisting lockdowns in China, new infectious Covid-19 variants as well as rising raw material and energy prices
- On 20 June 2022, the German Association of the Automotive Industry (VDA) revised its global market forecast downwards and now estimates a decrease in global car and light vehicle market volume by 1 percent to about 70 million units (previously 1 percent increase); sales in the United States probably down by 1 percent (previously up 2 percent) and in China, due to lockdowns, by down 2 percent (previously up 2 percent), for Europe the VDA projects a flat market because of supply difficulties (previously up 3 percent)
- IHS Global Insight says output of passenger cars and light commercial vehicles will increase by 4 percent worldwide in 2022, with the strongest growth in the Americas (up 12 percent) followed by EMEA (up 5 percent) and Asia (up 1 percent); still a disproportionately strong increase of 41 percent globally in output of vehicles with alternative drive systems; output of heavy commercial vehicles is likely to drop by 8 percent worldwide; growth in the Americas to be offset by decline in Asia and EMEA

The LEONI Group's business performance

- The Board of Directors still regards the LEONI Group as being exposed to an exceptionally volatile environment because of the persisting supply crisis involving semiconductors and other materials, strong inflationary tendencies as well as the still major uncertainties with respect above all to the Ukraine war. There likewise continue to be uncertainties due to coronavirus-impacted disruption of global supply chains and downtime in vehicle production as presently evident especially in China. The generally high and recently sharply fluctuating price of copper furthermore makes forecasting more difficult
- As an underlying macroeconomic condition, the war between Russia and Ukraine that broke out at the end of February 2022 presents an exceptionally high degree of uncertainty with respect to future business performance, which is why especially the financial fallout on fiscal 2022 still cannot be reliably quantified. In particular, the war between Russia and Ukraine, where LEONI operates production facilities in the western locations of Stryi and Kolomyia, can continue to result in losses of supply, output and sales. There is the risk of higher costs and further loss of assets as a consequence, for instance, of destruction or due to disruption of international payments. This could continue to exert a negative effect on our financial, asset and earnings situation. We refer to our Combined Management Report on fiscal 2021 for further explanations

- The forecasting ability therefore remains significantly impaired at present and the forecast issued in our Combined Management Report on fiscal 2021 remains unchanged. This covers the present scope of consolidation and therefore both continuing operations and discontinued operations. The Board of Directors is continuously watching especially the sector-specific trend, such as the production planning of the carmakers, as well as the situation and the course of the war in Ukraine and will issue a new forecast as soon as a sufficiently stable trend is foreseeable

Condensed interim consolidated financial statements

for the period from 1 January to 30 June 2022

Consolidated income statement

€ '000, except information on shares

	Q2 2022	Q2 2021	H1 2022	H1 2021
Sales	933,429	1,019,793	1,886,241	2,096,410
Cost of sales	(833,070)	(879,577)	(1,715,414)	(1,808,021)
Gross profit on sales	**100,359**	**140,216**	**170,827**	**288,389**
Selling expenses	(33,969)	(46,848)	(71,572)	(101,459)
General and administration expenses	(63,578)	(68,169)	(136,875)	(130,803)
Research and development expenses	(33,087)	(31,524)	(69,401)	(64,497)
Other operating income	25,433	3,699	149.763	33,178
Other operating expenses	(12,290)	(8,612)	(13,401)	(22,656)
Result from associated companies and joint ventures	11,205	10,728	14,528	20,352
EBIT	**(5,927)**	**(510)**	**43,869**	**22,504**
Finance revenue	405	(503)	676	(156)
Finance costs	(13,395)	(13,404)	(27,554)	(26,887)
Other income / expenses relating to equity investments	0	0	0	105
Income before taxes	**(18,917)**	**(14,417)**	**16,991**	**(4,434)**
Income taxes	(31,883)	(12,447)	(35,433)	(18,970)
Income after taxes of continuing operations	**(50,800)**	**(26,864)**	**(18,442)**	**(23,404)**
Income after taxes of discontinued operations	3,452	18,256	18,374	42,580
Consolidated net loss / income	**(47,348)**	**(8,608)**	**(68)**	**19,176**
due to: holders of equity in the parent company	(47,410)	(8,740)	(289)	18,889
non-controlling interests	62	132	221	287
Earnings per share in € (basic and diluted)				
from continuing operations	(1.55)	(0.82)	(0.56)	(0.72)
from discontinued operations	0.11	0.56	0.56	1.30
Weighted average no. of shares outstanding (basic and diluted)	32,669,000	32,669,000	32,669,000	32,669,000

After the sale of the business encompassing automotive standard and special cables pooled in Business Group Automotive Cable Solutions (BG AM) agreed in May 2022, this unit is carried as of this interim report as a discontinued operations in the Group's reporting; continuing operations comprise principally that of the Wiring Systems Division; the previous year's figures were adjusted accordingly.

Consolidated statement of comprehensive income

(€ '000)

	Q2 2022	Q2 2021	H1 2022	H1 2021
Consolidated net loss / income	**(47,348)**	**(8,608)**	**(68)**	**19,176**
Other comprehensive income **Items that cannot be reclassified to the income statement:**				
Actuarial gains or losses on defined benefit plans	20,649	8,249	39,965	30,399
Income taxes applying to items of other comprehensive income that are not reclassified	(3,572)	(1,640)	(3,435)	(2,235)
Items that can be reclassified to the income statement:				
Cumulative translation adjustments				
Gains / losses arising during the period	(4,269)	5,614	(3,115)	9,156
Less reclassification adjustments included in the income statement	(48)	0	(9,048)	(36,358)
Total cumulative translation adjustments	(4,317)	5,614	(12,163)	(27,202)
Cash flow hedges				
Gains / losses arising during the period	5,888	5,027	10,890	3,872
Less reclassification adjustments included in the income statement	2,040	(2,847)	963	(4,413)
Total cash flow hedges	7,928	2,180	11,853	(541)
Parts of the items that can be reclassified to the income statement, which pertain to associates and joint ventures	86	(480)	724	1,217
Income taxes applying to items of other comprehensive income that are reclassified	467	(216)	(1,098)	509
Other comprehensive income (after taxes)	**21,241**	**13,707**	**35,846**	**2,147**
Total comprehensive income	**(26,107)**	**5,099**	**35,778**	**21,323**
due to: holders of equity in the parent company	(26,169)	4,967	35,557	21,038
non-controlling interests	62	132	221	285

Consolidated statement of financial position

(€ '000)

ASSETS	30/06/2022	31/12/2021	30/06/2021
Cash and cash equivalents	171,717	164,635 [1]	203,773 [1]
Trade accounts receivable	319,196	392,718	453,477
Other current financial assets	76,126	91,073 [1]	87,029 [1]
Other current assets	166,790	133,757	189,137
Receivables from income taxes	10,486	15,458	6,968
Inventories	357,789	470,015	541,420
Contract assets	144,138	111,636	133,438
Assets held for sale	826,903	415,043	353,534
Total current assets	2,073,145	1,794,335	1,968,776
Property, plant and equipment	910,763	1,271,416	1,265,625
Intangible assets	29,042	38,147	44,009
Goodwill	68,722	68,722	70,908
Shares in associated companies and joint ventures	25,836	53,416	31,069
Contract assets	70,750	69,485	84,268
Other non-current financial assets	12,775	13,595	8,653
Deferred taxes	36,771	54,515	68,097
Other non-current assets	87,809	85,479	90,374
Total non-current assets	1,242,468	1,654,775	1,663,003
Total ASSETS	**3,315,613**	**3,449,110**	**3,631,779**

EQUITY AND LIABILITIES	30/06/2022	31/12/2021	30/06/2021
Current financial debts and current proportion of long-term financial debts	1,028,735	579,679	96,127
Trade accounts payable	570,391	739,919	787,720
Current financial liabilities	30,059	67,934	39,107
Income taxes payable	19,284	24,691	27,275
Other current liabilities	220,447	207,498	212,558
Provisions	56,592	67,326	71,588
Liabilities held for sale	431,680	260,761	244,352
Total current liabilities	2,357,188	1,947,808	1,478,727
Long-term financial debts	511,233	1,018,837	1,574,794
Long-term financial liabilities	17,133	9,396	16,422
Other non-current liabilities	16,024	15,774	13,545
Pension provisions	71,567	123,223	128,254
Other provisions	56,794	76,305	109,307
Deferred taxes	22,141	28,355	23,442
Total non-current liabilities	694,892	1,271,890	1,865,764
Share capital	32,669	32,669	32,669
Contingent capital of € 6,534 k (previous year: € 6,534 k)			
Additional paid-in capital	290,887	290,887	290,887
Retained earnings	(5,719)	(5,430)	61,181
Accumulated other comprehensive income	(54,304)	(90,150)	(99,266)
Holders of equity in the parent company	263,533	227,976	285,471
Non-controlling interests	0	1,436	1,817
Total equity	263,533	229,412	287,288
Total EQUITY and LIABILITIES	**3,315,613**	**3,449,110**	**3,631,779**

[1] Prior-year figure adjusted due to reclassification of bank accounts pledged to factoring partners in the amount of € 5,459 k and € 5,822 k, respectively

Consolidated statement of cash flows

(€ '000)

	Q2 2022	Q2 2021	H1 2022	H1 2021
Income after taxes of continuing operations	(50,800)	(26,864)	(18,442)	(23,404)
Adjustments to reconcile cash provided by operating activities:				
Income taxes	31,877	12,431	35,426	18,905
Net interest	13,229	12,665	25,892	25,665
Dividend income	0	0	0	(105)
Depreciation and amortisation	35,509	42,831	76,911	90,918
Impairment of non-current assets and of assets held for sale	5,240	(3,311)	14,011	4,078
Non-cash result relating to associates and joint ventures	(11,205)	(10,728)	(14,528)	(20,352)
Result of asset disposals	(4,564)	672	(7,467)	860
Effect of deconsolidation	2,479	9,935	(122,680)	(21,680)
Change in operating assets and liabilities				
Change in receivables and other financial assets	(38,847)	87,663 [1]	(56,631)	(6,133) [1]
Change in inventories	(15,255)	(30,692)	(75,298)	(98,001)
Change in other assets	(55,023)	(42,164)	(94,286)	(49,844)
Change in restructuring provisions	(1,121)	(1,074)	(623)	(12,253)
Change in other provisions	(8,576)	(3,182)	(15,649)	(6,445)
Change in liabilities	(24,760)	(55,379)	96,933	29,115
Income taxes paid	(11,086)	(8,063)	(17,141)	(4,319)
Dividends received	21,566	20,665	21,566	20,770
Cash flows from operating activities of continuing operations	**(61,817)**	**5,405**	**(152,006)**	**(39,959)**
Cash flows from operating activities of discontinued operations	(16,255)	17,293	(55,667)	(145)
Cash flows from operating activities	**(78,072)**	**22,698** [1]	**(207,673)**	**(40,104)** [1]
Capital expenditure on intangible assets	(2,409)	(725)	(8,344)	(3,927)
Capital expenditure on property, plant and equipment	(28,499)	(26,442)	(60,174)	(61,023)
Cash receipts from disposals of intangible assets	0	0	0	20
Cash receipts from disposals of tangible assets	1,960	24	5,634	364
Cash receipts from disposals of other financial assets	1	0	2	1
Income from the disposal of a business operation / subsidiaries less cash and cash equivalents paid	(1,508)	469	276,533	7,566
due to: disposal proceeds € 315,485 k (previous year: € 15,207 k) due to: disposed cash and cash equivalents € 38,952 k (previous year: € 7,641 k)				
Cash flows from capital investment activities of continuing operations	**(30,455)**	**(26,674)**	**213,651**	**(56,999)**
Cash flows from capital investment activities of discontinued operations	(12,535)	(6,786)	(21,721)	(13,644)
Cash flows from capital investment activities	**(42,990)**	**(33,460)**	**191,930**	**(70,643)**

Consolidated statement cash flows continued next page

[1] Prior-year figure adjusted due to reclassification of bank accounts pledged to factoring partners in the amount of € 773 k (H1) and € 363 k (Q2)

Consolidated statement of cash flows - *continued*

(€ '000)

Cash receipts from acceptance of financial debts	69,979	71,898	136,256	193,489
Cash repayments of financial debts	(17,998)	(12,572)	(82,378)	(35,346)
Interest paid	(4,090)	(11,697)	(17,473)	(21,827)
Interest received	526	296	760	410
Cash flows from financing activities of continuing operations	**48,417**	**47,925**	**37,165**	**136,726**
Cash flows from financing activities of discontinued operations	(2,750)	(4,874)	(1,267)	(7,470)
Cash flows from financing activities	**45,667**	**43,051**	**35,898**	**129,256**
Change in cash and cash equivalents	(75,395)	32,289 [1]	20,155	18,509 [1]
Currency adjustments	7,123	477	8,090	3,448
Cash and cash equivalents at beginning of period	268,429	180,084	171,912	190,893
of which carried on the balance sheet under the item 'Assets held for sale'	*2,636*	*0*	*7,277*	*8,453*
of which carried on the balance sheet under the item 'Cash and cash equivalents'	*265,793*	*180,084*	*164,635*	*182,440*
Cash and cash equivalents at end of period	200,157	212,850 [1]	200,157	212,850 [1]
of which carried on the balance sheet under the item 'Assets held for sale'	*28,440*	*9,077*	*28,440*	*9,077*
of which carried on the balance sheet under the item 'Cash and cash equivalents'	*171,717*	*203,773* [1]	*171,717*	*203,773* [1]

After the sale of the business encompassing automotive standard and special cables pooled in Business Group Automotive Cable Solutions (BG AM) agreed in May 2022, this unit is carried as of this interim report as a discontinued operations in the Group's reporting; continuing business comprises principally that of the Wiring Systems Division; the previous year's figures were adjusted accordingly.

[1] Prior-year figure adjusted due to reclassification of bank accounts pledged to factoring partners in the amount of € 773 k (H1) and € 363 k (Q2)

Consolidated statement of changes in equity

(€ '000)

				Accumulated other comprehensive income					
	Share capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Cash flow hedges	Actuarial gains and losses	Equity attributable to shareholders in the parent company	Non-controlling interests	Total
01/01/2021	**32,669**	**290,887**	**42,292**	**46,955**	**3,014**	**(151,384)**	**264,433**	**1,532**	**265,965**
Consolidated net income			18,889				18,889	287	19,176
Other comprehensive income				(25,983)	(32)	28,164	2,149	(2)	2,147
Total comprehensive income							21,038	285	21,323
Disposal of non-controlling interests								0	0
30/06/2021	**32,669**	**290,887**	**61,181**	**20,972**	**2,982**	**(123,220)**	**285,471**	**1,817**	**287,288**
01/01/2022	**32,669**	**290,887**	**(5,430)**	**29,718**	**(763)**	**(119,105)**	**227,976**	**1,436**	**229,412**
Consolidated net loss			(289)				(289)	221	(68)
Other comprehensive income				(11,439)	10,755	36,530	35,846	0	35,846
Total comprehensive income							35,557	221	35,778
Disposal of non-controlling interests								(1,657)	(1,657)
30/06/2022	**32,669**	**290,887**	**(5,719)**	**18,279**	**9,992**	**(82,575)**	**263,533**	**0**	**263,533**

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

for the period from 1 January to 30 June 2022

Principles

These interim financial statements were, in accordance with the International Accounting Standard IAS 34, Interim Financial Reporting as it is to be applied within the European Union, prepared as a condensed interim report. These financial statements do not include all the disclosures and information required for annual consolidated financial statements and are therefore related to the consolidated financial statements as of 31 December 2021. LEONI prepares and publishes its condensed interim consolidated financial statements in euro (€). The presented condensed interim consolidated financial statements and interim group management report as of 30 June 2022 were subjected to a review by the auditors. The quarterly information presented in these interim consolidated financial statements is supplemental and has not been subject to a review by the auditors.

The risks that may have a materially negative impact on our business situation, our earnings, financial and asset situation, the key opportunities and the structure of our risk and opportunity management system are presented in our Annual Report 2021.

The risk mitigating measures to ensure medium-term liquidity have been applied as planned since 2020; the draft restructuring plan in line with the IDW S 6 auditing standard, updated in the second quarter of 2022, assumes that LEONI will be fully financed with overwhelming probability provided refinancing is successful. Unforeseeable developments, particularly in connection with the Covid-19 pandemic as well as the war in Ukraine and the underlying conditions thereby changed (shortage of semiconductors, delays in parts supply from China, persisting volatility in customer call-offs, increased raw material and transport prices), could lead to further falling short of our budget and medium-term planning. If such developments went far beyond the planning assumptions or other negative effects on liquidity simultaneously occur, they could present an existence-threatening liquidity risk as defined by Section 322 (2) sentence 3 of the German Commercial Code (HGB). The Board of Directors has, alongside measures included in the restructuring plan, initiated other operational measures to improve profitability and liquidity especially in connection with the risks stemming from the war in Ukraine (duplication of production in other countries and cost absorption by customers) and is monitoring these regularly. In addition, the Board of Directors has initiated measures, particularly with the (partial) disposals of WCS that have either been completed, already agreed or planned, which are intended to improve liquidity and establish ability to refinance in the short and medium term. Given the maturity of major loans, there will be a need to refinance by the end of 2022 at the latest. In July 2022, LEONI AG reached an agreement in principle with its syndicate banks on a refinancing plan intended to ensure the Company’s financing beyond 2022. Against this backdrop, LEONI AG will, probably at the end of 2022 or in early 2023, carry out a combination of a capital increase from authorised capital and issue of a mandatory convertible bond, which will involve issuing shares or rights and -obligations to purchase shares in an amount of up to 50 percent of its share capital (c.f. Note 16, Events after the balance sheet date, for more detail). As long as the refinancing plan is not contractually realised, the various closing conditions for the sale of Business Group Automotive Cable Solutions (BG AM) have not yet been fulfilled and the LEONI Group’s financing partners have not yet granted their consent, there continues to 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 rates the prospects of success of measures launched and planned, especially to overcome the fallout from the Covid-19 pandemic as well as the war in Ukraine and the underlying conditions (semiconductor crisis, delays in parts supply from China, persisting volatility in customer call-offs, increased raw material and transport prices) and the financing risk at the end of 2022, based on information currently available and considering the described challenges with respect to business performance, LEONI’s liquidity situation as well as continuation of its business activity, as given with overwhelming probability (c.f. the interim group management report 2022, risk and opportunity report for more detail).

On 23 May 2022, LEONI AG signed an agreement with Stark Corporation Public Company Limited on the sale of BG AM. The activities of BG AM are treated as discontinued operations and are presented accordingly on the statement of financial position, in the income statement and in the statement of cash flows.

The Board of Directors authorised release of the condensed interim consolidated financial statements on 3 August 2022.

1. Accounting policies and standards

The consolidation, valuation and accounting methods applied are in line with those in the 2021 consolidated financial statements, where they are described in the notes.

Allowances from customers for duplicating Ukrainian production capacity at other locations do not, because of their economic nature, fall under the accounting requirements of IFRS 15, Revenue from Contracts with Customers, but are rather carried in line with application of IAS 20. They are recognised when there is appropriate assurance that the related conditions are fulfilled and the allowances have been granted. Allowances that do not relate to investments are regularly recognised in profit or loss in the periods in which the corresponding expenses are incurred. Allowances relating to investments are deferred and recognised in profit or loss over the useful life of the corresponding assets. In both cases, income is recognised in the corresponding expense item. As of 30 June 2022, other current liabilities already included payments received from customers in the amount of € 41 million. By 30 June 2022, a net figure of € 12 million was recognised under production cost in the income statement.

As expected, the amendments presented in the 2021 consolidated financial statements to the accounting requirements under IFRS 3, Reference to the Conceptual Framework, IAS 37, Onerous Contracts – Cost of Fulfilling a Contract, IAS 16, Property, Plant and Equipment – Proceeds before Intended Use, and the annual improvements to the IFRSs of the years 2018-2020 did not have any impact on our financial reporting.

Beyond that, there is no obligation to apply changes in legislation or major standards for the first time for the 2022 financial year. Changes in details do not have a material impact on the condensed consolidated interim financial statements and are therefore not explained further.

The amendments to accounting requirements presented in the 2021 consolidated financial statements that must be applied for the first time to financial years beginning on or after 1 January 2023 will probably not have any impact on our financial reporting.

When preparing its condensed consolidated interim 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 entail could, however, in future periods cause major adjustment to the carrying amounts of the assets and liabilities concerned. Estimates and judgements based on the Covid-19 pandemic, the war in Ukraine as well as the still persisting semiconductor crisis are subject to the currently unforeseeable worldwide consequences of increased uncertainty. Unforeseeable developments, particularly in connection with the Covid-19 pandemic as well as the war in Ukraine and the underlying conditions (shortage of semiconductor, delays in parts supply from China, persisting volatility in customer call-offs, increased raw material and transport prices), could lead to further falling short of our planning. Along with a humanitarian disaster, the war of aggression in Ukraine is causing major political and economic upheaval that could likewise affect the uncertainty of judgements, estimates and assumptions. Spread of the Ukraine war and reciprocal sanctions, persisting lockdowns in China, new infectious Covid-19 variants as well as rising raw material and energy prices are potential risks that lead to extraordinarily great uncertainty. Fundamentally, our estimates and judgements are based on the assumption supported by the International Monetary Fund (IMF) that the pace of worldwide growth in 2022 can be expected to be slower than in the previous year. In July 2022, the IMF again lowered its projection of global economic growth. The Board of Directors still regards the LEONI Group as being exposed to an exceptionally volatile environment because of the persisting supply crisis involving semiconductors and other materials, strong inflationary tendencies as well as the still major uncertainties with respect above all to the Ukraine war. There likewise continue to be uncertainties due to coronavirus-impacted disruption of global supply chains and downtime in vehicle production as presently evident especially in China. The generally high and recently sharply fluctuating price of copper furthermore makes forecasting more difficult. As an underlying macroeconomic condition, the war between Russia and Ukraine that broke out at the end of February 2022 presents an exceptionally high degree of uncertainty with respect to future business performance, which is why especially the financial fallout on fiscal 2022 still cannot be reliably quantified. In particular, the war between Russia and Ukraine, where LEONI operates production facilities in the western locations of Stryi and Kolomyia, can continue to result in losses of supply, output and sales. There is the risk of higher costs and further loss of assets as a consequence, for instance, of destruction or due to disruption of international payments. This could continue to exert a negative effect on our financial, asset and earnings situation. We refer to our Annual Report 2021 for further explanations. The ability to project therefore remains substantially compromised at present and our forecast issued on 14 March 2022 remains unchanged. The Board of Directors is continuously watching especially the sector-specific trend, such as the production planning of the carmakers, as well as the situation and the course of the war in Ukraine and will issue a new forecast as soon as a sufficiently stable trend is foreseeable. The medium-term perspective taken is that there will be a further, gradual market recovery in 2023, driven particularly by growth in the electromobility sector. The Board of Directors expects the market to recover fully in the long term. We refer to our Annual Report 2021 for further explanations.

In summary, these factors could lead to unplanned losses of sales, unexpected impact on earnings and liquidity as well as to adverse effect on free cash flow. Impact 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.

The probable economic trend was considered based on the information available at the time in updating these estimates and judgements pertinent to preparing these condensed interim consolidated financial statements.

2. Scope of consolidation

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

The scope of consolidation changed during the period under report due to the sale of key parts of the industrial business pooled in Business Group Industrial Solutions (BG IN) of the Wire & Cable Solutions Division and the sale of the Fiber Optics companies. The number of consolidated subsidiaries consequently dropped from 72 to 58. Details in this regard are presented in the section below.

3. Disposals of subsidiaries, assets and liabilities held for sale as well as discontinued operations

The sale of key parts of the industrial business pooled in Business Group Industrial Solutions of the Wire & Cable Solutions Division to BizLink Holding Inc. was closed on 20 January 2022. With the completion of this sale, twelve affected subsidiaries were deconsolidated on their disposal as control over them also passed to the purchaser on this date. The consideration to be paid by the acquirer was € 313,996 k. From the sale, the Group recognised a gain totalling € 125,159 k, which is contained in other comprehensive income. This income includes an exchange gain in the amount of € 9,000 k, which at the time of deconsolidation was reclassified from other comprehensive income to the income statement.

The overview below shows the assets and liabilities disposed at the time of deconsolidation, including the effect on profit or loss recognised in the first half of 2022:

(€ '000)

	Deconsolidated upon disposal in 2022
Trade accounts receivable	192,293
Inventories	122,625
Other current assets	11,654
Property, plant and equipment	133,209
Intangible assets	14,250
Goodwill	54,358
Other non-current assets	10,234
Cash and cash equivalents	35,955
Deconsolidated assets	**574,577**
Financial debt	199,529
Trade accounts payable	93,217
Other current liabilities	37,210
Provisions	40,964
Other non-current liabilities	5,819
Deconsolidated liabilities	**376,740**
Net assets	**197,837**
Consideration received	313,996
Deconsolidated net assets	(197,837)
Deconsolidated OCI	9,000
Net effect	**125,159**

LEONI disposed of the LEONI Fiber Optics GmbH, LEONI Fiber Optics, Inc. and j-plasma GmbH companies, which were allocated to the Wire & Cable Solutions Division, upon closing of their sale on 30 April 2022. The subsidiaries were deconsolidated on the day of their disposal as control over them also passed to the purchaser on this date. The consideration to be paid by the purchaser was € 1,489 k and included a purchase price claim in the amount of € 1,101 k based on a contractually agreed earn-out clause. The Group recognised a loss totalling € 2,479 k due to the sale. The loss included an opposing exchange gain in the amount of € 48 k, which at the time of deconsolidation was reclassified from other comprehensive income to the income statement and is presented as part of the overall loss on the transaction under other operating expense.

The overview below shows the assets and liabilities disposed at the time of deconsolidation, including the effect on profit or loss recognised in the first half of 2022:

(€ '000)

	Deconsolidated upon disposal in 2022
Trade accounts receivable	7,481
Inventories	12,586
Other current assets	1,469
Property, plant and equipment	8,987
Intangible assets	609
Other non-current assets	1,314
Cash and cash equivalents	2,997
Deconsolidated assets	**35,444**
Financial debt	7,200
Trade accounts payable	8,147
Other current liabilities	13,306
Provisions	2,418
Other non-current liabilities	356
Deconsolidated liabilities	**31,428**
Net assets	**4,016**
Consideration received	1,489
Deconsolidated net assets	(4,016)
Deconsolidated OCI	48
Net effect	**(2,479)**

A binding agreement on the sale of j-fiber GmbH, which is allocated to the Wire & Cable Solutions Division, was signed in May 2022. Completion of the sale is scheduled for the 3rd quarter of 2022, but is still subject to various closing conditions such as the approval of the antitrust authorities.

Upon fulfilment of the criteria, the assets and liabilities will be presented as held for sale; they amounted to € 13,264 k and € 4,762 k, respectively, on 30 June 2022. Furthermore, based on an impairment test, a write-down on the assets held for sale was recognised in the amount of € 5,599 k, which is included in other operating expenses, meaning that the assets held for sale amounted to € 2,903 k as of 30 June 2022. The overview below presents the carrying amounts of the principal groups:

(€ '000)	**30/06/2022**

Trade accounts receivable	3,001
Inventories	3,234
Other current assets	786
Property, plant and equipment	2,812
Intangible assets	0
Goodwill	0
Other non-current assets	3,431
Assets held for sale	**13,264**
Current financial debt	484
Trade accounts payable	1,226
Other current liabilities	268
Short-term provisions	33
Long-term financial debt	2,338
Other non-current liabilities	29
Current provisions	384
Liabilities held for sale	**4,762**
Net assets held for sale	**8,502**
Impairment	(5,599)
Net held-for-sale assets presented on the consolidated balance sheet	**2,903**

In May 2022, LEONI announced the sale of Business Group Automotive Cable Solutions, which is allocated to the Wire & Cable Solutions Division. The criteria for classification as held for sale were met from the end of May 2022 upon signing of the sale agreement with the strategic investor STARK Corporation Public Company Limited. As the business unit being sold is a significant one for LEONI, it will accordingly be classified as a discontinued operation. LEONI considers it highly likely that the sale will be completed in the course of fiscal 2022.

LEONI has measured the business encompassing automotive standard and special cables that is pooled in discontinued operations at a carrying amount that is below the fair value less cost to sell. Upon classification as held for sale, the scheduled depreciation of assets within discontinued operations was suspended. The earnings and cash flows of BG AM are comparably presented in the consolidated income statement and the consolidated statement of cash flows as a discontinued operations for all reported periods.

Income statement of discontinued operations

(€ '000)

	Q2		H1	
	2022	2021	2022	2021
Sales	318,119	276,221	626,968	552,667
Cost of sales	(282,648)	(226,334)	(547,646)	(450,368)
Gross profit on sales	**35,471**	**49,887**	**79,322**	**102,299**
Selling expenses	(14,019)	(12,259)	(27,722)	(24,919)
General and administration expenses	(13,463)	(13,776)	(25,390)	(28,123)
Research and development expenses	(1,161)	(1,092)	(2,521)	(3,232)
Other operating income	(1,752)	3,357	6,361	8,316
Other operating expenses	(707)	(423)	(734)	(788)
EBIT	**4,369**	**25,694**	**29,316**	**53,552**
Finance revenue	98	182	218	996
Finance costs	(3,178)	(3,005)	(6,257)	(5,666)
Income before taxes	**1,289**	**22,871**	**23,277**	**48,881**
Income taxes	2,162	(4,615)	(4,903)	(6,302)
Income after taxes from discontinued operations	**3,450**	**18,256**	**18,374**	**42,580**

Upon elimination of the performance relationships stemming from the transactions between BG AM and the Group's continuing operations, the elimination entries were allocated in full to discontinued operations.

In the six months to 30 June 2022, the accumulated income pertaining to discontinued operations and recognised in other income amounted to € 26,099 k.

Upon fulfilment of the criteria, the assets and liabilities of discontinued operations will be presented as held for sale and amounted to € 819,237 k and € 426,918 k, respectively, on 30 June 2022. The overview below presents the carrying amounts of the principal groups:

(€ '000)

	30/06/2022
Trade accounts receivable	157,251
Inventories	215,861
Other current assets	74,909
Property, plant and equipment	352,759
Intangible assets	9,056
Other non-current assets	9,401
Assets held for sale	**819,237**
Current financial debt	93,100
Trade accounts payable	238,538
Other current liabilities	37,107
Short-term provisions	2,498
Long-term financial debt	25,483
Other non-current liabilities	7,995
Current provisions	22,197
Liabilities held for sale	**426,918**
Net held-for-sale assets presented on the consolidated balance sheet	**392,319**

BG AM was financed in the first half of 2022 with cash inflow from within the Group amounting to € 88,233 k. For the most part, continuing operations took out external loans for this intra-group financing of BG AM in the first half of 2022, which are presented in cash flows from financing activities of continuing operations.

Explanations

4. Segment information

The Group has two segments subject to reporting. Detailed information on the segments is contained in the interim group management report as of 30 June 2022 as well as the Group management report for the 2021 financial year. The reporting of operating results to the responsible corporate board continues to be based on the two divisions, WSD and WCS, regardless of BG AM being classified as a discontinued operation. Segment information as of 30 June 2022 consequently continues to be presented on the basis of both of these segments.

The proceeds of € 50 million from the internal sale of the umbrella brand to the Group parent company were consolidated at Group level. The income from the sale of BG IN was assigned to the WCS segment.

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

€ '000, employees excluded

	Q2			H1		
	2022	**2021**	**Change (%)**	**2022**	**2021**	**Change (%)**
Wiring Systems						
Gross sales	878,728	815,738	7.7%	1,734,746	1,661,178	4.4%
less intersegment sales	90	197	(54.1)%	263	315	(16.5)%
External sales (sales to third parties)	878,637	815,541	7.7%	1,734,484	1,660,863	4.4%
EBIT	4,862	(1,172)	> 100.0 %	(67,644)	(19,498)	> (100.0)%
as a percentage of external sales	0.6%	(0.1)%	---	(3.9)%	(1.2)%	---
EBIT before exceptional items	10,596	3,611	> 100.0 %	(31,123)	(9,772)	> (100.0)%
as a percentage of external sales	1.2%	0.4%	---	-1.8%	-0.6%	---
Employees	90,470	93,790	(3.5)%	90,470	93,790	(3.5)%
Wire & Cable Solutions						
Gross sales	438,084	544,408	(19.5)%	910,327	1,115,719	(18.4)%
less intersegment sales	65,174	63,935	1.9%	131,601	127,505	3.2%
External sales (sales to third parties)	372,911	480,473	(22.4)%	778,726	988,214	(21.2)%
of which continuing operations	54,792	204,251	(73.2)%	151,757	435,547	(65.2)%
EBIT	43,329	26,568	63.1%	189,662	95,130	99.4%
of which continuing operations	38,960	874	> 100.0 %	160,346	41,578	> 100.0%
as a percentage of external sales	11.6%	5.5%	---	24.4%	9.6%	---
EBIT before exceptional items	8,439	35,401	(76.2)%	31,929	76,676	(58.4)%
of which of continuing operations	2,853	9,571	(70.2)%	(502)	22,304	> (100.0)%
as a percentage of external sales	2.3%	7.4%	---	4.1%	7.8%	---
Employees	4,079	7,728	(47.2)%	4,079	7,728	(47.2)%
Consolidation / LEONI AG						
Gross sales	(65,264)	(64,132)	(1.8)%	(131,864)	(127,820)	(3.2)%
less intersegment sales	65,264	64,132	1.8%	131,864	127,820	3.2%
External sales (sales to third parties)	---	---	---	---	---	---
EBIT	(49,748)	(212)	---	(48,832)	425	---
EBIT before exceptional items	251	(212)	---	1,170	425	---
Employees	212	216	(1.9)%	212	216	(1.9)%
Group						
Gross sales	1,251,548	1,296,014	(3.4)%	2,513,209	2,649,077	(5.1)%
less intersegment sales	---	---	---	---	---	---
External sales (sales to third parties)	1,251,548	1,296,014	(3.4)%	2,513,209	2,649,077	(5.1)%
of which of continuing operations	933,429	1,019,793	(8.5)%	1,886,241	2,096,410	(10.0)%
EBIT	(1,557)	25,184	> (100.0)%	73,185	76,056	(3.8)%
of which of continuing operations	(5,927)	(510)	> (100.0)%	43,869	22,504	94.9%
EBIT as a percentage of external sales	(0.1)%	1.9%	---	2.9%	2.9%	---
EBIT before exceptional items	19,286	38,800	(50.3)%	1,976	67,329	(97.1)%
of which continuing operations	13,700	13,182	3.9 %	(30,458)	12,956	> (100.0)%
as a percentage of external sales	1.5%	3.0%	---	0.1%	2.5%	---
Employees	94,761	101,734	(6.9)%	94,761	101,734	(6.9)%

5. Sales

(€ '000)

Group	**H1/2022**	**H1/2021**
Transfer at a point in time	819,923	973,167
Transfer over a period of time	1,066,319	1,123,243
of which development services	20,464	17,937
of which customised products	1,045,855	1,105,306
Sales	**1,886,241**	**2.096,410**

Wiring Systems	**H1/2022**	**H1/2021**
Transfer at a point in time	668,165	537,620
Transfer over a period of time	1,066,319	1,123,243
of which development services	20,464	17,937
of which customised products	1,045,855	1,105,306
Sales	**1,734,484**	**1,660,863**

Wire & Cable Solutions	**H1/2022**	**H1/2021**
Transfer at a point in time	151,757	435,547
Sales	**151,757**	**435,547**

Six-month sales from continuing operations came to € 1,886 million (previous year: € 2,096 million) and were thus 10 percent down from the previous year.

The Wire & Cable Solutions Division's sales of the first half of 2021 include the sales of units that were sold in early 2022. The Wiring Systems Division's growth partially offset the resulting sales reduction in the current year. The BG AM discontinued operations generated sales of € 627 million in the first half (previous year: € 553 million), which were fully realised at a certain point in time.

6. Earnings before interest and taxes (EBIT)

The earnings before interest and taxes from continuing operations rose from € 23 million in the first half of the previous year (the information hereinafter described as 'previous year' in each case refers to the first half of the previous year) to € 44 million in the first half of 2022. Particularly the gain on disposal of BG IN in the amount of € 125 million contributed to the positive result before interest and taxes. EBIT from continuing operations adjusted for exceptional items (c.f. interim group management report for more detail) dropped by € 43 million to a loss of € 30 million (previous year: earnings of € 13 million). Key factors included particularly the pro-rata absence of the profit contribution from BG IN, which in the previous year had still been considered with the six-month period as opposed to with just a month in the current financial year, as well as heavy pressure due to increased raw material and logistics costs, which could not yet be fully passed on to customers.

The cost of sales due to continuing operations dropped by 5 percent in the first half of 2022 and thus by disproportionately less than sales. The decrease is attributable mainly to the absence of the pro-rata cost of sales of BG IN and LEONI Schweiz AG. Among other factors, higher expenses for materials and impairments of assets in the amount of € 19 million in connection with the war in Ukraine exerted an opposing effect. Gross profit on sales diminished from € 288 million to € 171 million.

Selling expenses dropped by € 30 million to € 72 million due, among other factors, to the pro-rata absence of BG IN and LEONI Schweiz AG as well as lower impairment charges. General and administration expenses increased by 5 percent to € 137 million in the first six months, which is attributable mainly to higher IT expenses, costs related to the WCS carve-out as well as restructuring charges. This was offset principally by the pro-rata absence of BG IN. Research and development expenses rose by € 5 million to € 69 million. There was an increase in other operating income by € 117 million to € 150 million, with the gain of € 125 million on disposal of BG IN being the principal factor. In the same period of the previous year, this included proceeds from the sale of LEONI Schweiz AG, among other things. Other operating expenses decreased by € 9 million to € 13 million due especially to currency-related effects. On the other hand, this item includes an impairment charge of € 6 million related to the portfolio measures with respect to j-fiber GmbH. In the previous year, this item also accounted for the loss on disposal of LEONI Kerpen GmbH's Data Communication and Compound business units amounting to € 9 million. Income from associated companies and joint ventures, which stemmed principally from our joint venture in Langfang, China, dropped from € 20 million in 2021 to € 15 million in the first half of 2022. The reasons for this include curtailed production at our joint venture in China in the first quarter of 2022 because of the coronavirus pandemic.

7. Income taxes

The reported income taxes of € 35,433 k (previous year: € 18;970 k) comprised current tax expense of € 23,547 k (previous year: € 26,958 k) and deferred tax expense of € 11,886 k (previous year: tax income of € 7,988 k) that was attributable to differences in balance sheet items as well as the change to loss carryforwards and valuation allowances on deferred tax assets.

The tax rate was 209 percent (previous year: negative 428 percent). This rate was attributable principally to not having recognised deferred tax assets against current losses as well as forming valuation allowances on deferred tax assets for loss carryforwards and differences in balance sheet items. Due to the intended sale of BG AM and the consequent exit of a Group company from the tax group in the United States, valuation allowances on deferred taxes were raised by € 12,623 k in the case of this company. By contrast, the disposal of BG IN generated a largely tax-free gain.

8. Leases

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

(€ ‘000)

	Land, leasehold rights and buildings	Technical equipment, plant and machinery	Other equipment, factory and office equipment	Total
Net carrying amount on 1 January 2021	**239,522**	**19,667**	**12,497**	**271,686**
Acquisition costs on 1 January 2021	**297,406**	**28,747**	**22,425**	**348,578**
Currency differences	5,512	725	191	**6,428**
Additions	16,646	1,491	2,995	**21,132**
Reclassification to assets held for sale	35,461	907	2,939	**39,307**
Disposals	6,967	432	2,290	**9,689**
30 June 2021	**348,058**	**31,438**	**26,260**	**327,142**
Accumulated depreciation on 1 January 2021	**57,884**	**9,080**	**9,928**	**76,892**
Currency differences	1,253	256	65	**1,574**
Increase in depreciation	17,264	3,123	3,461	**23,848**
Increase in impairment	0	0	0	**0**
Reclassification to assets held for sale	9,887	377	1,411	**11,675**
Disposals	3,815	462	2,258	**6,535**
30 June 2021	**82,473**	**12,374**	**12,607**	**84,104**
Net carrying amount on 30 June 2021	**265,585**	**19,064**	**13,653**	**243,038**
Net carrying amount on 1 January 2022	**220,186**	**15,788**	**8,612**	**244,586**
Acquisition costs on 1 January 2022	**297,331**	**30,729**	**20,610**	**348,670**
Currency differences	8,281	274	187	**8,742**
Additions	12,259	370	1,889	**14,518**
Deconsolidation	40,717	1,047	3,915	**45,679**
Reclassification to assets held for sale	(1,538)	349	1,951	**762**
Disposals	19,303	326	2,804	**22,433**
30 June 2022	**259,389**	**29,651**	**14,016**	**303,056**
Accumulated depreciation on 1 January 2021	**77,145**	**14,941**	**11,998**	**104,084**
Currency differences	2,648	145	110	**2,903**
Increase in depreciation	17,285	3,220	2,814	**23,319**
Increase in impairment	38	40	99	**177**
Deconsolidation	13,654	504	2.117	**16,275**
Reclassification to assets held for sale	(4,664)	173	1,322	**(3,169)**
Disposals	13,666	324	2,654	**16,644**
30 June 2022	**74,460**	**17,345**	**8,928**	**100,733**
Net carrying amount on 30 June 2022	**184,929**	**12,306**	**5,088**	**202,323**

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

(€ '000)

	2022
Carrying amount on 1 January	**248,554**
Additions	14,086
Deconsolidation	(29,745)
Reclassification to liabilities held for sale	(3,860)
Compounding	4,840
Repayment (amount paid including interest payment)	(30,806)
Carrying amount on 30 June	**203,069**
of which short-term	36,613
of which long-term	166,456

The decrease in rights of use as well as liabilities pertaining to leases was due mainly to the sale of key parts of the industrial business pooled in BG IN and the sale of the Fiber Optics companies as well as the reclassification of the assets and liabilities of BG AM and j-fiber GmbH to held for sale.

9. Pension provisions

Pension provisions as of 30 June 2022 amounted to € 71,567 k and were thus down by € 51,656 k or about 42 percent compared with the amount on 31 December 2021. Alongside the liabilities reclassified to held for sale in the amount of € 9 million, the reasons for this were the significantly increased discount rates of 3.85% (31/12/2021: 1.94%) in the United Kingdom and of 3.32% (31/12/2021: 1.23%) in Germany. There were furthermore opposing effects stemming from consideration of an uptrend in pensions and pension adjustments to be made in Germany as well as a reduction in plan assets due to diminished income from the investment portfolio.

10. Equity

During the Annual General Meeting on 24 May 2022, the Board of Directors was authorised to increase the Company's share capital by up to €16,334,500.00 on or before 23 May 2027 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 (Authorised Capital 2022). This authorisation can be used once or repeatedly, in full or in partial amounts. The new shares shall participate in profit from the beginning of the financial year in which they are issued. So far as legally permitted, the Board of Directors may, with the Supervisory Board's approval, deviate from this and from Section 60 (2) of the German Stock Corporation Act (AktG) by determining that new shares participate in the profit from the beginning of the financial year for which, at the time of their issue, no resolution on the use of the distributable profit has yet been taken at the Annual General Meeting. As a matter of principle, the new bearer shares must be offered to shareholders for subscription. The new shares can also be assumed by one or several banks or companies within the meaning of Art. 186 (5) sentence 1 of the German Public Companies Act (AktG) that have been appointed by the Management Board with the obligation to offer them to shareholders for subscription (indirect subscription right). The Board of Directors is, however, authorised, subject to approval of the Supervisory Board, to exclude subscription rights for shareholders.

11. Other obligations – contingent liabilities

In January 2022, searches were also conducted at facilities of the LEONI Group as part of investigations by the German Federal Cartel Office (BKartA) against various cable manufacturers and other sector-related companies. The reason for these investigations is the suspicion that cable manufacturers colluded on computing customary metal surcharges in Germany. LEONI is cooperating with the authorities and looking into the allegations. As the Cartel Office proceedings are still at a very early stage, it is not yet possible to issue any statement on their possible outcome. Overall, we reached the assessment after an evaluation based on the current status of the investigations that, although possible, a sentence requiring payment of a fine is unlikely.

12. Financial liabilities

The sum of current and non-current financial liabilities was € 1,539,968 k on 30 June 2022 (31/12/2021: € 1,598,516 k). The decrease is financial liabilities is attributable above all to the carve-out activities described above. In total, these yielded € 131 million in repayments. On the other hand, utilisation of an existing syndicate loan (RCF I with a total available amount of € 750 million and maturing mid-2023) rose by € 120 million to € 645 million. The available amount of this syndicate loan was € 105 million on 30 June 2022. Utilisation of the syndicate loan RCF II (with a fixed maturity date at the end of 2022) remained unchanged in the first half of 2022 at € 146 million, of which € 83 million pertains to discontinued operations and € 63 million to continuing operations. The available amount under this loan totalled € 21 million on 30 June 2022 and applies entirely to continuing operations. RCF III (with fixed maturity at the end of 2022) was used in the amount of € 324 million and therefore in full on 30 June 2022. This loan 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).

Because the credit lines used (RCF I – III) mature within the next 12 months, they have now been reported fully under current financial liabilities on the balance sheet as of 30 June 2022. As of 31 December 2021, the credit lines under RCF I were still presented under non-current financial liabilities because of their maturity. Given the maturity of major loans, there will be a need to refinance by the end of 2022 at the latest. In general, they are to be extended to the end of 2025. More detail on the refinancing plan is provided under Note 16, Events after the balance sheet date.

Financial liabilities as of 30 June 2022 also included borrower’s note loans in the amount of € 356 million. These are mostly due for repayment in the years 2023 and 2024. Borrower’s note loans in the amount of € 45 million were repaid in the first half of 2022. The borrower’s note loans are also likely to be subject of the refinancing plan.

Lease liabilities totalled € 203,068 k on 30 June 2022 (31/12/2021: € 248,554 k). Other lease liabilities in the amount of € 33,806 k are included for discontinued operations under the balance sheet item ‘Liabilities held for sale’.

13. Financial instruments

The tables below show the financial instruments held in the Group on 30 June 2022 and on 31 December 2021. The amounts presented in the ‘Carrying amount 30/06/2022’ column may deviate from those in other columns of a row because the other columns include all financial instruments, also those that are shown in separate balance sheet items as part of a disposal group or discontinued operations pursuant to IFRS 5. Further explanation in this regard can be found in Note 3 ‘Disposals of subsidiaries, assets and liabilities held for sale as well as discontinued operations’.

(€ ‘000)

	Measurement category pursuant to IFRS 9	Carrying amount 30/06/2022	Recognition pursuant to IFRS 9: Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss	Fair value 30/06/2022
Assets						
Cash and cash equivalents	AC	171,717	200,157			200,157
Trade accounts receivable	AC	227,164	387,416			387,416
Other financial receivables	AC	78,727	97,506			97,032
Financial assets held for sale	FVTPL	88,506			92,032	92,032
Other primary financial assets						
Investments	FVTPL	73			73	73
Derivative financial assets						
Derivatives without a hedging relationship	FVTPL	3,478			3,478	3,478
Derivatives with a hedging relationship	n/a	6,623		6,623	0	6,623
Liabilities						
Trade accounts payable	AC	570,391	810,155			810,155
Liabilities to banks	AC	980,649	1,068,248			1,068,143
Borrower’s note loans	AC	356,178	356,178			346,134
Other financial liabilities	AC	33,090	36,535			36,535
Lease liabilities	n/a	203,069	236,875			n/a
Derivative financial liabilities						
Derivatives without a hedging relationship	FVTPL	10,352			10,352	10,352
Derivatives with a hedging relationship	n/a	3,822		3,822		3,822
Of which aggregated by categories pursuant to IFRS 9:						
Financial assets at amortised cost	AC	685,079	685,079			685,079
Financial assets at fair value through profit or loss	FVTPL	92,057			95,583	95,583
Financial liabilities at amortised cost	AC	2,271,116	2,271,116			2,260,967
Financial liabilities at fair value through profit or loss	FVTPL	10,352			10,352	10,352

	Measurement category pursuant to IFRS 9	Carrying amount 31/12/2021	Recognition pursuant to IFRS 9: Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss	Fair value 31/12/2021
Assets						
Cash and cash equivalents	AC	164,635	171,912			171,912
Trade accounts receivable	AC	321,926	366,790			366,790
Other financial receivables	AC	100,299	106,508			106,508
Financial assets held for sale	FVTPL	70,792			70,792	70,792
Other primary financial assets						
Investments	FVTPL	73			73	73
Derivative financial assets						
Derivatives without a hedging relationship	FVTPL	1,524			1,524	1,524
Derivatives with a hedging relationship	n/a	2,771		2,771		2,771
Liabilities						
Trade accounts payable	AC	739,919	799,973			799,973
Liabilities to banks	AC	949,924	1,033,465			1,033,370
Borrower’s note loans	AC	399,967	399,967			389,790
Other financial liabilities	AC	62,142	65,422			65,422
Lease liabilities	n/a	248,554	278,500			n/a
Derivative financial liabilities						
Derivatives without a hedging relationship	FVTPL	10,647			10,647	10,647
Derivatives with a hedging relationship	n/a	4,613		4,613		4,613
Of which aggregated by categories pursuant to IFRS 9:						
Financial assets at amortised cost	AC	645,210	645,210			645,210
Financial assets at fair value through profit or loss	FVTPL	72,389			72,389	72,389
Financial liabilities at amortised cost	AC	2,298,827	2,298,827			2,288,555
Financial liabilities at fair value through profit or loss	FVTPL	10,647			10,647	10,647

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

The other financial assets did not include any bank deposits as of 30 June 2022 (31/12/2021: € 9,872 € k), which are pledged to factoring partners and are therefore not available to LEONI.

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

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

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

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

Valuation method to determine fair value

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

(€ '000)

30/06/2022	Prices quoted on active markets (level 1)	Valuation methods where all principal parameters are based on observable market data (level 2)	Valuation methods where all principal parameters are not based on observable market data (level 3)	Total
Assets measured at fair value				
Primary financial assets				
Financial assets held for sale		92,032		**92,032**
Investments			73	**73**
Derivative financial assets				
Derivatives without a hedging relationship		3,478		**3,478**
Derivatives with a hedging relationship		6,623		**6,623**
Liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship		10,352		**10,352**
Derivatives with a hedging relationship		3,822		**3,822**

31/12/2021	Prices quoted on active markets (level 1)	Valuation methods where all principal parameters are based on observable market data (level 2)	Valuation methods where all principal parameters are not based on observable market data (level 3)	Total
Assets measured at fair value				
Primary financial assets				
Financial assets held for sale		70,792		**70,792**
Investments			73	**73**
Derivative financial assets				
Derivatives without a hedging relationship	52	1,472		**1,524**
Derivatives with a hedging relationship		2,771		**2,771**
Liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship		10,647		**10,647**
Derivatives with a hedging relationship		4,613		**4,613**

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

14. Transactions with related parties

LEONI maintains relationships with associates and joint ventures as part of its ordinary business activities. This involves LEONI purchasing products and services on market terms. During the period under report, the Company generated income of € 7,951 k (previous year: € 8,780 k) from sales and providing services to associates and joint ventures. There were receivables from these companies in the amount of € 37,001 k (31/12/2021: € 13,983 k), which included dividends of € 21,566 k (31/12/2021: nil). LEONI generated the income and receivables mainly from its business relationship with its joint venture in Langfang, China. There was a loan receivable from an associated company in the amount of € 3,430 k (31/12/2021: € 3,453 k).

15. Board of Directors and Supervisory Board

LEONI AG augmented its Board of Directors effective 1 February 2022: Dr Ursula Biernert and Mr Ingo Spengler joined the Board as Chief Human Resources Officer (CHRO) as well as Labour Director and Chief Operations Officer (COO), respectively. On 27 January, it was also announced that Dr Harald Nippel was appointed Chief Financial Officer (CFO) effective 1 April 2022. He succeeded Ms Ingrid Jägering, who left LEONI effective 31 March 2022. A graduate industrial engineer, he already joined LEONI on 1 February to facilitate the best possible transition. Alongside stabilising the Company further and focussing on the automotive business, the newly constituted Board of Directors , will forge ahead with developing LEONI into a systems partner to its customers for the wiring system of the future.

In keeping with the stipulated cycle for new appointments, the Supervisory Board of LEONI AG elected Mr Klaus Rinnerberger as the new Chairman of the Supervisory Board during its constituent meeting on 25 May, thus replacing Dr Klaus Probst as Chairman of the Supervisory Board.

Five further members were newly elected to the Supervisory Board as shareholder representatives during LEONI AG's Annual General Meeting. As proposed, Günther Apfalter, Tom Graf, Dr Ulla Reisch, Karin Sonnenmoser and Dr Lorenz Zwingmann joined the Board. On the employee side, the following were newly elected to the Supervisory Board in elections within the Company: Martin Hering, Sina Maier, Angela Rappl and Carolin Geist.

16. Events after the balance sheet date

In July 2022, LEONI AG reached an agreement in principle with its syndicate banks on a refinancing plan intended to ensure the Company's financing beyond 2022. The plan provides for extending principally all financing instruments hitherto maturing from the end of 2022 to the end of 2025, thereby moderately increasing finance costs and adjusting them to a uniform level for all tranches. The net proceeds from the sale of BG AM of up € 442 million are to be used to repay financial liabilities. The four syndicate banks will furthermore be given the option of converting a major proportion of their loans beyond that and in an amount of probably € 132 million into equity instruments or in this respect to seek early repayment from the income from an equity transaction, whereby the LEONI Group's balance sheet would be reduced by this amount. The restructuring plan will thus reduce financial liabilities by a probable total of € 574 million. It is still subject to the consent of various corporate bodies. Furthermore, the creditors of the borrower's note loans that LEONI has issued must be consulted on the extension structure agreed with the syndicate banks. LEONI will not pay out any dividends until the restructured credit lines are repaid.

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

Nuremberg, 3 August 2022

The Board of Directors

Aldo Kamper   Dr Ursula Biernert   Dr Harald Nippel   Ingo Spengler

Responsibility statement

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

Nuremberg, 3 August 2022

The Board of Directors

Aldo Kamper   Dr Ursula Biernert   Dr Harald Nippel   Ingo Spengler

Review report

To LEONI AG, Nuremberg/Germany

We have reviewed the condensed interim consolidated financial statements of LEONI AG, Nuremberg – comprising the consolidated statement of profit and loss, the consolidated statement of comprehensive income for the period from 1 January to 30 June 2022, the consolidated balance for the period ended 30 June 2022, the consolidated statement of cash flows, the consolidated statement of changes in equity, and selected explanatory notes together with the interim group management report for the period from 1 January to 30 June 2022 of LEONI AG, Nuremberg, that are part of the half-year financial report pursuant to § 115 WpHG (Wertpapierhandelsgesetz: German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the executive directors. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Without modifying our opinion, we draw attention to section “Principles” in the notes to the condensed interim consolidated financial statements and to the risk reporting in the interim consolidated financial statements in the “Risk and Opportunity Report” section. Here, the executive directors describe uncertainties of the future business and liquidity development due to the Covid-19 pandemic and the war in Ukraine as well as the resulting changes in the overall business environment (in particular the shortage in semiconductors, delays in delivery of parts from China, continued volatility in customer demand, increased raw material and transport prices), as well as the expiry of significant parts of the current financing at the end of financial year 2022 as risks regarding the Group’s ability to continue as a going concern. To ensure refinancing at the end of the financial year 2022 and to ensure liquidity, the legal representatives emphasize that is necessary to contractually agree the refinancing concept, including to obtain all necessary approvals, to implement further planned measures, in particular the completion of the sale of the Automotive Cable Solutions business unit of the division Wire & Cable Solutions. As presented in the condensed interim consolidated financial statements and the interim group 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 risks regarding the Group’s ability to continue as a going concern within the meaning of section 322 (2) sentence 3 HGB.

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

Nuremberg, 3 August 2022

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

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

Notes regarding forward-looking statements

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

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

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

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

Financial calendar

Quarterly statement, 3rd quarter 2022	15 November 2022

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