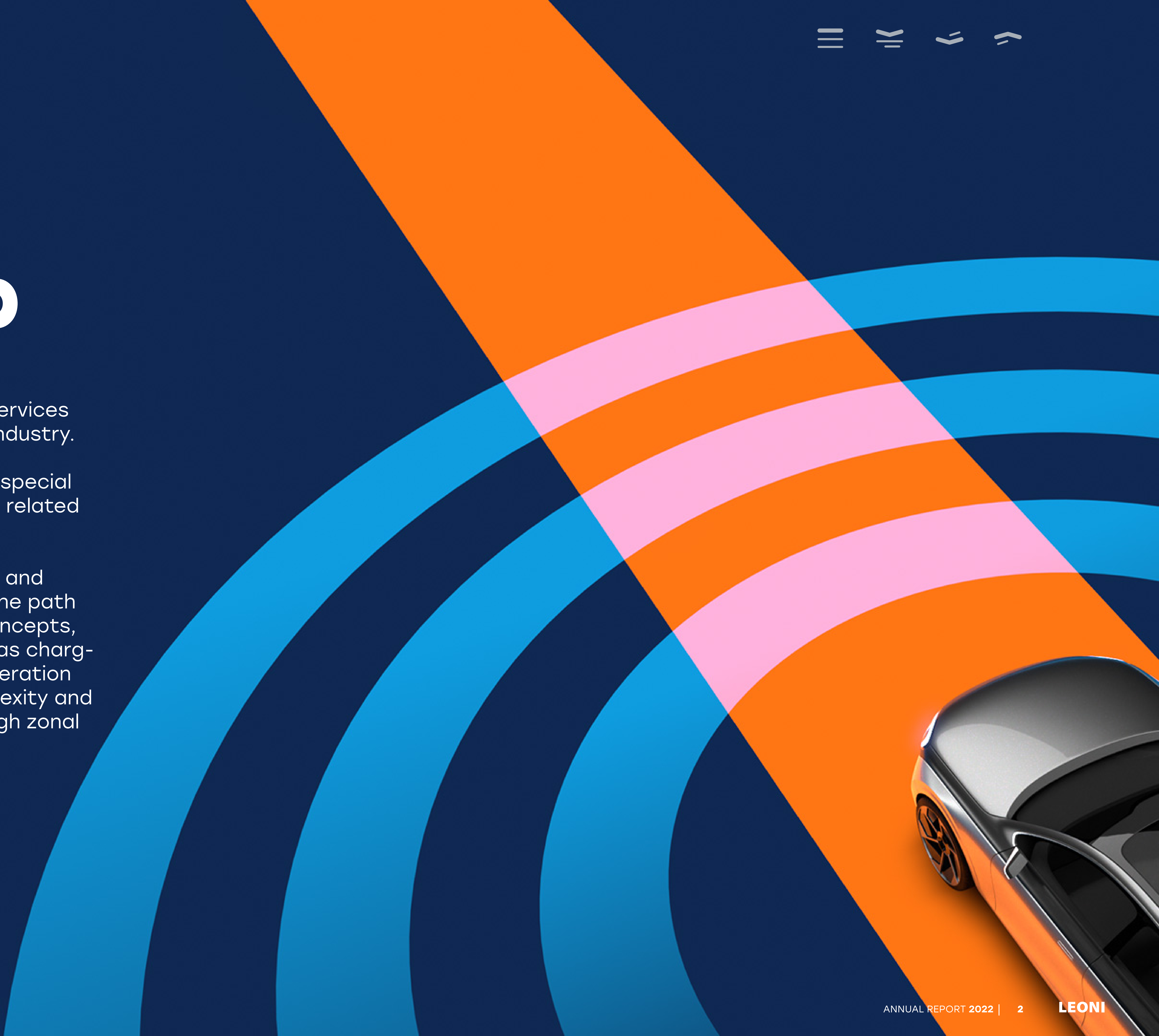
Annual Report
2022

About the LEONI Group

LEONI is a global provider of products, solutions and services for energy and data management in the automotive industry.

The value chain ranges from standardized cables and special and data cables to highly complex wiring systems and related components, from development to production.

As an innovation partner with distinctive development and systems expertise, LEONI supports its customers on the path to increasingly sustainable and connected mobility concepts, from autonomous driving to alternative drives as well as charging systems. To this end, LEONI is developing next-generation cable solutions and wiring systems that reduce complexity and enable higher levels of automation, for example through zonal architecture.



Key figures

Consolidated sales
5.1 € Billion

about **95,000** Employees

58 Subsidiaries in **27** countries

Group key figures

	Actual 2021 figures	2022 forecast (17/02/2022)[1]	Forecast as per 2021 Combined Management Report (14/03/2022)[1]	Actual 2022 figures	Evaluation	Substantiation of the forecast (ad-hoc announcement of 2/11/2022)[2]	Actual 2022 figures (excl. BG AM)[2]	Evaluation
Sales	€5.1 billion	Slightly above € 5 billion	Decrease versus planning to date	€5.1 billion	Forecast exceeded	Approx. €3.8 billion	€3.9 billion	Forecast matched
EBIT before exceptional items	€130 million	Positive mid-eight-digit € range	Decrease versus planning to date	€18 million	Forecast matched	High negative eight-digit € range	€(27) million	Forecast significantly exceeded
Free cash flow	€(12) million	Positive low nine-digit € range[3]	Decrease versus planning to date	€126 million	Forecast exceeded	High positive nine-digit € range[3]	€215 million	Forecast significantly exceeded

1 Based on the scope of consolidation as at 31 December 2021, excluding Business Group Industrial Solutions from the time its sale was completed effective 20 January 2022
2 On the basis of the agreed sale of BG AM
3 Including FCF effect of the sale of BG IN in the amount of €278 million, however excluding the expected FCF effect of the sale of BG AM

About this report

In its Annual Report 2022, LEONI publishes both financial and non-financial information.
The report provides a comprehensive overview of our fiscal 2022 performance in financial, environmental and social terms.

PDF version of the Annual Report

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

Navigation tips

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

Indexes in the text:

› Internal index (within the document)
» External index (to a website or another document)

Navigation symbols:

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"Dear share-holders,

The year 2022 was an exceptional one for LEONI and, all told, unfortunately not a gratifying one. The situation for the Company worsened in such a way that in spring 2023 we were forced to take the path of financial restructuring at LEONI, applying the German Corporate Stabilisation and Restructuring Act (Unternehmensstabilisierungs- und -restrukturierungsgesetz – 'StaRUG'). The corresponding restructuring plan was accepted on 31 May 2023 with the requisite majorities.

Once it takes legal effect and on completion of the measures outlined in the plan, €708 million in financial liabilities will be waived and LEONI will receive €150 million in fresh liquidity as part of a capital increase. This will remove the company's excess balance-sheet debt reported in this annual report for 2022, and its ability to be awarded contracts by automotive producers will be restored. The operations of Leoni AG and its subsidiaries with around 100,000 employees worldwide can thus continue.

» **Hans-Joachim Ziems**
Spokesman of the Executive Board

» **Dr Harald Nippel**
Chief Financial Officer

Unfortunately, as one consequence of the plan, LEONI AG will be taken off the stock market, shareholders will no longer be part of the structure and will be unable to participate in the above-mentioned capital increase. On behalf of the entire Executive Board we would like to assure you that we greatly regret this step. We had no choice but to accept this plan. The only alternative would have been insolvency.

In 2022, LEONI continued to suffer from disruptions to the global supply chains and the corresponding supply bottlenecks, especially for semiconductors, which led to interruptions to production and high volatility in the call-offs from our customers. We were able to ensure reliable deliveries at all times. However, this required considerable effort and increased stockpiling, at the expense of our efficiency and liquidity. On top of this, the cost of materials saw huge rises, partly caused by significant increases in the energy sector, and the consequent price demands from our suppliers.

And from February 2022 the consequences of the war in Ukraine hit LEONI particularly hard, with its two sites in Ukraine and, at the time, two sites in Russia. It is not least thanks to the unsparing efforts of our Ukrainian colleagues that we were able to resume production at the Ukrainian sites following a short-lived interruption. Achieved under extremely challenging conditions, it was additionally secured by the precautionary duplication of production capacity in the global LEONI network.

There were also positive developments in 2022. In talks with customers and suppliers, we were able to pass on or ward off large parts of the inflation-linked cost increases. We launched ReWire, a new sustainability programme. In September we opened the Innovation Industrialization Center (IIC) at our wiring systems facility in Kitzingen to create integrated solutions for trends such as autonomous driving and automation in wiring system production.

On the bottom line, however, the past financial year saw operating earnings deteriorate. From the second half of the year, customers either did not place any orders at all or made them subject to a right of rescission should the financial situation fail to show considerable improvement.

In July 2022, we were able to negotiate the extension of loans due by year-end until the end of 2025. But the extension was subject to the condition that, of the proceeds from the sale of the Business Group Automotive Cables Solutions (BG AM) totalling €600 million, some €440 million would be used to repay loans and around €160 million be set aside as free liquidity to replenish the Company's coffers.

When, in December 2022, the buyer's side refused to close the already signed purchase agreement, a move which came as a complete surprise, this financing agreement became void. A threatening situation arose in which LEONI was left with no choice but to negotiate again with its creditors to find a plan that would secure LEONI's sustained financing. Following long, in-depth negotiations and the discussion of alternative options, in spring 2023 the only solution left on the table was the one set out above, to take the path of a financial restructuring applying the StaRUG. We are well aware that this is a disappointing result for the existing shareholders who were invested in LEONI. It was only through the implementation of this financial restructuring that we are able to secure the continuation of LEONI and to return to financial stability over the long term in order to continue its operational recovery in the years to come.

Nuremberg, June 2023

Hans-Joachim Ziems
Spokesman of the Executive Board

Dr Harald Nippel
Chief Financial Officer

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Supervisory Board report

Dear Madam or Sir,
Apart from the fallout from the COVID-19 pandemic that is still present, the 2022 financial year was marked by the humanitarian, political and economic consequences of Russia's war against Ukraine. This also affects our local LEONI facilities and colleagues, who have our greatest appreciation for keeping production going under difficult conditions. The persisting disruptions in the global setting due to rising raw material prices, intractable bottlenecks in the affected supply chains and a high rate of inflation are reflected throughout the supply industry. LEONI nevertheless took important steps forward on its transformation journey. Even so, the Group could not implement its refinancing plan as already agreed as part of its turnaround because of the unjustified refusal on the part of STARK Corporation to close the planned sale of Business Group Automotive Cable Solutions (BG AM), thus forcing the Company into commencing renewed negotiations on refinancing. The Supervisory Board, in both its previous and newly elected composition following the Annual General Meeting on 24 May 2022, thoroughly and closely oversaw the Executive Board and will continue to act accordingly.

Our regular work was focused on ongoing monitoring of the current business situation, including the progress made under the ValuePlus performance and strategy programme implemented in the previous year as the successor programme of VALUE 21. Our attention was furthermore on the Company's operating performance despite volatile product call-offs from customers. Further disposals of sub-segments of our Wire & Cable Solutions Division initially took our refocusing on the business involving wiring systems for the automotive industry forward, also enabling us to step up work on such technologies as zonal architecture. Development and launch of the ReWire sustainability programme, with which we also engaged on the Supervisory Board, represents another significant step forward during the financial year.

Given the challenging tasks and their strategic relevance to LEONI's transformation, the Supervisory Board, still under the chairmanship of Dr Klaus Probst, decided to enlarge the Executive Board team with Dr Ursula Biernert in her function as Chief Human Resources Officer (CHRO) and Labour Director as well as with Ingo Spengler in his function as Chief Operations Officer (COO) on the Executive Board level effective 1 February 2022. Furthermore, Dr Harald Nippel succeeded Ingrid Jägering as LEONI AG's Chief Financial Officer (CFO) on 1 April 2022.

To our great regret, our CEO Aldo Kamper expressed his wish to leave LEONI AG effective 31 March 2023. The Supervisory Board acceded to this wish and immediately began talks to resolve his succession.

We wish the Executive Board, which has furthermore been reinforced by Hans-Joachim Ziems as Chief Restructuring Officer (CRO) since 10 January 2023, every success in meeting the challenges during the new 2023 financial year.

With respect to the effectiveness and efficiency of our work on the Supervisory Board, we looked into the best possible prioritisation in our work as well as organisation of our processes and meetings as part of a self-assessment process. The deduced measures and improvements will be gradually implemented and checked.

Collaboration between the Executive Board and Supervisory Board

In the past financial year, LEONI AG's Supervisory Board diligently and properly carried out the duties required of it by law, the Company's Articles of Association and the German Corporate Governance Code (Deutscher Corporate Governance Kodex, 'DCGK') and its rules of procedure, continually advising the Executive Board on the management of the Company and constantly monitoring its work. The cooperation between the Supervisory Board and the Executive Board was constructive, open and trust-based at all times. The Executive Board kept us regularly, promptly and comprehensively informed, both in writing and verbally, about all issues relevant to LEONI. In particular, these included the strategy, planning, operating business performance and the Group's current situation including its risk, equity and liquidity situation. LEONI AG's financial situation was also regularly discussed, especially at the Special Committee's meetings. The Executive Board explained in depth any unplanned operational deviations, as well as the impact of the war in Ukraine on LEONI and its employees.

Furthermore, the Supervisory Board dealt intensively and regularly with the corporate control system, Group-wide compliance and further development of the control systems. Further topics of discussion included major projects of particular relevance to the LEONI Group, risks and their mitigation, sustainability issues and non-financial reporting. We also focused on issues relating to the environment, society and governance (ESG). Where the rules of procedure required the approval of the Supervisory Board, this was given after in-depth discussion on the basis of reports and documents prepared by the Executive Board. Resolutions on matters needing settlement between ordinary meetings were passed at extraordinary meetings or via circular resolutions. In the 2022 financial year, the focus was especially on monitoring the Group's ongoing restructuring and refinancing measures.

The Supervisory Board's members had ample opportunity to critically examine the Executive Board's submitted reports and proposed resolutions in its committees or in plenary sessions and to make their own contributions. Particular mention should be made here regarding all significant business transactions for LEONI, which were discussed intensively on the basis of thorough written and oral Executive Board reports. The Executive Board involved the Supervisory Board in decisions of material importance at all times.

The Executive Board and Supervisory Board were also in regular contact outside of meetings. Both the departed Dr Klaus Probst and I, in my role as Chairman of the Supervisory Board, were in close contact particularly with the Chairman of the Executive Board, the respective chairman of the Audit Committee along with the Chief Financial Officer and the Auditor, and the chairman of the Special Committee with the Chief Financial Officer and the Restructuring Monitor. We consulted each other during regular fixed meetings as well as at short notice and on an ad hoc basis when necessary. The large number of business challenges again called for the whole Board and its committees to meet on numerous occasions in the 2022 financial year.

Meetings of the Supervisory Board

Attendance

The Supervisory Board held **a total of 21 meetings** in the 2022 financial year, of which 8 were ordinary Supervisory Board meetings and 13 were extraordinary Supervisory Board meetings for specific occasions. Supervisory Board **committees** met **a total of 42 times**. The majority of meetings were held as video conferences. Circular resolutions were also passed on a few occasions.

Regular communication, also without the members of the Executive Board, as recommended by the DCGK, took place in our Executive Session for selected agenda items and, as a rule, in the context of the Supervisory Board's internal affairs at the end of meetings. In addition, both the employee and shareholder representatives of the Supervisory Board regularly discussed matters prior to the scheduled meetings.

A detailed presentation of the meetings of the Supervisory Board and its committees is shown in the following table. An attendance rate of **95 percent** was recorded at plenary and committee meetings, thus maintaining its very high level notwithstanding the increased number of meetings in the 2022 financial year (previous year: 96 percent).

A detailed overview of Supervisory Board members' participation in plenary and committee meetings during the 2022 financial year can be found below*:

2022 financial year

	Plenary	Nomination Committee	Personnel Committee	Audit Committee	Special Committee	Strategy Committee	TOTAL
Number of meetings							
Ordinary	8	2	4	4	19	2	39
Extraordinary	13	0	3	1	7	0	24
Total	**21**	**2**	**7**	**5**	**26**	**2**	**63**
Type of meeting							
In-person	3	0	0	0	1	0	4
Hybrid	2	0	0	0	1	0	3
Virtual	16	2	7	5	24	2	56
Total	**21**	**2**	**7**	**5**	**26**	**2**	**63**
Participation rate Supervisory Board since 24/05/2022							
Klaus Rinnerberger (Chairman)**	100%		100%	100%	100%	100%	100%
Franz Spieß (Deputy Chairman)**	95%		100%	100%	85%		92%
Günther Apfalter	70%					100%	73%
Mark Dischner**	100%		100%		85%		93%
Carolin Geist	100%					100%	100%
Tom Graf	100%				93%	0%	92%
Martin Hering	100%				100%	100%	100%
Sina Maier	100%					100%	100%
Angela Rappl (until 25/09/2022)	100%			100%			100%
Dr Ulla Reisch	100%				100%		100%
Karin Sonnenmoser	100%			100%			100%
Klaus Wolff (from 26/09/2022)	100%			100%			100%
Dr Lorenz Zwingmann	90%		100%	100%			94%
Participation rate Supervisory Board until 24/05/2022							
Dr Klaus Probst (Chairman)	100%	100%	100%		92%	100%	97%
Dr Elisabetta Castiglioni	91%	100%				100%	93%
Wolfgang Dehen	100%		100%		92%	100%	96%
Janine Heide	82%						82%
Karl-Heinz Lach	100%					100%	100%
Richard Paglia	100%			100%	100%	100%	100%
Prof. Dr Christian Rödl	82%			100%			85%
Regine Stachelhaus	91%	100%					92%
Inge Zellermaier	100%					100%	100%
Total	**96%**	**100%**	**100%**	**100%**	**93%**	**92%**	**95%**

*The individual participation rate for each member of the Supervisory Board refers to the respective mandate period and the meetings to which the member was actually invited.
**Klaus Rinnerberger, Franz Spieß and Mark Dischner were members of the Supervisory Board throughout the 2022 financial year.

With the exception of confidential Personnel and Nomination Committee meetings, all Supervisory Board members were able to attend committee meetings as guests at any time and to view the documents and minutes of these meetings. This opportunity was taken regularly and extensively, especially in the Special and Strategy Committees. In addition to reports from the Executive Board, other executives also reported to the Supervisory Board, by which means we obtained a comprehensive picture of Company performance at all times and had the opportunity to get to know some of these other senior managers.

Training for the Supervisory Board

The Supervisory Board members are responsible for identifying the training and upskilling required for their tasks, and the Company supported them in this respect. To obtain targeted training, the newly elected Supervisory Board conducted a workshop on equity and capital market law in July. Among other topics, this covered the Supervisory Board's rights and obligations, as well as aspects of the new version of the German Corporate Governance Code. The Corporate Office has established a structured onboarding process, which familiarised all Supervisory Board members newly elected in this financial year with our buisness activities, among other things, and provided a detailed overview of Group structure, the Company's corporate governance and the procedural methods and guidelines within LEONI AG.

Conflicts of interest

Supervisory Board members are obliged to disclose possible conflicts of interest to the Chairman.

The Supervisory Board's chairman, Klaus Rinnerberger, is simultaneously a member of the Executive Board of Pierer Industrie AG. In a voting rights announcement on 21 February 2022, Pierer Industrie AG disclosed that it holds or is attributed a total of 6,533,812 voting rights relating to the share capital of LEONI AG, which is divided into 32,669,000 shares. This equates to a 20 percent share of the directly or indirectly held voting rights. In a voting rights announcement on 17 June 2022, it was reported that instead of Pierer Industrie AG, L1-Beteiligungs GmbH of Aalen, Germany now holds or is attributed a total of 20 percent of the voting rights in LEONI AG. Pierer Industrie AG was until that time to be regarded as a principal shareholder within the meaning of the recommendation under C.13 DCGK 2022 as well as a controlling shareholder within the meaning of the recommendation under C.9 DCGK 2022. In the Supervisory Board's opinion, this constellation does not entail a conflict of interest within the meaning of Section E of the DCGK 2022. In the Supervisory Board's opinion, Mr Rinnerberger has no other personal or business relationship with the Company or the LEONI Group or the Company's corporate governance bodies.

Details regarding assessment of the independence of Supervisory Board members can be viewed in our Corporate Governance Declaration.

There were no other (potential) conflicts of interest involving Executive Board or Supervisory Board members during the period under report.

Reports at Supervisory Board meetings

As a rule, at each Supervisory Board meeting, the committee chairpersons report on the content of their respective previous committee meetings. Moreover, at each meeting, the Chairman of the Supervisory Board also reports the main content of his discussions with the Executive Board and other key positions at LEONI AG.

Main focus of meetings

At our **extraordinary meeting on 11 January 2022**, the Supervisory Board met to determine the next steps in the process of appointing a successor to Ingrid Jägering (CFO) and the associated adjustment of the schedule of responsibilities. The Supervisory Board was furthermore informed about the Executive Board's decision concerning refilling the position of CFO at BG AM.

In a further **extraordinary meeting on 24 January 2022**, the Supervisory Board thereupon appointed Dr Harald Nippel as CFO of LEONI AG.

During its **ordinary meeting on 1 February 2022**, the Board first formally, and retroactively to 31 December 2021, dissolved the Ad hoc Committee set up for the purpose of dealing with the voluntary public partial purchase offer from Pierer Industrie AG of 30 July 2021. Alongside the current business situation with Value-Plus as the successor to the VALUE 21 strategy and performance programme, the Supervisory Board covered preliminary anti-trust proceedings begun on 18 January 2022, select major projects in the Wiring Systems Division and the current WCS carve-out and disposal processes. In addition, we approved the Executive Board's decision that the Annual General Meeting on 24 May 2022 be held virtually because of the effects of the COVID-19 pandemic still persisting at that time. Furthermore, the new competence profile for the whole Board was adopted, and the Corporate Governance Declaration was approved. The Supervisory Board's draft report on the 2021 financial year discussed during the meeting was subsequently adopted by circular resolution.

At our **extraordinary meeting on 17 February 2022**, we approved the business planning submitted by the Executive Board, i.e., the planning for fiscal 2022, including personnel planning, the medium-term planning for 2023-2026 and the Executive Board's capital spending budgeted for the 2022 financial year. Based on the Nomination Committee's recommendation, the Supervisory Board also decided to commission an external and independent recruiter with the search for Supervisory Board candidates for the new elections on the shareholder side due at the 2022 Annual General Meeting. Furthermore, the system for compensating Executive Board members was selectively adjusted.

During the **extraordinary meeting on 3 March 2022**, we dealt intensively with the current situation of our facilities and staff in Ukraine and Russia following the outbreak of war. The draft of the updated expert opinion on restructuring as a building block of the refinancing negotiations was also discussed in depth.

In a further **extraordinary meeting on 16 March 2022**, we adopted LEONI AG's compensation report for the 2021 financial year. The

Supervisory Board also accepted the mutually agreed, premature termination of Ingrid Jägering's Executive Board service contract effective 31 March 2022.

In our **financial statements meeting on 21 March 2022**, we discussed the 2021 financial statements and consolidated financial statements as well as the combined management report for LEONI AG and the Group, including the non-financial Group information statement. Upon recommendation of the Audit Committee and after discussion with the auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft of Munich ('Deloitte'), we approved the financial statements and consolidated financial statements for the 2021 financial year and thereby adopted the financial statements.

With respect to the compensation for Executive Board members, we deliberated, among other things, on determining the appropriateness and setting of the 2022 target parameters and furthermore on the risk management system and corporate social responsibility. Upon recommendation of the Nomination Committee, the Supervisory Board also decided on the nominees for election on the shareholder side at the 2022 Annual General Meeting.

After the meeting, we decided by circular resolution on the convening and modalities of the Annual General Meeting. With respect to the agenda, we resolved, among other things, on the Audit Committee's recommendation to propose that Deloitte be selected as auditors of the financial reports and consolidated financial reports for the 2022 financial year and for the audit review of the half-year financial report as at 30 June 2022, the proposed resolutions on share capital and various amendments to the Articles of Association.

The Supervisory Board met for an **extraordinary meeting on 4 April 2022** to discuss the status of negotiations on refinancing and to decide on an adjustment of the agenda for the Annual General Meeting.

In a further **extraordinary meeting on 20 April 2022**, the Supervisory Board consulted on negotiating tactics with respect to refinancing.

On **6 May 2022**, the Supervisory Board met for an extraordinary meeting to decide on the sale of j-fiber GmbH.

In an **extraordinary meeting on 23 May 2022**, the Supervisory Board approved the sale of BG AM to Thailand-based STARK Corporation.

At the **constituent Supervisory Board meeting on 25 May 2022**, we met in person in Nuremberg as newly elected Supervisory Board members on the shareholder and employee sides. Alongside the chair and deputy chair being elected, the committees were formed on that occasion. We furthermore reflected that day on the previously held Annual General Meeting and its resolutions. Thereafter, we discussed the status of refinancing and the current business situation. As new Supervisory Board members, we furthermore obtained an overview of the steps ahead in Ukraine and Russia, the current sale processes and progress with the ValuePlus strategy and performance programme.

At both the **ordinary meeting on 25 July 2022** as well as its **annual strategy meeting on 26 July 2022**, the Supervisory Board met at the facility of LEONI Bordnetz-Systeme GmbH in Kitzingen. On site, we initially gained insight into the newly devised Innovation Industrialization Center (IIC). Alongside the report on the current business situation, we dealt with the status of the refinancing negotiations as well as the preliminary anti-trust proceedings. We furthermore obtained reports on the present situation of the facilities in Ukraine and Russia, on select major projects, the current disposal processes and Company-wide compliance, including sustainability aspects. Within the Supervisory Board, we addressed our competence profile and proposed topics for upskilling, among other things.

The future of the wiring system with select technologies and automation exhibits was presented and discussed during the strategy meeting. The Supervisory Board dealt in depth with the economic viability of LEONI's business model and its positioning on the market. The Wiring Systems Division's senior executives reported comprehensively on the performance of their departments. There were also reports on ValuePlus, which is part of our strategic roadmap. Alongside current work in the areas of products and technology, the topics covered also included priorities and optimisation potential in operations and in terms of footprint.

Our **two-day ordinary meeting on 28 and 29 September 2022** was likewise held in person. We met in rooms of LEONI Wiring Systems RO S.R.L. in Bistrita, Romania, where our meeting was preceded by a factory tour to deepen our operational insight. We also covered such Supervisory Board-internal topics as the process for our self-assessment. The Supervisory Board chose Klaus Wolff, the member elected to replace Angela Rappl on the Board, as a member of the Audit Committee effective 26 September 2022. We decided to commission Deloitte with the voluntary audit of our non-financial information statement for the 2022 management report. In addition, we received up-to-date status reports on the process of selling BG AM, on one major project and on the situation in Ukraine and Russia. We furthermore looked into the IT strategy and consequently the FLOW project to create an integrated IT system.

On the second day of the meeting, we initially dealt with the current business situation and, in the context of the ValuePlus strategy and performance programme, with the net working capital targets and the medium-term financial planning. The Executive Board reported to us on the footprint-related activity to date with respect to worldwide production. Discussion furthermore covered the development of LEONI's organisational structure, a report on the budgeting assumptions from 2023 and an illumination of the business model in the operational respect. In conclusion, we discussed the sensitivities of the restructuring plan.

In our **annual Executive Session on 8 November 2022**, we focused on the work of the Supervisory Board without the participation of the Executive Board. Among other things, we discussed the findings of our self-assessment, and in so doing we, critically examined our role as a supervisory board, the requirement profile of the Board, the expertise of Supervisory Board members and the measures necessary for the further development of our work. We looked in detail at the planning for upskilling schemes and enhancing of expertise with respect to the issues of the future, especially concerning ESG, that are of importance to LEONI. We set internal processes, technical expertise, digitalization, geopolitical concerns, knowledge on selecting locations and experience in restructuring and transformation management as further strategic focal areas for the committee work. The overall finding of our self-assessment confirmed a favourable degree of governance maturity for the Supervisory Board's work and its committees as well as its collaboration with the Executive Board. We furthermore discussed the competence profile and the plan for the Supervisory Board's qualification matrix. In this connection, we jointly considered our targets and the focal areas for our work in 2023 for both the Board as a whole and the Audit Committee. We thereafter discussed inside the Supervisory Board the flow and sharing of information with the Executive Board, long-term succession planning and the variable compensation components. Finally, together with the Executive Board, we dealt with the business situation as well as the current status of the refinancing plan.

In our **extraordinary meeting of 16 November 2022**, we followed up within the Supervisory Board on the open points of the Executive Session.

In our **extraordinary meeting on 30 November 2022**, we approved the completion of refinancing as planned at that time. The Executive Board reported on the status of closing the sale of BG AM. Also discussed was the construction of a new plant as part of our 'Footprint Strategy'.

In our **extraordinary meeting on 13 December 2022**, the Executive Board informed us that STARK Corporation was refusing to close the sale of BG AM and that the refinancing plan could, for the time being, not be implemented as planned. Consequent legal steps against STARK were furthermore discussed. An ad-hoc announcement on this matter was released on the same day.

In our ordinary meeting on **14 December 2022**, we began by considering the events of the previous day and the current business situation. The committee chairpersons subsequently provided comprehensive reports in this connection. The need to revise planning as a consequence of the refusal to close the sale of BG AM was also discussed. We furthermore once again looked into Executive Board compensation and passed a resolution to clean up the logic of the variable components. We also again discussed the organisational structure at LEONI and, together with the Executive Board, adopted the Declaration of Conformity for 2022. Finally, we received a report on the status of negotiations concerning the case of CEO fraud to which LEONI fell victim in August 2016.

The focus of the **extraordinary meeting on 22 December 2022** was on the status of refinancing as well as the release of a bridge budget by the Supervisory Board based on the planning documents presented to us.

Work of the Committees

The Supervisory Board of LEONI AG sets up Supervisory Board committees to promote the effectiveness and efficiency of its work. Accordingly, there is an Audit Committee, a Personnel Committee, a Nomination Committee, a Strategy Committee and a Special Committee. In addition, there is also the Mediation Committee in accordance with Section 27 (3) of Germany's Co-Determination Act (Mitbestimmungsgesetz, 'MitBestG').

The six permanent committees of the Supervisory Board prepare topics to be discussed and resolutions to be passed in the plenary sessions of the Supervisory Board. Decision-making powers of the Supervisory Board are transferred to the committees to the extent permitted by law. This applies in particular to the approval of personnel issues, which are dealt with by the Personnel Committee. The respective committee chairpersons report regularly on their work at Supervisory Board meetings. Information on the composition and work of the committees can be found in the Corporate Governance Declaration.

The **Audit Committee** met for a total of four ordinary meetings and one extraordinary meeting during the year under report. The Audit Committee discussed the financial statements and consolidated financial statements for the 2021 financial year, the combined management report for LEONI AG and the Group likewise for the 2021 financial year and, among other things, drafted recommendations for resolutions for the Supervisory Board – for example, for the election of the auditor for 2022 and for the non-financial Group information statement. The auditors of the Deloitte auditing company participated in the committee's financial statements meeting of 17 March 2022, explained the focus of the audit and were available to answer questions from the Audit Committee. The Audit Committee also dealt with the half-year financial report as at 30 June 2022 and the quarterly statements of 31 March and 30 September 2022. The half-year financial statements, which were also reviewed by the auditor in accordance with the IDW PS 900 auditing standard, were likewise discussed together with the auditor. The Audit Committee approved a limited number of non-audit services by the auditor. In addition, it issued the audit mandate for the 2022 financial year to the auditor chosen at the Annual General Meeting.

The Chairman of the Audit Committee also maintained regular contact with the auditor outside of meetings and reported regularly to the committee. Moreover, in compliance with the FISG legislation, there was, as part of the Audit Committee meetings during the year under report, also discussion between the Audit Committee and the auditor without the participation of the Executive Board to go into more detail on individual key points. In accordance with Section 107 (3) of the Stock Corporation Act (Aktiengesetz, 'AktG'), the Audit Committee also looked in depth during the financial year at the quality of the audit and the independence of the auditors. An external consultant independently evaluated the quality of the audit. The viewpoint of the Finance department, the members of the Audit Committee and the auditor were included in the evaluation, and audit quality indicators (AQIs) were collected as objectively assessable indicators of the quality of the audit. The quality of the audit was found to be positive and the requirements were considered to have been exceeded.

In addition to regular reporting on the Company's operational situation, the Audit Committee also dealt extensively with existing monitoring systems and their effectiveness. These include the Internal Control System (ICS), the Risk Management System (RMS) and the Compliance Management System (CMS), as well as regular reporting from the respective departments on their ongoing development, among other things. Internal Auditing also reported regularly to the Audit Committee on its work and coordinated audit planning with the Audit Committee.

In addition, the Audit Committee dealt extensively with the general Corporate Social Responsibility (CSR) reporting, including the non-financial Group information statement for the 2021 financial year, which was externally audited by the EY auditing firm. Other topics addressed included regulatory issues (including the Supply Chain Act (Lieferkettengesetz, 'LkSG') and the Financial Market Integrity Strengthening Act (Gesetz zur Stärkung der Finanzmarktintegrität, 'FISG'), among others), taxes, IT, cyber security / information security and data protection.

In accordance with the requirements of Section 107 (4) in conjunction with Section 100 (5) AktG, both the Chairman of the Audit Committee, Dr Lorenz Zwingmann, and Karin Sonnenmoser as a Committee member, have expertise in the areas of both accounting and auditing. Details in this regard can be found in the Corporate Governance Declaration.

The **Special Committee** met a total of 26 times and dealt in depth with the LEONI Group's financial situation. The focus was, on the one hand, on the constant monitoring of the LEONI Group's liquidity and debt situation, and on the other, on LEONI AG's equity situation, as well as advising the Executive Board on refinancing. The Committee also discussed the impact of the persisting supply chain problems. It advised the Executive Board on the steps taken and still to be taken, followed up on the implementation of the agreed measures and was always in close communication with both the Executive Board and the full Supervisory Board.

The Personnel Committee met a total of seven times in the 2022 reporting year. The Committee initially focused on the processes involved in appointing a successor to Ingrid Jägering. The Personnel Committee furthermore worked hard on contractual and compensation-related issues pertaining to the Executive Board members, such as 2021 target attainment, including testing of the appropriateness of the Executive Board's compensation and setting the Board's target parameters for 2022, to thereby decide on corresponding recommendations to the Supervisory Board as a whole. In addition, the Personnel Committee prepared the compensation report for the 2021 financial year. Following in-depth scrutiny of the time required for it, the taking on of various sideline activities on the part of Executive Board members was approved.

The Strategy Committee held two meetings during the past financial year. The Committee members discussed in close consultation with the Executive Board the results of the VALUE 21 strategy and performance programme as well as its ValuePlus successor programme. Another focal topic was the situation at the Company's facilities in Ukraine and Russia following the outbreak of war and its consequences. Together with the Executive Board as well as various senior managers, the Committee thoroughly discussed the strategy and growth options in the operational areas of technology, e.g. with respect to zonal architecture, and sales. Such particular issues as volume fluctuation among the OEMs as well as the current business situation were also covered within the Committee. There was furthermore discussion covering the topics of footprint strategy, production, IT, automation and digitalization, as well as preparatory and follow-up work pertaining to the Supervisory Board's strategy meeting.

The Nomination Committee met twice in the financial year to prepare the nominations for shareholder representatives at the 2022 Annual General Meeting. The targets adopted by the Supervisory Board for its composition, the competence profile and the statutory requirements were considered accordingly in the process.

The Mediation Committee did not meet in the 2022 financial year.

Declaration of Conformity & Corporate Governance

In the 2022 financial year, the Supervisory Board once again devoted itself to the topic of corporate governance and to the continued development of its own supervisory work.

On 14 December 2022, the Executive Board and Supervisory Board confirmed in their statement regarding the Corporate Governance Code under Section 161 AktG that LEONI complies with all recommendations of the Code and will continue to do so. After the end of the year under report, the Executive Board and Supervisory Board of LEONI AG issued an intra-year supplement to the Declaration of Conformity on 9 January 2023.

The Corporate Governance Declaration contains further information on the Company's corporate governance.

Audit of 2022 financial statements and consolidated financial statements

On 24 May 2022, shareholders at the Annual General Meeting of LEONI AG elected Deloitte as the auditor for both the 2022 financial year and the half-year financial statement as of 30 June 2022 on the recommendation of the Supervisory Board and in line with the recommendation of the Audit Committee. Deloitte has reviewed the half-year financial report and issued an unqualified auditor´s opinion. Furthermore, Deloitte audited the annual financial statements of LEONI AG, the consolidated financial statements and the combined management report for the 2022 financial year and issued an unqualified auditor´s opinion in each case.

Deloitte first conducted the audit for the 2019 financial year. Sebastian Kiesewetter has signed off as the auditor responsible for the audit since the 2019 financial statements. Before being proposed by the Supervisory Board to the Annual General Meeting as auditors, Deloitte had confirmed to the Chairman of the Supervisory Board and the Audit Committee that there were no circumstances which could impair their independence as an auditor or give rise to any doubts about this independence. At the same time, Deloitte also explained to what extent non-audit services had been provided to the Company in the previous financial year or were contractually agreed for the following year.

The annual financial statement and the combined management report of LEONI AG were prepared in accordance with German commercial law. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union, as well as the further requirements of German commercial law under Section 315e (1) of the German Commercial Code (Handelsgesetzbuch, 'HGB'). The audit of the financial statements was conducted in accordance with Section 317 HGB and generally accepted German standards for the audit of financial statements as set out by the German Institute of Auditors (Institut der Wirtschaftsprüfer). The auditors confirmed that the combined management report accurately describes the situation of LEONI AG and the Group as well as the opportunities and risks associated with future performance. The audit of the early risk detection scheme as part of the audit of the financial statements found that the Executive Board had taken the necessary steps required under Section 91 (2) AktG, in particular by setting up a monitoring system correctly and ensuring that this system is suitable for the early detection of developments that could jeopardise the Company's existence.

LEONI AG's annual financial statements and consolidated financial statements and the combined management report (including the non-financial Group information statement) along with the auditor's reports were made available to all members of the Supervisory Board in good time. The Audit Committee conducted a preliminary review of these documents during its meeting on 6 June 2023 and reported this to the Supervisory Board at the ordinary Supervisory Board meeting on 12 June 2023. We subsequently discussed the financial statements and reports in detail. The auditor was represented at both meetings, providing information on the results of its audit and answering our questions. Specifically, the findings pertaining to the key audit matters for LEONI AG and the Group for the 2022 financial year were presented: The key audit matters regarding the audit of the consolidated financial statements were i) the measurement of goodwill, other intangible assets and fixed assets, as well as ii) the recognition and measurement of provisions for impending losses from onerous customer contracts and, for the audit of the annual financial statements, the valuation of shares in affiliated companies, loans to affiliated companies and receivables from affiliated companies as well as trademark rights. In addition, the risks to the Company as a going concern and the Executive Board's assessment of LEONI AG and the Group in the matter of continuing as a going concern were discussed. There were no objections to the audit.

The final results of the audit of the annual financial statements and consolidated financial statements and the combined management report of LEONI AG by the Audit Committee and the Supervisory Board did not give rise to any objections.

In line with the recommendation of the Audit Committee, the Supervisory Board approved the results of the audit. The Supervisory Board approved the financial statements of LEONI AG and the consolidated financial statements for 2022 as prepared by the Executive Board. The annual financial statements of LEONI AG have thus been ratified.

As part of its audit, the Supervisory Board also examined the non-financial Group information statement, which was prepared as required by Section 315b and 315c HGB, and came to the conclusion that it met the existing requirements and that no objections need be raised. An external review had previously confirmed that no matters had come to the attention of the auditors that would lead them to believe that the non-financial Group information statement had not been prepared in all material aspects in accordance with Section 315c HGB.

The auditors also formally audited the compensation report in accordance with Section 162 AktG, and no objections were raised here either. The Supervisory Board reached a decision regarding the correctness and suitability of the compensation report and approved it.

At the end of the financial year, L1-Beteiligungs GmbH (directly and indirectly) held approximately 20% of the share capital of LEONI AG. For this reason, the Executive Board of LEONI AG has for the first time issued a dependency report for the 2022 financial year on relationships with affiliated companies pursuant to Section 312 AktG, which was submitted to the Supervisory Board. The auditors audited this dependency report. According to Section 313 (2) AktG, the auditors must submit the findings of their audit in writing. As the final result of their audit did not give rise to any objections, the auditors issued their statement pursuant to Section 313 (3) AktG. The dependency report and the auditors' report were available to the Audit Committee and Supervisory Board and were reviewed by them. The review did not give rise to any objections. Based on the final result of the preliminary review by the Audit Committee and our own review, the Supervisory Board has no objections to the Executive Board's statement on relationships with affiliated companies in accordance with Section 312 (3) sentence 1 AktG. The result of the audit of the dependency report by the auditors was approved.

Changes on the Supervisory Board

There were changes in personnel on the Supervisory Board following the new elections held in 2022 on both the shareholder side and the employee side.

After the Annual General Meeting on 24 May 2022, the newly elected Supervisory Board was composed as follows:

- Klaus Rinnerberger (Chairman)
- Franz Spieß (Deputy Chairman)
- Günther Apfalter
- Mark Dischner
- Carolin Geist
- Tom Graf
- Martin Hering
- Sina Maier
- Angela Rappl (until 25/09/2022)
- Dr Ulla Reisch
- Karin Sonnenmoser
- Klaus Wolff (from 26/09/2022)
- Dr Lorenz Zwingmann

Upon the end of the Annual General Meeting on 24 May 2022, the following members left the Supervisory Board in the year under report:

- Dr Klaus Probst (Chairman)
- Dr Elisabetta Castiglioni
- Wolfgang Dehen
- Janine Heide
- Karl-Heinz Lach
- Richard Paglia
- Prof. Dr Christian Rödl
- Regine Stachelhaus
- Inge Zellermaier

Thanks to the Executive Board and employees

On behalf of the entire Supervisory Board, I would like to thank the members of the Executive Board as well as all our employees for their efforts and achievements in the 2022 financial year. In 2023, LEONI AG will again be operating in a demanding environment. Everyone involved will face further challenges due to the final refinancing steps and ongoing transformation.

We wish both the Executive Board and all members of staff every success in the tasks ahead.

Nuremberg, June 2023

Klaus Rinnerberger
Chairman of the Supervisory Board

Supervisory Board

Committees of the Supervisory Board | Financial Year 2022

Arbitration Committee pursuant to Section 27 (3) of Germany's Co-Determination Act	Klaus Rinnerberger (Chairman) Sina Maier Karin Sonnenmoser Franz Spieß
Audit Committee	Dr Lorenz Zwingmann (Chairman) Karin Sonnenmoser Franz Spieß Klaus Wolff
Personnel Committee	Klaus Rinnerberger (Chairman) Mark Dischner Franz Spieß Dr Lorenz Zwingmann
Nomination Committee	Klaus Rinnerberger (Chairman) Dr Ulla Reisch Karin Sonnenmoser
Strategy Committee	Günther Apfalter (Chairman) Carolin Geist Tom Graf Martin Hering Sina Maier Klaus Rinnerberger
Special Committee	Dr Ulla Reisch (Chairman) Mark Dischner Tom Graf Martin Hering Klaus Rinnerberger Franz Spieß

Supervisory Board – from 24 May 2022

Name Date of Birth | Residence	Profession	Memberships of other statutory supervisory boards in Germany and of comparable domestic and foreign corporate governance bodies of economic entities
Chairman of the Supervisory Board **Klaus Rinnerberger** born 1964 | Gießhübl, Austria	Member of the Board of Directors, Pierer Industrie AG, Wels, Austria	Memberships of other statutory supervisory boards in Germany • Chairman of the Supervisory Board of SHW AG, Aalen (not listed)* • Chairman of the Supervisory Board of Schwäbische Hüttenwerke Automotive GmbH, Aalen (not listed)* Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Member of the Supervisory Board of Pierer Mobility AG, Wels, Austria (listed)* • Deputy Chairman of the Supervisory Board of Pankl AG, Kapfenberg, Austria (not listed)* • Member of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg, Austria (not listed)* • Chairman of the Advisory Board of Gartner KG, Edt bei Lambach, Austria (not listed)
Deputy Chairman of the Supervisory Board **Franz Spieß**[1] born 1957 | Büchenbach	First Representative of IG Metall trade union, office Schwabach	Memberships of other statutory supervisory boards in Germany • Member of the Supervisory Board of Lear Corporation GmbH, Ginsheim-Gustavsburg (not listed)
Günther Apfalter born 1960 | Linz, Austria	President Magna Europe & Asia & Magna Steyr, Magna International Europe GmbH	Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Chairman of the Supervisory Board of Swarco AG, Wattens, Austria (not listed) • Member of the Supervisory Board of Magna Steyr Fahrzeugtechnik AG, Graz, Austria (not listed)* • Member of the Supervisory Board of Magna Powertrain GmbH, Lannach, Austria (not listed)*
Mark Dischner[1] born 1973 | Greding	Chairman of General Works Council of LEONI AG	Memberships of other statutory supervisory boards in Germany • Member of the Administrative Board of Sparkasse Mittelfranken-Süd (not listed)
Carolin Geist[1] born 1990 | Nuremberg	Political Secretary	–
Tom Graf born 1956 | Frankfurt/Main	CEO of Huf Gruppe	–
Martin Hering[1] born 1979 | Wiesenbronn	Chairman of Works Council of LEONI Bordnetz-Systeme GmbH, Kitzingen	–
Sina Maier[1] born 1997 | Freystadt	Technical Purchasing Officer	–
(until 25/09/2022) **Angela Rappl**[1] born 1964 | Düsseldorf	Senior Vice President, Head of Tax, Customs and Foreign Trade, GEA Group AG	–
Dr Ulla Reisch born 1968 | Riederberg, Austria	Partner at the law firm of Urbanek Lind Schmied Reisch Rechtsanwälte OG	Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Member of the Supervisory Board of Rath AG, Vienna, Austria (listed) • Deputy Chair of the Supervisory Board of Austro Holding GmbH, Vienna, Austria (not listed)
Karin Sonnenmoser born 1969 | Bildstein, Austria	Independent advisor and member of Supervisory Boards and Advisory Boards of various companies	Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Member of the Administrative Board and Member of the Audit Committee of u-blox AG, Thalwil, Switzerland (listed) • Member of the Supervisory Board of Innio Jenbach GmbH & Co OG, Austria (not listed)
(since 26/09/2022) **Klaus Wolff**[1] born 1967 | Ochsenfurt	Head of Development Support, LEONI Bordnetz-Systeme GmbH, Kitzingen	–
Dr Lorenz Zwingmann born 1964 | Trittau	Former CFO; Independent advisor and member of Supervisory Boards and Advisory Boards of various companies	Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Member of the Supervisory Board and Chairman of the Audit Committee of Benteler International AG, Salzburg Austria (not listed) • Chairman of the Supervisory Board of Rudolf Bunte Beteiligungs SE, Papenburg (not listed)

(Mandates marked with an asterisk (*) are mandates for companies within the Pierer Industrie AG group.)

1 Employee representative

Supervisory Board

Supervisory Board – until 24 May 2022

Name Date of Birth | Residence	Profession	Memberships of other statutory supervisory boards in Germany and of comparable domestic and foreign corporate governance bodies of economic entities
Chairman of the Supervisory Board **Dr Klaus Probst** born 1953 | Heroldsberg	former President & CEO of LEONI AG, retired	Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Chairman of the Advisory Board of DIEHL Stiftung & Co.KG, Nuremberg (not listed) • Chairman of the Advisory Board of Richard Bergner Holding GmbH & Co.KG, Schwabach (not listed)
Deputy Chairman of the Supervisory Board **Franz Spieß**[1] born 1957 | Büchenbach	First Representative of IG Metall trade union, office Schwabach	Memberships of other statutory supervisory boards in Germany • Member of the Supervisory Board of Lear Corporation GmbH, Ginsheim-Gustavsburg (not listed)
Dr Elisabetta Castiglioni born 1964 | London, UK	CEO of the A1 Digital International GmbH & A1 Digital Deutschland GmbH, Vienna, Austria / Munich	Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Member of the Supervisory Board of A1 Telekom Austria AG, Austria (not listed)
Wolfgang Dehen born 1954 | Donaustauf	former CEO of Osram Licht AG, retired	Memberships of other statutory supervisory boards in Germany • Chairman of the Supervisory Board of TÜV SÜD AG, Munich (not listed) • Chairman of the Supervisory Board of Apleona GmbH, Neu-Isenburg (not listed) Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Member of the Supervisory Board of Bridgestone Europe (EMIA) NV/SA, Belgium (not listed) • Member of the Advisory Board of Huf KG, Velbert (not listed)
Mark Dischner[1] born 1973 | Greding	Chairman of General Works Council of LEONI AG	Memberships of other statutory supervisory boards in Germany • Member of the Administrative Board of Sparkasse Mittelfranken-Süd (not listed)
Janine Heide[1] born 1983 | Bad Camberg	Secretary of the IG Metall trade union, Offenbach office	–
Karl-Heinz Lach[1] geb. 1958 | Eschweiler	Betriebsratsvorsitzender der LEONI Kerpen GmbH, Stolberg	–
Richard Paglia[1] born 1966 | Allersberg	Senior Vice President Global Purchasing Wire & Cable Solutions Division, LEONI Kabel GmbH	–
Klaus Rinnerberger born 1964 | Gießhübl, Austria	Member of the Board of Directors, Pierer Industrie AG, Wels, Austria	Memberships of other statutory supervisory boards in Germany • Chairman of the Supervisory Board of SHW AG, Aalen (not listed)* • Chairman of the Supervisory Board of Schwäbische Hüttenwerke Automotive GmbH, Aalen (not listed)* Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Member of the Supervisory Board of Pierer Mobility AG, Wels, Austria (listed)* • Deputy Chairman of the Supervisory Board of Pankl AG, Kapfenberg, Austria (not listed)* • Member of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg, Austria (not listed)* • Chairman of the Advisory Board of Gartner KG, Edt bei Lambach, Austria (not listed)
Prof. Dr Christian Rödl born 1969 | Nuremberg	Lawyer, tax consultant, managing partner at Rödl & Partner, Nuremberg	Memberships of other statutory supervisory boards in Germany • Member of the Supervisory Board of Concentro Management AG, Nuremberg (not listed) Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Chairman of the Board of Shareholders of UVEX Winter Holding GmbH & Co. KG, Fürth, (not listed) • Member of the Advisory Board of Deutsche Bank AG, Bavaria (listed)
Regine Stachelhaus born 1955 | Herrenberg	Lawyer, independent entrepreneur	Memberships of other statutory supervisory boards in Germany • Member of the Supervisory Board of CECONOMY AG, Düsseldorf (listed) (until 02/2022) • Member of the Supervisory Board of COVESTRO AG and COVESTRO Deutschland AG, Leverkusen (listed) • Member of the Supervisory Board of SPIE Deutschland & Zentraleuropa GmbH, Ratingen (not listed) Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Member of the Supervisory Board of SPIE SA, France (listed)
Inge Zellermaier[1] born 1963 | Allersberg	Paramedic, LEONI Kabel GmbH	–

(Mandates marked with an asterisk (*) are mandates for companies within the Pierer Industrie AG group.)

1 Employee representative

Executive Board

Hans-Joachim Ziems
Chief Restructuring Officer (CRO)
since 10 January 2023

As an expert in business turnaround, Hans-Joachim Ziems (69) took on corporate governance mandates and led the restructuring of companies in crisis situations. After studying business administration, he actively participated in shaping development in the consumer electronics sector as an entrepreneur. In 1996, he founded Ziems & Partner Unternehmensberater (management consultants). He was already a member of LEONI's Executive Board as CRO from April 2020 to March 2021 and was reappointed to the Board effective 10 January 2023.

Dr Harald Nippel
Chief Financial Officer (CFO)
since 1 April 2022

Harald Nippel (59) has a doctorate in industrial engineering and gained international experience in various management positions. Among others, he worked for five years as CFO of the Schaeffler Group's Business Unit Aerospace / Superprecision in the United States, thereafter as CFO and Commercial Director at Böwe Systec AG, at Ixetic GmbH/Magna Powertrain and most recently at KraussMaffei Group GmbH.

Dr Ursula Biernert
Chief Human Resources Officer (CHRO)
and Labour Director
since 1 February 2022

Dr Ursula Biernert (53) spent key periods of her career at Volkswagen and Porsche in international settings as well as in the senior management of the Thales Group. Most recently, she was Labour Director and Management Board member responsible for human resources at DB Cargo AG as well as CEO of DB Cargo Vermögensverwaltungs-AG. As CHRO at LEONI, she has been responsible since February 2022 for all processes involving management and development of the workforce.

Ingo Spengler
Chief Operations Officer (COO)
since 1 February 2022

After studying mechanical engineering, Ingo Spengler (50) worked at Volkswagen, Faurecia and Magna, among others. He moved to LEONI in January 2021 and took charge of the Operations department of the Wiring Systems Division (WSD) until his appointment to the Executive Board. As LEONI AG's COO, he has since February 2022 been working on further standardising and digitalising processes in our worldwide production network, among other things.

2022 Review

January

LEONI closes sale of key parts of its industrial cables business to BizLink Holding Inc. The sale agreed in October 2021 provided LEONI with funds of over €300 million, which were used to boost liquidity.

Launch of ValuePlus performance and strategy programme following successful completion of VALUE 21. With ValuePlus, LEONI continues to sharpen its business model to take even better advantage in the future of the car and commercial vehicle industry's market opportunities and to be able to translate this into profitable business with strong cash flow.

February

Outbreak of the war in Ukraine. Thanks to the solidarity of the LEONI family and the outstanding commitment of our colleagues at both LEONI facilities in Ukraine, the fallout was to be overcome as well as possible in the subsequent months. Production in Ukraine was rapidly resumed after brief disruptions. Capacity was duplicated at other LEONI facilities as a precautionary and supportive measure.

Dr Ursula Biernert and Ingo Spengler enhance the Executive Board as CHRO and COO, respectively. By having set up standalone departments for these areas of responsibility, we took account of the increasing importance of our staff worldwide as well as of our global production network.

March

LEONI joins partners representing industry, science and administration in the ATLAS-L4 research project working on self-driving commercial vehicles. The objective is to have self-driving trucks first deployed on the autobahn by the middle of this decade and thereby to make an effective contribution to avoiding congestion and accidents, among other benefits.

April

Sale of LEONI Fiber Optics companies and j-plasma GmbH closed. The sale to Weinert Industries AG agreed in the fourth quarter of 2021 was completed within the framework of a management buy-out.

Dr Harald Nippel reinforces the Executive Board as new CFO. He succeeded Ingrid Jägering, who left the Executive Board at the end of March 2022.

May

Election of Klaus Rinnerberger as Chairman of the Supervisory Board. He succeeded Dr Klaus Probst who, after five years, no longer stood as a candidate for the Board.

VW ID.4 GTX with LEONI technology on board drives to a new altitude world record for electric cars in the Andes of Bolivia. The journey reached 5,800 metres above sea level and demonstrated the capabilities of electromobility as well as the exceptionally fail-safe nature of LEONI's wiring systems.

LEONI and STARK Corporation sign an agreement on the purchase of the Business Group Automotive Cable Solutions. The buyer later unexpectedly refused to close the deal.

June

LEONI employees from all over the world donated more than 60 tons of relief supplies for their colleagues in Ukraine. A lot of money was also donated for the purpose of procuring more humanitarian aid supplies bit by bit, which LEONI is transporting into the war zone.

July

Climate neutral by 2045: LEONI launches ReWire sustainability programme. LEONI thereby accelerated the pace on the way to ever more environmental as well as social compatibility and underpinned its claim to be a preferred partner in the market for climate-friendly and resource-efficient mobility.

It's all about flexibility: LEONI introduces easy rules on working from home. LEONI thereby enhanced its reputation as an attractive employer. Subject to certain conditions, remote working is now an option up to five days a week.

September

Innovation Industrialization Center (IIC) opened at Kitzingen site. In this think tank focused on the wiring system of the future, researchers, engineers and production specialists are developing new wiring system architectures for tomorrow's mobility. The IIC strengthens our position as an innovation partner to the automotive industry.

October

LEONI commends its top suppliers with Supplier Awards. Special commitment and outstanding performance are awarded each year. The sustainability category was newly added for award in 2022. In total, six suppliers are awarded.

December

All Stars Award: Automotive News names LEONI's CEO Aldo Kamper 'Industry Leader of the Year'. This accolade commends executives who have make a crucial contribution to the performance of the automotive sector.

LEONI commended with the 'Agil.Award'. This award, given jointly by the Bavarian Employers' Associations of the Metal-Working and Electrical Industries (German abbrev. 'bayme') and the Federation of the Metal and Electrical Industry in Bavaria ('vbm'), commends companies that have successfully implemented agility and have put this into practice in exemplary fashion.

Buyer refused to close the sale of the Business Group Automotive Cable Solutions. Together with its lenders, LEONI immediately began to adjust its refinancing and restructuring plan to this new situation. Credit lines due soon were temporarily extended.

Corporate Governance Declaration of LEONI AG

The Corporate Governance Declaration pursuant to Sections 289f and 315d of the German Commercial Code (Handelsgesetzbuch, 'HGB') is the key instrument for reporting on corporate governance (principle 23 of the German Corporate Governance Code in its version of 28 April 2022, **'DCGK 2022'**). It is part of the combined management report. Pursuant to Section 317 (2) sentence 6 HGB, the auditor must limit its audit of the information provided pursuant to Sections 289f (2) and (5) and Section 315d HGB to considering only whether or not the information has been provided. If significant changes to the disclosures below have occurred after expiry of the year under report, such changes can be found in the supplementary report of the combined management report.

I. Declaration of conformity pursuant to Section 161 AktG

On 14 December 2022, the Executive Board and the Supervisory Board of LEONI AG issued the declaration regarding the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation (Aktiengesetz, 'AktG') shown below:

**Declaration by the Executive Board and the Supervisory Board of LEONI AG
on the recommendations of the
'Government Commission on the German Corporate Governance Code'
in accordance with Article 161 of the German Stock Corporation Act (AktG)**

Since submitting the last Declaration of Conformity on 7 December 2021, LEONI AG has complied with all of the recommendations of the German Corporate Governance Code in the version of 16 December 2019 ("DCGK 2020") as published by the Federal Ministry of Justice and Consumer Protection in the official part of the Federal Gazette (Bundesanzeiger) on 20 March 2020.

LEONI AG also complies with all of the recommendations of the German Corporate Governance Code in the version of 28 April 2022 ("DCGK 2022") as published by the Federal Ministry of Justice and Consumer Protection in the official part of the Federal Gazette (Bundesanzeiger) on 27 June 2022 and will continue to comply.

Nuremberg, 14 December 2022

LEONI AG

For the Executive Board	**For the Supervisory Board**
Aldo Kamper	Klaus Rinnerberger

After the end of the year under report, the Executive Board and Supervisory Board of LEONI AG issued the following intra-year supplement to its declaration regarding the German Corporate Governance Code pursuant to Section 161 AktG on 9 January 2023:

**Intra-year-addition of the
Declaration by the Executive Board and the Supervisory Board of LEONI AG
on the recommendations of the
´Government Commission on the German Corporate Governance Code`
in accordance with Article 161 of the German Stock Corporation Act (AktG)**

The Executive Board and the Supervisory Board of LEONI AG submitted the last Declaration of Conformity in accordance with Article 161 AktG on 14 December 2022. In addition to this Declaration, the following is declared:

The Supervisory Board of LEONI AG decided to appoint Mr. Hans-Joachim Ziems as a member of the Executive Board for the period of about six months (10 January 2023 until 30 June 2023). Mr. Ziems was assigned the responsibility for the ongoing financial and operational restructuring of the Company. Mr. Ziems already acted from October 2019 until March 2020 as general representative (Generalbevollmächtigter) of LEONI AG and from 1 April 2020 until 31 March 2021 as Chief Restructuring Officer (CRO) of the Executive Board of LEONI AG. For this Mr. Ziems received a fixed monthly salary respectively. Because of these previous activities for LEONI AG and the duration of the appointment, which is again limited in time, the Supervisory Board and Mr. Ziems agreed, that the executive board service contract contains a fixed salary again for the activities of Mr. Ziems. The executive board service contract contains no variable compensation components.

Furthermore, the Executive Board and the Supervisory Board of LEONI AG decided to mandate the Ziems & Partner consulting firm, so they can support the Executive Board with the ongoing financial and operational restructuring of the Company. Mr. Ziems holds a major interest in the Ziems & Partner consulting firm and therefore indirectly benefits from the fees the Ziems & Partner consulting firm receives. The Ziems & Partner consulting firm receives for its advice on restructuring a fixed basic fee and – in the case of achieving certain targets – an additional contingency fee. The Supervisory Board considered and approved the fees for Ziems & Partner consulting firm in reaching its decisions on appointing Mr. Ziems as a member of the Executive Board and the determination of remuneration.

Due to the aforementioned compensation agreement with Mr. Ziems, LEONI AG declares highly precautionary a deviation from the recommendations G.6 to G.11 of the German Corporate Governance Code in the version of 28 April 2022 (DCGK 2022) as published in the official part of the German Federal Gazette (Bundesanzeiger) on 27 June 2022. It is the opinion of the Executive Board and the Supervisory Board that these deviations are justified as the incentive effects, which are usually associated with variable compensation, would not have been appropriate considering that Mr. Ziems' activity on the Executive Board is limited to half a year and the special tasks he was assigned as CRO.

In addition, a sufficient incentive effect is already given by the agreed contingency fee with the Ziems & Partner consulting firm.

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

Nuremberg, 9 January 2023

LEONI AG

For the Executive Board	**For the Supervisory Board**
Aldo Kamper	Klaus Rinnerberger

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

II. Website with information on the compensation of the Executive Board and the Supervisory Board

The compensation report on the last financial year and the auditor's report pursuant to Section 162 of the AktG will be on the agenda of the Annual General Meeting for approval. The compensation report, including the auditor's report, will be published at » **www.leoni.com/en/investor-relations/corporate-governance/executive-board/** and » **www.leoni.com/en/investor-relations/corporate-governance/supervisory-board/** immediately after the Annual General Meeting. The relevant resolution of the Annual General Meeting will also be made available on the Company's website and will remain publicly available in accordance with the legal requirements.

The current compensation system applicable to the members of the Executive Board pursuant to Section 87a AktG was presented to and approved by the Annual General Meeting on 23 July 2020. The resolution approving the compensation and the compensation system for the members of the Supervisory Board pursuant to Section 113 AktG was adopted at the Annual General Meeting on 19 May 2021. Further information on the currently applicable compensation system for the members of the Executive Board and the Supervisory Board, including the relevant resolutions adopted at the Annual General Meeting, can be found at » **www.leoni.com/en/investor-relations/corporate-governance/executive-board/** and » **www.leoni.com/en/investor-relations/corporate-governance/supervisory-board/** as well as at » **www.leoni.com/en/agm2020/** and » **www.leoni.com/en/agm2021/**.

III. Other relevant corporate governance practices

1. Suggestions of the Code
On a voluntary basis, LEONI AG also follows the suggestions of the DCGK 2022 and complies with them with the following exception:

The Executive Board has not taken an advance decision as to whether, in the event of a takeover offer, it should convene an extraordinary general meeting at which shareholders would discuss the takeover offer and may decide on corporate actions (suggestion A.8). The Executive Board would take such a decision on a case-by-case basis depending on the terms of a potential takeover offer and the specific need for discussions and decisions, taking into account the amount of work and resources that an extraordinary general meeting would require.

2. External standards and internal sets of rules
Beyond the statutory regulations and the DCGK 2022, the corporate governance of LEONI AG is aligned with recognised external standards and various internal sets of rules. These include the UN Global Compact, LEONI Social Charter and Diversity Charter, as well as such internal guidelines as the LEONI Code of Conduct and the occupational health, safety and environmental protection policy for LEONI's company divisions that had been transferred to the divisional level in 2019. Further details are provided in the non-financial Group information statement pursuant to Section 315b and 315c HGB and can be viewed on the website of LEONI AG at » www.leoni.com/en/company/sustainability/ and » www.leoni.com/en/code-of-conduct/.

IV. Description of the procedures of the Executive Board and the Supervisory Board as well as of the composition and procedures of the Supervisory Board committees

In the 2022 financial year, the Executive Board and the Supervisory Board of LEONI AG collaborated closely and with mutual trust for the benefit of the Company. The Supervisory Board actively assists and monitors the Executive Board's work. At the Supervisory Board meetings, the Executive Board and the Supervisory Board members discuss all key strategic decisions and transactions requiring consent thoroughly, openly and in strict confidentiality.

1. Composition and procedures of the Executive Board

a) Composition of the Executive Board
As provided for by LEONI AG's Articles of Association, the Executive Board of the Company has at least two members. As at 31 December 2022, the Executive Board had four members, namely Aldo Kamper as Chief Executive Officer (CEO), Dr Ursula Biernert as Chief Human Resources Officer (CHRO), Dr Harald Nippel as Chief Financial Officer (CFO) and Ingo Spengler as Chief Operations Officer (COO). Ingrid Jägering, having been Chief Financial Officer (CFO), left the Executive Board on 31 March 2022 following the early termination of her Executive Board service contract.

In the 2022 financial year, the composition of the Executive Board as well as the respective areas of responsibility in accordance with the allocations of responsibilities applicable in the previous financial year was as follows:

Dr Ursula Biernert, cultural studies graduate (Diplom Kulturwirtin)**, 53**	
First appointed: 1 February 2022	**Appointed until:** 31 December 2024
Areas of responsibility:	Chief Human Resources Officer (CHRO) and Labour Director; also head of the following departments: Corporate Human Resources (incl. head of Senior & Executive Management Development), Corporate Ethics, Risk & Compliance and Corporate Real Estate; additionally CHRO of the Wiring Systems Division
Ingrid Maria Jägering, industrial business management assistant (Industriekauffrau)**, 56**	
First appointed: 1 August 2019	**Appointed until:** 31 March 2022
Areas of responsibility:	Chief Financial Officer (CFO) and Labour Director; also head of the following departments: Corporate Accounting, Corporate Controlling, Corporate Ethics, Risk & Compliance, Corporate Finance & Treasury, Corporate Human Resources (including labour management (Arbeitsdirektion)), Corporate Information Technology, Corporate Internal Audit and Corporate Taxes (including Customs Compliance); furthermore, head of Human Resources and head of Purchasing & Facility Management of LEONI AG in Nuremberg, i.e. at holding company level; additionally CFO of the Wiring Systems Division
Aldo Kamper, MBA, 52	
First appointed: 1 September 2018	**Appointed until:** 31 December 2026
Areas of responsibility:	Chief Executive Officer (CEO); also head of the following departments: Corporate Communications & Investor Relations, Corporate Legal, Corporate Strategy and M&A; furthermore, head of the Wiring Systems Division (Division CEO) and Wire & Cable Solutions Division
Dr Harald Nippel, industrial engineer and industrial business manager (Wirtschaftsingenieur und Industriekaufmann)**, 59**	
First appointed: 1 April 2022	**Appointed until:** 31 March 2025
Areas of responsibility:	Chief Financial Officer (CFO); also head of the following departments: Corporate Accounting, Corporate Controlling, Corporate Finance & Treasury, Corporate Information Technology, Corporate Internal Audit and Corporate Taxes
Ingo Spengler, mechanical engineering graduate (Dipl.-Ing. Maschinenbau)**, 50**	
First appointed: 1 February 2022	**Appointed until:** 31 December 2024
Areas of responsibility:	Chief Operations Officer (COO); also COO of the Wiring Systems Division (Operations Strategy and Management, Production Management, Value Chain Management, Quality Management & Safety/Health/Environment, Operations Project Management, Strategic Purchasing, Operations Controlling, Country Management)

After the end of the year under report, **Hans-Joachim Ziems, graduate in business administration (Diplom-Kaufmann), 69,** was appointed as a member of the Executive Board and Chief Restructuring Officer (CRO) for the period from 10 January 2023 to 30 June 2023.

b) Leadership and management

The Executive Board is responsible for directing and managing the business of LEONI AG. The Board acts in the interests of the Company with the aim of increasing its enterprise value in a sustainable way. To do so, it develops a suitable strategy, coordinates it with the Supervisory Board, and ensures its implementation. The Executive Board's duties also include effective opportunity and risk management, risk controlling and ensuring compliance (observance of statutory requirements and internal company policies) throughout the Group. The Executive Board has not set up any committees.

The law and rules of procedure govern the collaboration and the allocation of duties among members of the Executive Board. The rules of procedure and the related schedule of responsibilities are regularly reviewed by the Supervisory Board for any need for an update. The rules of procedure for the Executive Board are available on the website of LEONI AG at » **www.leoni.com/en/investor-relations/corporate-governance**.

In the past year, the Executive Board's work was initially once again focused on managing the persisting fallout from the COVID-19 pandemic. In addition, there were the consequences for the Company, its staff, customer base, suppliers and other business partners of the war that broke out in Ukraine at the end of February, which needed to be mastered as well as possible. The Company furthermore had to and must still overcome continuing inflation-driven price increases for input products, raw materials, energy and wages, as well as the adversely affected supply chains. This calls for keeping in close touch with all stakeholders. The ReWire sustainability programme was successfully implemented, while ValuePlus was conceived and launched as a new performance and strategy programme and thus as the successor to VALUE 21.

Work on the refinancing plan was also a focal area for the Executive Board. Due to STARK Corporation's refusal to close the planned sale of Business Group Automotive Cable Solutions, it was for the time being no longer possible to implement the original refinancing plan in the 2022 financial year. As a result of intensive talks held by the Executive Board, credit lines due shortly were temporarily extended to allow for adjustment of the refinancing plan. LEONI AG attaches great importance to ensuring that stakeholders are provided with transparent information.

c) Compliance

As part of compliance management during the period under report, the Executive Board dealt with the organisation and further development of all compliance matters and ensured implementation of the necessary measures. The appropriateness and effectiveness of the Compliance Management System is regularly tested. The conclusions drawn from the findings of the internal and external tests, the compliance activity carried out and the measures taken with regard to compliance monitoring are included in the assessment of the effectiveness of the compliance programme and therefore in the compliance risk analysis and assessment. The compliance risk assessment is included in the risk evaluation of the Group as part of the risk management system and also forms the basis for planning the compliance activities in the following year.

d) Communication and transparency

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

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

The CEO's speech at the Annual General Meeting of LEONI AG and a presentation shown during that speech can be followed online. The key points of the CEO's speech at the virtual Annual General Meeting on 24 May 2022 were also uploaded to the Company's website. The presentations are accessible at » **www.leoni.com/en/agm2022/**.

e) Sharing information with the Supervisory Board

The Executive Board informs the Supervisory Board regularly, promptly and comprehensively about all relevant events, as well as about planning, business performance, the risk situation and compliance-related measures. In addition to the Supervisory Board meetings in which the members of the Executive Board are present, the chairpersons of both boards consult regularly, also at short notice and as required due to specific circumstances, on all relevant current matters. Additional information on the collaboration between the Executive Board and the Supervisory Board in the year under report can be found in the Supervisory Board report.

2. Composition and procedures of the Supervisory Board and its committees

a) Composition of the Supervisory Board

In accordance with Section 7 (1) sentence 1 no. 1 of the German Co-Determination Act (Mitbestimmungsgesetz, 'MitbestG'), the Supervisory Board of LEONI AG is composed on a parity basis of six members representing the employees and six members representing the shareholders. More details on the criteria for the composition of the Supervisory Board are set out in the following sections: 'Information on the representation of both sexes on the Executive Board and the Supervisory Board and at the top management levels at LEONI AG' and 'Diversity on the Executive Board and the Supervisory Board'.

In the 2022 financial year, Dr Klaus Probst was Chairman of the Supervisory Board until his departure from the Supervisory Board upon the end of the Annual General Meeting on 24 May 2022, when Klaus Rinnerberger took over the chair. Franz Spieß was First Deputy Chairman of the Supervisory Board throughout the financial year. The position of Second Deputy Chairman remains vacant. In accordance with the requirements of Section 100 (5) AktG, Supervisory Board members Klaus Rinnerberger, Karin Sonnenmoser and Dr Lorenz Zwingmann each have expert knowledge in the fields of accounting and auditing.

All members of the Supervisory Board comply with the limitation of the total number of supervisory board mandates they may accept as recommended in the DCGK 2022.

During the 2022 financial year, the following changes occurred due to the elections to the Supervisory Board held on both the employee and shareholder sides. Klaus Rinnerberger, Franz Spieß and Mark Dischner remained members of the Supervisory Board throughout the financial year.

At the end of the year under report, the Supervisory Board was composed as follows:

Klaus Rinnerberger, Chairman of the Supervisory Board

Member of the Board of Directors of Pierer Industrie AG, Wels, Austria, 59

Supervisory Board member since:
2021

Appointed until:
2027

Committee memberships
- Audit Committee (until 24 May 2022)
- Special Committee
- Mediation Committee pursuant to Section 27 (3) MitbestG (Chairman) (since 25 May 2022)
- Personnel Committee (Chairman) (since 25 May 2022)
- Nomination Committee (Chairman) (since 25 May 2022)
- Strategy Committee (since 25 May 2022)

Memberships of other statutory supervisory boards in Germany
- Chairman of the Supervisory Board of SHW AG, Aalen (not listed)*
- Chairman of the Supervisory Board of Schwäbische Hüttenwerke Automotive GmbH, Aalen (not listed)*

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
- Member of the Supervisory Board of Pierer Industrie AG, Wels, Austria (listed)*
- Deputy Chairman of the Supervisory Board of Pankl AG, Kapfenberg, Austria (not listed)*
- Member of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg, Austria (not listed)*
- Chairman of the Advisory Board of Gartner KG, Edt bei Lambach, Austria (not listed)

The mandates marked with an asterisk (*) are mandates held at companies that form part of the group of Pierer Industrie AG.

In accordance with recommendation C.13 DCGK 2022, it is pointed out that Mr Rinnerberger is a member of the Board of Directors of Pierer Industrie AG. In a voting rights announcement on 21 February 2022, it was reported that Pierer Industrie AG now holds or is attributed a total of 20% of the voting rights in LEONI AG. In a voting rights announcement on 17 June 2022, it was reported that instead of Pierer Industrie AG, L1-Beteiligungs GmbH of Aalen, Germany now holds or is attributed a total of 20% of the voting rights in LEONI AG. Pierer Industrie AG and L1-Beteiligungs GmbH are both subsidiaries of Pierer Konzerngesellschaft mbH held by Mr Stefan Pierer. Accordingly, Pierer Industrie AG was and L1-Beteiligungs GmbH is a principal shareholder in LEONI AG within the meaning of recommendation C.13 DCGK 2022. In the Supervisory Board's opinion, Klaus Rinnerberger has no other personal or business relationship with the Company or the LEONI Group or the Company's corporate governance bodies that would require disclosure. In the Supervisory Board's opinion, this Supervisory Board member is independent from the Company and its Executive Board. Pierer Industrie AG was and L1-Beteiligungs GmbH is furthermore a controlling shareholder within the meaning of recommendation C. 9 DCGK 2022, from which Klaus Rinnerberger is not independent.

Franz Spieß, Deputy Chairman of the Supervisory Board

First senior authorised signatory of the IG Metall trade union in Schwabach, 66

Supervisory Board member since:
2006

Appointed until:
2027

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

Memberships of other statutory supervisory boards in Germany
- Member of the Supervisory Board of Lear Corporation GmbH, Ginsheim-Gustavsburg (not listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
None

This Supervisory Board member took on a supervisory board mandate at Lear Corporation GmbH during the financial year. In the Supervisory Board's opinion, Lear Corporation GmbH is not a significant competitor to LEONI AG within the meaning of recommendation C.12 DCGK 2022, Franz Spieß thereby being independent of key competitors.

Employee representative

Günther Apfalter

President of Magna Europe & Asia & Magna Steyr, Magna International Europe GmbH, 62

Supervisory Board member since:
2022

Appointed until:
2027

Committee memberships
- Strategy Committee (Chairman)

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
- Chairman of the Supervisory Board of Swarco AG, Wattens, Austria (not listed)
- Member of the Supervisory Board of Magna Steyr Fahrzeugtechnik AG, Graz, Austria (not listed)*
- Member of the Supervisory Board of Magna Powertrain GmbH, Lannach, Austria (not listed)*

The mandates marked with an asterisk (*) are mandates held at companies that form part of the group of Magna Steyr AG.

The LEONI Group maintains business relationships with the Magna Group. In the Supervisory Board's opinion, this Supervisory Board member is independent from the Company and its Executive Board. He has no other personal or business relationship with the Company or its Executive Board that may cause a substantial – and not merely temporary – conflict of interest. Günther Apfalter is furthermore independent from controlling shareholders.

Mark Dischner

Chairman of the General Works Council of LEONI AG, 49

Supervisory Board member since:
2017

Appointed until:
2027

Committee memberships
- Personnel Committee
- Special Committee

Memberships of other statutory supervisory boards in Germany
- Member of the Administrative Board of Sparkasse Mittelfranken-Süd (not listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
None

Employee representative

Carolin Geist

Political secretary, 32

Supervisory Board member since:
2022

Appointed until:
2027

Committee memberships
- Strategy Committee

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
None

Employee representative

Tom Graf

CEO of the Huf Group, 67

Supervisory Board member since:
2022

Appointed until:
2027

Committee memberships
- Strategy Committee
- Special Committee

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
None

In the Supervisory Board's opinion, this Supervisory Board member is independent from the Company and its Executive Board. The member has no personal or business relationship with the Company or its Executive Board that may cause a substantial – and not merely temporary – conflict of interest. Tom Graf is furthermore independent from controlling shareholders.

Martin Hering

Works council chairman at LEONI Bordnetz-Systeme GmbH Kitzingen, Germany, 43

Supervisory Board member since:
2021

Appointed until:
2027

Committee memberships
- Strategy Committee
- Special Committee

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
None

Employee representative

Sina Maier

Technical procurement clerk, 25

Supervisory Board member since:
2022

Appointed until:
2027

Committee memberships
- Mediation Committee pursuant to Section 27 (3) MitbestG
- Strategy Committee

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
None

Employee representative

Continuation of the composition of the Supervisory Board

Dr Ulla Reisch

Partner in Urbanek Lind Schmied Reisch Rechtsanwälte OG (law firm), 54

Supervisory Board member since:
2022

Appointed until:
2027

Committee memberships
- Special Committee (Chairwoman)
- Nomination Committee

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
- Member of the Supervisory Board of Rath AG, Vienna, Austria (listed)
- Deputy Chair of the Supervisory Board of Austro Holding GmbH, Vienna, Austria (not listed)

In the Supervisory Board's opinion, this Supervisory Board member is independent from the Company and its Executive Board. The member has no personal or business relationship with the Company or its Executive Board that may cause a substantial – and not merely temporary – conflict of interest. Dr Ulla Reisch is furthermore independent from controlling shareholders.

Karin Sonnenmoser

Freelance consultant as well as supervisory and advisory board member in various companies, 53

Supervisory Board member since:
2022

Appointed until:
2027

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

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
- Member of the Administrative Board and member of the Audit Committee of u-blox AG, Thalwil, Switzerland (listed)
- Member of the Supervisory Board of Innio Jenbach GmbH & Co OG, Austria (not listed)

In the Supervisory Board's opinion, this Supervisory Board member is independent from the Company and its Executive Board. The member has no personal or business relationship with the Company or its Executive Board that may cause a substantial – and not merely temporary – conflict of interest. Karin Sonnenmoser is furthermore independent from controlling shareholders.

Klaus Wolff

Head of Development Support, LEONI Bordnetz-Systeme GmbH, 55

Supervisory Board member since:
26 September 2022

Appointed until:
2027

Committee memberships
- Audit Committee

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
None

Employee representative

Dr Lorenz Zwingmann

Former CFO; freelance consultant as well as supervisory and advisory board member in various companies, 58

Supervisory Board member since:
2022

Appointed until:
2027

Committee memberships
- Audit Committee (Chairman)
- Personnel Committee

Memberships of other statutory supervisory boards in Germany
- Chairman of the Supervisory Board of Rudolf Bunte Beteiligungs SE, Papenburg (not listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
- Member of the Supervisory Board and Chairman of the Audit Committee of Benteler International AG, Salzburg, Austria (not listed)

In the Supervisory Board's opinion, this Supervisory Board member is independent from the Company and its Executive Board. The member has no personal or business relationship with the Company or its Executive Board that may cause a substantial – and not merely temporary – conflict of interest. Dr Lorenz Zwingmann is furthermore independent from controlling shareholders.

The following members of the Supervisory Board left the Board during the year under report:

Dr Klaus Probst, Chairman of the Supervisory Board

Former CEO of LEONI AG, retired, 69

Supervisory Board member since:
2017

Resigned effective:
24 May 2022

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

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
- Chairman of the Advisory Board of DIEHL Stiftung & Co. KG, Nuremberg (not listed)
- Chairman of the Advisory Board of Richard Bergner Holding GmbH & Co. KG, Schwabach (not listed)

In the Supervisory Board's opinion, this Supervisory Board member is independent from the Company and its Executive Board. The member had no personal or business relationship with the Company or its Executive Board that may cause a substantial – and not merely temporary – conflict of interest. Dr Klaus Probst was furthermore independent from controlling shareholders.

Dr Elisabetta Castiglioni

CEO of A1 Digital International GmbH & A1 Digital Deutschland GmbH, Vienna/Munich, 58

Supervisory Board member since:
2017

Resigned effective:
24 May 2022

Committee memberships
- Nomination Committee
- Strategy Committee

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
- Member of the Supervisory Board of A1 Telekom Austria AG, Austria (not listed)

In the Supervisory Board's opinion, this Supervisory Board member is independent from the Company and its Executive Board. The member had no personal or business relationship with the Company or its Executive Board that may cause a substantial – and not merely temporary – conflict of interest. Dr Elisabetta Castiglioni was furthermore independent from controlling shareholders.

Wolfgang Dehen

Former CEO of Osram Licht AG, retired, 69

Supervisory Board member since:
2017

Resigned effective:
24 May 2022

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

Memberships of other statutory supervisory boards in Germany
- Chairman of the Supervisory Board of TÜV SÜD AG, Munich (not listed)
- Chairman of the Supervisory Board of Apleona GmbH, Neu-Isenburg (not listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
- Member of the Supervisory Board of Bridgestone Europe (EMIA) NV/SA, Belgium (not listed)
- Member of the Advisory Board of Huf KG, Velbert, Germany (not listed)

In the Supervisory Board's opinion, this Supervisory Board member is independent from the Company and its Executive Board. The member had no personal or business relationship with the Company or its Executive Board that may cause a substantial – and not merely temporary – conflict of interest. Wolfgang Dehen was furthermore independent from controlling shareholders.

Continuation of the composition of the Supervisory Board

Janine Heide

Secretary of the IG Metall trade union, Offenbach office, 39

Supervisory Board member since:
2019

Resigned effective:
24 May 2022

Committee memberships
None

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
None

Employee representative

Karl-Heinz Lach

Works council chairman at LEONI Kerpen GmbH, Stolberg, 64

Supervisory Board member since:
2017

Resigned effective:
24 May 2022

Committee memberships
- Strategy Committee

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
None

Employee representative

Richard Paglia

Senior Vice President Global Purchasing Wire & Cable Solutions Division, LEONI Kabel GmbH, 56

Supervisory Board member since:
2012

Resigned effective:
24 May 2022

Committee memberships
- Audit Committee
- Strategy Committee
- Special Committee

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
None

Employee representative

Angela Rappl

Senior Vice President, Head of Tax, Customs and Foreign Trade, GEA Group AG, 59

Supervisory Board member since:
2022

Resigned effective:
25 September 2022

Committee memberships
- Audit Committee

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
None

Employee representative

Prof. Dr Christian Rödl

Lawyer, tax consultant, Managing Partner at Rödl & Partner, 54

Supervisory Board member since:
2015

Resigned effective:
24 May 2022

Committee memberships
- Audit Committee (Chairman)

Memberships of other statutory supervisory boards in Germany
- Member of the Supervisory Board of Concentro Management AG, Nuremberg (not listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
- Chairman of the Board of Shareholders of UVEX Winter Holding GmbH & Co. KG, Fürth, Germany (not listed)
- Member of the Advisory Board of Deutsche Bank AG, Bavaria (listed)

In the Supervisory Board's opinion, this Supervisory Board member is independent from the Company and its Executive Board. The member had no personal or business relationship with the Company or its Executive Board that may cause a substantial – and not merely temporary – conflict of interest. Dr Christian Rödl was furthermore independent from controlling shareholders.

Regine Stachelhaus

Independent entrepreneur, 67

Supervisory Board member since:
2019

Resigned effective:
24 May 2022

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

Memberships of other statutory supervisory boards in Germany
- until Feb 2022: Member of the Supervisory Board of Ceconomy AG, Düsseldorf (listed)
- Member of the Supervisory Board of COVESTRO AG and COVESTRO Deutschland AG, Leverkusen (listed)
- Member of the Supervisory Board of SPIE Deutschland & Zentraleuropa GmbH, Ratingen (not listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
- Member of the Supervisory Board of SPIE SA, France (listed)

In the Supervisory Board's opinion, this Supervisory Board member is independent from the Company and its Executive Board. The member had no personal or business relationship with the Company or its Executive Board that may cause a substantial – and not merely temporary – conflict of interest. Regine Stachelhaus was furthermore independent from controlling shareholders.

Inge Zellermaier

Paramedic, 59

Supervisory Board member since:
2017

Resigned effective:
24 May 2022

Committee memberships
- Mediation Committee pursuant to Section 27 (3) MitbestG
- Strategy Committee

Memberships of other statutory supervisory boards in Germany
None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises
None

Employee representative

b) Responsibilities and procedures of the Supervisory Board
The Supervisory Board of LEONI AG monitors and advises the Executive Board on the management of the Company. Its work is governed by applicable law, the Articles of Association, the DCGK 2022 and the rules of procedure. The respective current rules of procedure for the Supervisory Board are available on the website of LEONI AG at » **www.leoni.com/en/investor-relations/corporate-governance/**. There were no changes to the Supervisory Board's rules of procedure in the 2022 financial year.

The Supervisory Board regularly reviews the efficiency of its work. In the past financial year, the Board held and executive session on 8 November 2022. At that meeting – without the Executive Board being present – the Supervisory Board discussed the findings of the efficiency audit, which had been conducted in the form of a self-evaluation by questionnaire. The outcome was that the Supervisory Board will continue to attach importance to its ongoing upskilling and to pursue the goal of further enhancing the expertise on the Board with respect to the issues of the future for LEONI – e.g., in the areas of ESG and digitalization.

While considering the pandemic-related hygiene requirements persisting into the 2022 financial year, we were able, in addition to the virtual or hybrid meetings and the in-person meetings at the Company's head office, to hold an ordinary meeting and, on the following day, the strategy meeting at another facility in Germany. A two-day meeting was furthermore held at a production facility outside Germany in September. More details on the Supervisory Board's work and, in particular, on the number of meetings and the key issues discussed, are set out in the Supervisory Board report.

The Supervisory Board also critically reflected on its competence profile and, as a consequence, partly amended it. The competence profile of the Supervisory Board includes the criterion of the independence of Supervisory Board members that is aimed at avoiding conflicts of interest » **www.leoni.com/en/investor-relations/corporate-governance/**. More details can be found in the section headed 'Diversity concept' below. A description of the conflicts of interest that arose in the 2022 financial year and how they were handled is contained in the Supervisory Board report.

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

c) Supervisory Board committees
To increase the efficiency of the Supervisory Board's work, the following committees are in place, all of which, except for the Nomination Committee and the Mediation Committee, met regularly during the year under report: the Audit Committee, the Personnel Committee, the Nomination Committee, the Mediation Committee, the Special Committee and the Strategy Committee. The respective committee chairpersons report on the committees' work during the Supervisory Board meetings. The Purchase Offer Ad Hoc Committee established in the 2021 financial year was, by a resolution of 1 February 2022, formally dissolved retroactive to 31 December 2021.

The Audit Committee's task is to discuss and review in advance the annual financial statements, the consolidated financial statements, the management report, the combined management report and the report of the Executive Board on relations with affiliated companies (dependency report), as well as the Executive Board's dividend proposal. The Audit Committee furthermore discusses the half-year and any quarterly financial reports with the Executive Board. The Audit Committee deals with matters concerning accounting and compliance, risk management and internal auditing, as well as with the Internal Control System, including testing the effectiveness of the systems and measures that are in place in each case. It prepares the Supervisory Board's proposal to the shareholders at the Annual General Meeting regarding the nomination of the auditor and submits its reasoned recommendation on this nomination to the Supervisory Board. The Supervisory Board furthermore verifies the independence of the auditor and obtains the corresponding statement of independence. It instructs the auditor to perform the audit and agrees on the fees with said auditor, determines the focal areas of the audit and monitors the audit.

The Audit Committee meets at least four times a year. In the 2022 reporting year, the Audit Committee convened for four ordinary meetings and one extraordinary meeting. The Audit Committee consists of four members – two shareholder representatives and two employee representatives – to be elected by the Supervisory Board, one of whom the Supervisory Board appoints as chair. As at 31 December 2022, the members of the Audit Committee were Dr Lorenz Zwingmann (Chairman), Karin Sonnenmoser, Franz Spieß and Klaus Wolff.

The Audit Committee's Chairman, Dr Lorenz Zwingmann, is independent, is not also the Chairman of the Supervisory Board and has at no point in time been a member of the Executive Board of LEONI AG. In accordance with the requirements of Section 107 (4) sentence 3 in conjunction with Section 100 (5) sentence 1 AktG, both the Chairman of the Audit Committee, Dr Lorenz Zwingmann, and Karin Sonnenmoser have expert knowledge in the fields of accounting and auditing (two independent financial experts). According to recommendation D.3 of the DCGK 2022, the expert knowledge in the field of accounting should in particular cover knowledge and experience in applying accounting principles as well as internal control and risk management systems, while the expert knowledge in the field of auditing should especially include knowledge and experience in auditing financial statements. Accounting and auditing also include sustainability reporting and its review. Dr Lorenz Zwingmann as Chairman of the Audit Committee and Ms Sonnenmoser worked, among other positions, as chief financial officers at various companies and have many years of experience as audit committee chairs and members and as independent consultants and thereby both command the required expertise in the aforementioned fields. Further information on the content of the meetings can be found in the Supervisory Board report.

The Personnel Committee's main tasks are to advise on the appointment and removal of the members of the Executive Board, the compensation system for the members of the Executive Board and the principal elements of the service contracts of the members of the Executive Board. It furthermore decides, among other things, on its consent for sideline work of Executive Board members as well as contracts with Supervisory Board members in accordance with Section 114 AktG. The committee meets at least twice a year. In 2022, the year under report, the Personnel Committee convened for a total of seven meetings.

Alongside the chair of the Supervisory Board as Committee chairperson, the Personnel Committee comprises the deputy of the Supervisory Board's chair and one Supervisory Board member, each to be elected on the proposal of the shareholder representatives and the employee representatives. As at 31 December 2022, the members of the Personnel Committee were Klaus Rinnerberger (Chairman), Mark Dischner, Franz Spieß and Dr Lorenz Zwingmann. Further information on the content of the meetings can be found in the Supervisory Board report.

The Nomination Committee's task is to make recommendations to the Supervisory Board for its proposals to the shareholders at the Annual General Meeting of suitable candidates to be elected to the Supervisory Board to represent the shareholders. The suitability of a candidate is judged based on the competence profile prepared by the entire Supervisory Board, the targets concerning the Board's composition (taking into account the applicable statutory requirements), the diversity concept and a questionnaire. In 2022, the year under report, the Nomination Committee convened for a total of two meetings.

In addition to the Supervisory Board Chairman, who also chairs the Committee, the Nomination Committee has two further members, who are elected by the shareholder representatives. When appointing members to the Committee, the Supervisory Board furthermore ensures a well-balanced representation of both women and men. As at 31 December 2022, the members of the Nomination Committee were Klaus Rinnerberger (Chairman), Dr Ulla Reisch and Karin Sonnenmoser. Further information on the content of the meetings held can be found in the Supervisory Board report.

To perform the duties set out in Section 31 (3), sentence 1 MitbestG, the Supervisory Board has formed a Mediation Committee pursuant to Section 27 (3) MitbestG, which consists of the chair of the Supervisory Board as Committee chair, his or her deputy and one member, each elected by the members representing the employees and the members representing the shareholders by a majority of the votes cast. The Mediation Committee did not meet in the financial year. As at 31 December 2022, the members of the Mediation Committee were Klaus Rinnerberger (Chairman), Sina Maier, Karin Sonnenmoser and Franz Spieß.

The Strategy Committee deals in an advisory and preparatory capacity with the corporate strategy. Its principal tasks comprise advising the Executive Board on the Company's strategic development and matters involving the corporate strategy and projects of strategic relevance, as well as preparing strategy meetings and decisions of the Supervisory Board on matters requiring consent concerning acquisitions, capital expenditure, organisational changes and restructuring. The committee convenes at least twice each calendar year, in addition to the Supervisory Board's annual strategy meeting. In 2022, the year under report, the Strategy Committee convened for two meetings.

The Strategy Committee comprises three members each of the shareholder representatives and the employee representatives, all of whom are to be elected by the Supervisory Board. As at 31 December 2022, the members of the Strategy Committee were Günther Apfalter (Chairman), Carolin Geist, Tom Graf, Martin Hering, Sina Maier and Klaus Rinnerberger. The Committee's Chairman, Günther Apfalter, has, as Executive Officer of a group operating internationally, the necessary expertise in the area of strategic decision-making, especially so in the automotive sector. Further information on the content of the meetings can be found in the Supervisory Board report.

The Special Committee's task is to advise the Executive Board with regard to the ongoing work in connection with the refinancing of LEONI AG and of its Group and to monitor the asset and liquidity situation, including monitoring the measures initiated by the Executive Board in that respect. The Special Committee works closely with the Executive Board. The Executive Board reports regularly to the Special Committee on the current financial, asset and liquidity situation. In the year under report, the Special Committee's total of 26 meetings were normally held two to three times per month together with the members of the Executive Board.

The Special Committee is subject to the principle of equal representation and consists of six members. As at 31 December 2022, the members of the Special Committee were Dr Ulla Reisch (Chairwoman), Mark Dischner, Tom Graf, Martin Hering, Klaus Rinnerberger and Franz Spieß. Dr Ulla Reisch was chosen as Chair of the committee based on her many years of experience and expertise in restructuring. Further information on the content of the meetings can be found in the Supervisory Board report.

Further information on the focal areas of the committees' work during the 2022 financial year can be found in the Supervisory Board report.

3. Shares held by members of the Executive Board and the Supervisory Board

All members of the Executive Board and the Supervisory Board and the persons closely associated with them are obliged pursuant to Article 19 of the European Market Abuse Regulation (Regulation (EU) No 596/2014) to promptly disclose, under certain conditions, any transactions in shares of LEONI AG or in any derivatives or any other financial instruments linked thereto. A list of the transactions that were reported can be found on the website of LEONI AG at » **www.leoni.com/en/investor-relations/corporate-governance/managers-transactions/**.

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

1. Representation of both sexes on the Executive Board

According to the German Stock Corporation Act in its version of the German Second Leadership Positions Act (Zweites Führungspositionen-Gesetz, 'FüPoG II') in force since 12 August 2021, at least one woman and at least one man must be members of the Executive Board (minimum participation requirement), Section 76 (3a) AktG, if the Executive Board consists of more than three members. This has been the case at LEONI AG since 1 February 2022. The minimum participation requirement was taken into account in the respective constellations of the Executive Board's composition. In the months of February and March 2022, the Executive Board consisted of Aldo Kamper (Chairman), Ingrid Jägering, Dr Ursula Biernert and Ingo Spengler. Effective 1 April 2022, Dr Harald Nippel succeeded Ingrid Jägering, meaning that the statutory minimum participation requirement was observed throughout the 2022 financial year. As Section 76 (3a) AktG has applied to LEONI AG since 1 February 2022, the obligation to set target quotas for the Executive Board pursuant to Section 111 (5) sentence 9 AktG is no longer applicable.

Previously, the Supervisory Board had, according to Section 111 (5) sentence 1 AktG, set the target for the Executive Board of LEONI AG of reaching a 15% proportion of women by 30 June 2022. Until this obligation to set a target quota lapsed on 1 February 2022, this requirement was exceeded during the financial year (50%).

2. Stipulations regarding the two management levels below the Executive Board

Pursuant to Section 76 (4) AktG, the Executive Board furthermore stipulates target values for the percentage of women working in positions at the first and second management levels below the Executive Board. In setting its target minimum percentages for the Executive Board and the two management levels below the Executive Board, LEONI AG, as a technology-focused company, has taken into account industry-specific circumstances and the current percentage of women among its staff.

For the next two management levels below the Executive Board, the Executive Board decided on 30 June 2017 to set the target minimum percentage of women to be met by 30 June 2022 at 15 percent for both levels.

Pursuant to the current definition of the higher management levels, ten women were employed on the first management level below the Executive Board and three women on the level below that as at 31 December 2022. The proportion of women on this level therefore stood at 30%, the 15% target thus having been exceeded.

Among a total of 22 managers on the second management level below the Executive Board there were eight women on 30 June 2022. The proportion of women on this level stood at 36.4% and thus likewise exceeded the 15% target.

In February 2023, the Executive Board set new target quotas for both of the management levels below the Executive Board of 30% each to be reached by 30 June 2027.

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

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

At the beginning of the 2022 financial year, the Supervisory Board had four female members, two among the shareholder representatives and two among the employee representatives, and eight male members. Following the elections to the Supervisory at the Annual General Meeting on 24 May 2022, the membership broke down to five women, two on the shareholder side and three on the employee side, as well as seven men. Due to Angela Rappl's departure as employee representative effective 25 September 2022 and the subsequent appointment of Klaus Wolff, the breakdown changed again to the extent that the Supervisory Board had four women, two each on the shareholder side and the employee side, and eight men as members.

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

VI. Diversity on the Executive Board and the Supervisory Board of LEONI AG

LEONI considers diversity to be key factor of success for the Company's future viability. Living diversity is a strategic factor of success. Different career and educational backgrounds facilitate the fulfilment of duties and obligations in accordance with the statutory requirements, the provisions of the Company's Articles of Association and the rules of procedure. Increasing internationalisation requires LEONI AG to lead teams reflecting diversity. Without this capability and experience, it would be impossible to take appropriate account of different cultural backgrounds within the Group. Maintaining a balanced age structure ensures a regular introduction of leadership talent and simultaneously ensures that knowledge, as well as work and life experience, are retained for as long as possible in the Company's best interest. Gender diversity is, in turn, reflected in the consistent continuation of the initiatives launched by the Executive Board to increase the number of women in management positions. LEONI AG's activities aim at raising awareness of gender diversity, in particular among managers, but also among the staff by way of mentoring programmes, e-learning courses and targeted training schemes.

1. Diversity concept for the composition of the Executive Board and long-term succession planning

a) Competence profile and diversity concept

Requirements regarding the requisite qualifications and a diversity concept were prepared for the composition of the Executive Board that are intended to serve as a guideline for future appointments. Together, these two sets of rules provide the following guidelines to be adhered to by the Executive Board when appointing its members:

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

b) Implementation of the diversity concept for the Executive Board in the past financial year and long-term succession planning

Implementation of the concept is ensured to a material extent by involving the Supervisory Board in the strategic, financial and current affairs of the Company and of its organisation, as provided for by statutory requirements, the provisions of the Articles of Association and the rules of procedure. The allocation of responsibilities, the appointment and the succession planning for the Executive Board are part of the Supervisory Board's duties.

The Executive Board reports regularly during the Supervisory Board's meetings on diversity issues as well as the development and potential of managers within the Group, in so doing bearing in mind the 'NextGen WSD' programme that has been implemented. The aforementioned criteria are furthermore taken into account by the Personnel Committee and the Supervisory Board when making decisions regarding internal or external candidates to be appointed to the Executive Board. In addition, when filling positions on the first management level below the Executive Board, which is subject to the Personnel Committee's consent, both the Executive Board and the Supervisory Board take care to comply with the aforementioned criteria.

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

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

In the opinion of the Supervisory Board and Executive Board, the measures initiated are suitable for appropriately accounting for the diversity aspect at an early stage of the staff selection and promotion process in the future as well as for embedding an appropriate structure with respect to experience and age on the Executive Board. In particular with regard to the extended composition of the Executive Board as at 1 February 2022, the members of the Executive Board cover all areas of competence that are essential for LEONI AG with their many years of experience and their broad knowledge. Their international background provides optimum conditions for the multinational business of LEONI AG.

2. Diversity concept for the composition of the Supervisory Board

a) Diversity criteria integrated into the competence profile

The Supervisory Board has established a competence profile to ensure qualified supervision and advice for the Executive Board. The profile emphasises the level of independence, integrity, commitment and professionalism that is expected of all Supervisory Board members and is thoroughly reviewed and updated on a continual basis. Moreover, the Supervisory Board is of the opinion that the diversity concept integrated into the competence profile ensures that different societal groups and stakeholders of LEONI AG are represented. The latest version of the competence profile is available at » **www.leoni.com/en/investor-relations/corporate-governance/**.

The candidates who are proposed for election as Supervisory Board members shall be able, based on their experience, expert knowledge and personality, to perform in a profitable manner the duties of a supervisory board member of a group that operates internationally and also to represent the group well in dealings with third parties. Supervisory Board members shall be able to devote sufficient time to performing the duties associated with their mandate so that they are able to do so with due regularity and diligence.

The objective pursued is that the Supervisory Board as a whole combines all the knowledge and experience needed to execute its tasks – this applies, in particular, to the knowledge and experience that is important to LEONI AG. The following professional competencies are covered by the Supervisory Board – in each case by at least one member – with regard to specific expert knowledge:

- management / leadership
- human resources / new work / transformation
- business development and corporate organisation / M&A transactions
- restructuring and crisis management expertise
- industry and sector knowledge in the LEONI business areas
- new technologies, products and services (including mobility of the future, electrification)
- operations and operative excellence
- transformation of processes (including automation, process optimisation and redesign)
- legal / compliance / corporate governance
- accounting
- auditing
- (re-)financing / liquidity / capital market
- digitalization / IT / software
- ESG / sustainability (especially with respect to LEONI)

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

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

The aim of the diversity criteria integrated into the competence profile is to have a sufficient degree of diversity on the Supervisory Board that goes beyond professional qualification to be able to successfully perform tasks in an international setting and in mixed-gender teams. These criteria are also intended to serve as a guiding principle for the Company as a whole. Considering consistency and renewal with respect to (impending) appointments should contribute to sustainability and add fresh impetus. Diversity criteria include the following:

- appropriate consideration of women as members of the Supervisory Board and its committees;
- experience in the global corporate environment as well as knowledge of the regions and markets of importance to LEONI Group on an international level;
- a variety of career backgrounds, national origins, experience and mindset;
- a balanced age structure within set parameters for a standard retirement age at the time of appointment (currently at 70 years of age; maximum membership of 15 years).

The aim is to ensure that the diversity aspect is taken into account at an early stage of the selection process and that the Supervisory Board reflects an appropriate structure in terms of experience and age.

Furthermore, the competence profile provides for the criterion of the independence of the Supervisory Board, which is ensured as follows:

- An appropriate number (= at least two) of the shareholder representatives shall be independent within the meaning of the DCGK 2022. In particular, they are not to have any personal or business relationship with LEONI AG, its corporate bodies, any controlling shareholders or companies affiliated with the latter that may cause a substantial and not merely temporary conflict of interest.
- Conflicts of interest shall be avoided, for example, by ensuring that no directorships or similar positions are held or advisory tasks are exercised for key competitors of LEONI AG.

- The Supervisory Board shall not include more than two former members of the Executive Board of LEONI AG.

b) Manner and status of implementation of the competence profile; evaluation

In elections of new members of the Supervisory Board to act as shareholder representatives, the Nomination Committee takes the competence profile into account in its work. The election of the employee representatives in accordance with the provisions of the MitbestG also contributes to having a diversity of career backgrounds.

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

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

The Supervisory Board performs regular evaluations of its work by using a questionnaire that has been created specifically for this evaluation and by discussing the findings at its executive sessions. One aspect of this evaluation is to detect any areas where the Supervisory Board members feel there are shortcomings in the composition of the Supervisory Board and, if necessary, to amend the competence profile accordingly. The evaluation performed in the year under report showed that the Supervisory Board members considered some minor adjustments to the existing competence profile to be necessary. More details on the findings of the evaluation in the 2022 financial year are set out under 'Responsibilities and procedures of the Supervisory Board' above.

Currently, the Supervisory Board of LEONI AG consists of members who fulfil the requirements as set out in the competence profile. The Supervisory Board members are collectively familiar with the sector in which LEONI AG operates. The degree of diversity deemed to be sufficient under the targets set for the composition of the Supervisory Board regarding differing career backgrounds, professional expertise and experience has also been achieved. The Supervisory Board members' curricula vitae that are published at » **www.leoni.com/en/company/management/supervisory-board/** and updated regularly show the diversity of the career and educational backgrounds of the individual Board members.

Moreover, no member of the Supervisory Board was older than 70 years when elected or has been a Board member representing the shareholders for more than 15 years.

In the year under report, there were controlling shareholders within the meaning of recommendation C.9 DCGK 2022 with Pierer Industrie AG and the transfer of voting rights it held or was allocated to L1-Beteiligungs GmbH, cf. voting rights announcements of 21 February 2022 and of 17 June 2022. The Supervisory Board is of the opinion that all shareholder representatives, with the exception of Klaus Rinnerberger, who should be treated as not independent, are independent within the meaning of the DCGK 2022, the Supervisory Board thereby also having an appropriate number of independent members. In particular, these members have no personal or business relationship with LEONI AG, its corporate bodies or companies affiliated with the latter that may cause a substantial and not merely temporary conflict of interest. Nor do the Supervisory Board members hold directorships or similar positions or perform advisory tasks for key competitors of the LEONI Group. Additionally, reference is made to the information provided in the section 'Composition of the Supervisory Board'.

c) Qualification matrix

The status of implementing the competence profile is presented in the qualification matrix below:

Qualification matrix of the Supervisory Board of LEONI AG – **Shareholder representatives**

	Klaus Rinnerberger (Chairman)	Günther Apfalter	Tom Graf	Dr Ulla Reisch	Karin Sonnenmoser	Dr Lorenz Zwingmann
Personal prerequisites						
- Member of the Supervisory Board since	19/05/2021	24/05/2022	24/05/2022	24/05/2022	24/05/2022	24/05/2022
- Independence according to DCGK 2022		✓	✓	✓	✓	✓
- No "Overboarding" according to DCGK 2022	✓	✓	✓	✓	✓	✓
Diversity						
- Date of birth	02/03/1964	21/08/1960	20/02/1956	22/04/1968	08/10/1969	16/09/1964
- Gender	Male	Male	Male	Female	Female	Male
- Nationality	Austrian	Austrian	German	Austrian	German	German
- International professional experience	✓	✓	✓	✓	✓	✓
- Experience from advisory or supervisory board work of other companies	✓	✓	✓	✓	✓	✓
Professional competencies						
Product / Technology / Markets						
- Industry and sector knowledge in the LEONI business areas	✓	✓	✓	✓	✓	✓
- New technologies, products and services	✓	✓				
- Operations & operative excellence	✓	✓	✓			✓
- Transformation of processes	✓	✓	✓		✓	✓
Finance / Audit						
- Legal / compliance / corporate governance	✓	✓		✓	✓	✓
- Accounting	✓	✓		✓	✓	✓
- Auditing	✓			✓	✓	✓
- (Re-)financing / Liquidity / capital market	✓	✓	✓	✓	✓	✓
- Finance expert according to Section 100 (5) AktG and recommendation D.3 DCGK 2022	✓				✓	✓
Leadership / Strategy						
- Management / Leadership	✓	✓	✓	✓	✓	✓
- Human Resources / new work / transformation	✓	✓	✓	✓		✓
- Business development and corporate organisation / M&A transactions	✓	✓	✓	✓	✓	✓
- Restructuring and crisis competence	✓	✓	✓	✓	✓	✓
IT / ESG						
- Digitalision / IT / Software	✓		✓		✓	✓
- ESG / sustainability (especially related to LEONI)	✓	✓		✓	✓	✓

✓ Criterion met, based on a self-assessment by the Supervisory Board. This means at least „good knowledge" and thus the ability to comprehend relevant facts and make well-founded decisions on the basis of existing qualifications and professional skills within the scope of Supervisory Board work for LEONI AG

Qualification matrix of the Supervisory Board of LEONI AG – **Employee representatives**

	Franz Spieß (Deputy Chairman)	**Mark Dischner**	**Carolin Geist**	**Martin Hering**	**Sina Maier**	**Klaus Wolff**
Personal prerequisites						
- Member of the Supervisory Board since	04/10/2006	11/05/2017	24/05/2022	24/05/2022	24/05/2022	26/09/2022
- No "Overboarding" according to DCGK 2022	✓	✓	✓	✓	✓	✓
Diversity						
- Date of birth	25/01/1957	22/12/1973	03/07/1990	05/07/1979	29/11/1997	02/05/1967
- Gender	Male	Male	Female	Male	Female	Male
- Nationality	German	German	German	German	German	German
- International professional experience	✓	✓		✓		✓
- Experience from advisory or supervisory board work of other companies	✓	✓				✓
Professional competencies						
Product / Technology / Markets						
- Industry and sector knowledge in the LEONI business areas	✓	✓	✓	✓	✓	✓
- New technologies, products and services	✓				✓	✓
- Operations & operative excellence	✓	✓		✓	✓	✓
- Transformation of processes	✓	✓		✓	✓	✓
Finance / Audit						
- Legal / compliance / corporate governance	✓	✓		✓	✓	✓
- Accounting	✓					✓
- Auditing	✓					✓
- (Re-)financing / Liquidity / capital market						✓
- Finance expert according to Section 100 (5) AktG and recommendation D.3 DCGK 2022						
Leadership / Strategy						
- Management / Leadership	✓	✓		✓		✓
- Human Resources / new work / transformation	✓	✓	✓	✓	✓	✓
- Business development and corporate organisation / M&A transactions	✓					✓
- Restructuring and crisis competence	✓	✓		✓		✓
IT / ESG						
- Digitalision / IT / Software	✓				✓	
- ESG / sustainability (especially related to LEONI)	✓	✓		✓		✓

✓ Criterion met, based on a self-assessment by the Supervisory Board. This means at least „good knowledge" and thus the ability to comprehend relevant facts and make well-founded decisions on the basis of existing qualifications and professional skills within the scope of Supervisory Board work for LEONI AG

The LEONI share

Overview of key LEONI share data	
First listed on	1 January 1923
Ticker symbol	LEO
ISIN	DE0005408884
WKN	540888
Class of shares	Ordinary bearer shares with no par value
Market segment	Regulated market, Prime Standard (LEONI's application for revocation of its admission to the Prime Standard published on Deutsche Börse AG's website on 28 April 2023).
Share capital	€ 32,669,000
Number of shares	32,669,000

Multi-year overview of key LEONI share figures

		2022	2021
Number of shares at yearend	in millions	32,669	32,669
Earnings	€/share	(18.52)	(1.46)
Dividend	€/share	0[1]	0
High for the year[2]	€/share	11.52	18.38
Low for the year[2]	€/share	5.38	6.62
Yearend closing price[2]	€/share	5.51	9.92
Market capitalisation on 31 Dec	€ million	180	324
Average daily trading volume	no. of shares	104,275	252,004

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

LEONI share prior to delisting

In early 2023, LEONI was compelled to launch restructuring based on applying the German Corporate Stabilisation and Restructuring Act (Unternehmensstabilisierungs- und restrukturierungsgesetz – 'StaRUG'). The previously agreed restructuring plan could not be implemented because, in a surprise move, the buyer refused in December 2022 to close the sale of the automotive cables segment, this disposal having been an integral part of the refinancing. The outcome of immediately launched, in-depth talks with the creditors to safeguard LEONI AG's continued existence was the restructuring plan first published on 29 March 2023, this having been the only remaining solution. Part of this financial restructuring involves, among other things, the unavoidable reduction of LEONI AG's share capital to zero. This means the exit of previous shareholders and the delisting of LEONI's share. As a consequence of implementing the other capital-related measures under the restructuring plan, LEONI AG will receive fresh liquidity from the capital increase amounting to € 150 million and will be discharged of financial liabilities totalling € 708 million. With this painful contribution to restructuring by shareholders and lenders, the market listing of LEONI AG will soon end.

The restructuring plan was accepted with the required majorities during a discussion and ballot meeting held on 31 May 2023. The plan is to be executed immediately after it has taken legal effect as well as having received merger control clearance and other customary caveats having lapsed. These steps were still pending at the time of the editorial deadline. Details of this financial restructuring are presented in this Annual Report.

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1. Principles of the Group

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

1.1. Business model

LEONI is a global provider of products, solutions and services for energy and data management in the automotive industry. Its value chain ranges from standardised cables and special cables through to highly complex wiring systems and related components, from development all the way to production. As an innovation partner with profound development and systems expertise, we support our customers on their way to ever more sustainable and connected mobility concepts, from autonomous driving to alternative drives and charging systems. To this end, LEONI develops cable solutions and wiring systems for the next generation that reduce complexity and allow a higher degree of automation thanks to their zonal architecture. In the past financial year, our business was divided into two business units (or segments or divisions), Wiring Systems (WSD) and Wire & Cable Solutions (WCS).

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

The **Wire & Cable Solutions Division** is one of the leading manufacturers of automotive cables throughout Europe. Its product range encompasses standard cables, special cables and charging cables for the automotive industry, as well as wires and strands. During the year under report, we continued the divestment of activities on other markets, which was decided in 2019, and sold a large portion of the units that do not form part of the automotive business. This relates to material parts of the industrial business, which is pooled in the Business Group Industrial Solutions together with the LEONI Fiber Optics companies and j-plasma GmbH. However, the sale of the WCS Division's largest unit, Business Group Automotive Cable Solutions (BG AM), could not be completed because, in a surprise move, the buyer STARK Corporation refused in December 2022 to close the purchase agreement signed in May 2022. BG AM thus remains part of the LEONI Group. Details on the divestments can be found in the chapters › **Key events** and › **Segment report / Reports by division**. Further disposals are planned in 2023, such as the sale of BG Wire Products & Solutions (BG PS). A sale of BG AM to another buyer is currently not being pursued. LEONI is taking all measures to assert its rights against the STARK Corporation.

Starting in 2023, the divisions will be aligned to the two divisions, Wiring Systems (WSD) and Automotive Cable Solutions (ACS); the latter is identical to what has hitherto been the Business Group

Automotive Cable Solutions (BG AM). With its new structure, LEONI is completing the Company's almost exclusive focus on the automotive industry. The ACS Division sees material opportunities in the major trends of electromobility and autonomous driving.

1.2. Organisational structure

During the period under report, the LEONI Group comprised LEONI AG and its two divisions, WSD and WCS. LEONI AG acts as a group holding company that essentially focuses on financing, governance and capital market-related tasks. The organisational structure of the **Wiring Systems Division** was realigned with a strictly functional focus in accordance with the NextGenWSD programme implemented in 2021 to achieve more standardisation benefits and efficiency enhancements through clear process responsibility, thereby boosting competitiveness. The worldwide production network of the WSD includes production facilities in many countries, chiefly in Eastern Europe, North Africa, Mexico and China, which are pooled into nine country organisations. The locations are chosen based on cost advantages and logistical requirements, and they are situated in the nearest possible regional proximity to our customers.

In preparation for the partial divestments, the **Wire & Cable Solutions Division** was organised along the business areas of Automotive (Business Group Automotive Cable Solutions, BG AM), Industry (Business Group Industrial Solutions, BG IN) and other smaller units, including the Business Group Wire Products & Solutions (BG PS), which includes business with wires and strands. Following the divestments completed during the year under report, the Business Group Automotive Cable Solutions (BG AM) will essentially be the only part remaining in the future. In addition, the divestment process is being continued for small sub-segments of the Industrial Solutions business and the BG Wire Products & Solutions. The production facilities are located in Western and Eastern Europe, the Americas and Asia. They are situated in strategically favourable proximity to our customers and in key growth regions of the core markets being cultivated.

1.3. Principal facilities and changes in the scope of consolidation

At the end of 2022, LEONI was, with 58 subsidiaries (previous year: 72) in 27 countries (previous year: 28), located in Asia, the Americas and EMEA (Europe, Middle East and Africa). The WSD Division had 3 (previous year: 3) domestic and 36 (previous year: 30) foreign companies, 7 of which were located in Asia, 8 in the Americas and 21 in the EMEA region. The WCS Division accounted for 19 (previous year: 33) companies, of which 8 were in Germany, 5 in the remaining EMEA region, 2 in Asia and 4 in the Americas.

The disposal of substantial parts of the WCS has reduced the scope of consolidation in 2022. Their impact on the Group's financial position and performance is described in the sections headed › **Business report** and › **Segment report / Reports by division**. BG AM, the sale of which was agreed in May 2022, was initially presented in the Group's reporting as a discontinued operation in the 2022 half-year financial report and subsequent reports. Given that the buyer, in a surprise move, refused to close the sale in December 2022, BG AM is once again being presented as a continuing operation in the Group's accounting until further notice.

1.4. Customers and markets

The LEONI Group's customers principally include motor vehicle manufacturers and their suppliers. This customer group provided about 94 percent of total sales in 2022 (previous year: 84 percent). With sales to the five largest customers and their suppliers, we generated a business volume of approx. €2.3 billion during the period under report (previous year: €2.1 billion), which equated to about 45 percent of consolidated sales (previous year: 41 percent).

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

The customer base of the **Wire & Cable Solutions Division** essentially comprises wiring systems manufacturers that operate worldwide and many other automotive component suppliers (Tier 1 and Tier 2) following the disposals completed in 2022. We maintain long-standing and close relationships with our customers and are in faithful contact with them, especially via our sales and development departments.

In regional terms, the European, American and Asian markets are of greatest significance to LEONI. Europe – including the Middle East and Africa (EMEA) – is LEONI's most important market, with a share of some 70 percent (previous year: 68 percent) of sales. The Americas account for approximately 17 percent (previous year: 17 percent) and Asia for about 13 percent (previous year: 15 percent) of consolidated sales.

1.5. Competitive situation and advantages

The **Wiring Systems Division** is among the top five providers of cable harnesses and wiring systems worldwide with a disproportionately strong focus on Europe. Our most significant competitors are Aptiv, Sumitomo, Yazaki and Dräxlmaier. Alongside our good, internationally competitive position also in the electromobility segments, our success in the market is based on great power of innovation, comprehensive logistics and systems expertise, as well as development centres in proximity to customers. Another factor is our production network spanning the entire world with standardised processes and a high proportion of output at locations with favourable wage costs. Our broad international positioning and the variety of vehicle manufacturers and brands we supply also diminish our exposure to regional or customer-specific market cycles.

The **Wire & Cable Solutions Division,** which will feature the Automotive business as its essential part following the disposals completed in the 2022 financial year, is a leading provider of vehicle cables in Europe. In some product segments, such as data and special cables for the car industry, we regard ourselves as global market leaders. Our good competitive position is principally based on a vertically integrated value chain, core skills developed over decades, such as a broad understanding of raw materials and know-how concerning input materials, engineering and applications, and command of technologically sophisticated manufacturing processes. Our international footprint provides additional advantages.

1.6. Strategy and ValuePlus

The aim of the LEONI Group's strategic focus remains unchanged as BG AM remains within the Group: To exploit the future market potential in the automotive and commercial vehicle industries from a strengthened position that has stabilised further, and to focus on consolidating our leading position as a supplier and service provider of wiring systems and cables for cars and commercial vehicles, for example in the growing business with alternative drives. In order to ensure the systematic alignment of the Group as a whole to this goal, BG AM is also taking part in the ValuePlus strategy and performance programme. The focal areas of the programme have been adjusted accordingly.

WSD: Wiring Systems Division as systems supplier and development partner

We aim for the Wiring Systems Division to develop into a global provider of solutions, systems supplier and development partner for the European automotive sector as well as for the international component supply business and the commercial vehicle market. In addition to selling wiring systems and cable harnesses, we also seek to expand our own offerings of energy and data management components and services. In the electromobility sector, we regard ourselves as well set-up both technologically and in terms of market position to benefit from the progressing switch to electric and hybrid vehicles. Our potential market continues to grow, particularly with the increase in electrification.

In accordance with the functional organisation of the WSD, we derived sub-strategies for the Technology, Production and Distribution units in order to achieve these goals: At the heart of the technology strategy is the development of new products and solutions and the enhancement of our expertise in the main areas of low-voltage and high-voltage wiring systems, together with supplementary products and solutions. We also support our customers actively in the context of advance development projects for product innovations and system design. Our production strategy has an evolutionary and a revolutionary approach. Evolutionary stands for the stepped-up introduction of a uniform production system in all direct and indirect production areas of the WSD. Revolutionary means pushing ahead with digitalization and reaching an optimum degree of automation in production. Both approaches are thus geared towards creating a standardised production landscape able to respond to product and market developments with greater flexibility. The sales strategy provides for key decisions to be taken on the basis of a continual analysis of the market and the competition. Building on this, we assess our customer and project portfolios and project acquisitions on a continual basis to ensure they are aligned with our strategy, potential risks and the potential for further development.

The goal of our sales strategy is to achieve a relevant competitive situation among all of our strategic customers and to improve it on growth markets in a targeted way while being heavily focused on earnings quality and cash flow when selecting new projects. Organic growth is to be restricted to the level of market growth over the long term. To this end, we shall concentrate more strongly on strategic customer relationships. The principal factors crucial to accepting new orders are thus profitability and the utilisation of existing capacity. Just like the optimisation and cost reduction measures, focused growth is to contribute to improving cash flow and the EBIT margin.

ACS: Expanding our leading position in automotive cables

The strategy of our Automotive Cable Solutions (ACS) Division is to bolster its leading position in standard and special automotive cables as well as charging cables for electric cars and, in particular, to benefit from growth markets relating to products for electromobility and autonomous driving. The focus is on stepped-up joint development work with customers, the use of innovative technologies to generate crucial added value on the product side, and intelligent cable solutions for such technologies of the future as electromobility. Here, we will focus on areas including cable solutions for charging infrastructure, high-voltage systems and battery connections.

ValuePlus

The strategy was implemented as part of the ValuePlus strategy and performance programme launched in 2022. We thereby seek to streamline the business model of the two divisions of the LEONI Group to expand our leading position and to take even better advantage of the market opportunities provided by the car and commercial vehicle sectors going forward. ValuePlus cont inues on from the VALUE 21 programme, successfully completed in 2021, and takes into account the new organisational structure as well as the impact of changed external parameters, such as the semiconductor crisis, the war in Ukraine and the Covid-19 pandemic.

A key element of ValuePlus is a continuous performance enhancement programme that builds on VALUE 21 and whose success is measured on an ongoing basis. The year 2022 saw the implementation of corresponding measures to improve efficiency and offset market-related material price inflation and call-off volatility, which have made a positive contribution to profitability and the liquidity situation.

ValuePlus also features further strategic focal areas that are geared to the short or medium term. Over the short term, the focus will be on increasing competitiveness through further standardisation, streamlining and thus greater flexibility of our operational processes, the offsetting of rises in material and personnel costs and the optimisation of the cost of materials level. Moreover, systematic portfolio management for projects and products will strengthen the focus on such attractive growth areas as electromobility and autonomous driving over the short and medium term.

In the medium and long run, we will concentrate on key topics of the future in the automotive supply sector: This includes making systematic use of the opportunities offered by automation in wiring systems production and becoming a preferred partner for the zonal architecture of wiring systems that is the prerequisite for a substantially higher degree of automation. Furthermore, we aim to make our organisation more resilient and increase its appeal to employees. We also want to establish sustainability as a factor that sets us apart from the competition and to align our business steadily in an even more environmentally and socially compatible manner along the entire value chain. In this way we strive to make a meaningful contribution to the sustainable and resource-saving mobility of tomorrow with our products.

In 2022, we also made progress with strategic issues. For example, to standardise and streamline our processes, we introduced the LEONI Operating System at our pilot site in Tunisia, deriving a global roll-out plan from the pilot. This provides us with an important lever to become even more flexible when meeting volatile uptake and to automate our processes further. The Innovation Industrialization Centre was opened at our main wiring systems facility in Kitzingen in 2022 to ensure synchronised further development in the areas of automation and zonal architecture. More information is contained in the › **Reports by division/Segment report**. Our organisational structures were optimised further on the basis of the stringent functional alignment set out in the NextGenWSD programme. In terms of sustainability, we launched the ReWire programme, which seeks to make certain that our Company is carbon neutral by 2045. Further details can be found in the › **Non-financial information statement**.

Additional information on the progress made in implementing our strategy in 2022 is included in the sections › **Key events,** › **Segment report / Reports by division,** › **Procurement** and › **Research & Development**.

1.7. Corporate Governance (statements pursuant to Sections 289f and 315d HGB)

LEONI's corporate governance is geared to the principles of the German Corporate Governance Code (Deutscher Corporate Governance Kodex, 'DCKG'). The Executive Board is responsible for corporate governance. Its work is monitored by the Supervisory Board. The Executive Board determines Group strategy and, together with those in charge of the divisions and the individual business units, measures suited to its implementation. Further information is contained in the Statement on Corporate Governance pursuant to Sections 289f and 315d HGB, which is publicly accessible on the Company's website (» **www.leoni.com/en/investor-relations/corporate-governance/**).

1.8. Governance of the operating business

The key financial performance indicators for the LEONI Group during the reporting year were sales, EBIT before exceptional items[1] and free cash flow. Governance of the two divisions was guided by sales and EBIT before exceptional items. EBIT was adjusted for exceptional, non-recurring factors to facilitate easier comparability between the periods and better interpretation of operating profitability. Exceptional items include effects stemming from the Group's refinancing, restructuring measures, M&A transactions as well as extraordinary costs related to the Ukraine war. Effects from the Group's refinancing relate to the costs incurred in the context of the upcoming refinancing including impairments and consultant, bank and solicitor fees incurred in the context of the refinancing, apart from the costs that are attributed to interest expense. Restructuring costs include the accompanying impairment charges on assets and the setting aside / reversal of restructuring provisions insofar as they were incurred in connection with the restructuring programme or the closure of sites. M&A transactions comprise effects resulting from the preparation and implementation of acquisitions and disposals of entire business units. Extraordinary costs related to the war in Ukraine comprise particularly the resulting impairment charges. Specific information on performance in terms of these indicators in the past financial year is contained in the section headed › **Overview of LEONI's performance and comparison with the forecast**. In the sections hereafter, additionally presented key figures and performance indicators serve to provide better understanding and more explanation of the trend of business as well as the asset, financial and earnings situation.

1 For 2021, EBIT before exceptional items was calculated in accordance with the definition applicable from 2022.

2. Business and underlying conditions

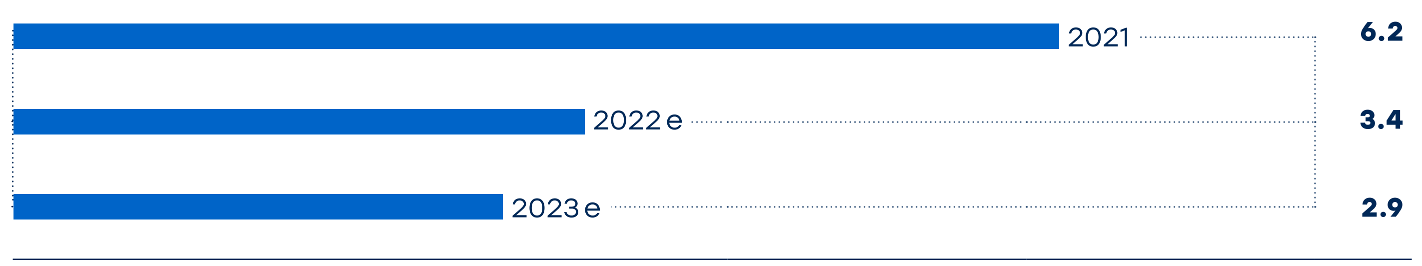
2.1. Macroeconomic setting

Following the significant recovery in 2021, the global economy once again came under heavy pressure in 2022. Alongside the war in Ukraine and the associated intensified inflationary tendencies, International Monetary Fund (IMF) says the global economy was additionally hampered by China's strict zero-Covid policy and the hikes in key interest rates by central banks. In addition, there was the energy crisis in Europe. At the same time, the global economy proved to be more resilient than expected starting in the third quarter. According to the IMF, this was due to the labour market, household consumption and business investment. Furthermore, the adaptation to the energy crisis went better than expected, inflation was reduced slightly and China’s sudden re-opening paved the way for a rapid rebound in activity.

All told, according to estimates by the IMF, the global economy grew by 3.4 percent in 2022, following a decline of 6.2 percent in the previous year. Gross domestic product (GDP) in the industrialised nations increased by 2.7 percent during the reporting period. While the US reported GDP growth of only 2.0 percent, the eurozone expanded by 3.5 percent, supported primarily by a strong performance in Spain and Italy. Growth in Germany was at 1.9 percent.

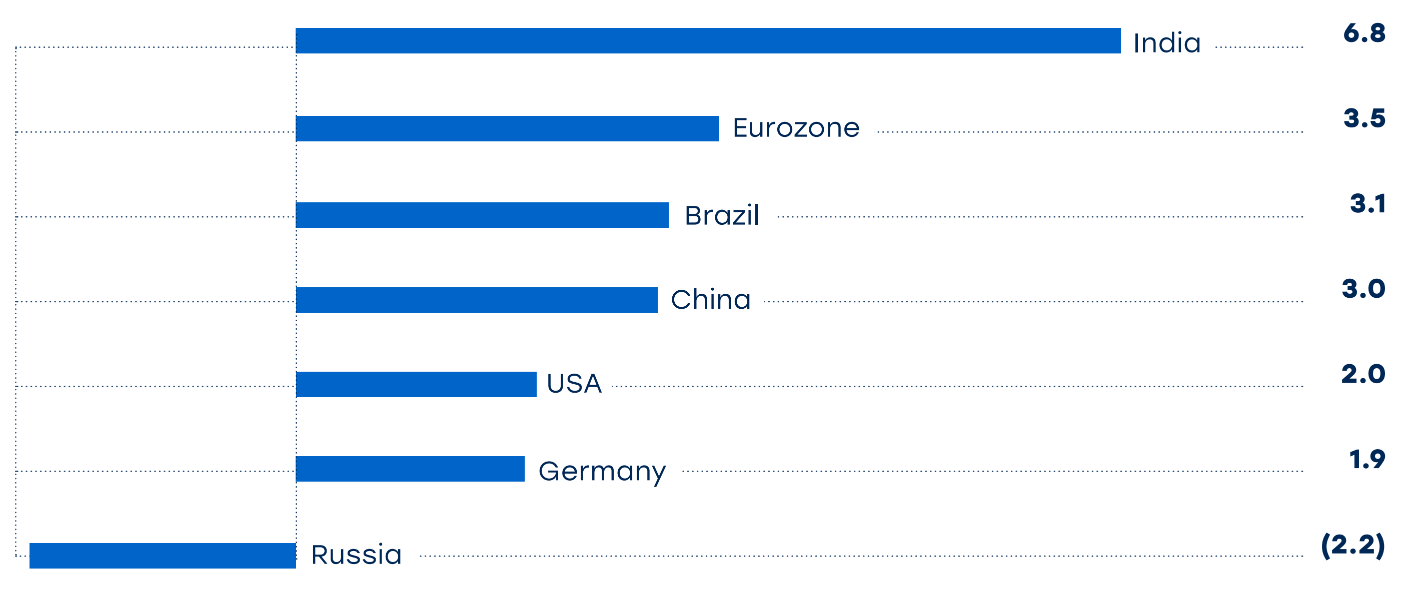
Emerging markets and developing economies recorded GDP growth of 3.9 percent, according to IMF estimates. China's performance was below-average with growth of 3.0 percent. The drivers of the positive development in this group of countries were India and the other Asian emerging markets with rates of increase of 6.8 percent and 4.3 percent, respectively.

Global economic growth 2021 to 2023 (%)



Source: IMF World Economic Outlook, January 2023

2022 economic growth in selected regions (%)



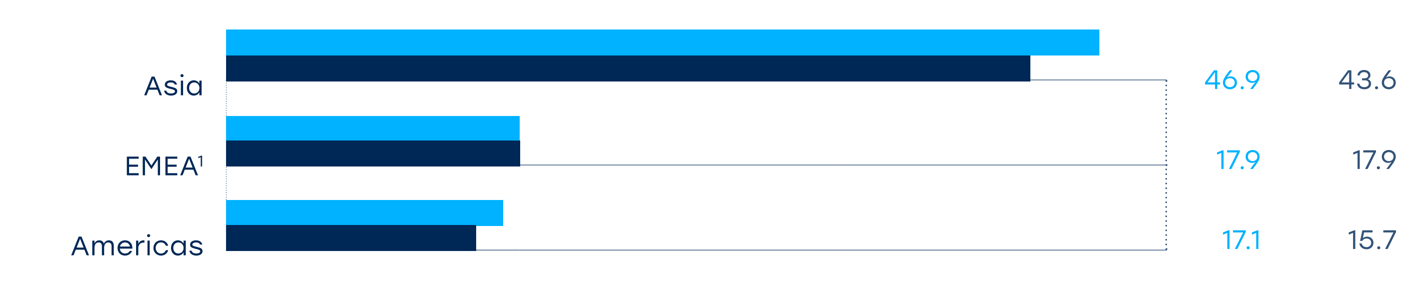
Source: IMF World Economic Outlook, January 2023, estimate

2.2. Business by sector

The difficult macroeconomic situation also affected the international **automotive industry** during the year under report. Firstly, the supply situation was weighed down by the shortage of semiconductors and other input and intermediate products. Secondly, the general uncertainty caused by the war in Ukraine and the strong price momentum of energy, logistics services and commodities in Europe and the US had a dampening effect. On the global **automotive markets**, around 71 million new passenger cars and light commercial vehicles were registered during the year as a whole, according to the German Association of the Automotive Industry (VDA), roughly matching the previous year’s level. An analysis by region reveals marked differences: While sales in China grew by 9 percent, 4 percent and 8 percent fewer vehicles were sold in Europe and the US, respectively.

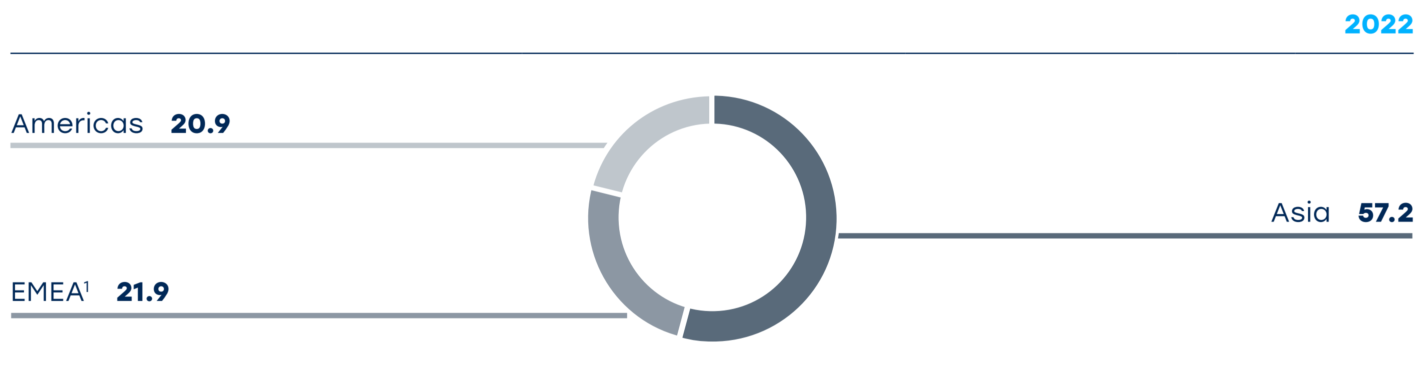
Global **vehicle production** increased by a good 6 percent to 82 million passenger cars and light commercial vehicles, according to market research institute IHS, despite the supply bottlenecks. Some 8 percent more cars rolled off the line in Asia and around 9 percent more in the Americas, while production stagnated in the EMEA region. The construction of cars with alternative drives showed a particularly dynamic performance, with an increase of more than 54 percent to 16 million units, as significantly more electric and hybrid vehicles were produced. This means that, in 2022, one in every five newly produced cars had an alternative drive system.

Output of cars and light commercial vehicles by region million units



1 Europe, Middle East and Africa Sources: IHS Light Vehicle Production, November 2022 update; IHS Light Vehicle Production, January 2023 update

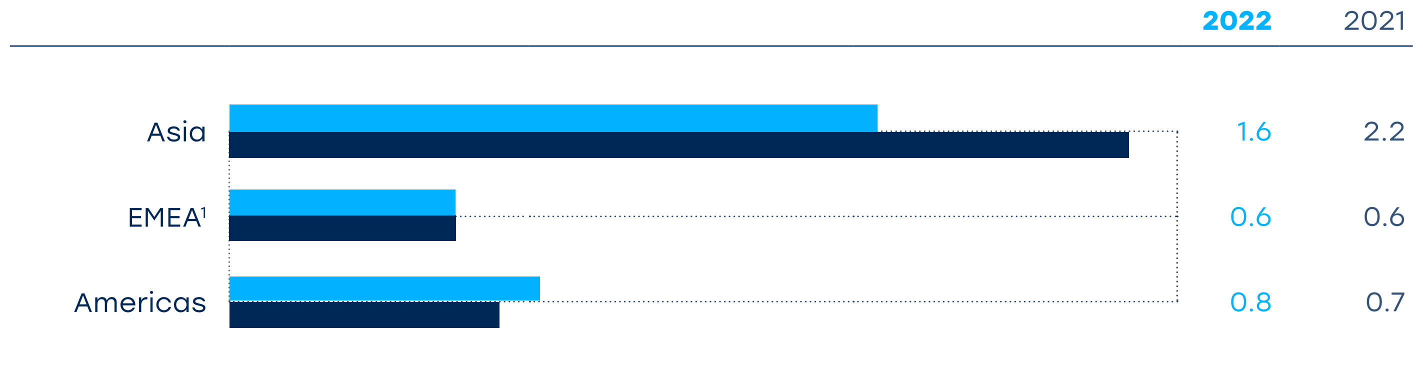
Output of cars and light commercial vehicles by region (%)



1 Europe, Middle East and Africa Sources: IHS Light Vehicle Production, January 2023 update

The international **commercial vehicle industry** recorded a decline in production in 2022. According to IHS, a total of 3.0 million medium and heavy commercial vehicles were produced worldwide, 16 percent fewer than in the previous year. This was due to a perceptible slump in Asia, where unit numbers were down by around 29 percent. By contrast, the Americas saw a rise of around 7 percent. The number of commercial vehicles produced in the EMEA region was similar to 2021.

Output of medium and heavy commercial vehicles by region million units



1 Europe, Middle East and Africa Sources: IHS MHCV Production, November 2023 update

2.3. Other factors

Alongside macroeconomic and industry-specific conditions, a range of factors play an important role for LEONI:

The **prices of commodities**, especially of copper, exert an appreciable influence on our sales. We largely pass on the fluctuations in the copper price to our customer through contracts, albeit usually with a slight time lag. On the balance sheet, there may – depending on the price of copper – be write-downs on partial quantities of inventory or provisions to cover contingent losses. The same applies to the raw material of silver, which is used primarily in the refining of wire products. The pricing of plastics and components also affects our sales and cost structure. Another important factor involves the increased risk since 2020 with respect to the availability of critical components in the automotive sector, such as semiconductors, which led to considerable fluctuations in call-offs from our customers. Some considerable shortages and price increases were observed for the said materials and other bought-in components, the impact of which is described in the section on procurement.

Another very important determinant involves the **personnel expenses** in the countries where we produce, which increased with a time lag to the cost of materials during the year under report. Increases in logistics and energy costs are also of relevance to LEONI, with the latter having an impact in the Wire & Cable Solutions Division in particular.

We keep a very close eye on the **political situation** in the countries of importance to us; countries where we produce and sell. During the year under report, the Russian war of aggression against Ukraine had a material impact on LEONI because we have production facilities in both Ukraine and Russia. Production at the Russian site has largely stopped. A divestment process has been initiated for the site, which has not yet been sold. Details of the consequences of the war for LEONI can be found in the sections › **Overview of business performance** and › **Segment report / Reports by division** and the › **Risk and opportunity report**, which also looks at further political risks.

Alongside the respective national legislation of the countries in which we have a presence, the **legal factors** that are of importance for LEONI also include international laws. The stricter CO_2 emission limits, for example, exert indirect influence as they increase demand from the automotive industry for cables, cable harnesses and wiring systems that are particularly lightweight or lend themselves to alternative drive technologies. This results in the increasing use of sensors and control units, which in turn leads to an additional need for wiring.

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

3. Business report

3.1. Key events

WCS carve-out continued

The planned carve-out of sub-segments of the Wire & Cable Solutions Division was continued during the year under report. We completed 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. on 20 January 2022. The operations sold were measured at an enterprise value of about €450 million. The cash inflow realised upon completion after deducting financial liabilities and pension costs, among other things, was about €314 million and was used to boost liquidity. The generated gain of about €125 million is presented under reported consolidated EBIT. Furthermore, 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.

Originally planned disposal of BG AM and refinancing plan

On 23 May 2022, LEONI AG signed an agreement with STARK Corporation Public Company Limited on the sale of Business Group Automotive Cable Solutions. The sale was expected to yield a cash inflow totalling well above € 400 million, which should have had a correspondingly positive impact on free cash flow. Building on this transaction, LEONI AG agreed on a general refinancing plan with its syndicate banks in July 2022 to secure its further financing until the end of 2025. A key prerequisite for its implementation was the partial repayment of financial liabilities using proceeds from the BG AM sale. Furthermore, a combination of a capital increase from authorised capital and the issue of a mandatory convertible bond was due to take place at the end of 2022 and the start of 2023, respectively.

On 13 December 2022, the STARK Corporation unexpectedly demanded very extensive changes to the signed purchase agreement even though we believe all conditions for its completion were fulfilled on schedule. Despite LEONI being willing to compromise, STARK refused an agreement and did not close the deal. Since there is no contractual basis for refusing to close, in our view, STARK's conduct amounts to a breach of contract, which is why we have taken measures to enforce our rights. Due to the failure by STARK to complete the purchase agreement, the fully documented and signed refinancing plan could not be implemented. Our syndicate banks said they would temporarily extend the loans due on 31 December 2022 and on 5 June 2023, originally to mid-2023 (now extended to 31 August 2023). LEONI therefore immediately began talks on suitable adjustments to the refinancing plan.

At the end of March 2023, all the syndicate lenders, key borrower's note creditors and Stefan Pierer[1] agreed with the participation of LEONI AG on a financial restructuring plan under the German Corporate Stabilisation and Restructuring Act (Unternehmensstabilisierungs- und restrukturierungsgesetz – 'StaRUG'). Implementation of the restructuring plan is subject to consent under antitrust law, other usual caveats (e.g. entry of the capital measures in the commercial register) as well as the general legal risks connected with the initiated StaRUG procedure. A discussion and ballot meeting took place on 31 May 2023. In this meeting, the restructuring plan was approved with the required majority of at least 75 percent, respectively, within two of the total three groups affected by the plan. We refer to the › **Risk and opportunity report** for details and explanations of existing uncertainties related to implementing the refinancing plan.

War in Ukraine

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 two Ukrainian LEONI facilities in Stryi and Kolomyia, which are in the west of the country. Thanks especially to the exceptional commitment of our employees at both locations, we were then rapidly able to largely resume production. To ensure the supply of our customers, we have duplicated capacity at other LEONI sites as a precautionary and supportive measure. The customers of the relevant projects bore the capital spending for duplication and the adjustments to unit prices this required. In 2022, the war between Russia and Ukraine incurred related, exceptional costs of €18 million, an amount by which EBIT before exceptional items is adjusted. Alongside these exceptional factors that are directly recognisable, for instance through impairments, production under war conditions also causes efficiency losses, which are not adjusted and thus included in EBIT before exceptional items.

1 The parties to this agreement include L1-Beteiligungs GmbH, Pierer Beteiligungs GmbH, Zweite Pierer Beteiligungs GmbH as well as an entity to be newly established, each of which involve entities directly or indirectly held by Stefan Pierer. He is attributed approx. 20 percent of the voting rights in LEONI AG. Stefan Pierer himself furthermore issued an equity commitment in connection with implementation of the restructuring plan. All the aforementioned parties are parties related to LEONI AG within the meaning of Section 118a (1) sentence 2 of the German Stock Corporation Act.

ValuePlus
Work on implementing the ValuePlus performance and strategy programme, which builds on the VALUE 21 programme successfully completed in 2021, began at the beginning of 2022. The business model of both divisions of LEONI AG is due to be sharpened in the context of ValuePlus. The aim is to take even better advantage in the future of the car and commercial vehicle industry's market opportunities and to translate this into profitable business with strong cash flow. During the year under report, the sole focus of ValuePlus was on the Wiring Systems Division. Progress was made in the forward-looking orientation of the WSD business model, for example in the context of new vehicle architectures, automation technologies and sustainability aspects, and also in performance optimisation. Through the structured approach designed to ward off and pass on additional costs, we made up for a substantial portion of the inflation-related rise in the cost of materials in 2022. Furthermore, our ongoing performance optimisation counteracted additional costs in production due, for example, to volatility and wage inflation. While this significantly dampened the negative effects of the global market setting, it did not entirely offset them.

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

LEONI generated **consolidated sales** of €5.1 billion in the 2022 financial year, a figure almost unchanged from the previous year's. Despite tough underlying conditions marked by volatile customer uptake due to supply chain disruptions caused by the semiconductor shortage and disrupted production in Ukraine, we managed to increase our business volume in both the Wiring Systems Division and the Automotive Cable Solutions Unit – the principal remaining part of the Wire & Cable Solutions Division. This was offset by the absent sales of the industrial cables operations (BG IN), sold in January 2022, and of Schweiz AG sold in the 2021 financial year.

All told, alongside the earnings contribution of BG IN, which is included only on a pro rata basis, we felt the impact especially of higher raw material and logistics costs, wage inflation and efficiency losses resulting primarily from the high volatility of customer call-offs. The resultant additional costs have not yet been passed on to our customers in full. In addition, we are continuing to negotiate with our customers about offsetting the provisions for contingent losses due to the expected further rise in factor costs (raw materials, logistics, personnel) and the expected volume declines and adverse exchange-rate effects. The relief provided from the passing-on of these costs to customers will impact the result with a time lag. Furthermore, the envisaged refinancing could no longer be implemented as planned after the buyer, in a surprise move, refused to close their purchase of Business Group Automotive Cable Solutions in December 2022. The uncertain financing situation on the measurement date led, among other things, to customers being less able to book new orders as well as further operational risks with respect to executing restructuring measures with corresponding impact on medium to long-term business prospects. The medium-term planning approved by the Supervisory Board was complemented with additional planning assumptions derived from the expert opinion on restructuring in line with the IDW S6 auditing standard issued by an external expert to ensure that these changed conditions and the increased factors of uncertainty are reflected in the planning used for carrying out the impairment test. Impairment testing based on the value ratios before refinancing, i.e. taking into account the risks of customers' curtailed ability to book new orders as well as further operational risk because of the uncertain financing situation, called for impairments effective 31 December 2022 in the amount of €603 million. In consolidated financial statements, these include the complete write-down of goodwill amounting to €69 million, which was fully reflected in the income statement under other operating expenses. Also included are impairments of property, plant and equipment in the amount of €512 million and of intangible assets in the amount of €23 million. In the income statement, this was reflected in the cost of sales in the amount of €527 million and in administrative costs with €8 million. The aforementioned impairments are adjusted for in EBIT before exceptional items.

Overall, earnings before interest and taxes **(EBIT) before exceptional items** decreased to € 18 million (previous year: €130 million). Of this figure, WSD accounted for a loss €22 million (previous year: a loss of €10 million) and WCS for profit of €36 million (previous year: €140 million). Reported consolidated EBIT dropped to a loss of €539 million (previous year: earnings of €91 million).

Free cash flow was boosted by the sale of BG IN and improved to €126 million (previous year: negative €12 million). Excluding divestment effects, it came to negative €155 million (previous year: negative €21 million).

Comparison with the forecast

Group key figures	Actual 2021 figures	2022 forecast (17/02/2022)[1]	Forecast as per 2021 Combined Management Report (14/03/2022)[1]	Actual 2022 figures	Evaluation
Sales	€5.1 billion	Slightly above € 5 billion	Decrease versus planning to date	€5.1 billion	Forecast exceeded
EBIT before exceptional items	€130 million	Positive mid-eight-digit € range	Decrease versus planning to date	€18 million	Forecast matched
Free cash flow	€(12) million	Positive low nine-digit € range[3]	Decrease versus planning to date	€126 million	Forecast exceeded

Group key figures	Substantiation of the forecast (ad-hoc announce-ment of 2/11/2022)[2]	Actual 2022 figures (excl. BG AM)[2]	Evaluation
Sales	Approx. €3.8 billion	€3.9 billion	Forecast matched
EBIT before ex-ceptional items	High negative eight-digit € range	€(27) million	Forecast signifi-cantly exceeded
Free cash flow	High positive nine-digit € range[3]	€215 million	Forecast signifi-cantly exceeded

1 Based on the scope of consolidation as at 31 December 2021, excluding Business Group Industrial Solutions from the time its sale was completed effective 20 January 2022
2 On the basis of the agreed sale of BG AM
3 Including FCF effect of the sale of BG IN in the amount of €278 million, however excluding the expected FCF effect of the sale of BG AM

In its forecast for the 2022 financial year published in an ad hoc announcement on 17 February 2022, the Executive Board expected sales slightly above €5 billion, EBIT before exceptional items in the mid-eight-digit € range and free cash flow in the low positive nine-digit € range for the LEONI Group including BG AM. Following the outbreak of the war in Ukraine, the forecast was adjusted for the expected negative impact of the conflict, the size of which was unpredictable. In an ad hoc announcement on 14 March 2022, we stated that sales, EBIT before exceptional items and free cash flow were expected to show a decline in 2022 compared with the previous planning. This expected decline compared with the previous forecast was confirmed by the Group results for 2022 in respect of EBIT before exceptional items and is due mainly to loss of efficiency because of persistently high volatility in customer call-offs as a consequence of disruptions in global supply chains. The forecasts for sales and FCF were exceeded, primarily because of the fact that the disruptions to production in Ukraine proved shorter than initially feared.

On 2 November 2022, the Executive Board substantiated the forecast for 2022 on the basis of the sale of the Business Group Automotive Cable Solutions agreed for the end of the year. Excluding BG AM's contribution to sales, earnings and FCF, sales of around €3.8 billion, EBIT before exceptional items in the high negative eight-digit € range and free cash flow amounting to a high positive eight-digit € figure were announced. We also issued an ad hoc announcement with these figures.

The updated, more specific forecast for 2022 issued on 2 November 2022, which no longer included BG AM as a discontinued operation, was (on a comparable basis) matched in terms of sales and significantly exceeded for EBIT before exceptional items as well as free cash flow. This is attributable to the call-off pattern of our customers and thus our operating business having stabilised in the fourth quarter of 2022 versus the preceding quarters, which also made optimised working capital management possible. At the same time, the Company successfully concluded numerous negotiations on compensation for increased raw material costs and volatile customer call-offs also of the preceding quarters and to collect corresponding payments. This furthermore allowed contingent losses to be reversed because of improved projections through to project end.

3.3. Group sales and earnings

Consolidated sales almost at previous year's level

At €5,093 million, LEONI's consolidated sales in the 2022 financial year were almost at the previous year's level (previous year: €5,119 million). Despite the continuing semiconductor shortage, the war related temporary reduction of production in Ukraine and indirect effects from reduced call-offs by customers due to disruptions to global supply chains and the lockdown in China, consolidated sales recorded organic growth of €255 million. The Wiring Systems Division was able to expand its business volume, while that of the Wire & Cable Solutions Division remained roughly at the previous year's level. WSD also included positive effects from customers absorbing costs. The increased copper price and currency translation boosted sales by €191 million and €143 million, respectively. This positive development contrasted with a negative effect from changes in the scope of consolidation of €616 million, which with €433 million essentially resulted from the sale of the Business Group Industrial Solutions that was completed in January 2022 and of LEONI Schweiz AG sold in fiscal 2021.

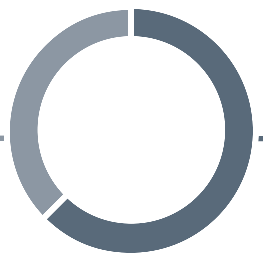
Broken down by region, sales increased by 2 percent to €874 million in the Americas and by 2 percent to €3,547 million in the EMEA region, while Asia recorded a decline of 12 percent to €672 million.

LEONI Group sales performance

	€ million	(%)
2021 sales	**5,119**	
Organic change	255	5.0
Effects of changes in the scope of consolidation	(616)	(12.0)
Currency translation effects	143	2.8
Copper price effects	191	3.7
2022 sales	**5,093**	**(0.5)**

	2022	
EMEA total	69.6	68.2
– Germany	29.0	27.1
– rest of Europe	25.6	24.8
– Eastern Europe	12.9	14.6
– rest of EMEA	2.1	1.8
Americas	17.2	16.8
Asia	13.2	15.0

	2022	
Wire & Cable Solutions	28.7	37.7
Wiring Systems	71.3	62.3



EBIT before exceptional items at €18 million
Various factors impacted on the LEONI Group's earnings situation in 2022. Alongside the pro rata loss of the earnings contribution from BG IN, considerable strain resulted from the rise in raw material and logistics costs and wage inflation, which have not yet been passed on to customers in full. Furthermore, the continuing high volatility of call-offs due to global disruptions in supply chains led to efficiency losses. The additional costs of volatility were mostly compensated for by our customers. Due to the likelihood of a further rise in raw material and personnel costs and the expected volume declines and negative exchange-rate effects, the compensation for which is the subject of ongoing negotiations with our customers, we additionally recognised provisions for contingent losses totalling €12 million in profit or loss.

In addition there were exceptional items totalling negative €558 million (previous year: negative €38 million), which comprised primarily impairments of goodwill, property, plant and equipment well as intangible assets in the amount of €603 million that are included under the effects of refinancing. We refer to the section headed › **Overview of LEONI's performance and comparison with the forecast** for details of the economic background to these impairments. Costs were furthermore incurred in connection with the sale of WCS companies (€21 million) as well as exceptional costs due to the war in Ukraine (€18 million), which concern particularly impairments of production assets. Income from completion of the sale of BG IN had a positive effect of €125 million. The previous year's exceptional items mainly comprises costs for preparing the WCS carve-out and the refinancing of the Group and, conversely, on balance positive effects from portfolio measures. This essentially includes proceeds from the sale of LEONI Schweiz AG and opposing factors from further portfolio measures.

	2022	
EBIT before exceptional items	**18**	**130**
Mergers & Acquisitions	94	(1)
Restructuring	(1)	(25)
Refinancing	(632)	(12)
Exceptional costs related to the war in Ukraine	(18)	0
EBIT	**(539)**	**91**

During the year under report, the cost of sales rose by 16 percent to €5,079 million even though the expenses of BG IN were included only on a pro rata basis. The cost-of-sales ratio increased by 14 percent to about 100 percent. This increase was due above all to impairments of property, plant and equipment amounting to €527 million given the uncertainty associated with necessary refinancing and the related operational risks, increased material and logistics costs as well as less reversal of contingent losses than in the previous year. Gross profit on sales was down from €740 million to €14 million.

Selling expenses decreased by 15 percent to €197 million. This is essentially due to the pro rata elimination of BN IN sold in early 2022 (€32 million) and lower valuation allowances compared to the previous year. **General administration costs** were reduced by 3 percent to €339 million. Once again, this was due to the costs of BG IN, which were included in the previous year (€19 million). Impairments of property, plant and equipment given the uncertainty associated with the necessary refinancing and the related operational risks had an opposing effect of €8 million in fiscal 2022. The selling and administrative cost ratio was almost at the pre-year level. **Spending on research and development** rose by 9 percent to €140 million because we have expanded the development work for new customer projects.

Other operating income rose by €53 million overall to €186 million and included the proceeds from the divestment of BG IN in the amount of €125 million, compensations, particularly for the brought-forward expiry of a customer project, and gains from the sale of property, plant and equipment. In the previous year, proceeds totalling €31 million were realised from the sale of LEONI

Schweiz AG. **Other operating expenses** rose from €31 million to €95 million, this increase being principally due to goodwill impairments amounting to €69 million as ascertained by the annual testing for impairment. The previous year included losses on disposal and impairment from portfolio measures. **Income from associated companies and joint ventures**, which stemmed principally from our joint venture in Langfang, China, decreased from €39 million to €32 million on account of the company's declining business performance.

Overall, 2022 saw a reduction in **consolidated EBIT** to €18 million (previous year: €130 million) before non-recurring items and to a loss of €539 million (previous year: earnings of €91 million) after exceptional items.

Considering the financial result, which included finance costs increased from €72 million to €76 million because of adverse currency exchange effects and the increase in finance revenue by €3 million to €4 million due principally to changes in the discount rate on long-term provisions, the Company reported **earnings before taxes** with a loss of €611 million (previous year: earnings of €21 million). Income taxes changed from tax expense of €69 million in the previous year to tax income of €6 million in the 2022 financial year, due especially to forming deferred tax assets on temporary differences via the income statement in the amount of €67 million in connection with adverse exceptional factors involving impairments. The **consolidated net loss** came to €605 million as opposed to a loss of € 48 million in the previous year.

3.4. Financial situation

Financial and liquidity management

The LEONI Group's financial management is controlled by the LEONI AG holding company. It ascertains the capital requirement at group level and takes the necessary financing measures for the entire group of companies. The key objectives are the worldwide safeguarding of liquidity, optimising finance costs and revenue, as well as controlling and minimising currency and interest rate risks.

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

Group subsidiaries are financed mostly in their functional currency. The principal financial liabilities in 2022 were denominated in euros, US dollars, South Korean won, Romanian lei and British pounds sterling.

The LEONI Group manages - where possible - its liquidity via a cash pooling system with pools in the home countries of the currencies of most importance to the Group. Moreover, LEONI AG assumes most payment transactions for the Group. LEONI also uses the instruments of factoring and reverse factoring, which are also coordinated at corporate level, to improve its liquidity. Given their flexibility in terms of sales growth and the associated borrowing requirement, these constitute an important addition to the other instruments for managing liquidity.

Measures to stabilise the financial situation further

In 2022, LEONI took various measures to stabilise its financial situation. Essentially, as intended by the original restructuring plan, this involved the scheduled disposal of sub-segments of the Wire & Cable Solutions Division, resulting in a total inflow of more than €300 million in liquidity for the Group. Most of this sum was generated from the sale of key parts of the industrial business pooled in Business Group Industrial Solutions (BG IN). This means that parts of the firmly committed bilateral credit lines (revolving credit facility / RCF II) of €81 million were repaid. The sale of the Fiber Optics companies provided cash inflow that enabled €6 million of the existing working-capital loan (RCF III) and US$ 3 million of RCF II to be repaid. Moreover, maturing borrower's note loans in the amount of €54 million were repaid during the year under report.

In addition to these already concluded transactions, a purchase agreement for the automotive cable segment (BG AM) was signed in May. However, in a surprise move, the buyer refused to complete the purchase agreement despite the fact that we believe all contractually agreed conditions to have been met. Legal steps were examined by LEONI and legal proceedings initiated. The consequences for the implementation of the planned refinancing are described in more detail below under Refinancing plan.

Refinancing plan

In early December 2022, all loan agreements (RCF I, II and III together with borrower's note loans) with maturity dates between 31 December 2022 and 31 December 2025 were extended to 31 December 2025. The signed agreements were subject to the condition precedent of the agreed sale of the Business Group Automotive Cable Solutions (BG AM) and the associated repayment of the financial liabilities of the LEONI Group with a volume of €442 million. Shortly before the planned completion of the sale of BG AM, the buyer on 13 December 2022 surprisingly refused to close the sale. Due to the buyer's failure to complete the purchase agreement, the contractually fixed and fully documented extension of the loan agreements could not be implemented. Our syndicate banks said in response they would temporarily extend the loans due on 31 December 2022 and on 5 June 2023, originally to mid-2023 (now extended to 31 August 2023). LEONI therefore immediately began talks on suitable adjustments to the refinancing plan.

At the end of March 2023, all the syndicate lenders, key borrower's note creditors and Stefan Pierer agreed with the participation of LEONI AG on a restructuring plan under the German Corporate Stabilisation and Restructuring Act (Unternehmens-stabilisierungs- und restrukturierungsgesetz – 'StaRUG'). Implementation of the restructuring plan is subject to consent under antitrust law, other usual caveats (e.g. entry of the capital measures in the commercial register) as well as the general legal risks connected with the initiated StaRUG procedure. A discussion and ballot meeting took place on 31 May 2023. In this meeting, the restructuring plan was approved with the required majority of at least 75 percent, respectively, within two of the total three groups affected by the plan. We refer to the › **Risk and opportunity report** for details and explanations of existing uncertainties related to implementing the refinancing plan.

Financial situation and net financial debt

At the end of 2022, the LEONI Group had credit lines totalling €1,228 million (previous year: €1,332 million). The credit lines were essentially reduced due to the sale of BG IN and repayment of part of RCF III. The existing credit lines principally involve a working-capital loan of €324 million (RCF III) and firmly committed bilateral credit lines of €150 million (RCF II), together with a syndicated loan of €750 million (RCF I), all of which were originally extended to mid-2023 (now extended to 31 August 2023). LEONI has committed itself to not pay out a dividend until the repayment of RCF II and RCF III. There are furthermore various borrower's note loans, maturing in in the years 2023 to 2028, in a total amount of €343 million. Information concerning risks related to refinancing, liquidity and other undertakings and covenants is contained in the section headed liquidity and financial risks in the › **Risk and opportunity report**.

The LEONI Group's freely available liquidity[1] amounted to €368 million at the end of 2022 (previous year: €412 million), of which €211 million was in cash (previous year: €172 million) and €157 million in available credit lines (previous year: €240 million). As at the balance sheet date, guarantees amounting to €48 million (previous year: €54 million) have already been deducted.

Net financial liabilities[1] came to €1,387 million on 31 December 2022 versus €1,540 million on the same date one year earlier.

Calculation of net financial liabilities — € million

	2022	2021	Change
Cash and cash equivalents	211	165	+46
Current financial liabilities	(1,159)	(580)	(579)
Non-current financial debts	(436)	(1,019)	+583
Net financial liabilities	**(1,385)**	**(1,434)**	**+49**
Cash and cash equivalents contained in 'assets held for sale'	0	7	(7)
Financial debt included in 'liabilities held for sale'	(3)	(113)	+110
Net financial liabilities including items contained in 'assets / liabilities held for sale'	**(1,387)**	**(1,540)**	**+153**

At the end of 2022, factoring reduced trade receivables by €354 million (previous year: €371 million). Of the current financial liabilities, €20 million (previous year: €41 million) was due to the receipt of payment for receivables that were sold within factoring agreements. The decline in factoring volume is essentially attributable to sale of sub-segments of the WCS. The factoring volume has increased for the remaining units. Moreover, reverse factoring transactions are used for supplier financing in connection with copper procurement. As at 31 December 2022, trade liabilities amounting to €112 million (previous year: €142 million) were transferred to factoring companies in the context of signed reverse factoring agreements. Due to preparations for the planned BG AM divestment, the reverse factoring volume was lower than in the previous year.

1 Including items contained in 'assets / liabilities held for sale'

Free cash flow of the LEONI Group including divestment effect at €126 million

Cash flows from the LEONI Group's operating activities reduced to €63 million in fiscal 2022 (previous year: €150 million) due to the substantial deterioration in EBIT before exceptional items. Positive effects from improvements in working capital had the opposite effect. The factors worth mentioning in this respect are, in particular, a higher factoring volume, less accumulation of inventories and, despite a smaller reverse factoring volume, greater liabilities.

Investment activity resulted in a cash inflow of €63 million (previous year: outflow of €162 million). Here, it must be remembered that spending on property, plant and equipment rose from €175 million in the previous year to a figure of €233 million. This is essentially due to spending on the duplication of production capacities on account of the war in Ukraine in the Wiring Systems Division in order to ensure reliable deliveries. This spending was more than offset by net inflows from the sale of WCS sub-segments, especially BG IN, amounting to €281 million (previous year: €9 million). Taken together, this led to a cash inflow from capital investment activities.

Free cash flow thus improved from negative €12 million to a positive figure of €126 million. Excluding divestment effects, free cash flow came to negative €155 million (previous year: negative €21 million).

Cash used for financing activity amounted to €87 million (previous year: €16 million). Inflows from taking out €188 million in loans (previous year: €113 million) were offset by debt repayments of €205 million (previous year: €63 million) and €72 million (previous year: €67 million) in interest payments. No **dividend** was paid.

After taking exchange rate-related changes into account, the LEONI Group's cash and cash equivalents increased to €211 million at the end of 2022 (previous year: €172 million).

Free cash flow € million

Consolidated statement of cash flows (abridged version) **/ Calculation of free cash flow** € million	2022	2021
Cash flows from operating activities	63	150
Cash flows from capital investment activities	63	(162)
Free cash flow	**126**	**(12)**
Cash flows from financing activities	(87)	(16)
Change in cash and cash equivalents[1]	39	(19)
Cash and cash equivalents on 31 December[2]	211	172

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

Group-wide capital investment of €266 million

The LEONI Group's capital investment in property, plant and equipment as well as intangible assets increased from €231 million to €266 million in the year under report. The Wiring Systems Division invested €190 million of this total (previous year: €149 million) and the Wire & Cable Solutions Division accounted for €73 million (previous year: €80 million). Information on the focal points for capital investment are contained in the › **Segment report / Reports by division**.

Of the Group's total capital expenditure, €42 million (previous year: €50 million) was accounted for by the addition of rights of use under IFRS 16, resulting primarily from the signing of new leases and the revaluation of leases signed in preceding periods. Without the addition of rights of use, capital expenditure came to €223 million (previous year: €181 million). Of this, €56 million was accounted for by the precautionary duplication of production capacities on account of the war in Ukraine in the Wiring Systems Division in order to ensure reliable deliveries.

LEONI Group capital expenditure[1] € million	2022	2021
Addition excluding rights of use (IFRS 16)	223	181
Addition of rights of use (IFRS 16)	42	50
Capital expenditure (additions to property, plant and equipment as well as intangible assets)	**266**	**231**

1 Including cash and cash equivalents contained in 'assets held for sale'

3.5. Asset situation

The LEONI Group's balance sheet as at 31 December 2022 was reduced by 23 percent year on year to €2,662 million. On the assets side, there was a reduction in current assets by a total of 15 percent to €1,528 million. This was primarily due to the sale of the Business Group Industrial Solutions, as a result of which the item 'assets held for sale' decreased from €415 million to €7 million. Furthermore, other non-current financial assets decreased by 24 percent to €70 million, essentially due to the reduction of the factoring settlement account. This was offset by a 9 percent increase in inventories to €512 million, due especially to the volume growth and the increased procurement as well as manufacturing costs. Improvements in inventory management had the opposite effect but were only partly able to offset this development. Current contract assets increased by 14 percent to €128 million as the volume of customer-specific inventories also rose. Moreover, other current assets, which included higher VAT receivables, grew by 34 percent to €179 million, while cash and cash equivalents increased by 28 percent to €211 million. At €409 million, trade receivables were almost at the previous year's level.

The total of **non-current assets** was down from €1,655 million to €1,134 million. This was due mainly to impairments totalling €603 million given the uncertainty associated with the necessary refinancing and the related operational risks. Goodwill accounted for €69 million of this total; property, plant and equipment for €512 million and intangible assets for €23 million. In summary, the item covering property, plant and equipment was down by 37 percent to €801 million, goodwill dropped by €69 million to nil and intangible assets decreased by 64 percent to €13 million. We refer to the section headed › **Overview of LEONI's performance and comparison with the forecast** for details of the economic background to these impairments. Project-related expansion of facilities and the precautionary duplication of production capacity had an opposing effect on property, plant and equipment. There was furthermore a substantial drop of 23 percent to €41 million in the value of investments in associated companies and joint ventures. The decline is principally the result of the weaker business performance of our joint venture in Langfang, China, and receipt of a dividend from this joint venture of €43 million, compared to €40 million in the previous year. Contract assets fell by 16 percent to €58 million due to customer payments for development contracts, among other things. Deferred tax assets were up from €55 million to €111 million. This increase is due primarily to having formed deferred tax assets on temporary differences because of the adverse, exceptional effects related to impairment of long-term assets. By contrast, other non-current financial assets rose from €14 million to €19 million thanks to higher derivatives, among other things.

On the liabilities side of the balance sheet, **current liabilities** declined by a total of 23 percent to €2,386 million. Due to the reclassification of bank liabilities and borrower's note loans from non-current to current, with repayments of borrower's note loans and bank liabilities exerting an opposing effect, non-current financial liabilities and the short-term portion of long-term loans increased from €580 million to €1,159 million. Trade liabilities rose by 11 percent to €821 million. In connection with the precautionary duplication of capacity, moreover, other current liabilities went up by 33 percent to €277 million. The item 'liabilities held for sale' fell from €261 million to €5 million in the wake of the sale of BG IN. Moreover, short-term provisions declined by 36 percent to €43 million due to the payout of severance and the trend of provisions for contingent losses. Current financial liabilities recorded a drop from €68 million to €55 million, essentially as a result of lower liabilities towards factoring partners.

Non-current financial liabilities decreased by 49 percent all told to €653 million, primarily due to the above-mentioned reclassification of liabilities to banks due in the short term, which led to non-current financial liabilities falling by 57 percent to €436 million. Pension provisions were down 24 percent to €94 million because of higher market interest rates, while other provisions fell by 14 percent to €66 million owing to the trend of provisions for contingent losses.

Equity down from €229 million to negative €378 million as at the reporting date since retained earnings declined from negative €5 million to negative €610 million, mostly because of the consolidated net loss. With a loss of €91 million, accumulated other comprehensive income was roughly at the previous year's level. At the end of December 2022, there were no longer any non-controlling interests (previous year: €1 million) due to having purchased the remaining minority interests during the year. The LEONI Group had a negative equity ratio of 14.2 percent at the end of the 2022 financial year (previous year: positive 6.7 percent). Despite the over-indebtedness, LEONI's Executive Board considers it highly probable that the Company will continue its business activity. We refer to the › **Risk and opportunity report** for detail in this respect.

3.6. General statement on economic growth

The LEONI Group made important progress in the 2022 financial year from the Executive Board's perspective, but the economic situation overall remains unsatisfactory.

The Executive Board views the sales performance as satisfactory given the difficult underlying conditions. The impact of the war in Ukraine, persistent semiconductor supply bottlenecks and reduced call-offs from customers due to disruptions to the global supply chains and the lockdowns in China constituted major challenges for us. Nevertheless, the Wiring Systems Division recorded organic growth. Business volume in the Wire & Cable Solutions Division was roughly at the previous year's level. The higher copper price and currency translation boosted sales. This positive effect was offset by a negative effect from changes in the scope of consolidation, which principally resulted from the successful sale of the Business Group Industrial Solutions. Consequently, at €5.1 billion, consolidated sales in 2022 were almost at the previous year's level.

The earnings situation of the LEONI Group was adversely affected by the pro rata disappearance of the earnings contribution provided by BG IN and considerable increases in raw material and logistics costs, as well as by wage inflation. On top of this, it recorded efficiency losses due to the high volatility of customer uptake. Following intensive negotiations with our customers, we were able to sign agreements to pass on most of the resultant additional costs, which have had an impact with a time lag, however. The positive effects of the ValuePlus programme also eased the burden but have so far not been sufficient. EBIT before exceptional items therefore dropped from €130 million to €18 million. Reported consolidated EBIT dropped to a loss of €539 million (previous year: earnings of €91 million) due mainly to impairments amounting to €603 million given the uncertainty associated with the necessary refinancing and the related operational risks. We refer to the section headed › **Overview of LEONI's performance and comparison with the forecast** for details of the economic background to these impairments.

The Executive Board views the financial and asset situation as unsatisfactory. Net financial debt amounted to €1,387 million (previous year: €1,540 million) and equity declined to negative €378 million (previous year: positive €229 million), equivalent to a negative equity ratio of 14.2 percent. Although a comprehensive refinancing plan was negotiated and signed in the reporting year, it could not be implemented because the sale of BG AM – a key element of the plan – failed due to the buyer's refusal to close the purchase agreement. Credit lines maturing at the end of 2022 were originally extended to mid-2023 (now extended to 31 August 2023). At the end of March 2023, all the syndicate lenders, key borrower's note creditors and Stefan Pierer agreed with the participation of LEONI AG on a restructuring plan under the German Corporate Stabilisation and Restructuring Act (Unternehmensstabilisierungs- und restrukturierungsgesetz – 'StaRUG'). Implementation of the restructuring plan is subject to consent under antitrust law, other usual caveats (e.g. entry of the capital measures in the commercial register) as well as the general legal risks connected with the initiated StaRUG procedure. A discussion and ballot meeting took place on 31 May 2023. In this meeting, the restructuring plan was approved with the required majority of at least 75 percent, respectively, within two of the total three groups affected by the plan. We refer to the › **Risk and opportunity report** for details and explanations of existing uncertainties related to implementing the refinancing plan.

3.7. LEONI AG (HGB)

The individual financial statements of LEONI AG are prepared according to the German Commercial Code (Handelsgesetzbuch, 'HGB') and the German Stock Corporation Act (Aktiengesetz, 'AktG'). **LEONI AG** acts as a group holding company with a focus on financing, governance and capital market-related tasks. Other functions were transferred to the divisions. The structure of the two divisions is guided by their respective customer groups and markets, subdivided into business groups and business units. This involves LEONI AG holding the shares in the operational units of the Wire & Cable Solutions (WCS) Division and the Wiring Systems Division (WSD) as well as LEONI Industry Holding GmbH.

Given its function as a holding company, the business situation and performance of LEONI AG is determined by the profit contributions of its segments, namely the Wire & Cable Solutions Division and the Wiring Systems Division. Therefore, no meaningful financial performance indicator is defined for LEONI AG. The business performance of LEONI AG is essentially subject to the same risks and opportunities as those of the LEONI Group (› **Risk and opportunity report**). Risks to LEONI AG continue to stem primarily from the recoverability of investments and financial instruments. The performance of the Group has a major impact on LEONI AG's earnings because of the profit and loss transfer agreements that are in place.

The envisaged refinancing could no longer be implemented as planned after the buyer, in a surprise move, refused to close their purchase of Business Group Automotive Cable Solutions in December 2022. The uncertain financing situation on the measurement date led, among other things, to customers being less able to book new orders as well as further operational risks with respect to executing restructuring measures with corresponding impact on medium to long-term business prospects. The medium-term planning approved by the Supervisory Board was complemented with additional planning assumptions derived from the expert opinion on restructuring in line with the IDW S6 auditing standard issued by an external expert to ensure that these changed conditions and the increased factors of uncertainty are reflected in the planning used for carrying out the impairment test. Impairment testing based on the value ratios before refinancing, i.e. taking into account the risks of customers' curtailed ability to book new orders as well as further operational risk because of the uncertain financing situation, called for impairments effective 31 December 2022 of investments, intangible assets as well as receivables from associated companies. At the end of March 2023, all the syndicate lenders, key borrower's note creditors and Stefan Pierer agreed with the participation of LEONI AG on a restructuring plan that is to substantially relieve the Company of debt and furnish it with fresh liquidity. We refer to the › **Risk and opportunity report** for details and explanations of existing uncertainties related to implementing the refinancing plan.

Considering the profit transfers, the Executive Board budgeted for a significantly poorer result year on year in LEONI AG's financial statements for fiscal 2022. The annual result for fiscal 2022 considering profit transfers dropped to a loss of €872 million (previous year: profit of €28 million). This put the annual result below expectations, which was principally because of the exceptional factors involving write-downs on investments and receivables from associated companies that impacted directly on LEONI AG as well as by assuming the loss of LEONI Bordnetz-Systeme GmbH. Beneficial profit transfer from LEONI Kabel GmbH had an opposing effect. For the 2023 financial year, the Executive Board plans a break-even annual result for LEONI AG based on taking into account profit and loss transfers (but disregarding such exceptional factors as impairments, reversals or restructuring gains). This assumption is based on the planning of the individual Group companies, which is also the basis for forecasting the Group result as well as the dividend policy for the Group companies.

The forecast depends on successful implementation of the restructuring plan agreed at the end of March 2023 with all the syndicate lenders, key borrower's note creditors and Stefan Pierer as strategic investor with the participation of LEONI AG. We refer to the › **Risk and opportunity report** for details and explanations of existing uncertainties related to implementing the refinancing plan.

Earnings of LEONI AG

LEONI AG – income statement (HGB) € million

	2022	2021
1. Sales	173	151
2. Other own work capitalised	0	1
3. Other operating income	113	140
4. Cost of materials:		
Cost of purchased services	(125)	(95)
5. Personnel expenditure:		
a) wages and salaries	(28)	(32)
b) social-security contributions and expenditure for retirement benefits and support payments	(7)	(4)
6. Amortisation of intangible investment assets and depreciation of property, plant and equipment	(61)	(8)
7. Other operating expenses	(148)	(84)
8. Income from profit transfer agreements	35	8
9. Income from financial loans	35	25
10. Other interest and similar income	14	11
11. Write-downs on investments	(373)	(78)
12. Expenses due to loss assumption	(449)	(20)
13. Interest and similar expenses	(47)	(40)
14. Income taxes	(4)	(3)
15. Earnings after taxes	(872)	(28)
16. Net loss	(872)	(28)
17. Loss carried forward from the previous year	(47)	(19)
18. Retained loss	(919)	(47)

LEONI AG presents sales revenues stemming principally from income from corporate IT services, management consulting and licensing income. Compared with the previous year, sales rose to €173 million (previous year: €151 million) due to more passing on of costs. This is principally the result of increased legal and advisory costs in connection with the refinancing and carve-out of the Wire & Cable Solutions Division and of data processing consulting fees. Furthermore, 2022 includes income from licences for the use of the brand amounting to €1 million.

Other operating income is composed among other items of income unrelated to the accounting period from reversals of provisions in the amount of €20 million (previous year: €1 million), income from cost transfer to LEONI companies of €19 million (previous year: €13 million) and gains on currency translation amounting to €73 million (previous year: €25 million). The reversal of provisions is principally attributable to reversal of the provision for guarantee acceptance in the amount of €14 million due to the closure of LEONI Cable Solutions (India) Pvt. Ltd. The increase in income from cost transfer to LEONI companies results from higher income from currency translation. The €36 million rise in income from currency translation compared to the previous year is owing to a price effect resulting from the repayment of the loan from Leonische Holding Inc. and exchange gain from the foreign currency valuation of derivatives amounting to €9 million.

The cost of materials of €125 million (previous year: €95 million) represents spending on purchased services and comprises legal and consulting fees in the amount of €45 million (previous year: €29 million), fees for consulting on data processing of €34 million (previous year: €27 million) as well as maintenance charges and licensing fees in the amount of €38 million (previous year: €36 million). The legal and consulting fees mostly include €25 million in expenses relating to the refinancing (previous year: €10 million) and exceptional costs on preparing the carve-out of the Wire & Cable Solutions Division in the amount of €11 million (previous year: €12 million). The rise in fees for consulting on data processing compared to the previous year is attributable mainly to higher IT consulting services for carve-out activities. The increase in licensing fees is caused by the stepped-up shifting of the data centre to the cloud and the use of cloud software solutions. Personnel expenses came to €35 million (previous year € 36 million).

Other operating expenses of €148 million (previous year: €84 million) chiefly comprises currency translation expenses of €73 million (previous year: €34 million), insurance expenses totalling €10 million (previous year: €7 million) as well as expenses due to valuation allowances for receivables from associated companies in the amount of €51 million (previous year: €17 million). The increase in currency translation expenses is essentially attributable to exchange losses on forward exchange transactions. On the other hand, there is an increase in other operating income due to exchange gains in the same amount. This effect stems from the repayment of the loan from Leonische Holding Inc. Income from financial loans rose by €10 million to €35 million in the financial year (previous year: €25 million). This is primarily the result of income from loan agreements with LEONI Bordnetz-Systeme GmbH. The interest income of €14 million (previous year: €11 million) mostly involves, as was also the case in the previous year, matters relating to associated companies. Interest expenses of €47 million (previous year: €40 million) primarily include interest in connection with the syndicated loan and long-term operating loans of €30 million (previous year: €27 million), interest expenses to associated companies of €8 million (previous year: €2 million) as well as costs pertaining to retirement benefit obligations of €1 million (previous year: €3 million).

The balance of the profit and loss transfer agreements signed with subsidiaries incurred a loss of € 414 million in fiscal 2022 (previous year: a loss of €12 million), of which LEONI Bordnetz-Systeme GmbH accounted for a loss of €449 million (previous year: a gain of €8 million), due mainly to write-down of investments, and LEONI Kabel GmbH for a gain of €35 million (previous year: a loss of €20 million) stemming primarily from the sale of the umbrella brand. The profit and loss transfer agreement with LEONI Kabel GmbH was terminated effective 30 June 2022.

In 2022, this resulted in a net loss of €872 million, stemming mainly from expenses due to assuming LEONI Bordnetz-Systeme GmbH's loss of €449 million as well as write-downs on receivable from associated companies (€51 million), investments (€373 million) and intangible assets (€54 million). Reversal of the provision for guarantee acceptance in the amount of €14 million as well as the profit transfer from LEONI Kabel GmbH in the amount of €35 million had an opposing effect. Compared with the previous year, the net result decreased by €843 million, the previous year's result having been due mainly to the loss transfer of €20 million from LEONI Kabel GmbH. The profit transfer of €8 million from LEONI Bordnetz-Systeme GmbH had the opposite effect. Furthermore, write-downs of receivables from associated companies as well as of investments amounting to €95 million had a negative effect on the previous year's result. On the other hand, write-ups of receivables from associated companies and of investments came to €100 million. A looming draw-down from the guarantee pertaining to the working capital loan in the amount of €14 million constituted another negative effect.

Assets and financial position of LEONI AG

LEONI AG – Balance sheet (HGB)		€ million
	2022	2021
Assets		
Intangible assets	139	15
Tangible assets	1	1
Shares in associated companies	496	816
Loans to associated companies	460	592
Investments	956	1,408
Fixed assets	1,095	1,424
Accounts receivable and other assets	437	471
Cash and bank balances	24	31
Current assets	461	502
Prepaid expenses	8	8
Loss not covered by equity	604	0
Total assets	**2,169**	**1,935**
Liabilities		
Equity	0	267
Pension plans and similar obligations	27	23
Other provisions	19	47
Provisions	45	70
Financial debt	1,227	1,200
Other liabilities	896	397
Total equity and liabilities	**2,169**	**1,935**

The uncertain financing situation on the measurement date led, among other things, to customers being less able to book new orders as well as further operational risks with respect to executing restructuring measures with corresponding impact on medium to long-term business prospects. The medium-term planning approved by the Supervisory Board was complemented with additional planning assumptions derived from the expert opinion on restructuring in line with the IDW S6 auditing standard issued by an external expert to ensure that these changed conditions and the increased factors of uncertainty are reflected in the planning used for carrying out the impairment test. Impairment testing based on the value ratios before refinancing, i.e. taking into account the risks of customers' curtailed ability to book new orders as well as further operational risk because of the uncertain financing situation, called for impairments effective 31 December 2022 in the amount of €478 million.

Intangible assets were up by €124 million year on year. The change results mainly from the acquisition of the umbrella brands within the LEONI Group amounting to €186 million and the opposing write-down of €54 million.

The key asset items on LEONI AG's balance sheet are shares in associated companies (€496 million) and loans to associated companies (€460 million). Loans to associated companies were down by €132 million year on year. This is attributable in particular to repayment of the loans to Leonische Holding Inc. totalling €196 million, to LEONI Cable Inc. totalling €18 million as well as the aforementioned write-downs on loans in the amount of €54 million. An additional loan to LEONI Bordnetz-Systeme GmbH amounting to €100 million and a loan to LEONI Wiring Systems Korea Inc. for €35 million had the opposite effect. Receivable from associated companies dropped by €61 million, which is principally attributable to write-downs of receivables from associated companies in the amount of €51 million. Receivables from cash pooling for KB Kabel Beteiligungs-GmbH of €172 million had an opposing effect.

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

Equity diminished by €871 million year on year to a negative figure of €604 million. The change in equity is attributable to the fiscal 2022 result, which works out to a retained loss of €919 million. To report this loss of share capital, LEONI AG's Executive Board convened an extraordinary general meeting on 2 June 2033 in accordance with Section 92 of the Stock Corporation Act. We refer to the 'Risk and opportunity report' for the assessment on continuation of business activity.

Provisions dropped by €25 million to €45 million in the financial year (previous year: €70 million). They include pension provisions of €27 million (previous year: €23 million) as well as tax and other provisions of €19 million (previous year: €47 million). Other provisions mainly comprise personnel provisions of €6 million (previous year: €10 million), provisions for outstanding invoices of €8 million (previous year: €8 million) and provisions for valuation units of €2 million (previous year: €11 million). The decline in other provisions is essentially attributable to the lower provision for valuation units due to fluctuations in USD and CNY exchange rates. Personnel provisions of €6 million mainly comprise payments for the variable compensation of executives, Executive Board bonuses, overdue holiday allowances, anniversaries and partial retirement obligations. The decrease in variable compensation was attributable to a weaker economic performance of the LEONI Group and to the ending of activities in the context of the WCS carve-out. The provision for a looming draw-down from the guarantee, reported in the previous year, includes commitments of LEONI AG as guarantor for the working capital loan (RCF II) granted directly to the associated company in the total amount of €14 million due to a decision to close it down. LEONI AG was released from the commitment in 2022 through the sale of the associated company, as a result of which the provision set aside could be written back. Liabilities to banks were up by €27 million year on year. The main factors here are the drawing of the operating loan in the amount of €91 million signed in 2020 (RCF III) and the repayment of the borrower's note loan in the amount of €54 million.

The balance is net financial liabilities of €1,203 million (previous year: €1,169 million). The increase is essentially attributable to the increase in liabilities to banks and the decline in cash and cash equivalents.

LEONI AG – Net debt (HGB) € million

	2022	2021
Financial debt	1,227	1,200
less cash and cash equivalents	24	31
Net financial liabilities	1,203	1,169

Liabilities to associated companies rose by €493 million in total, due to an increase in liabilities to associated companies from profit transfers of €449 million and the acquisition of the umbrella brands in the amount of €183 million.

Other liabilities include tax liabilities totalling €9 million (previous year: €4 million) and liabilities to external factoring partners of €17 million (previous year: €17 million).

4. Segment report / Reports by division

4.1. Wiring Systems Division

Key events in 2022

The business performance of the Wiring Systems Division in 2022 was materially impacted by the outbreak of the war against Ukraine and the persistently unstable supply chains caused, in particular, by the Covid-19-related restrictions in China. The disruptions to global value chains and the ensuing production disruptions and changes on the supplier side led to highly volatile call-offs from customers at LEONI. This led to considerable productivity losses and increased inventories. At the same time, the cost of materials and logistics costs rose, along with wage inflation. Following in-depth negotiations, agreements were successfully reached with many customers to compensate for production stoppages and increases in factor costs.

Production at our Ukrainian facilities resumed quickly after the short-term disruptions of supply and production as well as sales losses in the immediate aftermath of the Russian attack, ensuring security of supply for our customers despite the war in Ukraine and the high volatility of call-offs. In view of the unstable situation in Ukraine, we have established redundant production capacity at other facilities as a precautionary measure, especially in Eastern Europe and North Africa, which tied up a substantial amount of management capacity. Our customers bore the associated direct costs and investments.

In September 2022, the Wiring Systems Division opened the Innovation Industrialisation Centre (IIC) at its Kitzingen location. The IIC synchronises product and process development for the next-generation wiring system. Its focus is on products for the new zonal architecture and on the intelligent manufacture of these products using partial or full automation. The IIC will serve as a development and ideas platform for us, our customers, suppliers and research institutes. Apart from offering accelerated innovation, it also provides the potential for sustained savings, among other things by way of globally standardised production processes and shortened ramp-up times.

Performance in 2022

Key figures: Wiring Systems	2022	2021	Change (%)
€ million			
External sales	3,629	3,191	14
EBIT before exceptional items[1]	(22)	(10)	>(100)

1 Definition › Governance of the operating business

The Wiring Systems Division generated significant sales growth in the 2022 financial year but a substantially higher loss at the level of EBIT before exceptional items. The performance was in line with the forecast, which projected substantial sales growth and a marked reduction in EBIT before exceptional items.

Sales grow by 14 percent

External sales of the Wiring Systems Division increased by 13 percent year on year to €3,629 million in 2022. Despite the continuing semiconductor supply bottlenecks, the war-related temporary reduction in production in Ukraine and indirect effects from lower call-offs from customers due to disruptions to global supply chains and the lockdowns in China, the WSD recorded organic growth of 8 percent. The fact that our customers bore most of the inflation and volatility-induced additional costs had a positive effect here. The higher copper price and currency translation effects each contributed 3 percent to the sales growth.

Volume growth resulted from the Americas region, where a gain of 19 percent to €487 million was realised, and the EMEA region, with an increase of 15 percent to €2,816 million. In Asia, business volume was down by 4 percent to €326 million.

We continued to generate most of our sales with wiring systems and cable harnesses for the international automotive industry, with the business volume spread across a large number of vehicle manufacturers and models. There was also once again a noteworthy amount of shipments to the international component supply and commercial vehicle industries.

Wiring Systems, sales performance

	€ million	(%)
2021 sales	**3,191**	
Organic change	261	8.2
Currency translation effects	80	2.5
Copper price effects	98	3.1
2022 sales	**3,629**	**13.7**

Result before exceptional items at a loss of €22 million

EBIT before exceptional items of the WSD decreased substantially from a loss of €10 million to a loss of €22 million in 2022. The main reasons for the decline were efficiency losses from reduced customer uptake due to the semiconductor crisis, lockdowns in China and missing parts from other automotive suppliers in the Ukraine, together with the limited availability of personnel in the individual regions. On top of this, raw material and logistics costs rose considerably and have not yet been passed on in full to customers; provisions for contingent losses were created due to the expected further rise in factor costs (raw materials, personnel, logistics), likely volume declines and negative exchange rate effects, compensation for which is the subject of ongoing negotiations with our customers.

The exceptional factors coming to a negative sum of €407 million mainly included the effects of refinancing, particularly so impairments of goodwill, property, plant and equipment well as intangible assets in the amount of €472 million. There were furthermore such exceptional expenses as write-downs on production assets due to the war in Ukraine and costs related to disposal of WCS companies as well as restructuring charges in connection above all with the planned closure of the facility in Brake, Germany. These costs were offset by proceeds of €130 million from the internal sale of the umbrella brand to LEONI AG parent company, which is consolidated at Group level. Reported EBIT came to a loss of €428 million (previous year: a loss of €33 million).

Wiring Systems, EBIT before exceptional items (€ million)

	2022	2021
EBIT before exceptional items	**(22)**	**(10)**
Mergers & Acquisitions	117	(7)
Restructuring	(9)	(8)
Refinancing	(496)	(9)
Exceptional costs related to the war in Ukraine	(18)	0
EBIT	**(428)**	**(33)**

Capital expenditure of €190 million

The Wiring Systems Division spent €190 million during the reporting period on property, plant and equipment as well as intangible assets, as opposed to €149 million in the previous year. Of this total, addition of rights of use accounted for €30 million (previous year: €35 million), which were primarily the result of new leases and the revaluation of contracts signed in previous periods. Other capital investment of €160 million (previous year: €114 million) related in particular to the expansion of plants for upcoming customer projects, particularly in North Africa, Eastern and South-eastern Europe and China, and the precautionary duplication of production capacity amounting to €56 million due to the war in Ukraine to ensure the security of supply.

Order receipts of €3.0 billion

In the 2022 financial year, the WSD booked new orders with an expected project volume of €3.0 billion (previous year: €3.3 billion), of which e-mobility projects accounted for about 44 percent (previous year: 43 percent). New orders continue to be selected by cash flow and earnings criteria, with the aim of limiting our organic growth to the level of market growth as well as of concentrating on making full use of our existing capacity and on strategic customer relationships. The Wiring Systems Division's expected project volume covering the entire term of the projects came to €21.2 billion at the end of 2022 (previous year: €21.0 billion), of which cable harnesses for electric and hybrid vehicles accounted for about 33 percent (previous year: 33 percent). The exact scope and timing of deliveries will be determined by the actual uptake from our customers.

4.2. Wire & Cable Solutions Division

Key events in 2022

Further parts of the Wire & Cable Solutions Division were divested during the year under report, as planned: The sale, agreed in October of the previous year, of key parts of the industrial business that is pooled in BG IN to BizLink Holding Inc. was completed on 20 January 2022. In April, we also finalised 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 that was agreed in December 2021.

The planned sale of the Business Group Automotive Cable Solutions could not be closed during the reporting year, contrary to expectations. On 23 May 2022, LEONI AG signed a corresponding agreement with Stark Corporation Public Company Limited. In LEONI's view all conditions for the completion of the purchase agreement were fulfilled on schedule. In December 2022, just before the planned signing of the contract, the buyer unexpectedly demanded very extensive amendments to the contract, refused an agreement despite LEONI being willing to compromise, and did not close the transaction. BG AM thus remains part of the LEONI Group. At present another sale is not being pursued.

Performance in 2022

Key figures: Wire & Cable Solutions (€ million)

	2022	2021	Change (%)
External sales	1,464	1,928	(24)
EBIT before exceptional items[1]	36	140	(74)

1 Definition › Governance of the operating business

The sales and earnings of the Wire & Cable Solutions Division dropped substantially in 2022 when compared with the previous year because of the sale of key business segments. Performance was thus in line with the forecast, which projected substantially lower sales and a marked drop in EBIT before exceptional items.

Sales down substantially due to sale of BG IN

The external sales of the Wire & Cable Solutions Division fell by 24 percent year on year to €1,464 million in 2022. This decline was attributable mostly to the sale of the industrial business pooled in the BG IN at the start of the year. Positive effects from the copper price trend and currency translation had an opposing effect. The pro rata loss of sales from BG IN made its effect felt across all regions: In the EMEA area, the most important in terms of volume, sales were up by 31 percent to €731 million; in the Americas by 14 percent to €387 million and in Asia by 19 percent to €346 million.

Wire & Cable Solutions, sales performance

	€ million	(%)
2021 sales	**1,928**	
Organic change	(5)	(0.3)
Effects of changes in the scope of consolidation	(616)	(31.9)
Currency translation effects	63	3.3
Copper price effects	93	4.8
2022 sales	**1,464**	**(24.1)**

Result before exceptional items at a loss of €36 million

EBIT before exceptional items of the WCS decreased by 74 percent to €36 million in 2022. The decline resulted primarily from the pro rata loss of the earnings contribution from the sold units (€49 million). In addition, it recorded a considerable rise in raw material and logistics costs as well as wage inflation, which could only be passed on to customers in part.

Adverse exceptional factors totalled € 19 million, among them the effects of refinancing, which mainly concerned impairments of property, plant and equipment well as intangible assets amounting to €185 million. We refer to the section headed › **Overview of LEONI's performance and comparison with the forecast** for details of the economic background to these impairments. Beneficial exceptional factors from mergers & acquisitions had the opposite effect. They stemmed mainly from the disposal of BG IN (€126 million) and the internal sale of the umbrella brands to the Group parent company (€53 million), which is consolidated at Group level. Reported EBIT dropped by 86 percent to €17 million.

Wire & Cable Solutions, EBIT before exceptional items (€ million)

	2022	2021
EBIT before exceptional items	**36**	**140**
Mergers & Acquisitions	162	6
Restructuring	8	(17)
Refinancing	(190)	(3)
EBIT	**17**	**125**

Capital expenditure of €73 million

The Wire & Cable Solutions Division's capital expenditure on property, plant and equipment as well as intangible assets amounted to €73 million in 2022 (previous year: €80 million), of which €11 million (previous year: €14 million) resulted from the addition of rights of use, principally in connection with the signing of new leases and the revaluation of contracts signed in previous periods. Other capital investment, which related mainly to the expansion of the production of automotive special cables and charging cables in China, came to €62 million (previous year: €66 million).

New orders worth about €1.5 billion

The Wire & Cable Solutions Division recorded a drop in new orders booked from €2,085 million to €1,473 million. The previous year included new orders booked by BG IN, which no longer exist due to the divestment. Without this contribution, new orders booked rose perceptibly from €1,260 million to €1,395 million, which works out to a book-to-bill ratio of slightly more than 1.

5. Other indicators

(incl. non-financial Group information statement)

5.1. Procurement

Materials procurement is of major importance to the LEONI Group. Group-wide, the cost of materials amounted to €3,160 million in fiscal 2022 (previous year: €3,005 million), which works out to a ratio to sales of 62 percent (previous year: 59 percent). The Wiring Systems Division accounted for €2,091 million (previous year: €1,807 million), equivalent to 58 percent of segment sales (previous year: 57 percent), and the Wire & Cable Solutions Division for €1,333 million (previous year: €1,449 million) or 77 percent of segment sales (previous year: 67 percent).

In the **Wiring Systems Division**, the most important group of materials comprised such active plastic components as connectors with a 29 percent share, followed by cables and assembled cables with 22 percent and metal components with 19 percent. Passive plastic components accounted for 11 percent of the volume of direct production material procured, while adhesive tape products and fixings equated to 10 percent and electronic components to 9 percent.

Cables and conductors for the production of wiring systems are largely procured by the Wire & Cable Solutions Division but also by other manufacturers. We largely procure such components as connectors and fixings from other suppliers. This frequently involves suppliers that are stipulated by customers in the automotive industry as part of being awarded the contract.

The procurement activities of the WSD during the year under report were once again marked by bottlenecks which had to be tackled. Alongside the continuing limited availability of materials, disruptions in the transportation sector due to a shortage of container availability and the lockdowns in China made themselves felt. Given the uncertain and volatile supply situation, the bottlenecks had to be offset at very short notice in some cases, and the situation remained unstable.

In the wake of the shortages, the prices of a large number of products rose significantly on the global procurement markets. This also included raw materials such as copper and plastics, resulting in high price demands from our suppliers. All told, during the reporting period prices rose by around 5 percent across all groups of materials. Thanks to intensive negotiations with suppliers, we have so far avoided more pronounced increases. Given the inflationary developments in the areas of energy and logistics and in wage costs, however, we can expect further demands from our suppliers going forward.

To offset the price hikes, we held negotiations with our customers in 2022 on passing on the inevitable additional costs. We were able to agree not only on individual compensation measures but also on some indication measure to ensure the prices of specific input materials are permanently compensated. Positive effects also resulted from our purchasing excellence initiative, launched in 2021, to safeguard our competitiveness and security of supply. We made progress in the areas of requests for quotation (RFQ) and supply management (BOM competitiveness).

Materials bottlenecks and disruptions in the supply chains, due among other things to the Covid-19 pandemic and the war in Ukraine, marked the **Wire & Cable Solutions Division** in 2022. Thanks to strategic supplier partnerships and stringent cross-site coordination, WCS was able to keep its materials supply worldwide largely robust during the reporting period.

In structural terms, the procurement activities of the WCS have hardly changed since the divestment of BG IN and other units because there have been no material changes to the supplier and product portfolio being looked after.

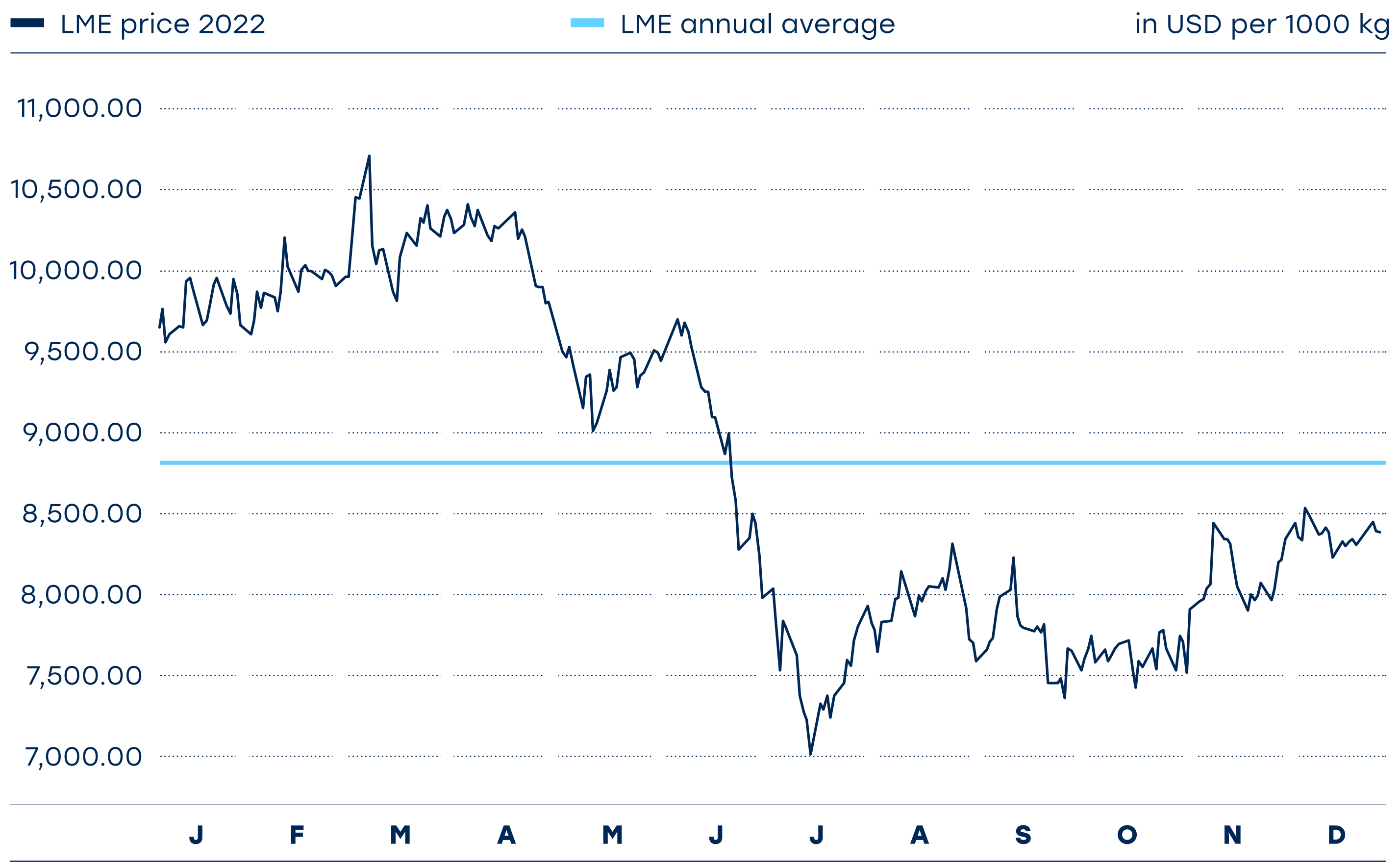
Our annual volume of copper, which continues to be most important raw material that we procure from major, strategic suppliers, declined in 2022 when compared with the previous year after the sale of BG IN to around 130,000 tonnes (previous year: significantly below 140,000 tonnes).

Insulation materials still account for the WCS Division's second-largest share of material costs. Without the units sold, demand for PVC and PE, thermoplastic elastomers as well as polyurethane, fluoropolymers, silicones, etc., reached a level of around 50,000 tonnes all told.

Persistently tight commodity markets and rapidly rising energy costs led to continuing substantial cost increases.

The copper price rose slightly at the start of the year before recording a substantial drop in the second half. As the German DEL-Notiz e.V. protective association ceased reporting its DEL price effective 14 February 2022, the details below concerning the trajectory of the copper price refer to quotes of the London Metal Exchange (LME) and are thus dollar values. The low was quoted at USD 7,000.00 per tonne on 15 July 2022, the high was USD 10,730.00 per tonne on 7 March 2022. On average, copper cost USD 8,797.01 per tonne in the reporting period and thus about 6 percent less than the previous year's average of USD 9,317.49 per tonne.

Copper price in 2022 (LME)



Source: http://www.westmetall.com/de/markdaten.php

The prices of such other metals as nickel and tin continued to rise. The annual average price of tin was up by 6 percent and that of nickel even by 55 percent. The average price of silver fell by 4 percent year on year.

In view of a market setting that remains challenging, we are pushing ahead with the further development of resilient procurement strategies to ensure competitiveness and agility with regard to various future scenarios.

5.2. Employees

95,090 employees in the LEONI Group

At the end of 2022, the LEONI Group's core workforces totalled 95,090 employees and thus 6,282 fewer than one year earlier (previous year: 101,372). The number of employees in the LEONI Group also declined year-on-year due to the carve-out activities in the Wire & Cable Solutions Division.

LEONI employed the vast majority of people, i.e. 91,973 or 97 percent, outside Germany in the reporting period (previous year: 97,049 people or 96 percent). Germany accounted for 3,117 staff (previous year: 4,323). Group-wide, 4 percent of staff (previous year: 7 percent) worked in high-wage countries and 96 percent (previous year: 93 percent) worked in low-wage countries.

In the Wiring Systems Division, the number of employees fell to 90,940 people (previous year 93,705). Due to the war in Ukraine, some orders were cancelled or delayed. The workforce in Ukraine decreased by 6 percent to 6,736, and staff was also laid off at the largely closed-down LEONI sites in Russia. Staff numbers were also cut in other Eastern European countries and in North Africa. The cuts were attributable to factors including the bottlenecks on the global procurement markets caused by the war and the Covid-19 pandemic, which, along with the high volatility of customer orders, also led to restricted production at LEONI, especially in the first half of the year. Moreover, efficiency gains and a global hiring freeze in the non-productive area led to savings in personnel expenditure. The reductions contrasted with new hiring in production due to the start-up of customer projects at various facilities in Eastern Europe, North Africa and Latin America.

The number of employees in the Wire & Cable Solutions Division fell substantially by 3,522 year on year to 3,935 people (previous year: 7,457), this decline being due mainly to the carve-out activities implemented so far (see › **Segment report / Reports by division**).

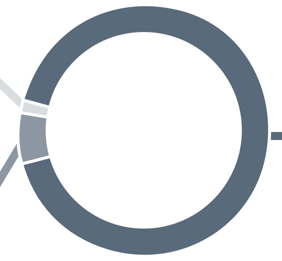
The Group's LEONI AG holding company employed 215 people on 31 December 2022 (previous year: 210).

In addition, LEONI had 27,476 people Group-wide working on temporary employment contracts at the end of 2022 (previous year: 31,844) and a further 3,485 people (previous year: 3,612) working on contracts with manpower agencies, thereby enabling a quick response to fluctuations in demand, among other things. In the year under report, an increasing number of leased employees was deployed, especially in Eastern Europe and North Africa. Alongside the volatile order situation, this also offset the increased need for personnel resulting from the precautionary and supporting duplication of our Ukrainian capacity in other countries to ensure the supply of our customers despite the war.

In Germany and on average, LEONI's workforce in 2022 was aged 43 years (previous year: 43 years) and with the Company for 11 years (previous year: 13). During the period under report, 19 employees at facilities in Germany celebrated their 25th anniversary with the Company (previous year: 40). The ratio of people with disabilities stood at about 3 percent (previous year: 3 percent). 168 people (previous year: 369) worked part-time and a further 59 were in semi-retirement (previous year: 144).

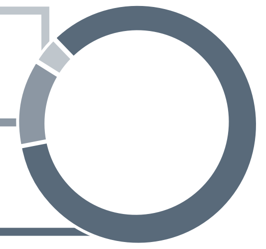
Collaboration with the employee representatives was once again very constructive.

Employees by division as of 31 December



	2022	2021
LEONI AG	**0.2%**	0.2%
	215	210
Wire & Cable Solutions	**4.1%**	7.4%
	3,935	7,457
Wiring Systems	**95.6%**	92.4%
	90,940	93,705

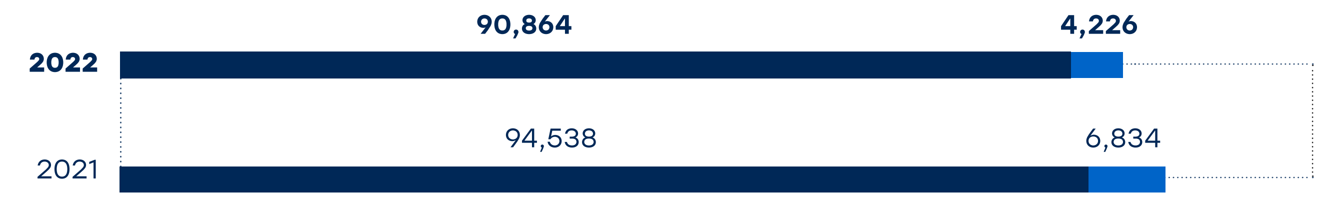
Employees by region as of 31 December



	2022	2021
Asia	**3,587**	3,963
Americas	**12,704**	11,820
EMEA	**78,799**	85.589

in %	2022	2021
Asia	**3.8**	**3.9**
Americas	**13.4**	**11.7**
EMEA total	**82.9**	**84.4**
– Eastern Europe	37.6	36.5
– Africa	40.0	41.7
– Germany	3.3	4.3
– rest of EMEA	2.0	2.0

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



5.3. Research & Development

The LEONI Group's extensive research and development (R&D) work is aimed at realising new products and solutions to further enhance its good competitive position. Against the backdrop of the meanwhile largely completed carving out of the industrial business of the Wire & Cable Solutions Division, we are focusing increasingly on forward-looking solutions for energy and data transmission for the motor vehicle sector.

Focal areas of development and projects

In the Wiring Systems Division, the main focus of its R&D activities is on positioning it as a concept development partner to the carmakers and sharpening the corresponding skills. Electromobility, new architecture concepts for vehicles of the future (connected, highly automated through to autonomous and electric) and optimisation of its product portfolio, as well as alignment to future requirements, also continue to be at the heart of R&D work.

In 2022, the development focus was on key wiring systems issues. In the low-voltage segment (12/24 V) we made substantial progress through participation in the Atlas-L4 production project, among other things. Working with partners from the vehicle industry, IT, science and administration, as part of Atlas-L4, we are developing a truck for highly automatic driving on motorways. During the reporting year the competences for the requisite highly available energy wiring system were built and the relevant requirements defined. In particular, the collaboration in the consortium for preparing the wiring system requirements for highly automatic driving constitutes high added value for current and future projects at LEONI. In addition, the development of an optimised cable harness and an electronic power distributor is at the centre of LEONI's work packages in this project.

In the high voltage segment, too, R&D activities were further expanded. Among other things, we designed concepts for potential new products within the HV battery, which were coordinated with customers during the reporting year and in some cases are already being offered. In addition, we continually improved and further developed our offerings in the fields of charging, traction and ancillary cable harnesses. For example, the portfolio for these applications was expanded to include busbars.

The expansion of the offerings for electromobility and autonomous driving and the establishment of the corresponding infrastructure are also an important topic for research and development in the Wire & Cable Solutions Division. In the field of charging cables, for example, we worked on the optimum layout of the cables.

Another focus area is the manufacture of prototypes according to customer specifications – a time- and cost-intensive process – so that the thermal properties are already taken into account at the draft stage where possible. For this reason, cable designs are compared in advance using simulation tools in order to identify especially suitable drafts. This is done on the basis of FEM models or thermal networks which can map the products to be examined in different degrees of detail and are able to vary the marginal conditions. Subsequently manufactured prototypes are subjected to an in-depth examination under defined conditions in the test lab set up for this purpose. Here, too, material underlying conditions can be changed and more comprehensive system set-ups with assembled components examined.

Due to the large number of functions associated with autonomous driving and vehicle assistance systems, the conventional wiring system is reaching its limits. The solution is zonal wiring system architectures. LEONI Dacar Ethernet cables are used to transmit the high data volumes of the sensors to a central PC unit. At present, cables with a data transfer rate up to 10 Gbit/s are being geared up for mass production. Cables up to 25 Gbit/s are in pre-development.

R&D spending of €140 million in 2022
Group-wide, spending on R&D came to €140 million in 2022 (previous year: €128 million), which works out to 3 percent of consolidated sales (previous year: 3 percent). Assets furthermore included an amount of less than €1 million in capitalised development costs (previous year: €1 million), which are of minor significance to the LEONI Group.

In the Wiring Systems Division, R&D expense amounted to €130 million (previous year: €110 million) or 4 percent of segment sales (previous year: 3 percent). The Wire & Cable Solutions Division incurred development costs totalling €7 million (previous year: €16 million), which equated to less than 1 percent of the segment's sales (previous year: 1 percent).

Across the Group, R&D had 1,597 employees at the end of 2022 (previous year: 1,770) or 2 percent of the Group's staff (previous year: 2 percent). Of that number, 1,549 employees (previous year: 1,584) worked in the Wiring Systems Division and 48 (previous year: 184) in the Wire & Cable Solutions Division.

In 2022, various customer-oriented development projects were completed and innovative products taken to the marketability stage. The number of newly registered proprietary rights came to 23 patents and utility models (previous year: 22), of which 21 were from the Wiring Systems Division (previous year 16) and two from the Wire & Cable Solutions Division (previous year 6).

Development collaborations and committee work
In addition to the Atlas-L4 production project, LEONI took part in various other collaborations in 2022. For instance, we intensified the collaboration with Valeo Schalter und Sensoren GmbH of Germany agreed in 2021 to develop innovative solutions for zone controllers. These form a core element for future wiring system architectures that must fulfil the increasing requirements of autonomous, electric and connected mobility. Together we developed a functional demonstrator and submitted several proposals for customer requests. We also initiated a collaboration with Rosenberger Hochfrequenztechnik GmbH & Co. KG, Germany, to enable us to provide customers with solutions for the high data rates required going forward.

As a member of various initiatives and trade bodies, we continually exchange ideas with other companies and the scientific community on the latest technological trends. For example, LEONI is engaged in the Cluster Automotive of Bayern Innovativ GmbH, the eNOVA Strategy Board for the Automotive Future and the NAV-Alliance platform, but also in various working groups of the

German Association of the Automotive Industry (VDA) on functional safety, among other things.

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

Hereinafter LEONI reports in accordance with Sections 315b and 315c in conjunction with Sections 289c to 289e of the German Commercial Code (Handelsgesetzbuch, 'HGB') and the corresponding requirements of German Accounting Standard 20 on principal, non-financial aspects of the LEONI Group including LEONI AG as Group parent company (hereinafter referred to as LEONI) for the 2022 financial year.

Application of international standards and frameworks
In principle, all fully consolidated companies are included in our reporting. In the year under report, companies sold by 30 April 2022 (principally the companies of the Business Group Industrial Solutions as well as the Fiber Optics companies and j-plasma GmbH) were disregarded in the 2022 non-financial Group information statement. No adjustment of the previous year's figures was made. Minority interests are, as a matter of principle, not included in our reporting. For the purpose of disclosing energy consumption, all principal units, i.e. engineering and administrative locations with more than 30 employees and all producing facilities (as at 31 October 2022), are included. We follow the German Sustainability Code as well as the ten key principles of the UN Global Compact in the reporting of non-financial information statement. The materiality analysis was based on Section 289c (3) HGB and the standards of GRI 2016. However, no framework was applied in full. For the purpose of recording energy consumption, LEONI follows the Greenhouse Gas Protocol and uses mainly the energy conversion factors of the German Federal Office of Economic and Export Control.

LEONI has been a member of the United Nations Global Compact (UNGC) since 2011 and provides information on the successes achieved during the reporting period and the measures taken to meet the UNGC principles in the areas of Human Rights, Labour, Environment and Anti-Corruption.

Complementing the non-financial information statement are disclosures on activity pursuant to Section 8 (2) of the EU Taxonomy Regulation. For fiscal 2022, the shares of taxonomy-eligible and taxonomy-compliant business activities for the two environmental targets of climate protection and adaptation to climate change with reference to sales, capital expenditure (CAPEX) and operating expenses (OPEX) must be reported.

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

Strategy and sustainability management system
Sustainability forms an elementary part of the corporate culture and has high priority at LEONI. We understand sustainability as a concrete task in the entire Group and want to advance it substantially through sustainable corporate governance. LEONI's understanding of sustainability is based on the vision of a future in which climate-friendly and resource-efficient mobility is accessible to all humankind. With our key components and solutions, we seek to enable our customers to contribute to the mobility turnaround as well as to responsible production and value chains.

In order to meet this goal, LEONI developed its new ReWire sustainability programme in 2021, which replaces the previous Agenda 2030. Within this framework, our commitment to sustainability has been focused on key sustainability issues, extrapolating their relevance for corporate strategy. In order to embed this in management, among other things, the corresponding first global training events for executives were held in fiscal 2022 in the shape of online leadership training. During the year under report, the basis for global sustainability e-learning was prepared for all LEONI staff, which is due to be rolled out in the first half of 2023. LEONI has also drafted concrete, measurable targets and milestones along a roadmap that are guided by the ten principles of the UNGC and the Sustainable Development Goals (SDGs) of the United Nations. These concrete and realistic roadmaps are allocated to the three focal areas of 'climate protection', 'material efficiency and conserving resources' and 'decent work,' in order to make the progress of sustainability at LEONI measurable. In the first focal area, the overarching goal is to become climate neutral by 2045 by reducing direct and indirect emissions as well as offsetting unavoidable residual emissions. In the second focal area of material efficiency & conserving resources, LEONI is pursuing a holistic strategy aimed at closing all product and resource cycles in the long term. In the third focal area of decent work, the main

1 Not reviewed by the auditors for content in keeping with the German legal requirements, but subjected to a separate review to obtain limited assurance.

emphasis alongside LEONI's appeal as an employer is also on commitment to the communities where LEONI facilities are located.

LEONI is currently developing further measures and activities which should lead to the successful implementation of the roadmaps. Moreover, in the area of sustainability we are cultivating relationships with stakeholders.

LEONI is also planning to include the CSR component for the Executive Board in the target achievement figures for the long-term incentive starting in the performance period 2023-2025.

Relevant contents during the reporting year include the creation of a CO_2 reduction path with science-based reduction targets, in accordance with SBTi (Science Based Targets Initiative) with baseline year 2021 and a sharper focus on supplier management against the backdrop of the Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, 'LkSG').

Sustainability-related information and data, e.g. energy and water consumption, are collected once a year, which consolidates the information and forms a key basis for reviewing the development and future strategic direction of sustainability management. To this end, LEONI uses a digital entry system which uses electronic questionnaires to gather quantitative and qualitative sustainability data from relevant units and facilities. To safeguard data quality, final approval of the collected sustainability data is granted by the senior management of the corporate unit in question. The sustainability data with respect to employees is collected through Corporate Human Resources. These questionnaires to survey the sustainability data were revised in 2022 to include additional sustainability topics, such as human rights and Scope 3 emissions data (upstream calculation). Furthermore, a project is planned in 2023 to account for all of LEONI's greenhouse gas emissions (Scope 1-3). This will form the basis for transparent presentation of the emissions trends and for specifying the reduction plans.

Non-financial risks

As a Group with an international focus, LEONI is regularly exposed to risks and opportunities as a result of operational and external factors. Section 91 (2) AktG stipulates that the management board must take suitable action particularly to establish a monitoring system to ensure that any developments jeopardizing an enterprise's going-concern status can be detected at an early stage.

To this end, LEONI has established a corporate risk management system that applies Group-wide and helps to increase LEONI's enterprise value on a sustained basis (value-oriented corporate governance). Decisions must serve to strengthen the earnings and competitiveness of the LEONI Group over the long term. When decisions are made subject to uncertainty, the possible opportunities and risks must be weighed against each other.

All risks impacting LEONI are systematically recorded in the risk management system. This also includes risks from non-financial aspects pursuant to Section 315c in conjunction with Section 289c (3) numbers 3 and 4 HGB with regard to the impact on environmental, social and governance issues, if any, which are generally recorded as abstract risks.

Risk mitigation measures must be developed for all identified risks and their implementation monitored continuously. No highly probable risks within the meaning of Section 315c in conjunction with Section 289c (3) numbers 3 and 4 HGB with serious, adverse impact on the aforementioned matters were identified in financial year.

In future, LEONI will integrate aspects into the existing risk management system to a greater degree within the meaning of the Corporate Sustainability Reporting Directive (CSRD) by, for example, performing a regular active survey of potential risks with regard to environmental matters at the LEONI sites before implementing any required measures.

Material non-financial matters of the LEONI Group

Process and findings of the materiality analysis

In 2021, a comprehensive materiality analysis was conducted at LEONI. The process for determining materiality comprised a thorough search of matters based on legal requirements, requirements of customers and stakeholders as well as requirements of Company departments and benchmarking. This involved considering that the matters can impact the environment and society not only in the course of our own business activity, but also in the preceding and subsequent value chain. Based on this assessment, matters that were already considered in the materiality analysis in preceding years were newly structured or designated, and in some cases new matters were included and defined.

To prioritise the matters, the competent project group consisting of the sustainability team and representatives of specialist departments made a quantitative evaluation in which the dimensions of 'relevance to stakeholders' and 'impact on the environment and society' were assessed. As part of the analysis, we initially evaluated and validated a population of potentially relevant sustainability issues and focal areas that impact LEONI, its value chain, the environment and/or society. The findings were recorded in a matrix, checked for content in a workshop and finally re-sharpened by Corporate Sustainability, the respective departments and outside sustainability consultants. Thus the main sustainability issues of Agenda 2030 were updated in order to lay the foundations for the future sustained positioning of LEONI and offer a starting point for selecting the key focus topics in the area of sustainability at LEONI.

The HGB requires material matters to be determined based on considerations 'relevant to understanding of business performance, the business results and the Company's situation' and considering the 'impact on non-financial aspects'. Based on this perspective, the four matters of 'energy efficiency and renewable energy,' 'reputable and attractive employer,' 'ecological and social standards in the supply chain' and 'environmentally-friendly transport' were determined as material for the non-financial information statement.

The issues established on the basis of the results from the materiality analysis in 2021 were looked at again during the year under report, on the same basis, and reviewed by Corporate Sustainability and the experts as part of a steering committee to ensure they were up to date. In this context, the main issues from the previous year were reaffirmed. In addition, the topics of occupational health and safety and environmental protection at our facilities were identified as essential owing to rising customer demands, as was the fight against corruption and bribery due to its growing importance for LEONI with regard to passive corruption, working in collaboration with representatives of technical departments. The findings of the 2021 materiality analysis and the changes made in 2022 were adopted by the Executive Board of LEONI AG during the reporting year.

In the overview below, the HGB aspects have been allocated to the principal matters of the LEONI Group and the content of the report.

HGB aspects	Material matters pursuant to HGB aspects	Report sections and sub-sections
Employee matters	Reputable and attractive employer Occupational health and safety	**Employee matters** • Fair dealing with employees • Diversity • Occupational health and safety
Environmental matters	Energy efficiency and renewable energy Environmental protection at our facilities Environmentally friendly transport	**Environmental matters** • Energy efficiency and renewable energy • Environmental protection • Environmentally friendly transport
Respect of human rights	Reputable and attractive employer Ecological and social standards in the supply chain	**Ecological and social standards in the supply chain** • Internal standards • Ecological and social standards among business partners
Combating corruption and bribery	Combating corruption and bribery	• Combating corruption and bribery
Social matters	Not identified as a material issue	

For the aspect of social matters, no material matters were identified by LEONI in the context of the materiality analysis it performed because none of the associated tasks were ranked as required for the understanding of LEONI's business performance, business results, the position of the stock corporation or the impact of LEONI's business activities.

The aspect of social matters is not relevant for the non-financial information statement; it is relevant only with regard to the impact the social matters have. This means that only simple materiality applies, and this aspect is therefore not subject to reporting.

Sustainability organisation

Until January 2022, the issue of sustainability at LEONI was embedded in the responsibilities of the CFO (Chief Financial Officer). On 1 February 2022, responsibility for sustainability at LEONI was passed to the newly established Executive Board position of CHRO (Chief Human Resources Officer). The CHRO decides on our commercial and strategic sustainability targets in coordination with the whole Executive Board. The Corporate Ethics, Risk & Compliance department, which also encompasses our Corporate Sustainability Management, comes under the remit of the CHRO on the Executive Board. The Sustainability Management unit has Group-wide responsibility in this respect. It is responsible for strategy, targets and governance, supports the operational setting of targets and carries out our internal and external sustainability reporting. Operational implementation of the sustainability goals and measures is handled locally in the technical departments while involving our Management Areas. The sustainability coordinators are the interface between Sustainability Management and the executing operational departments. Sustainability coordinators are currently deployed in Human Resources, Research & Development, Safety-Health-Environment, Sales, Strategic Purchasing and Value Chain Management. This ensures that our sustainability targets are embedded in all Management Areas. Ideas on all sustainability issues, projects and measures are exchanged via Sustainability Management in regularly held working groups with the Sustainability Coordinators.

Furthermore, the Corporate Ethics, Risk & Compliance department reports to the Supervisory Board and its Audit Committee. The management of the Corporate Ethics, Risk & Compliance department regularly informs the entire Executive Board on the latest developments in the area of sustainability, and they are consulted on key decisions. The Sustainability Steering Committee functions as a corporate sustainability body. As required, it deliberates two to three times a year on strategic direction-setting and presents identified areas for action and target parameters in each Management Area. Finally, the Steering Committee agrees the planned content and measures for the Executive Board to make a decision. Corporate Ethics, Risk & Compliance is in charge of the meetings and submits the findings of the meetings to the Executive Board for decision-making. In the first half of the reporting year, this task was still performed by the Sustainability Steering Committee and the heads of the divisions.

Employee matters

The well-being of employees is a top priority for LEONI. The organisational and systematic promotion and management of employee matters at international level is the responsibility of HR Governance. Since February 2022, the CHRO and Labour Director have been managing the CHRO department to which the HR Governance department, reports directly. The head of HR Governance reports to the CHRO. The positioning and steady development as a reputable and attractive employer are an important issue for LEONI as a company with very labour-intensive production. This is why its focus is on the employees and their long-term retention. Good working conditions and a forward-looking stance focused on sustainability are, for us as an employer, the fundamental building blocks of our success. The CHRO strategy, in particular, seeks to ensure and expand an employee-centred working environment and attractive working conditions in order to engage employees and create sustained growth.

At the end of the year under report, around 3.3 percent, i.e. 3,117 (WSD: 1,705, WCS: 1,412) [previous year: 4.3 percent with 4,323 employees (WSD: 1,534, WCS: 2,789)] employees of the LEONI Group were employed in Germany, with the remaining employees working at locations outside Germany. Local responsibility for employees rests with the management of the facilities in the countries where they work. Those responsible for regional and overarching HR are in charge of recruiting and keeping employees as well as for implementing our central governance rules and requirements in the HR department.

LEONI's employees are the key factor behind its success. We therefore place a particular focus on their satisfaction and qualifications. In addition, issues of relevance to LEONI employees, such as healthcare provision or old-age provision, are addressed through various activities and actions, and relevant offerings are made available. This ensures that the Company retains staff and LEONI remains attractive as an employer over the long term. LEONI also supports various social projects to promote the public good at its locations. During the reporting year, a large number of different projects were implemented, such as a waste collection campaign in Serbia, a day for the environment in Bulgaria, and the support of families of LEONI employees in Ukraine. We aim to support at least one social project each year at every LEONI site worldwide by 2025. This goal has already been reached at a large number of LEONI locations. As part of LEONI's vision of itself as a reputable employer, it places great importance on fair dealing and the promotion of diversity within the Company.

Fair dealing with employees

LEONI provides a working environment for all its employees worldwide that provides good working conditions and is free of discrimination in both recruitment and during business globally. It also safeguards the freedom of association and the right to collective bargaining. A blanket ban on discrimination is embedded in the LEONI Code of Conduct and in the LEONI Social Charter, among other places. The Social Charter furthermore demands that, at a minimum, the respective national legal requirements with respect to compensation and minimum wages, safety at work, health protection and working and holiday times are observed.

In the course of the reporting year LEONI created and rolled out a comprehensive programme to promote its corporate culture worldwide. It defines the five key basic LEONI values: Care, Result Orientation, Respect, Responsibility and Collaboration. These

1 Unless otherwise reported, all WSD key figures stated in the NFIS include the LEONI AG key figures.

basic values are supplemented by behavioural models and are gradually being enshrined in the organisation as part of management training courses, seminars and other events and dialogue formats. This initiative relies on an interplay of decentralised activities that are guided by the country and culture in question and on central offerings and concepts to help the values get enshrined. The relevant measures, concepts and ideas are brought together centrally on an exchange platform and made available to all responsible parties in order to ensure the transfer of successful activities between all countries. The Value@Work toolbox will provide managers in particular with specific guidance on how to implement the corporate values in everyday operations, including a detailed information package and materials for the implementation of workshops in their teams.

Furthermore, we conducted a global employee satisfaction survey during the year under report. As part of Voices@LEONI 2022, around 92,000 employees (WSD) were surveyed. The survey was comprised of 22 standardised questions in three categories and five country-specific and four demographic questions. The participation rate was 74 percent. The survey during the reporting year forms the starting basis and basis of comparison for other regular surveys in future because the previous employee satisfaction survey was conducted a few years back. In 2023, a follow-up process will moreover be established in order to identify areas of action at the local, national and international level on the basis of the survey results and to define and implement measures for improvement.

Diversity

LEONI sees diversity – in terms of gender, age, cultural and ethnic origin, professional background and way of thinking – as a key to ensuring that the ever more complex tasks and challenges can be successfully tackled in heterogeneous teams. Especially against the backdrop of LEONI's labour-intensive facilities outside Germany, it is the Company's aspiration to maintain a corporate culture that is based on mutual respect in international collaboration and is enshrined accordingly in LEONI's basic values.

During the reporting year the percentage of women in the top three management levels (according to Mercer levels 1-3, excluding the Executive Board) at WSD was 17.0 percent [previous year: WSD 16.4 percent]. The overall workforce worldwide was 55.2 percent female (WSD: 56.6 percent, WCS: 22.2 percent) [previous year: 52.1 percent (WSD: 53.9 percent, WCS: 30.1 percent)].

As part of its sustainability strategy LEONI is aiming to increase the quota of women in the top three management levels (according to Mercer levels 1-3, excluding the Executive Board) further, to 20 percent by 2030[1]. The proportion of women in management positions across all levels is forecast to rise to 40 percent by 2040. The proportion of at least one female member at Executive Board level is due to be maintained. Here, LEONI is focusing in particular on promoting in-house female candidates and on developing them to advance to higher functions. For external hires at the top management levels, the Company also ensures that a suitable female candidate is always part of the short-list. All told, LEONI is making good progress on the way to achieving its goals: In the reporting year, the proportion of female managers across all levels was 33.6 percent for WSD.

International experience and secondments abroad are a key element in the development of LEONI managers. The specialist, personal and intercultural skills thereby promoted qualify employees for positions on various management levels. During the year under report, 67 employees (WSD: 62, WCS: 5) [previous year: 103 (WSD: 97, WCS: 6)] were deployed by LEONI in other countries to take on a management role or collaborate on central projects (e.g. setting up of a facility, product ramp-ups).

Occupational health and safety

For LEONI, the creation of a safe and healthy place to work for employees is a fundamental commitment.

During the reporting year the handling of the Covid-19 pandemic was once again a major challenge with regard to occupational health and safety. The Covid preventative measures introduced in 2021 were continued. The defined measures were implemented by segment-specific task forces to enable LEONI's facilities to respond to the situation as required. All Covid infections at the global locations were monitored by the LEONI Executive Board in a global Covid report.

Promoting occupational health and safety and adhering to respective standards are central objectives of our SHE (Safety, Health, Environment) policy, which provides for the following principles of occupational health and safety:

1 In the previous year, the set target referred to two management levels. The Mercer levels were harmonised based on restructuring of our organisation, and the target for the proportion of women was thereby expanded to three management levels.

- Socially and ecologically responsible action is a core corporate objective.
- Occupational safety, health and environmental protection are part of any management responsibility.
- We provide safe and healthy places of work and working conditions to avoid work-related injuries and illnesses by removing threats and reducing risks.
- We commit to ongoing improvement of measures relating to occupational safety, health and environmental protection.
- We adhere to all binding obligations concerning occupational safety, health and environmental protection (legal and other requirements).
- The applicable national standards are our minimum requirements.
- We establish and promote mutual trust through dialogue with all concerned interest groups – inside the Company especially with our employees and their representatives.

LEONI is increasingly applying internationally recognised standards to ensure the health and safety of its employees.

In the financial year it expanded the cross-location ISO 45001 certification of the WSD Division. WSD certified 32 (previous year: 32) sites of a total 48 production facilities according to this standard during the financial year. LEONI aims to certify all production facilities of WSD according to ISO 45001 by the end of 2025. A certification plan has been drafted to achieve this goal, according to which all missing production locations will be certified by 2025. Moreover, as part of an annual data survey all Group-wide industrial accidents at all relevant locations and activities in the areas of occupational safety, health protection and contingency management were recorded.

In the WCS Division, one site of BG AM is certified in accordance with ISO 45001. BG PS in the WCS Division also guarantees compliance with German labour standards and takes appropriate measures to ensure health and safety at work. In BG PS, occupational health and safety is – alongside the obligation to comply with statutory and official requirements – part of the integrated management system.

The responsibility for occupational safety, health and environmental protection lies with the COO of the business unit, who receives technical support from the SHE function. At segment level, politics, the strategy and targets, segment-wide SHE projects and their development and the internal minimum standards are set, budgeted for and followed. The annual strategic objectives and, if applicable, programmes are derived from the evaluation and the annual management review.

To ensure continuous communication on occupational protection issues, the COO, the SVP Quality Management and SHE are informed by the country manager of the frequency and severity of industrial accidents on a monthly basis at WSD and on an annual basis at WCS.

As part of its Sustainability Strategy, LEONI set itself the target of reaching/not exceeding a rate of 0.3 accidents per 100 employees Group-wide by 2030. During the reporting year a large number of initiatives were held in the area of security and occupational health protection at work, for example the introduction of the ten golden safety rules. The number of industrial accidents in the year under report was 253 (WSD: 156, WCS/BG AM: 80, BG PS: 17) [previous year: 361 (WSD: 273, WCS/BG AM: 73, BG PS: 15)]. This means that the rate for the year under report in the Group is 0.25 accidents per 100 employees.

Environmental matters

Protection of the environment at LEONI is supported by a preventative approach within the meaning of the UN Global Compact. Protecting the environment is enshrined as a central issue in the LEONI Code of Conduct.

LEONI has an environmental management system in accordance with internationally recognised standards such as ISO 14001 and EMAS III (Eco-Management and Audit Scheme). The system aims to keep the impact of production processes on the environment as small as possible. In particular, LEONI aims to reduce its energy consumption and the associated CO_2 emissions as its contribution to climate protection. At the production locations outside Germany, Q-SHE managers are responsible for compliance with the Company-wide and relevant national SHE requirements.

All production locations of WSD and BG AM have ISO 14001 certification. BG PS of the WCS Division operated an environmental system according to EMAS III at two out of five locations, which forms part of the integrated management system. Furthermore, BG PS systematically pursues environmental targets and projects in accordance with the environmental programme of ISO 14001 and EMAS for the years 2022 to 2024.

All European facilities of BG AM will only source green electricity by 2030 latest. The German sites will source solely green electricity already starting in 2023. Moreover, BG AM has been able to calculate the product carbon footprint for most of the portfolio since the start of 2022.

Guidelines, structures and processes
In order to reduce the negative impact on the environment and the climate continuously, LEONI has developed global environmental guidelines which apply to all locations.

The SVP for Quality Management and SHE bears overall responsibility for the implementation of the LEONI environmental management system with the support of a SHE central team. In addition, a quality management and SHE manager is appointed in each country where LEONI has operations in order to support the product locations during implementation and to identify suitable measures. Every site also appoints SHE team leaders. They ensure that the relevant rules and provisions are stored in the management system and all processes are compliant with legislation. If measures are required, the SHE team leaders must make the necessary preparations, for example by issuing a site-specific process or work instruction.

Regular internal and external audits and compliance controls ensure that statutory and internal requirements are met. If they pinpoint options for the optimisation of processes and actions, LEONI defines specific measures.

Implementation is assessed through regular sequential audits, and the findings are incorporated into the annual management reviews.

Goals and results – efficient use of natural resources
LEONI optimises its business processes from ecological and economic angles and structures them in a way that ensures that increasingly fewer resources are required. To this end, LEONI has introduced a comparison measure to record the water and waste consumption per production hour. WSD has set and communicated targets in its target guidance. This target guidance provides the locations with a guide when it comes to determining goals and planning sustainable measures to achieve the goals within their sphere of responsibility. The target guidance is based on the data collected from the Sustainability Report, from which the breakdown by location is defined. In addition, during the reporting year LEONI introduced a SharePoint platform at WSD where the locations enter their results on the basis of this comparison. Entry of the monthly SHE KPIs is supported centrally by SharePoint reporting. In 2023, WSD will collect the figures directly in a SharePoint in order to make the process more efficient and improve data quality.

Since all production sites of WSD are certified in accordance with ISO 14001, they have set their own targets to improve their environmental performance as part of their site-specific environmental programmes. Their aim is not to exceed a defined annual consumption of resources.

In the WCS Division, too, qualitative targets have been set (e.g. energy efficiency measures and other environmental certifications) which are followed by means of a continuous improvement process. Thus a combined heat and power unit is in operation at the WCS site in Roth. This ensures that the heat generated during the generation of power is used for other processes.

Energy efficiency and renewable energy
At LEONI, climate action is firmly enshrined as the common task of all LEONI employees the Code of Conduct. In order to minimise the greenhouse gas emissions and other environmental impacts of every single LEONI site, we use a certified environmental management system which applies internationally recognised standards. In fiscal 2022, all 66 production facilities (WSD: 51, WCS: 10, BG PS: 5) [previous year: 68 locations (WSD: 53, WCS: 10, BG PS: 5)] were certified in accordance with ISO 14001. In WSD, all new production locations are certified in accordance with ISO 14001 within the first two years following series production. Non-producing sites are only certified at the request of the site but must fulfil internal WSD SHE standards, which in turn correspond to the ISO 14001 requirements.

As part of our sustainability strategy we aim to reduce greenhouse gas emissions over the long term and to offset them in full by 2045. In order to achieve this target LEONI is focusing on renewable energies at all LEONI sites and on measures to push ahead with energy efficiency. The relevant sites define projects for the use of renewable energies, such as photovoltaic plants, electricity purchase agreements and I-REC certificates (International Renewable Energies Certificates), which are deemed appropriate after taking into account local specifics and the existing infrastructure, then follow them in the context of a continuous improvement process.

To allow the development of suitable measures to reach the science-based reduction targets, it is necessary to calculate the full carbon footprint of LEONI including indirect emissions. CO_2 emissions at LEONI are created both during production and along the entire associated value chain. In line with the principles of the Greenhouse Gas Protocol, emissions are categorised into three scopes. In the course of the reporting year LEONI therefore implemented a project aimed at accounting for all its greenhouse gas emissions in 2023 with all three scopes. From this, the correct strategic conclusions will be drawn in order to reduce emissions along the path defined.

Since the second quarter of 2022, reduction measures have been defined across all material categories of Scope 1 and 2, which have been evaluated and measured as part of a pilot project in Romania. This project has helped decide which measures are best to achieve the science-based reduction targets most effectively and cost-efficiently. These findings were then used to model a variety of emissions scenarios for LEONI in order to identify realistic reduction targets.

In general, the LEONI Group aims to reduce energy consumption at the sites further every year. Accordingly, our sites define, while considering the differing set-ups and peculiarities in terms of infrastructure, suitable energy efficiency projects and apply these. In addition, the WSD Division plans to introduce an ISO 50001 energy management system for all production locations by 2025. In BG AM of the WCS Division, four locations were certified in accordance with an ISO 50001 energy management system during the reporting year.

On the basis of the data survey of 2022 regarding renewable energies at the LEONI sites, during the reporting year we obtained 8 percent of our consumed electricity from exclusively renewable energy sources in relation to total electricity consumption. Moreover, we generated 0.4 percent of electricity from our own renewable sources (photovoltaic plants) in relation to total energy consumption. The relevant data was collected and evaluated for the first time during the year under report.

Because a company's own energy production is capped in some countries, LEONI is planning to buy green electricity and I-REC certificates in order to reduce CO_2 emissions. The country-specific timetables for green energy consumption are monitored by the central SHE department. In addition, LEONI will install photovoltaic plants at the following sites in 2023: Romania, Morocco, Tunisia and Portugal. A feasibility study on the use of photovoltaics was carried out for all sites of BG AM. As part of this study, both current energy consumption and the current load profile were analysed to design a photovoltaic plant. Furthermore, it looked at the load-bearing capacity of the indoor roofs and different operator models (LEONI acquisition and investor model). A cost/benefit analysis was prepared to prioritise implementation.

Energy consumption[1] came to 445,643 MWh during the reporting year (previous year: 500,549 MWh). Energy consumption per €1 million of sales was 87.5 MWh and was thus down from the previous year's figure (97.8 MWh).[2]

Environmentally friendly transport

In the area of environmentally friendly transport LEONI is working on various issues that could help reduce carbon emissions resulting from transports associated with our business activities. Given the distances between LEONI production sites and customers, long transport routes (inbound / outbound) must in some cases be covered, which entail corresponding emissions.

To identify possible areas of action and focal areas with regard to environmentally friendly transport, LEONI is, as a first step, working to establish the carbon emissions for the existing transport network (as-is recording). First, it examines how carbon emissions can be calculated in future. At present, the following options for calculating carbon emissions are assessed:

- Calculation and provision of carbon emissions by the transport and warehousing service providers used
- Calculation of carbon emissions on the basis of an overview of the various transport flows by an external service provider (transport lanes, number of transports per lane, kilometres driven, transported weight, means of transport used, etc.)
- Automatic calculation of carbon emissions by the LEONI transport management tool

1 Use of the following energy sources was recorded to compute total energy consumption: electricity, diesel, bioethanol, oil (heating oil and unspecified oils), gas, (CNG, LNG, LPG, natural gas and unspecified gases) and wood pellets.
2 The previous year's figures were not adjusted to take into account the changed scope of consolidation for the reporting year.

In the packaging area LEONI continues to rely on the use of reusable packaging for the transport of finished products from the production sites to the various customer locations. One focus here is on the development of volume-reduced load carriers. They allow transports for the return of containers to the production facility to be saved and CO_2 emissions to be reduced. Over the coming years considerable investments have been earmarked for this in the budget and medium-term planning.

Ecological and social standards in the supply chain

Internal standards

An important concern for the LEONI Group is the respect of human rights in the Company and along the supply chain. Ethically and legally sound procurement is of high relevance in this regard.

Based on the LEONI Code of Conduct, the Social Charter and our Standard Terms and Conditions of Purchase, we are committed to respecting and upholding human rights, and we call on everyone to prevent modern slavery and human trafficking in the context of our own area of business and in the supply chain. This commitment is underscored by the 'Statement on upholding human rights', according to which human rights violations will not be tolerated and violations will be sanctioned.

In preparation of the Act on Corporate Due Diligence Obligations in Supply Chains, LEONI implemented the Human Rights project during the reporting year. As part of this, we are currently developing a guideline on the topic of human rights and offer in-house online training on human rights to every active employee with personalised network access. Furthermore, in order to establish human rights risks within the Group, we are drawing up a risk analysis and have implemented an initial pilot project at the site in Mexico. The internal risk analysis will be rolled out at all LEONI locations in 2023. LEONI meets other ecological and social standards for certification of its production facilities in accordance with ISO 14001.

Ecological and social standards among business partners in the supply chain

Our Code of Conduct for Business Partners ensures that respect of human rights is guaranteed by business partners and suppliers along the entire supply chain. The LEONI Code of Conduct for Business Partners published in 2019 was broadened in 2021 with respect to various sustainability-related issues and supplemented to include specific expectations concerning protection of the environment and climate.

Potential suppliers of production material are subjected to a supplier qualification process before LEONI enters into a business relationship with them. It is presently stipulated in LEONI's general terms and conditions that business partners are expected to observe the principles of the UN Global Compact. In the context of the supplier qualification process, a new supplier is approved only if they have agreed to these principles or are able to demonstrate that they have established and comply with an equivalent code of conduct in their company. Under the approval processes, suppliers must furthermore complete a self-assessment that enquires not only about delivery conditions and commercial matters, but also about such measures relating to environmental protection and certifications (e.g. ISO 14001). LEONI presently imposes these requirements only on suppliers of production materials for whom a corporate supplier qualification process as well as corporate approval is prescribed. In the case of directed part suppliers that are predetermined by the customer as sub-contractors, these requirements are presently not followed up on by LEONI, as this is the responsibility of the nominating customers (selection process).

For the suppliers of non-production materials there is currently no central supplier qualification process. Every new supplier receives the same self-assessment questionnaire as that used for suppliers of production materials. The Standard Terms and Conditions of Purchase for non-production materials are currently being revised; they list the same requirements as those of the Stan-dard Terms and Conditions of Purchase for suppliers of production materials.

An explicit assessment of the suppliers according to sustainability criteria has not yet taken place. Until now, suppliers' self-assessment forms were used by an in-house service team to check the validity of environmental certificates and request them afresh if needed. In preparation for the German Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, 'LkSG'), LEONI determined sustainability as an independent pillar for the evaluation of key suppliers in 2022. This evaluation takes into account the sustainability performance of suppliers who are assessed by an evaluation of our service provider NQC and their compliance with the LEONI Code of Conduct for Business Partners, as well as data transparency and quality and the collaboration of suppliers with LEONI with regard to the sustainability goals. The relevant suppliers were informed of the new valuation process during the reporting year.

In the first quarter of 2023 LEONI will perform the supplier assessment for the second half of 2023. On the basis of this assessment, we will request measures from the suppliers concerned, as required, and determine our own additional requirements if appropriate.

If serious violations of human rights or environmental rights are reported and confirmed during the assessment period, the supplier in question will, in addition to the possible legal and further consequences in terms of the business relationship, receive a classification of C for sustainability (lowest possible level in the supplier assessment).

In the year under report LEONI decided to introduce a procurement software which maps the centralised supplier onboarding process in a systematic manner. This software will be used for production materials suppliers from the first quarter of 2023 onwards and for non-production material suppliers from the first quarter of 2024 onwards. The concept for qualifying suppliers also provides for sustainability criteria. In addition, the LEONI Code of Conduct for Business Partners has been integrated into the LEONI standard contracts, which means that every newly commissioned supplier must accept the Code of Conduct for Business Partners. The supplier audit process will be adjusted to include sustainability aspects in 2023.

Based on the materiality analysis, LEONI has initiated the initiatives Ecological and Social Standards Along the Entire Value Chain and Transparency of the Value Chain. The initiative Ecological and Social Standards Along the Entire Value Chain was created to push ahead with the demonstrable guarantee of human rights across the entire supply chain. Among other things, this initiative aims to create transparency about the risks to compliance with ecological and social standards within the value chain, to integrate the sustainability criteria within the purchasing and supplier management processes and to ensure acceptance of the LEONI Code of Conduct for Business Partners. To achieve these goals LEONI has defined an action plan which is regularly followed up on.

The initiative Transparency of the Value Chain was established to ensure the necessary transparency within the supply chain. This initiative pursues the following goals, among others: transparency for suppliers of production materials (focus on key suppliers), the introduction of carbon calculations for all products and the implementation of the supplier assessment mentioned above with reference to sustainability.

During the reporting year, BG AM of the WCS Division started to request the PCF (Product Carbon Footprint) from its input materials suppliers. The data it has received will help BG AM to establish its own PCF and to gain a better overview of Scope 3 emissions. In a next step this information can be used to manage orders in a more targeted manner using ecological criteria.

Combating corruption and bribery

As guiding corporate principles, integrity and compliance shape our entrepreneurial conduct. A core aim of our Compliance Management System is to permanently embed rule-compliant conduct in the thinking and actions of all LEONI employees and to sustainably underpin compliance values. It is a matter of raising the awareness of our staff members, including all managers with the Company. To ensure this outcome, we regularly run both onboarding and refresher training sessions for all employees who have a workstation with a monitor. The effectiveness of our Compliance Management System is regularly tested by outside auditors pursuant to the IDW 980 auditing standard.

Adherence to legal requirements and rules within the Company is ensured with the help of LEONI's Group-wide Compliance Management System. The system is therefore focused particularly on identifying potential structural risks of corruption and on avoiding non-compliant conduct within the Company. By combating compliance risks – especially with respect to bribery and corruption – LEONI pursues the aim of safeguarding its business success.

The LEONI Code of Conduct, which is binding for all employees, is the basis for our understanding of compliance. LEONI's Compliance Management System is based on the three pillars of prevent, detect and react with respect to misconduct. These pillars form a comprehensive system of compliance-related measures as part of our compliance programme. Our Compliance Management System is regularly tested in-house or by third parties and developed.

The head of the Corporate Ethics, Risk & Compliance department – who is simultaneously Chief Compliance Officer – together with his or her international team is responsible Group-wide for implementing and managing compliance. He or she reports directly to the CHRO of LEONI AG and has reporting lines to the Chairman of the Supervisory Board as well as the Chairman of the Supervisory Board's Audit Committee. He or she regularly reports to the entire

Executive Board, divisional management and the supervisory bodies on compliance-related matters.

LEONI understands awareness of its human rights-related responsibility to be an ongoing process. Such in-house sets of rules and processes as the LEONI Code of Conduct, the LEONI Social Charter and corresponding guidelines are therefore continually reviewed and, as necessary due for example to changed legislation, updated. In 2022, LEONI prepared for the regulations pending in 2023, such as the German Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, 'LkSG') and the announced EU legislation on due diligence obligations in supply chains in the context, among other things, of setting up guidelines and training courses on the subject of human rights.

The existing digital whistleblower system was adapted during the year under report to the extent that such further categories as environmental protection as well as breaches of the LEONI Code of Conduct for Business Partners were added. This enables a whistleblower – both staff and third parties – to report on misconduct via this system. In future, it will also be possible to systematically record reported cases and to evaluate them in a division-specific way. In 2022, a total of 26 complaints were received across all reporting channels with respect to compliance breaches at LEONI.

The LEONI Temco Ltd. and LEONI Wiring Systems UK Ltd. companies, which are associated with LEONI, also operate in the United Kingdom. They therefore regularly publish a statement pursuant to the UK Modern Slavery Act on their national websites.

LEONI commits all its employees to responsible, honest and rule-compliant conduct with the intention of observing all laws and avoiding any cases of corruption. The LEONI Code of Conduct and our in-house rules on compliance in the anti-corruption category contain corresponding stipulations. In the year under report, the Company updated its policies on combating corruption and bribery, money laundering and conflicts of interest.

The Compliance Management Dashboard – a digital platform for recording, checking and approving compliance requirements – has the following modules: distribution and follow-up of confirmations of in-house rules (e.g. policy), documentation of face-to-face training and documentation of training material, running compliance audits of business partners, documentation and approval of conflicts of interest / gifts / invitations / donations and sponsorship. Our Living Code serves to enhance understanding of the values presented in the LEONI Code of Conduct: an internal, interactive information platform that simultaneously serves as a means of training for the LEONI Code of Conduct. The Living Code conveys the most important compliance principles for staff using examples, explanatory videos, charts, check-lists and links. The e-learning quiz developed for the Living Code covers, among other topics, that of anti-corruption and is obligatory for all staff with a Windows account (indirectly termed 'white-collar' at LEONI), who must repeat it annually. This equates to about 17 percent of LEONI's workforce. In 2022, 2,503 employees (WSD: 2,393, WCS: 110) successfully completed the Living Code Quiz [previous year: 2,514 employees (WSD: 1,867, WCS: 647)]. Since the Living Code Quiz was first assigned in 2018, it has been successfully completed by 13,363 employees (WSD: 12,333, WCS: 1,030) [previous year: 14,101 (WSD: 11,541, WCS: 2,557)]. This equates to an 82 percent completion rate in the year under report (WSD: 85 percent, WCS: 64 percent) [previous year: 92 percent (WSD: 92 percent, WCS: 93 percent)].

All new employees must pass this special e-learning course on anti-corruption when joining the Company and then at regular three-year intervals. In 2022, 2,566 (WSD: 2,453, WCS: 113) successfully completed the e-learning course on anti-corruption [previous year: 14,227 (WSD: 11,659, WCS: 2,568)]. The e-learning course on anti-corruption was updated in 2021 and for that reason given to all employees in 2021. In the year under report, it was then assigned just to all staff newly employed in 2022. Since the updated e-learning course on anti-corruption was assigned in 2021, it has been successfully completed by 14,623 employees (WSD: 13,130, WCS: 1,493) [previous year: 14,227 (WSD: 11,659, WCS: 2,568)]. This equates to a 90 percent completion rate (WSD: 90 percent, WCS: 92 percent) [previous year: 93 percent (WSD: 93 percent, WCS: 94 percent)].

Based on the three-lines-of-defence model, the Corporate Ethics, Risk & Compliance department as the second line of defence assumes responsibility for overseeing the compliance guidelines and processes within the framework of Compliance Quality Reviews. These Compliance Quality Reviews serve to recognise and assess any absence of risk-mitigating measures as well as, where possible, yield further recommendations for risk-mitigating action.

Compliance Quality Reviews are likewise part of the early detection measures of the Compliance Management System. They must take into account select focal topics and functional areas or processes concerning the compliance-related risks and the associated weaknesses of the Compliance Management System and of the internal control system.

The focal areas of the Compliance Quality Reviews are:

- Compliance awareness: guidelines, training sessions, tone from the top, whistleblowing management, etc.
- Compliance controls: business partner audits, hospitality log, due diligence processes, etc.
- High risk processes: taking into account compliance in such business processes as finance, procurement, HR, sales, etc.
- Unanticipated events: taking into account such local anomalies as special investigations conducted, material findings of other audits and reviews, etc.

Possible further compliance risks / risk scenarios and process weaknesses are identified based on the Compliance Quality Reviews conducted. To be able to appropriately deal with the respectively identified risks and process weaknesses, or to largely minimise them, they must be confronted with risk-minimising measures extrapolated as part of the Compliance Quality Reviews and correspondingly addressed. Ethics, Risk & Compliance oversees implementation of the measures and is available to the executing technical units to provide any required advice.

During the year under report, Compliance Quality Reviews were carried out at a total of 11 LEONI facilities.

EU taxonomy disclosures (EU Taxonomy Regulation)

To meet climate targets as well as other sustainability targets, the EU Commission issued the European Green Deal and the Taxonomy Regulation as part its Action Plan: Financing Sustainable Growth of 8 March 2018. The aimed-for reorientation of capital flows into ecologically sustainable activities must be underpinned by a shared understanding of what 'ecologically sustainable' means. The EU Taxonomy Regulation therefore provides for a unified classification system for business activities that can be rated as ecologically sustainable. For this purpose, the EU Taxonomy Regulation pursues six environmental targets (two climate-related and four environmental targets).

With respect to reporting for the 2022 financial year, Art. 10 of the Delegated Act with respect to Art. 8 of the EU Taxonomy Regulation provides easement rules for publication of non-financial information. For the current financial year and building on last year's determination of taxonomy-eligible business activities with respect to the first two environmental targets (climate protection and adapting to climate change), the proportion of sales, capital expenditure (CAPEX) and operating expenditure (OPEX) of the respective total Group figure that is related to these activities must be reviewed. LEONI must also state the extent to which its taxonomy-eligible activities contribute to one of the environmental targets and meanwhile do not significantly harm any of the respective other five environmental targets, as well as observing the minimum social standards, and are thus deemed taxonomy-compliant.

Procedure for establishing relevant activities based on an impact assessment

To establish the taxonomy-eligible economic activities for LEONI, all the business activities were scrutinised in accordance with the activity descriptions in Annexes I and II of the Delegated Act pertaining to the EU Taxonomy Regulation. This involved focusing on research and development as well as non-sales-generating activities in the areas of real estate, vehicle fleet and energy efficiency measures. We subsequently reconciled the identified business activities with the NACE codes stated in the annexes. We drew on the expertise of the pertinent specialist departments for this purpose. As NACE codes must be taken into account for certain certifications, among other things, the environment sector was able to make a rough assessment (test) of relevant activities.

Based on the presented documents on the six environmental targets of the EU Taxonomy Regulation (delegated legal acts on environmental targets 1 and 2), we conducted a fundamental review of the contribution made by LEONI's business activities. LEONI recognises its significant contribution in the area of climate protection.

In the 2021 financial year, the production of high-voltage cable harnesses was classified under taxonomy-eligible activities (pursuant to Annex I No. 3.6., Manufacture of other low carbon technologies) with the explanation that high-voltage wiring systems made and fitted to connect electric drive contributes directly and materially, as an enabler, to this low-CO_2 drive technology. During the year under report, the production of high-voltage cable harnesses was, in application of Number 37 Section II of the Draft

Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act dated 19 December 2022, no longer classified to taxonomy-eligible activities pursuant to Annex I No. 3.6. Our other components and products are therefore no longer core components for low-CO_2 technologies either. The sales, CAPEX and OPEX related to the production of high-voltage cables harnesses are consequently no longer presented as taxonomy-eligible.

Identified taxonomy-eligible activities

The following taxonomy-eligible activities pursuant to Annex I were identified at LEONI for the year under report:

- 6.5. 'Transport by motorbikes, passenger cars and light commercial vehicles' and related CAPEX,
- 7.2. 'Renovation of existing buildings' and related CAPEX,
- 7.4. 'Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)' and related CAPEX and
- 7.6. 'Installation, maintenance and repair of renewable energy technologies' and related CAPEX.

All other activities listed in Annex I of the EU taxonomy are unrelated to LEONI's business model or are activities to which LEONI makes no significant contribution or in which it does not invest any significant amount. No taxonomy-eligible activities were identified for Annex II.

Identified taxonomy-compliant activities

In the year under report, the taxonomy-eligible activities did not fulfil the criteria for taxonomy compatibility, i.e. there was no significant contribution to the relevant environmental target, the evidence requirements for insignificant harm to the other environmental targets were not fully met or observance of the minimum social standards could not be proven to a sufficient extent.

EU taxonomy key figures

The EU Taxonomy Regulation requires reporting entities to present the sales, sustainable investments (CAPEX) and certain expenditures related to sustainable activities (OPEX) of their taxonomy-eligible and compliant activities in relation to their overall activities. The key performance indicators (KPIs) derived therefore comprise the following:

For the KPI of sales, we used as the basic parameter (denominator) the sales computed in the consolidated financial statements pursuant to IFRS. The taxonomy-eligible proportion (numerator) is computed based on the sales revenues that are generated from a taxonomy-compliant contribution to the environmental target of climate protection. There were no taxonomy-eligible or compliant sales in the year under report.

				Key contribution to environmental objective						No significant harm to other environmental objectives						Minimum protection				
Economic activities	Code(s) Number	Sales, absolute € million	Share of sales %	Climate protection %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate protection Yes/No	Climate change adaptation Yes/No	Water and marine resources Yes/No	Circular economy Yes/No	Pollution Yes/No	Biodiversity and ecosystems Yes/No	Minimum protection Yes/No	Taxonomy-compliant share of sales in 2022 %	Taxonomy-compliant share of sales in 2021 %	Category (enabling activities) EA	Category (transitional activities) TA
A. Taxonomy-eligible activities																				
A.1. Ecologically sustainable activities (taxonomy-compliant)																				
Sales from ecologically sustainable activities (taxonomy-compliant) (A.1)		0	0															N/A		
A.2 Taxonomy-eligible, but not ecologically sustainable activities (taxonomy non-compliant activities)																				
Sales from taxonomy-eligible, but not ecologically sustainable activities (taxonomy non-compliant activities) (A.2)		0	0														0	N/A		
Total (A.1 + A.2)		0	0														0	N/A		
B. Activities not taxonomy-eligible																				
Sales from activities not taxonomy-eligible (B)		5,093	100																	
Total (A + B)		5,093	100																	

For the KPI of CAPEX, we used as the basic parameter (denominator) the CAPEX costs computed in the consolidated financial statements (additions to plant, property and equipment) pursuant to IFRS. The taxonomy-compliant proportion (numerator) refers to the capital expenditure that is allocated to ecologically sustainable activities.

				Key contribution to environmental objective						No significant harm to other environmental objectives						Minimum protection				
Economic activities	Code(s) Number	CAPEX, absolute € million	Share of CAPEX %	Climate protection %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate protection Yes/No	Climate change adaptation Yes/No	Water and marine resources Yes/No	Circular economy Yes/No	Pollution Yes/No	Biodiversity and ecosystems Yes/No	Minimum protection Yes/No	Taxonomy-compliant share of CAPEX in 2022 %	Taxonomy-compliant share of CAPEX in 2021 %	Category (enabling activities) EA	Category (transitional activities) TA
A. Taxonomy-eligible activities																				
A.1. Ecologically sustainable activities (taxonomy-compliant)																				
CAPEX on ecologically sustainable activities (taxonomy-compliant) (A.1)		0	0														0	N/A		
A.2 Taxonomy-eligible, but not ecologically sustainable activities (taxonomy non-compliant activities)																				
Transport by motorbikes, passenger cars and light commercial vehicles	6.5.	2,785	1.09																	
Renovation of existing buildings	7.2.	13,361	5.24																	
Installation of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4.	0,045	0.02																	
Installation, maintenance and repair of technologies for renewable energy	7.6.	0,902	0.35																	
CAPEX on taxonomy-eligible, but not ecologically sustainable activities (taxonomy non-compliant activities) (A.2)		**17,093**	**6.70**														0	N/A		
Total (A.1 + A.2)		**17,093**	**6.70**														0	N/A		
B. Activities not taxonomy-eligible																				
CAPEX on activities not taxonomy-eligible (B)		**238,071**	**93.30**																	
Total (A + B)		**255,164**	**100.00**																	

For the KPI of OPEX, we used as the basic parameter (denominator) the research and development costs stated in the consolidated financial statements pursuant to IFRS. The taxonomy-eligible proportion (numerator) is computed based on the expenses related the taxonomy-eligible and compliant activities pursuant to Annex I. There was no significant taxonomy-eligible or compliant expenditure in the year under report.

				Key contribution to environmental objective						No significant harm to other environmental objectives						Minimum protection				
Economic activities	Code(s) Number	OPEX, absolute € million	Share of OPEX %	Climate protection %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate protection Yes/No	Climate change adaptation Yes/No	Water and marine resources Yes/No	Circular economy Yes/No	Pollution Yes/No	Biodiversity and ecosystems Yes/No	Minimum protection Yes/No	Taxonomy-compliant share of OPEX in 2022 %	Taxonomy-compliant share of OPEX in 2021 %	Category (enabling activities) EA	Category (transitional activities) TA
A. Taxonomy-eligible activities																				
A.1. Ecologically sustainable activities (taxonomy-compliant)																				
OPEX from ecologically sustainable activities (taxonomy-compliant) (A.1)		0	0														0	N/A		
A.2 Taxonomy-eligible, but not ecologically sustainable activities (taxonomy non-compliant activities)																				
OPEX from taxonomy-eligible, but not ecologically sustainable activities (taxonomy non-compliant activities) (A.2)		0	0														0	N/A		
Total (A.1 + A.2)		0	0														0	N/A		
B. Activities not taxonomy-eligible																				
OPEX from activities not taxonomy-eligible (B)		139.9	100.0																	
Total (A + B)		139.9	100.0																	

The relevant publications of the EU Taxonomy Regulation point out that the EU taxonomy is dynamic in nature. Our disclosures under the EU taxonomy therefore correspond to the current status of interpretation. LEONI will continue to follow interpretations of the EU taxonomy and make adjustments if needed.

6. Risk and opportunity report

6.1. Risk policy

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

6.2. Risk management system

LEONI has a multi-stage risk management system that is rounded off with other supporting control systems. The Risk Management and Internal Control System department performs the corporate monitoring and coordinating of the risk management process. It also determines and describes the Group's overall risk situation. LEONI's risk management system is based on the Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Risk Management and Internal Control System department is part of the Ethics, Risk & Compliance corporate function, which reported directly to LEONI AG's CFO at the beginning of the year under report; from 1 February 2022, the Ethics, Risk & Compliance function has been assigned to the remit of the Chief Human Resources Officer and reports directly to LEONI AG's CHRO. Furthermore, decentralised Business Partner Risk & Opportunity (BRO) officers, Controlling, the operational managers of all relevant business areas, the WSD Central Project Audit unit are tied into the system. During the financial year, activity to improve the effectiveness and efficiency of governance, risk and compliance within the Company was successfully driven further forward. These improvements include regular analysis of risk-bearing capacity, broadened Group-wide identification of developments that constitute an existential risk as well as their interplay with other risks and systematic following up on of measures necessary to safeguard the Company's continued existence. The assessment whether there is a threat to continued existence with respect to the asset, financial and earnings situation is predicated on ascertaining the Company-wide risk-bearing capacity relative to overall risk exposure.

LEONI's overall risk exposure is determined based on considering the relative significance of net individual risks with the help of a risk aggregation. The methodology of Monte Carlo simulation is applied for this purpose. The process considers combination effects of risks to assess any threat to the Company's existence. The parameters for the analysis of risk-bearing capacity are the Group's budget equity as well as planned free liquidity as at the respective reporting date of the three-year assessment period. The Executive Board regularly monitors the findings of the analysis of risk-bearing capacity. The findings of this analysis of risk-bearing capacity did not give rise to any adjustment of the applied parameters or show any absence of capacity.

Risk management is tied into the existing planning, controlling and information systems and covers all companies in the LEONI Group worldwide, while the WCS Division has set up an independent risk management system that performs input work for LEONI AG's risk management. Alongside the early risk detection system, which stems from legal requirements, the Company thus has a system for monitoring risks which also evaluates material information from all management systems with equal respect to opportunities as well as risks and makes it transparent. The early risk detection system is part of the risk management system.

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

Risk identification and assessment – Our risk analysis involves promptly and systematically identifying risks and opportunities as well as analysing and assessing the significant risks and opportunities with respect to the probability of occurrence and quantitative effects.

Workshops are regularly held with all risk owners worldwide for this purpose. The focus of these workshops is, on the one hand, on making available new or improved methods for identifying and assessing opportunities and risks, and, on the other hand, on continually raising awareness of the risk management process. Furthermore, the risk owners will in future, too, be presented with requirements and updates that are to be implemented to ensure appropriate advancement of the risk management process. In addition, risk management workshops are held individually at divisional, departmental and/or project level to support the risk owners in applying the methodologies in the risk management process and to enable them to apply these independently in the future. These measures are regularly rounded off by a standardised quality assurance procedure for assessing individual risks or opportunities with respect to probability of occurrence, extent of any loss and effectiveness of the risk-mitigating activities.

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

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

The aim of risk aggregation is to ascertain the LEONI Group's overall risk exposure based on considering the relative significance of individual risks. The methodology of Monte Carlo simulation is applied to assess any threat to the Company's existence and thereby to meet the requirements of Section 92 (2) AktG. The individual risks (net) reported Group-wide form the basis for risk simulation at LEONI.

Risk reporting and monitoring – Beyond the quarterly risk reporting to the entire Executive Board, a summarising assessment of the quarterly development in the overall risk situation as well as the TOP 10 risks, based on the respective net value of potential loss, is made and discussed with the Executive Board. In addition, these TOP 10 risks together with the risk aggregation are reported to the Supervisory Board. The risk report will furthermore be updated (ad hoc announcement) if there is any material change in the Company's risk profile.

The Executive Board is furthermore given supplementary risk analyses on commercial decisions (e.g. acquisitions, significant customer projects or important investments).

6.3. Internal Control System

Overall responsibility for the Internal Control System (ICS) at LEONI rests with the Executive Board. Within the Group, the management of the subsidiaries is responsible as operating management for the design and functioning of the ICS as the first line of defence. The ICS is, as a corporate function, assigned to the second line of defence and is structured in line with the general concept published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, which is recognised worldwide. This corporate subsection of the ICS is responsible for the strategic direction and growth based on systematic and global organisational rules: it advises the operational management of the legal entities with expert knowledge and thereby supports the Executive Board in ensuring an appropriate and effective internal control system within the Group.

The ICS' task is to establish a control system through systematic and organisational rules that:

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

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

This is to be achieved through the interaction of manual and automated controls, if possible of a preventive nature or, if not otherwise efficiently possible, of an exposing nature. The ICS is geared to supporting identification of procedural, inherent risks through to uncovering of weaknesses and avoiding fraud. Control activity by a wide variety of internal and external offices is intended to ensure that the ICS is continuously developed further in a risk-oriented manner and that identified weaknesses are addressed structurally and in good time.

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

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

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

6.4. Compliance Management System

LEONI has a Compliance Management System (CMS) that applies Group-wide to ensure and monitor responsible, rule-compliant conduct. The Compliance Management System is integrated in the Risk Management and Internal Control System. Activity to improve the effectiveness and efficiency of governance, risk and compliance within the Company was advanced further during the financial year. The Compliance Management System is divided into the categories of prevent, detect and react and comprises the seven key elements of a contemporary and proper compliance management system in accordance with the IDW (German Institute of Public Auditors) auditing standard PS 980. A third-party test of our Compliance Management System's effectiveness concerning the principal aspects of antitrust law and corruption for selected Group companies was carried out in the 2020 financial year. The Compliance Management System is adapted to LEONI's specific risk situation and covers all relevant subject areas of compliance. Alongside risk analysis and the measures to identify adverse developments early, especially the monitoring of and adherence to the compliance processes and controls (known as Compliance Quality Reviews), the guidelines and training of staff are key elements of the CMS. Using a digital whistleblower system and other communication channels, staff and third parties can report cases of suspected compliance infringement, which will subsequently be investigated in-house. Any confirmed infringements of compliance will be penalised accordingly. The duty of all LEONI employees to conduct themselves responsibly, with integrity and in a rule-compliant manner is documented in our compliance guidelines and our e-learning course on anti-corruption as well as our currently applicable LEONI Code of Conduct.

6.5. Statement on the appropriateness and effectiveness of the Internal Control and Risk Management System[1]

The Internal Control System and the Risk Management System are dynamic systems that are continually adapted to changes in the business model, in the type and size of business transactions or in assigned responsibilities.

With respect to the Internal Control System, the tests carried out by the second line of defence and by internal audits showed improvement potential concerning both the appropriateness (inadequate structure or lack of suitable controls and action) and the effectiveness (inadequate execution) of controls. Audits as well as compliance-related incidents could furthermore indicate weak points. Targeted internal investigations are also conducted based on information stemming from the whistleblower system to follow up on reported weaknesses in the structure and/or execution of processes. The deficits found with the help of the described activities are brought to the attention of the Executive Board, both as warranted by events and on a regular basis.

To achieve a consistent framework within the Internal Control System, control-related activity in selected business processes is currently being standardised in all principal Group companies and adapted to the changed requirements. The work steps will probably be completed in 2023. The action taken is monitored through regular reporting on the Executive Board and the Audit Committee. At the same time, the Internal Audit department ensures the independent oversight of select processes and systems that have been set up.

In summary, some specific weaknesses were identified in the Internal Control System during the year under report and call for the measures already initiated to be continued and for the ICS to be developed further to be able to ensure that a high degree of maturity of the standardised controls is in place in the future. Apart from the identified weaknesses, we are not aware of any significant circumstances that would argue against the Internal Control System's appropriateness and effectiveness overall.

The Executive Board, the Audit Committee and the Supervisory Board are regularly updated on the Risk Management System. As part of this, the progress on implementing the measures to optimise and improve the Risk Management System stemming from the audit for appropriateness and effectiveness pursuant to IDW PS 981 completed in 2021 is also reported. Furthermore, the findings of the audit of the early risk detection system pursuant to IDW PS 340 (new version) are also reported. Based on the improvement measures already applied, we are not aware of any significant circumstances that would speak against the Risk Management System's appropriateness and effectiveness.

1 The recommendations of the Corporate Governance Code (DCGK) in the version published in the Federal Gazette on 27 June 2022 provide for disclosures pertaining to our internal control system as well as risk and opportunity management system that go beyond the legal requirements for our management report and therefore are precluded from examination of the management report's contents by the auditors (disclosures unrelated to the management report).

6.6. Opportunity and risk situation

The section headed 'Opportunity and risk situation' reports on the material opportunities and risks according to the matrix below. The underlying observation horizon for opportunities and risks in LEONI's Risk Management System is in principle a rolling one-year period.

Loss potential (net risk)

Probability of occurrence	< €10 million	€10 to 100 million	> €100 million
> 10% to 50%	- Project and Performance risks - Forex changes - Bad debt	- Liquidity and financial risks - Copper price fluctuation - Compliance risks - Sales fluctuation (economic cycle / Ukraine / Covid) - Location / country risks - Personnel (inflation / fluctuation / days lost)	- Cyber risks
up to 10%	- Impairments - Product liability / recall	- Loss of customer - Availability of materials and price changes	

low risk | medium risk | high risk

Compared with the previous year, there were the following key changes to the above matrix: The potential extent of loss stemming from local / country risks has increased due mainly to the war in Ukraine. Risks with respect to availability of materials and price inflation were successfully reduced in their probability of occurrence thanks to the ongoing implementation of countermeasures. Risks stemming from product liability / recall were reduced in terms of their potential extent of loss by means of product improvements made jointly with customers. The probabilities of occurrence for project and performance-related risks were unchanged in the financial year because of the project management methods applied, ongoing auditing of customer projects and resolute following up on of findings. However, there was discernible fluctuation during the year. Liquidity and financial risks are at an unchanged high level. Risks to performance of the economy stemming from the effects related to the war in Ukraine and the easing Covid-19 pandemic are at an unchanged high level and are difficult to project.

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

Strategic and market-related risks and opportunities

Location / country risks – The LEONI Group's policy on choice of location is geared closely to the requirements of our customers, who LEONI follows into foreign markets. Pressure on prices and costs lead to disproportionately large growth in production capacity located in low-wage countries. This means that shipments to customers frequently cross several national boundaries. There are also political risks in some countries, for example those in North Africa, as well as Mexico, Turkey, South Korea and Ukraine. Unstable political conditions could result in unrest as well as strikes at our production facilities in those locations, or in closures of seaports and airports. The option of temporary supply to our customers from production facilities in other, non-affected countries is severely limited because of the customised products in the Wiring Systems Division. Just-in-time and just-in-sequence delivery as well as the single-source principle of some customers raise the significance of this risk factor further. Relocation is possible only with a corresponding lead time necessitated for recruiting the additional production staff and setting up the capacity needed. That is why we offer our customers the option of supply from two facilities in different countries. In many cases, however, our customers have decided for economic reasons to continue to share the risk of 100 percent supply from one country. A break in the supply chain to the customer, due for example to unrest or natural disasters, could result in a supply bottleneck persisting several weeks. All production facilities have applied preventive measures and documented these in a global emergency plan. These range from round-the-clock guard service to extensive fire protection systems. Furthermore, no LEONI facility is located in an area known to be under extreme threat of earthquakes, flooding or other natural disasters. We can also compensate for supply bottlenecks by relocating production at short notice thanks to the number of production facilities as well as existing capacity reserves we have. To insure against location risks, LEONI has signed corresponding property and business interruption insurance policies.

The war that broke out between Russia and Ukraine at the end of February 2022 affects LEONI with the production of its WSD in Ukraine and could still lead to major supply disruption on the procurement side, longer-term production outages due for instance to non-availability of staff or because of outage of IT and/or ERP systems, raw material shortages and/or disruptions in the supply chain to customers. Furthermore, LEONI assets could be destroyed. Events such as the aforementioned could, if they occurred alone or together, continue to lead to unforeseeable losses of sales and earnings. The task force set up in 2022 in response to the outbreak of war has largely completed its assignments – especially in connection with the measures to duplicate production and to back up local production. Emergency plans were devised and implemented for all projects affected in this regard. Responsibility for the projects that have already been fully duplicated was passed to the respective countries. Moreover, measures were applied at the facilities in Ukraine that enhance the safety of employees and also ensure energy supply, thanks to which largely disruption-free production can be ensured at present.

Risks and opportunities due to sales fluctuation (economic cycle / Ukraine / Covid-19) – Customers in the automotive industry and among its suppliers account for the bulk of LEONI's consolidated sales. The current trend in this sector's market therefore has great influence on LEONI's business volume and consolidated result.

The Ukraine war as well as the persisting but easing consequences of Covid-19 and the related disruptions to ordinary business (e.g. disruptions to supply chains, including customer plant closures triggered by the still persisting semiconductor shortage as a consequence of the pandemic) continue to exert difficult to forecast effects on the LEONI Group and therefore constitute an event that goes beyond the general risk to business. In summary, the fallout from the war in Ukraine and the easing consequences of Covid-19 could continue to lead to unplanned losses of sales and an unexpected impact on earnings.

With respect to the supply chains – especially so far as semiconductors are concerned – curtailed production in the automotive industry continues to be likely. The Executive Board believes that the fallout from the semiconductor crisis will probably affect the uptake from our customers beyond 2023. There could likewise continue to be bottlenecks in the supply of input materials for our own production. To minimise the effects, LEONI is in constant touch with its customers and suppliers to manage ongoing production as well as the flow of goods and inventories. These effects and the still unstable Covid-19 situation in China continue to be a risk that concerns delivery or parts supply especially from China. Both factors could consequently exert adverse effect on LEONI's earnings.

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

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

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

Risks and opportunities due to material availability and material price development (excluding copper) – Persisting material shortages due to less production capacity as well as inflation-driven cost increases (e.g. material, personnel, logistics and energy costs) could cause further cost increases among our most important parts and raw material suppliers. This can result in demands for higher prices and therefore in increased procurement costs for the corresponding components, and it can furthermore also entail supply bottlenecks in the event of shortages. Hitherto, we have been able to largely avoid material cost increases through the international competition among our suppliers as well as applied countermeasures of strategic procurement in collaboration with adjoining departments. Even so, there is the risk in this connection that cost increases cannot be passed on to customers to the same extent.

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

Risks and opportunities due to digitalization – Digitalization (Internet of Things, Industry 4.0) entails risks that could lead to new competitors or substitution of existing solutions.

Yet new trends in technology and society simultaneously present LEONI with good growth opportunities – especially the progress of digitalization, but also in terms of mobility, energy and data management, environmental awareness and shortages of resources. For instance, the trend in the automotive industry towards hybrid and electric drive systems as well as electrical and electronic innovations in vehicles can exert a positive effect on our future performance.

Operational risks and opportunities

Project and performance-related risks – Apart from the overarching risks, such as location / country risks and fluctuation in personnel costs, there are also project-specific cost risks. These can, due to special measures to safeguard our customers' production starts during the ramp-up phase or, for example, miscalculation, have an impact on the whole term of a project. Failure to ensure that the many annual production starts are on schedule and according to the requirements of our customers could have serious consequences for future business. We strive to minimise this risk by means of risk aggregation based on the principal fluctuation margins for major, new customer projects prior to accepting a project and by using an early warning system based on the risks and opportunities relative to the project's term. If a project were to be delayed on the customer's part, this could lead to losses of sales that might be partially or entirely compensated through negotiations only after a time lag. By having restructured project management and consequently interlinked all CxO departments even more closely, there is assurance that the profitability of customer projects is being systematically followed up on. In addition, a central Management Area (Central Project Audit), which reports directly to WSD's CEO, works exclusively on independently auditing major customer projects to promptly identify any deviation from project planning so that such deviations can be counteracted immediately. The findings based on this auditing work, the amount of which is subject to fluctuation during the year, are furthermore regularly made transparent in the context of a project-overarching meeting, and the implementation of measures is systematically followed up on. Furthermore, the Controlling department regularly and thoroughly reviews the principal customer projects and, so far as necessary, recognises contingent losses on individual projects or adjusts project plans.

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

Risks due to information technology – During the financial year, we systematically continued the project to set up SAP S/4 HANA in our Wiring Systems Division. In 2022, we forged ahead further with the action required to replace an existing ERP platform on a pilot basis and to migrate towards SAP S/4 HANA. Risks involved in a major project to replace existing ERP systems can arise due especially to the dependence of highly interconnected processes and systems, which is why every project step is being accompanied by the correspondingly necessary risk mitigation.

Risks due to product liability / recall – LEONI's output is used primarily for technically sophisticated products and systems with high safety standards. A failure could have far-reaching consequences ranging from downtime costs to contractual penalties through to personal injury claims. We minimise the associated product liability risks by taking measures as part of process safety and quality management. Generally, LEONI's plants are ISO 9001 certified and some, depending on the customer group they supply, have such additional certifications as IATF 16949 (automotive industry), EN/AS 9100 (aerospace) and ISO 13485 (medical technology). There is also insurance cover for operating, product and environmental liability and for product recalls. Product liability cases and recalls are reported, by means of an implemented workflow alert in the Wiring Systems Division and via a Red Alert Process in the WCS Division, to all concerned units so as to ensure a structured emergency management system.

Risks due to loss of a customer – The loss of one or several major customers we supply could temporarily result in losses of earnings / contributions to profit and additional capacity adjustment costs. The lengthy contract periods, which usually cover the lifespan of a particular vehicle model range, as well as the fact that we have established very close and stable customer-supplier relationships, for instance by means of comprehensive development work and reliable service in terms of delivery, mean that there would normally be early notice of losing a customer and would allow for corresponding measures to be applied in good time.

Personnel-related risks – Changes in the availability of staff – also temporarily due to Covid-19 – in high-wage and low-wage countries (e.g. due to an worsening shortage of skilled workers), general inflationary trends and a related increase in wage and salary costs at labour-intensive production locations in Eastern Europe, North Africa and Asia present human resource management with challenges. Given the large extent of our production in countries with low wage levels, increases in minimum wages could significantly impact personnel costs. To maintain the ability to recruit and retain staff by being an attractive employer, effort is being stepped up in countries where we have new projects starting with respect to recruitment, staff retention and promotion – for example with in-house schemes aimed at integration to provide employees with qualifications as well as additional social benefits. The imponderables with respect to the inflationary trend as well as the shortage of skilled staff could have negative effects on staff availability in 2023, too. To prevent and counteract this, LEONI has initiated measures at its production facilities to raise employee retention.

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

Financial

Liquidity and financial risks – As a general principle, cash pooling is used to safeguard liquidity where this is possible. The most important cash flows in the Group are managed and executed at head office. The Group monitors its current liquidity situation on a daily basis if necessary. Monthly, currency-specific, rolling liquidity planning for respective periods of 13 weeks is used to manage future liquidity requirement. Our rolling 12-month forecasting additionally projects the trend of free cash flow, which thus serves as a link to our medium-term liquidity planning that is, in turn, done within our budget and medium-term planning. This planning considers the terms of the finance and the financial assets (e.g. receivables, other financial assets) as well as the expected cash flows from business activity.

In 2022, we applied further measures to ensure liquidity, which also form the basis for minimising future risks. With respect to the details of these measures and their implementation status, we refer to the section headed › **Financial situation**. The Executive Board continually reviews the implementation progress of the restructuring measures. In addition, the external expert on restructuring also regularly checked and confirmed implementation of the milestones set by the original expert opinion on restructuring in line with the IDW S6 auditing standard regularly during the 2022 financial year.

The newly adopted budget and medium-term planning for 2023 to 2027 includes the latest assessments on the supply situation in the automotive industry and the projections for the market thereby extrapolated. In our planning, the finance was still assumed to be a continuation of the existing credit lines including the set interest rates, which will be adjusted to the new assumptions once the negotiations on financing are completed. The external consultant on restructuring drafted a new restructuring plan in line with the IDW S6 auditing standard that already reflects the financial restructuring measures presented below. In this context, the budget and medium-term planning was also verified for plausibility and the Company's ability to restructure was confirmed.

However, the expert opinion on restructuring is based on more conservative assumptions and also considers other negative implications stemming from the uncertain refinancing situation compared with the budget and medium-term planning, and it meanwhile continues to expect that LEONI will, with overwhelming probability, be fully funded provided that refinancing is successful. Falling short of the planned sales and earnings could impact negatively on liquidity or raise the risk to it. Such deviations could arise especially from unforeseeable developments in connection with overcoming the economic consequences of the Ukraine war, the easing consequences of Covid-19, the semiconductor crisis, the increased raw material, energy, transport and personnel costs as well as the OEMs' curtailed ability to award contracts because of the delayed implementation of our restructuring plan, are subject to increased uncertainty. These incalculable effects could mean major uncertainty with respect to operating performance and if they go far beyond the planning assumptions or other adverse effects on liquidity simultaneously occur, constitute a risk to LEONI's ability to continue as a going concern.

Positive effects on liquidity stem from the ValuePlus strategy and performance programme launched in 2022, which follows on from the VALUE 21 programme successfully completed in 2021 and takes into account the new organisational structure as well as the effects of such changed external parameters as the semiconductor crisis, the war in Ukraine and the easing consequences of Covid-19. A key element of ValuePlus is a continuous performance enhancement programme that builds on VALUE 21 and whose success is measured on an ongoing basis. The year 2022 saw the implementation of corresponding measures to improve efficiency and offset market-related material price inflation and call-off volatility, which have made a positive contribution to profitability and the liquidity situation. More information on ValuePlus is contained in the section headed › **Strategy and ValuePlus**.

Considering the latest developments and its assessments concerning their possible consequences and of measures currently being applied, the Executive Board presently expects that there will not, with overwhelming probability, be any gaps in liquidity.

At the end of March 2023, key creditors and Stefan Pierer as strategic investor agreed with the participation of LEONI AG to implement a restructuring plan. This plan, which relieves LEONI AG of €708 million in debt and provides it with €150 million in fresh capital, comprises cutting LEONI AG's share capital down to nil and thus the elimination of the previous shareholders.

The restructuring plan will substantially relieve LEONI AG and the Group of debt and furnish it with fresh liquidity. It comprises the following key points:

- Some syndicate lenders and the participating borrower's note creditors of LEONI AG are prepared to transfer about 50 percent of their affected receivables to an entity to be newly established by Mr Stefan Pierer in return for being issued a value recovery instrument. The value recovery instrument to be granted by Mr Stefan Pierer's newly established entity corresponds to an economic participation in LEONI AG of 45 percent. The restructuring plan provides that the remaining borrower's note creditors either likewise participate in the solution and transfer 50 percent of their receivables to the newly established entity or waive their entitlement to a corresponding receivable amount. The amount of receivables to be transferred or relinquished thus totals €708 million.

- The share capital of LEONI AG will be reduced to nil euros as the outcome of a simplified capital reduction by amalgamating all shares. This will result in loss compensation within equity without any impact on the statement of comprehensive income. The market listing of LEONI AG shares will thus end.

- Through a cash capital increase involving the issue of 50,000,000 bearer shares each with a pro-rated share of €1 in the share capital, Mr Stefan Pierer will pay an amount €150 million (including of €100 million in cash) to LEONI AG via the entity he is to newly establish. In addition, the entity to be newly established will pay the previously acquired receivables totalling €708 million to the Company as a contribution in kind in the form of a waiver. So far as these receivables are recoverable, they will be recognised in the capital reserve while the non-recoverable amount will boost equity through recognition in profit or loss. Following this capital increase, to which only the entity to be newly established by Mr Stefan Pierer is to be admitted, this entity will be the new sole shareholder.

- On this basis, the financing partners will be prepared to extend the remaining loans and borrower's notes amounting to approx. €0.7 billion to the end of 2026 on new commercial terms including collateral, thus ensuring full financing for the years ahead.

As a consequence of implementing these capital-related measures, LEONI AG will receive fresh liquidity from the capital increase amounting to €150 million and will be discharged of financial liabilities totalling €708 million. The Executive Board expects the aforementioned capital-related measures to eliminate LEONI AG's overindebtedness. Some of the lending banks will provide bridge finance of up to €60 million for implementing the plan, an amount that is to be repaid from the funds provided by the cash capital increase.

LEONI AG has already begun to apply this restructuring plan under the Corporate Stabilisation and Restructuring Act and submitted notice of this plan to the Restructuring Court of Nuremberg local court on 31 March 2023. The restructuring plan was submitted on 8 May 2023. Based on this, the discussion and ballot meeting took place on 31 May 2023. In this meeting, the restructuring plan was approved with the required majority of at least 75 percent, respectively, within two of the total three groups affected by the plan. For this reason, the Executive Board believes there are good and overwhelmingly probable prospects that the application for its restructuring plan will be judicially confirmed (Sections 60 et seq. StaRUG), and, given that any appeals are unlikely to succeed (Sections 64 & 66, StaRUG), the plan will come into legal force. Furthermore, to the Company's knowledge there are no indications either that all subsequent steps towards implementing the restructuring transition cannot also be taken.

Even so, implementing the restructuring plan by way of the StaRUG process is subject to merger control clearance, other customary caveats (e.g. entry of the capital measures in the commercial register), judicial confirmation of the restructuring plan, all the documentation covering the required contracts having been submitted as well as execution of the cash capital increase. There are, moreover, risks that the judicially confirmed restructuring plan and the legal actions taken in executing the restructuring plan might be challenged.

Until the new financing concept including extension of the maturities of the RCF credit lines and borrower's note loans to the end of 2026, reduction of LEONI's debt and the capital reduction with a subsequent capital increase of €150 million including process assurance for the StaRUG procedure as well as the antitrust filing are carried out, there is 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).

Based on its tests, the Executive Board considers it overwhelmingly probable that considering the strong likelihood the StaRUG process will run as planned as well as the oher mitigating measures included in the restructuring plan, the favourable forecast in terms continued existence will be borne out despite the financing and liquidity risks threatening continued existence. The Executive Board likewise reaches a favourable forecast for LEONI AG's continued existence.

There is, furthermore, with respect to the loan agreements signed in 2020 and extended in December 2022 to 31 August 2023 (bridge agreement and lock-up agreement) the risk that the undertakings and covenants agreed therein are broken, thereby being exposed to incurring penalties or the agreements being prematurely terminated. The RCF loan agreements as well as the bridge agreement and lock-up agreement contain certain undertakings and, partly, financial covenants for the borrower and the obligated companies. These undertakings and covenants encompass mainly an obligation to maintain a certain minimum liquidity at Group level, certain obligations to provide information and to report as well as to regularly share financial information with lenders, restrictions concerning the disposal of assets and obligations to perform mandatory unscheduled repayment in the event of carrying out certain (disposal) measures. To ensure its full financing, LEONI furthermore committed itself, among other things, not to pay out any dividend until its restructured credit lines are repaid. All undertakings and covenants under the RCF contracts were fulfilled during the year under report, and, from today's perspective, nor is any risk anticipated in 2023 of these covenants not being observed or of corresponding measures to ensure observance of the covenants.

Risks due to bad debt – The loss of receivables from a major customer presents a risk. As a precaution, all customers with whom the LEONI Group intends to conclude business on a credit basis are subject to credit screening. Regular analysis of receivables and the structure of the receivables facilitates ongoing monitoring of the risk. For selected customers, true sale factoring serves as a further tool to reduce the risk of default. Moreover, some entities have, from the aspect of weighing risk and economic efficiency, taken out a trade credit insurance policy to protect against bad debt. The year under report has shown with respect to both factoring and the trade credit insurance policy for own receivables that trade credit insurers are still being restrained in granting new credit lines against the backdrop of the slowing economy attributable to the consequences of the Ukraine war as well as the easing consequences of Covid-19 and the consequently increased risk of business insolvencies and bad debt. On the one hand, this increases the risk that receivables cannot be sold to the factoring partner to the planned extent and, on the other hand, it increases the risk of defaults on our own receivables from customers that we could not insure. Both could adversely impact the Group's result and its liquidity. There have so far not been any significant effects from this on LEONI's ability to sell or insure receivables.

Risks due to impairment – LEONI regularly subjects assets and goodwill to impairment testing based on the IFRS accounting rules. An increase in the discount rate and/or worsening of earning prospects, due among other factors to possible increases in the costs of raw materials, logistics and other factors, especially as a consequence of the Ukraine war and the easing aftereffects of Covid-19, would cause the risk of impairment to rise. Impairment testing during the financial year found the need for one write-down, which was recognised accordingly. The business planning for projects and subsidiaries was furthermore thoroughly reviewed. Thanks to the recognised impairments, these risk-mitigating measures as well as the completed (partial) WCS disposals, the risk of valuation allowances has, in respect of both loss potential and the probability of occurrence, diminished during the risk assessment period.

Risks due to pension obligations – The phase of low interest rates could also impact on LEONI's pension funds by causing an increased outflow of funds to reduce any shortfall as prescribed by local regulations.

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

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

Compliance

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

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

Risks due to antitrust law – LEONI is subject to the requirements under antitrust law in the EU and other jurisdictions and is therefore exposed to risks with respect to observance of these requirements as well as the related enforcement actions and compensation payments to private parties in the event of non-observance. Any finding of a breach of antitrust law could adversely affect LEONI.

As already reported in the previous year, several civil proceedings in the form of class action lawsuits and other legal actions were initiated against LEONI and other wiring systems manufacturers in the United States and Canada since October 2011 based on alleged breaches of antitrust law. All proceedings in the United States have in the meantime been settled, and there was no more activity during the year under report regarding out-of-court assertion of claims. The remaining proceedings in a Canadian province have been suspended since 2014. Based on the assessment of its local lawyers, LEONI expects these proceedings to have been concluded by the settlement in other provinces. However, formal conclusion of this lawsuit is still pending.

In January 2022, searches were also conducted at facilities of the LEONI Group as part of investigations by the German Federal Cartel Office (Bundeskartellamt) 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 immediately launched an internal investigation of the allegations. There is at present insufficient evidence of any violations that would make sentence to a fine seem probable. In particular, there is currently no evidence of any collusion / coordination in the past five years. At the same time, there are indications that defence against the presently known allegations of the Federal Cartel Office has good prospects. 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.

Risks due to (fake CEO) fraud – Like many other companies, LEONI is also exposed to internal and external fraud, especially theft of money. As reported, LEONI fell victim in August 2016 to fraudulent acts involving the use of falsified documents and identities as well as the use of electronic communication channels. As a consequence, a total of approx. €40 million was transferred from the Company to accounts outside Germany. The Executive Board continued during the year under report to push and monitor work on clearing up the fraud case at various levels. This included cooperating with national investigating authorities to bring perpetrators to justice as well as asserting claims for damages under civil law based on possible breaches of duty by former employees. The latter is line with claims asserted by the Supervisory Board with respect to a former member of the Executive Board.

The measures applied may be summarised as follows:

- **Investigations and asset tracing:** The investigations by the authorities in one of the countries concerned are still ongoing, while the authorities in another country have discontinued their investigations due to insufficient prospects of success. LEONI continues to support the authorities in finding and clarifying the facts. Action to recover the assets was already discontinued in 2021 because of the lack of leads and prospects of success.
- **Assertion of claims for damages:** Based on a legal opinion, the Executive Board decided to assert further claims for compensation for the loss LEONI AG incurred and reported the fraud case to LEONI AG's D&O insurers. The assertion and enforcement of claims against employees is ongoing. In 2021, LEONI won a first-instance ruling in Romania against a former managing director, with the court finding him liable for a major part of the loss incurred by the fraud case. The accused and one of the interveners not admitted in the first instance successfully appealed and the proceedings were referred back to the court of first instance. It is not yet possible to comment on progress and prospects of success.
- **Insurance payouts:** As also reported, LEONI is engaged in connection with the fraud case of 2016 and with outside support in asserting and enforcing claims against employees. LEONI obtained a payout of €5 million from its existing fidelity insurance policy. LEONI has submitted farther-reaching claims for compensation to the fidelity insurance provider. Examination and assertion of the claims is ongoing. It is not yet possible to comment on progress and prospects of success.

Risks and opportunities due to failed sale of BG AM – In a surprise move in December 2022, STARK Corporation Public Company Limited ('STARK') refused to close the purchase agreement signed in May 2022 on the sale of the Business Group Automotive Cable Solutions to STARK. LEONI decided after thoroughly examining all legal options to sue STARK before a court of arbitration for fulfilment of the purchase agreement. Given LEONI's opinion that there is no contractual basis for refusing to complete the purchase, LEONI believes that STARK is acting in breach of contract. At this early stage, it is not yet sufficiently clear how this proceeding will develop. From today's perspective, therefore, the outcome of the proceeding is not conclusively assessable.

Risks due to export control and duties – Political and regulatory changes involving, for example, export control regulations, embargoes or customs regulations, could affect our business activity and compromise our financial position and performance. Any infringements could entail penalties, sanctions and as loss of reputation. We make sure of resolutely observing the corresponding regulations and are watching, in particular, developments in terms of the sanctions against Russia as well as Russian counter-sanctions very closely. A Group Guideline therefore stipulates the responsibilities and processes with respect to observing export control regulations and embargoes, and export control coordinators for monitoring the processes in these countries have been appointed and are trained regularly.

Protectionist action, trade wars or sanctions could adversely affect LEONI's business activity. The increase in regional or international trade barriers, including anti-dumping duties, as well as the withdrawal of states from bilateral and multilateral trade agreements could impact negatively on the global economy and therefore lead to less demand for LEONI's products. Trade barriers or raised customs duties could furthermore increase production costs and consequently compromise the competitiveness of LEONI's products and negatively affect its operating profit.

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

Risks due to corporate governance violations – In general, there is the risk that corporate governance bodies and / or staff infringe laws, internal guidelines or the standards of good corporate governance recognised by LEONI.

Risks and opportunities due to sustainability trends – Sustainability has high priority at LEONI. To remain competitive, we must increasingly meet sustainability standards and the related legal and customer-specific requirements with a view to employee matters, environmental matters and respect of human rights along the value chain.

Climate-related risks could also affect the recoverability of the Group's assets. In particular, this includes natural disasters and as a consequence, for example, their damage to production plants and materials. LEONI addresses these risks by signing corresponding insurance policies.

More information on sustainability-related development is contained in the section headed › **Non-financial Group information statement**.

The Executive Board's assessment of the opportunity and risk situation

As described above, there are existence-threatening liquidity and financial risks. There could consequently be adverse deviation from the plan due especially to unforeseeable developments in connection with overcoming the economic fallout from the Ukraine war, the easing after-effects of Covid-19, the semiconductor crisis, the increased raw material, energy, transport and personnel costs as well as the OEMs' curtailed ability to award contracts because of the delayed implementation of our restructuring plan, thus raising risk to liquidity and LEONI's ability to remain a going concern.

LEONI AG has furthermore already begun to apply the restructuring plan under the German Corporate Stabilisation and Restructuring Act (Unternehmensstabilisierungs- und restrukturierungsgesetz – 'StaRUG'). Until the new financing plan including extension of the maturities of the RCF credit lines and borrower's note loans to the end of 2026, reduction of LEONI's debt and the capital reduction with a subsequent capital increase of € 150 million including process assurance for the StaRUG procedure as well as the antitrust filing are carried out, there is 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 next most significant risk to the Group continues to be a break in the supply chain to a customer due to IT / cyber risks. In the opinion of the Executive Board, the risk situation generally and for the LEONI Group has aggravated further in the area of IT / cyber risk. The next most significant opportunity lies in implementing the ValuePlus performance and strategy programme, which follows on from the VALUE 21 programme successfully completed in 2021. Implementation of ValuePlus takes into account the WSD's new organisational structure as well as the effects of such changed external parameters as the semiconductor crisis, the war in Ukraine and the Covid-19 pandemic. The performance-related part of VALUE 21 was adopted in operations as an ongoing improvement process. Beyond its performance-related part, the ValuePlus action areas cover, among others, purchasing and production, technology development, portfolio optimisation, sustainability as well as human resources and organisation.

In summary, the Executive Board considers it highly probable that implementation of the financing solution meanwhile found based on taking into account the outcomes of the discussion and ballot meeting on 31 May 2023 will succeed. Based on the measures initiated and planned, especially in connection with overcoming the economic consequences of the Ukraine war, the easing Covid-19 pandemic, the semiconductor crisis, the increased raw material, energy, transport and personnel costs as well as the OEMs' curtailed ability to award contracts because of the delayed implementation of our restructuring plan, LEONI's Executive Board rates it as overwhelmingly probable that the Company will be able to continue its business activity.

In summary, the Executive Board rates it as overwhelmingly probable that implementation of the restructuring plan as well as the other mitigating measures contained in the restructuring plan will succeed. The Executive Board therefore considers it overwhelmingly probable that the Company will be able to continue as a going concern.

7. Supplementary report

With respect to events occurring after the balance sheet date, we refer to our comments in › **Note 36** 'Events after the balance sheet date' in the notes to the consolidated financial statements.

8. Forecast

8.1. Business and underlying conditions

Macroeconomic setting

The global economy is likely to slow down further this year. In the assessment of the International Monetary Fund (IMF), the high rate of inflation will continue and Russia's war in Ukraine will define the trajectory. Prospects have brightened somewhat thanks to the ending of Covid restrictions in China. The IMF therefore raised its forecast for 2023 full-year global economic growth to 2.9 percent in its World Economic Outlook (WEO) update issued in January. In the WEO of October 2022, growth was still projected at a lesser rate of 2.7 percent. However, the IMF simultaneously warns against too much optimism. Particularly the war in Ukraine, the high rate of inflation and rising interest rates continue to harbour great risks to growth.

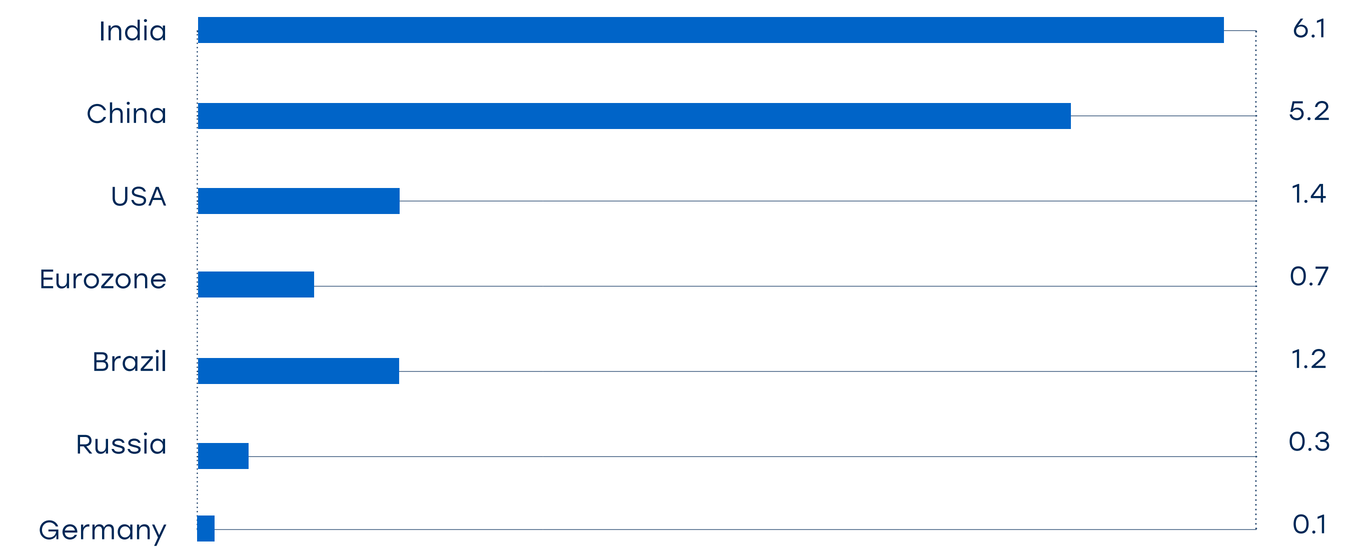
For the advanced economies, the IMF projects an on-the-whole curbed GDP gain of 1.2 percent (2022: 2.7 percent). An increase of just 1.4 percent is anticipated in the United States – due above all to the impact on the economy of the key rate hikes. A 0.7 percent rate of growth is to be expected in the eurozone, where not just the European Central Bank's tightening of monetary policy but also the rise in energy prices are likely to exert a dampening effect. With GDP growth of 0.1 percent, Germany will perform especially poorly in the IMF's view.

The IMF says that the economies in the emerging and developing countries are likely to already have bottomed out and will expand by 4 percent overall in 2023. Alongside India and other Asian countries, China, whose economy is likely to pick up substantially again after the ending of Covid restrictions, is also once again a pillar of this favourable trajectory.

Global economic growth 2022 to 2024 (%)

Source: IMF World Economic Outlook, January 2023

2023 economic growth in selected regions (%)



Source: IMF, World Economic Outlook, January 2023, estimate

Business by sector

The German Association of the Automotive Industry (VDA) projects that the international **automotive markets** will pick up slightly in 2023. For Europe, the sector association estimates about 5 percent more newly registered passenger cars and light commercial vehicles. The US light vehicle market should grow by 4 percent, while a 3 percent increase in passenger car sales is to be expected in China. Globally, the VDA expects to see a moderate sales increase of 4 percent to 74 million passenger cars and light commercial vehicles. However, the global market would thus still be down 8 percent from its size in pre-Covid 2019.

The IHS Automotive market research institute estimates that global output of passenger cars and light commercial vehicles will increase by about 4 percent to 85 million units in 2023. This growth is projected to stem mainly from the Americas with a 6 percent gain and the EMEA area with a 5 percent gain. For Asia, by contrast, IHS estimates just 2 percent more manufactured vehicles. Once again, the proportion of cars with alternative drive systems is likely to increase significantly. IHS forecasts that, worldwide, 39 percent more vehicles with electric and hybrid drive will be rolling off production lines in 2023.

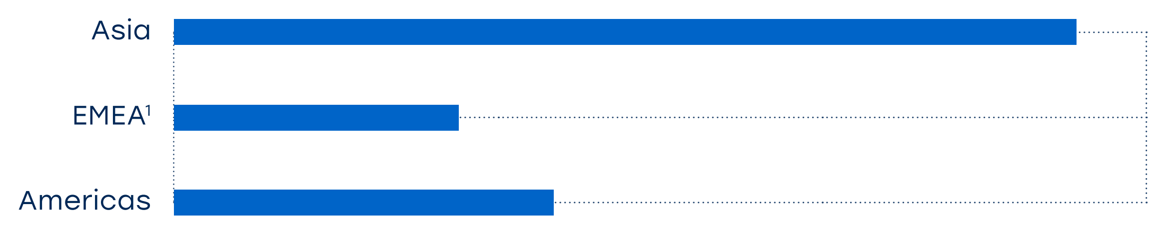
Output of cars and light commercial vehicles by region million units

1 Europe, Middle East and Africa

Source: IHS Light Vehicle Production, January 2023 update

IHS forecasts that, in the international **commercial vehicle industry**, the overall number of medium and heavy trucks produced in 2023 will be up by 7 percent to 3.2 million units. This would involve the number of trucks leaving factory floors in Asia rising by 14 percent from the slump in the previous year. A 3 percent decrease is expected in the Americas. By contrast, output in the EMEA area should be at roughly the previous year's level.

Output of medium and heavy commercial vehicles by region million units



	2023	2022
Asia	1.8	1.6
EMEA[1]	0.6	0.6
Americas	0.8	0.8

1 Europe, Middle East and Africa

Source: IHS MHCV Production, November 2023 update

8.2. Business performance and future direction

LEONI Group

Alongside the underlying economic conditions described above, our budget and medium-term planning for the years 2023 through 2027 forms the basis for our forecasting below. Generally speaking, the Executive Board believes that the LEONI Group will be operating in a setting of stable and slightly greater demand, although the call-off pattern of our customers continues to be more volatile than before the onset of the supply chain problems involving semiconductors in particular. This covers the LEONI Group with its Wiring Systems Division (WSD) and Automotive Cable Solutions (ACS) Division. The Business Group Wire Products & Solutions (BG PS), which is in the process of being sold, is included in the forecast for the whole of 2023, with this being essentially based on the scope of consolidation as at 31 December 2022. Any significant detriment to production at our plants in Ukraine due to escalation of the war would have an adverse effect on our projected KPIs, despite the action taken to duplicate production capacity elsewhere. This forecast depends on the LEONI Group being successfully refinanced. We otherwise refer to the statements in the › **Risk and opportunity report**.

The following table provides a summary overview of the performance indicators. The key performance indicator of EBIT before exceptional items comprises effects stemming from refinancing (incl. impairment), from restructuring measures, from M&A transactions and from extraordinary costs related to the Ukraine war. This KPI is precisely defined under the heading › **Governance of the operating business**.

2023 LEONI Group forecast

		Actual 2022 figures	Forecast for 2023
Consolidated sales	€ billion	5.1	approx. 5.5
EBIT before exceptional items	€ million	18	High, negative eight-digit € range
Free cash flow	€ million	126	neutral

The Executive Board anticipates 2023 **consolidated sales** of about €5.5 billion (2022: €5.1 billion). The probably moderate recovery of demand in the automotive industry as well as further production ramp-up of new model ranges form the basis of this projection. Strong demand especially for special cables is expected to be a growth driver in the ACS Division. This forecast is based on a copper price of €8.00 per tonne. Due to possible disposals of further units, especially BG PS, sales could turn out to be less depending on the time of disposal in 2023.

The Executive Board expects **EBIT before exceptional items** to be a loss in a high eight-digit € range (2022: €18 million). This is based on the assumption that inflation-driven cost increases will be largely offset, that demand is less volatile and that progress is made with cost efficiency in both direct and indirect areas.

Free cash flow is expected to be neutral (2022: €126 million including the FCF boost of €278 million from the sale of the Business Group Industrial Solutions). The FCF forecast assumes operational improvement versus the previous year due to working capital optimisation, among other factors, although pronounced seasonal fluctuation is still expected.

Performance of the Wiring Systems Division

The Wiring Systems Division should generate a significant sales gain in 2023 (2022: €3.6 billion) against the backdrop of the expected moderate market recovery, further ramp-up of projects already in series production and offset of inflation-driven cost increases by means of price increases. EBIT before exceptional items is forecast to be positive in a mid-eight-digit € range (2022: a loss of €22 million) despite the tough economic situation. Along with the better profit contribution from the additional business volume, the agreements with our customers on passing on rises in the cost of materials and wage inflation, as well as efficiency enhancements, should exert beneficial effects in this respect.

WSD has opportunities stemming above all from the growing share of electromobility given that, in contrast to cars with internal combustion engines, vehicles with electric or hybrid drive require a high-voltage wiring system in addition to the low-voltage one. We are already very well represented in this product segment. The number of sensors and actuators in vehicles is also rising due to increasing demand for comfort features and the trend towards autonomous driving, which likewise requires more extensive wiring.

Performance of the Automotive Cable Solutions Division

The Automotive Cable Solutions Division, which is identical to the former Business Group Automotive Cable Solutions (BG AM), is projected to moderately increase its sales (2022 BG AM sales: €1.2 billion) based on the forecast favourable market trends, especially for such special cables as data and charging cables, as well as increased selling prices to pass on cost increases. Its EBIT before exceptional items should amount to a low to mid-eight-digit € figure. This is based on it not yet being possible in fiscal 2023 to fully pass on the significant increases in material, energy, logistics and personnel costs.

The major trend towards electromobility and autonomous driving provide the Automotive Cable Solutions Division with opportunity. The division is preparing for substantial growth, particularly in sales of high-voltage cables, sensor and data cables and charging solutions for electromobility.

General statement on future growth

Based on business planning to date, the Executive Board anticipates sales growth in fiscal 2023 to approx. €5.5 billion, reflecting both a larger volume of business and higher prices due to having passed on cost increases. EBIT before exceptional items is projected to be in a high eight-digit € range, with free cash flow being neutral. This expected earnings improvement is based on inflation-driven cost increases being largely offset, demand being less volatile and progress being made with cost efficiency in both direct and indirect areas. The FCF forecast assumes operational improvement due to working capital optimisation, among other factors, although pronounced seasonal fluctuation is still expected.

The war in Ukraine remains a particular factor of uncertainty despite measures to minimise the risk by partly duplicating projects.

The forecast depends on successful implementation of the financial restructuring plan agreed at the end of March 2023 with all the syndicate lenders, key borrower's note creditors and Stefan Pierer as strategic investor with the participation of LEONI AG. We refer to the › **Risk and opportunity report** for details and explanations of existing uncertainties related to implementing the refinancing plan.

Forward-looking statements

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

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

Composition of the issued capital: As at 31 December 2022, the Company's share capital amounted to €32,669,000.00 (previous year: €32,669,000.00). It is divided into 32,669,000 registered no-par-value shares. The shares are fully paid in. The shareholder's right to the issuance of share certificates representing its respective shares is excluded pursuant to Article 4 (2) of the Articles of Association of LEONI AG unless such issuance is required in accordance with the rules applicable at a stock exchange where the shares are admitted to trading. Only shareholders that are registered as such in the Company's share register will be deemed shareholders of LEONI AG within the meaning of Section 67 (2) sentence 1 of the German Stock Corporation Act (Aktiengesetz 'AktG').

All shares grant the same rights and impose the same obligations. The individual rights and obligations of the shareholders are set forth in the AktG, in particular, in Sections 12, 53a et seq., 118 et seq. and 186.

Restrictions concerning the voting rights or the transfer of shares: Each no-par value share grants one vote in the Annual General Meeting and is the basis for the shareholders' share in the profit. This does not apply, however, to shares held by the Company as treasury shares, which do not grant the Company any rights, Section 71b AktG. In the cases listed in Section 136 AktG, voting rights from the relevant shares are precluded by law. Violations of reporting duties under Section 33 (1) and (2), Section 38 (1) and Section 39 (1) of the German Securities Trading Act (Wertpapierhandelsgesetz, 'WpHG') may result in the exercise of rights, including voting rights, from shares being suspended at least temporarily in accordance with Section 44 WpHG.

LEONI AG is not aware of any other restrictions, in particular contractually agreed restrictions, concerning the exercise of voting rights. The applicable legal provisions, in particular those set out in Section 135 AktG, apply to the exercise of voting rights by intermediaries, shareholders' associations, proxy voting advisory firms and other persons who professionally offer the service of exercising voting rights at general meetings. In particular, Section 135 AktG applies.

Certain trading prohibitions exist in connection with Article 19 (11) of Regulation (EU) No 596/2014 (Market Abuse Regulation) and are based on internal rules that the members of the Executive Board and of the Supervisory Board of LEONI AG must comply with when they trade in LEONI AG shares, in particular in temporal proximity with the publication of financial figures. In addition, certain holding obligations exist in connection with the remuneration of the Executive Board as well as compensation agreements for executives (Long Term Incentive Programme).

Direct or indirect holdings in the Company's capital exceeding 10 percent of the voting rights

In a voting rights announcement on 20 June 2022, Mr Dipl.-Ing. Stefan Pierer as the person subject to mandatory disclosure recently reported that, since 17 June 2022, a total of 6,533,812 voting rights in LEONI AG belong or are attributed to him. With regard to the share capital of LEONI AG, which is divided into 32,669,000 shares, this constitutes a stake of indirectly held voting rights of 20.00 percent.[1]

1 The percentage figures in this section are rounded to two decimal places and relate to the share capital of LEONI AG, which is divided into 32,669,000 shares.

LEONI AG was notified that 1,133,363 of the aforementioned voting rights and thus 3.47 percent of all voting rights are attributed to Mr Dipl.-Ing. Stefan Pierer. These voting rights were, according to the voting rights announcement of 20 June 2022, transferred to L1-Beteiligungs GmbH of Aalen, Germany effective 17 June 2022.

There may have been changes in the aforementioned voting right percentages after the specified date that have not been notified to the Company.

No further direct or indirect holdings in the Company's capital equal to or exceeding 10 percent of the voting rights have been reported or have otherwise become known to us.

There are **no shares with special rights that confer powers of control.**

Exercise of voting rights control if employees have shareholdings in the capital and do not exercise their control rights directly: Where employees have shareholdings in the capital, they may exercise the control rights to which they are entitled thereunder directly – subject to the Articles of Association and the applicable legal provisions.

Provisions under applicable law and the Articles of Association governing the appointment and removal of members of the Executive Board and amendments to the Articles of Association of LEONI AG: The provisions governing the appointment and removal of members of the Executive Board are set forth in Sections 84 and 85 AktG and Section 31 of the German Co-Determination Act (Mitbestimmungsgesetz, 'MitBestG'). Pursuant to Article of 5 (1) of Articles of Association of LEONI AG, the Executive Board has at least two members. Moreover, pursuant to Article 5 (2) sentence 1 of the Articles of Association of LEONI AG, the Supervisory Board appoints the members of the Executive Board and determines the number of members. It may appoint deputy members of the Executive Board and a chairman and deputy chairman of the Executive Board (Article 5 (2) sentences 2 and 3 of the Articles of Association of LEONI AG).

Pursuant to Section 119 (1) no. 6 and Section 179 (1) sentence 1 of the AktG, amendments of the Articles of Association require a resolution of the General Meeting. Pursuant to Section 179 (1) sentence 2 of the AktG and Article 19 of the Articles of Association of LEONI AG, the Supervisory Board is authorised to resolve on modifications and amendments of the Articles of Association that only relate to their wording. Furthermore, pursuant to Article 4 (5) of the Articles of Association of LEONI AG, the Supervisory Board is authorised to amend the wording of the Articles of Association after the implementation of an increase in the share capital, either in full or in part, by using the Authorised Capital 2022 and following expiry of the term of authorisation. The Board was also authorised by a shareholder resolution at the Annual General Meeting on 24 May 2022 to amend Article 4 (1) and (6) of the Articles of Association in LEONI AG in line with the respective issue of new shares, as well as to make all other related amendments to the Articles of Association that concern only this version. The same applies in the event that no use is made of the authorisation to issue warrant-linked and/or convertible bonds, profit-sharing rights and/or participating bonds (or combinations of these instruments) after expiry of the authorisation period as well as in the case of no use being made of the Contingent Capital 2022 after the deadline for exercise of option or conversion rights or fulfilment of option exercise or conversion obligations.

Unless otherwise provided by mandatory law or the Articles of Association or Section 103 (1) sentence 2 of the AktG, the General Meeting passes its resolutions by simple majority of the votes cast and, if a majority of capital is required, with a simple capital majority (Article 16 (3) sentence 1 of the Articles of Association of LEONI AG). Accordingly, any resolutions of the General Meeting to amend the Articles of Association not only require a simple majority of the votes cast, but also a majority of the share capital represented at the time of the adoption of the resolution, unless mandatory law provides for a greater majority.

Powers of the Executive Board to issue or buy back shares: Acquisition of treasury shares – The Executive Board is authorised to buy back treasury shares and to sell repurchased shares in the cases stipulated in Section 71 of the AktG. By resolution of the Annual General Meeting of 23 July 2020, the Executive Board of LEONI AG was authorised until 22 July 2025, pursuant to Section 71 (1) no. 8 of the AktG, to acquire treasury shares representing a pro rata share in the Company's share capital of up to 10 percent in the aggregate with the consent of the Supervisory Board. The share capital relevant for this threshold is the lowest amount of the Company's share capital existing at the time the General Meeting resolves on the authorisation, the time the authorisation enters into effect or the time the authorisation is exercised. In this context, the shares acquired under this authorisation together with other shares of the Company already acquired and still held by the Company or attributable to it must not, at any time, represent more than 10 percent of the Company's share capital. The acquisition may also be effected by an enterprise controlled or majority-owned by the Company or by a third party for the account of the Company or of an enterprise controlled or majority-owned by the Company. The acquisition must take place on the stock exchange or via a public purchase offer directed to all shareholders and must be in compliance with the principle of equal treatment of shareholders. The authorisation may be exercised in full or in several instalments by acquisition transactions at different points in time. The General Meeting has authorised the Executive Board to use the treasury shares acquired on the basis of this authorisation or earlier authorisations as follows:

1. The shares may be sold via the stock exchange or, with the consent of the Supervisory Board, by way of a public offer to all shareholders in the proportion of their shareholding quota.

2. With the consent of the Supervisory Board, the shares may also be sold in a manner other than by a sale via the stock exchange or by means of an offer made to all shareholders provided that the shares are sold against contributions in cash and at a price that, at the time of the sale, is not substantially lower than the stock exchange price of the Company's shares of the same class. This authorisation for use is limited to shares representing a pro rata amount of the share capital that must, in aggregate, not exceed 10 percent of the Company's share capital. The share capital relevant for this threshold is the lowest amount of the Company's share capital existing at the time the General Meeting resolves on the authorisation, the time the authorisation enters into effect or the time the authorisation is exercised. Further details are set out in the authorisation granted by the General Meeting.

3. With the consent of the Supervisory Board, the shares may also be offered or transferred to third parties against payment in kind, in particular, in (partial) consideration for a direct or indirect acquisition of businesses, parts of businesses or shares in businesses or other assets or in connection with a business combination.

4. The shares may be used to fulfil subscription or conversion rights arising from the exercise of option or conversion rights and/or to fulfil option or conversion obligations granted or imposed in connection with the issue of bonds with warrants or convertible bonds, profit participation rights or participating bonds (or combinations of these instruments) by the Company or a group company.

5. Holders/creditors of conversion or option rights in respect of shares of the Company or corresponding conversion or option obligations may be granted subscription rights to compensate them for dilution effects in the scope to which they would be entitled after having exercised these rights or after having fulfilled these obligations; the Company may use treasury shares to fulfil such subscription rights.

6. The shares may be transferred to employees of the Company or to employees or board members of subordinated affiliated companies within the meaning of Sections 15 et seq. AktG. The detailed conditions that apply in this context are set out in the authorisation.

7. The shares may be cancelled without any further resolution being passed by the General Meeting. The cancellation may also be implemented without a capital reduction by adjusting the pro rata amount of the remaining no-par value shares in the share capital of the Company. In this case, the Executive Board is authorised to adjust the number of no-par value shares in the Articles of Association.

8. With the consent of the Supervisory Board, the shares may be used to pay a scrip dividend.

If the treasury shares so acquired are used for one or more of the purposes specified in nos. 2 to 6 of this section, the subscription rights of shareholders are excluded. If the treasury shares so acquired are used for the purpose specified in no. 8, the Executive Board is authorised to exclude the subscription right. If the treasury shares so acquired are sold by means of a public offer made to all shareholders in compliance with the principle of equal treatment of all shareholders, the Executive Board is authorised to exclude the shareholders' subscription rights for fractional amounts.

In addition, the Supervisory Board is authorized to use treasury shares acquired by the Company in connection with the compensation of the Executive Board under exclusion of shareholders' subscription rights. The detailed conditions that apply in this context are set out in the authorisation.

This authorisation has not been used yet. As was the case on 31 December 2022, the Company did not hold any treasury shares as at 31 December 2021.

Authorised capital – Pursuant to Article 4 (5) of the Articles of Association of LEONI AG, the Executive Board of LEONI AG is authorised until the end of the day on 23 May 2027 to increase, with the consent of the Supervisory Board, the Company's share capital by a total amount of up to €16,334,500.00 by issuing a total of up to 16,334,500 new registered no-par value shares with a proportionate interest in the share capital of €1.00 each against contribution in cash and/or in kind (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 Executive Board may, with the Supervisory Board's approval, deviate from this and from Section 60 (2) 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. In this context, the new shares must be offered to the shareholders for subscription as a rule. The new shares can also be assumed by one or several banks or companies within the meaning of Section 186 (5) sentence 1 AktG that have been appointed by the Executive Board with the obligation to offer them to shareholders for subscription (indirect subscription right). Pursuant to Article 4 (5) sub-paragraph 3 of the Articles of Association of LEONI AG, the Executive Board is authorised, however, with the consent of the Supervisory Board, to exclude the shareholders' subscription right:

1. in the event of a capital increase against contribution in cash if the issue price of the new shares – which is to be determined as close to the placement date of the new no-par value shares as possible – is not significantly (within the meaning of Section 203 (1) and (2), Section 186 (3) sentence 4 AktG) below the stock exchange price of listed shares of the Company of the same class carrying the same rights (Aktien gleicher Gattung und Ausstattung) at the time of the final determination of the issue price. This exclusion of the subscription right must not exceed in total the equivalent of 10 percent of the Company's existing share capital, with the lowest amount of the Company's share capital existing at the following three moments in time being decisive: on 24 May 2022, at the time this authorisation becomes effective or at the time it is exercised; the sale of treasury shares must be offset against this cap provided it is carried out during the term of this authorisation while excluding subscription rights pursuant to Section 186 (3) sentence 4 AktG; this cap must furthermore be offset by such shares that are issued to service conversion and/or option rights or conversion or option obligations from profit-sharing rights or participating rights provided these profit-sharing rights or participating rights are issued during the term of this authorisation in accordance with Section 186 (3) sentence 4 AktG based on exclusion of subscription rights;

2. to use the new shares, with the Supervisory Board's approval, for the benefit of persons who are or were employed by the Company or one of its group companies within the meaning of Section 10 AktG, as well as for the benefit of board members of corresponding group companies, subject to there being an existing employment, other work contract or board membership relationship certainly at the time of the offer or acceptance. The Executive Board shall determine the other details of possible acceptances and transfers, including a possible direct consideration, possible eligibility criteria and expiry or settlement arrangements particularly for such special cases as retirement, incapacity for work or death;

3. in the event of a capital increase against contributions in kind, in particular in order to be able to offer the new shares to third parties in conjunction with acquiring (also indirectly) assets or rights to acquire assets including receivables from the Company or its group companies;

4. to the extent that this is necessary in order to grant holders or creditors of convertible bonds and/or bonds with warrants or profit participation rights that have been or will be issued by the Company or by its direct or indirect group companies a conversion or subscription right to new shares in the scope to which they would be entitled after having exercised their conversion and/or option right or after having fulfilled the conversion and/or option obligation;

5. in order to exclude fractional amounts from subscription rights.

The sum (i) of the shares to be issued from contingent capital under bonds, which are to be issued based on exclusion of subscription rights following authorisation granted by shareholders at a General Meeting of the Company, and (ii) the shares that are issued from Authorised Capital 2022 based on exclusion of subscription rights during the term of this authorisation may not exceed a proportionate interest in the share capital €3,266,900.00 (which corresponds to 10 percent of the Company's share capital in the amount of €32.669.000.00 at the time of this authorisation).

The proportionate interest in the share capital of those shares issued from Authorised Capital 2022 for the purposes of an employee share scheme must not exceed 5 percent of the share capital, with the lowest amount of the Company's share capital existing at the following three moments in time being decisive: on 24 May 2022, at the time this authorisation comes into effect or at the time this authorisation is exercised. The proportionate amount of the share capital accounted for by treasury shares that are used or sold during the term of this authorisation based on a corresponding authorisation to use own shares pursuant to Section 71 (1) number 8 AktG for employee share schemes or as part of Executive Board compensation must be offset against the amount of 5 percent of the share capital.

The Executive Board is furthermore authorised to determine, with the approval of the Supervisory Board, the further details regarding the share rights and the terms of the share issue when executing the capital increase from Authorised Capital 2022, in particular the issue amount.

This authorisation has not been used yet.

Contingent capital – Furthermore, the Executive Board has been authorised by resolution of the Annual General Meeting of 24 May 2022 and based on Article 4 (6) of the Articles of Association of LEONI AG, to issue, with the consent of the Supervisory Board, bonds with warrants and/or convertible bonds, profit participation rights and/or participating bonds in each case including subordinated bonds (or combinations of these instruments) (collectively referred to as 'Notes') with a total nominal amount of up to €250 million on one or more occasions on or before 23 May 2027. The authorisation includes the permission to grant or issue to the owners of the respective notes warrant-linked and/or convertible bonds or conversion obligations regarding registered Company shares with an aggregate proportionate interest in the share capital of up to €16,334,500.00 (corresponding to 50 percent of the share capital) to the holders of the respective notes, which rank pari passu with each other, as set out in more detail in the terms and conditions of the bonds with warrants or convertible bonds. The proportionate amount of the share capital accounted for such shares is to be applied to the stated volume of the proportionate amount of share capital totalling €16,334,500.00 that are issued from Authorised Capital during the term of this authorisation – with or without the exclusion of the subscription right. Further details can be found in the authorising resolution of the Annual General Meeting on 24 May 2022.

The shareholders are, in principle, entitled to a subscription right to the Notes. The statutory right to subscribe for the Notes is granted to the shareholders in such a way that the Notes are underwritten by a credit institution, members of a syndicate of credit institutions or companies equivalent to credit institutions pursuant to Section 186 (5) sentence 1 AktG with the obligation to offer the Notes to the Company's shareholders for subscription (indirect subscription right). When Notes are issued by a Group company of LEONI AG as defined by Section 18 AktG, in which LEONI AG directly or indirectly holds at least 90 percent of the votes and of the capital, the company must correspondingly ensure the legal right of LEONI AG shareholders to subscribe.

However, the Executive Board is authorised, with the consent of the Supervisory Board, to exclude the shareholders' subscription right to the Notes:

- in order to exclude any fractional amounts;
- if and to the extent necessary to be able to grant holders of Notes issued earlier with option and/or conversion rights or option and/or conversion obligations subscription rights in the scope to which they would be entitled after having exercised their option and/or conversion rights or after having fulfilled their option and/or conversion obligations;
- to the extent that the Notes are issued against contributions in kind, in particular in order to be able to offer the Notes in the context of acquiring (also indirectly) assets or rights to acquire assets including receivables from the Company or its group companies, or also against contribution in kind in the form of existing Notes that are to be replaced by Notes, provided the value of the contribution in kind is commensurate with the fair value of the Notes that is to be determined according to the bullet below;

- if the Notes are issued against cash payment and the Executive Board, upon due review, determines that the issue price of the Notes is not materially below the theoretical market value of the Notes as computed in accordance with generally accepted methods, in particular, methods of financial mathematics. This authorisation to exclude the subscription right applies only, however, so far as such exclusions do not in total account for a proportionate amount of the share capital of more than 10 percent of the Company's existing share capital, with the lowest amount of the Company's share capital existing at the following three moments in time being decisive: on 24 May 2022, at the time this authorisation becomes effective or at the time it is exercised. The sale of treasury shares must be offset against this cap provided it is carried out during the term of this authorisation while excluding subscription rights pursuant to Section 186 (3) sentence 4 AktG. Furthermore, those shares must be offset against this cap that are issued during the term of this authorisation from authorised capital based on exclusion of subscription rights in accordance with Section 186 (3) sentence 4 AktG;

The sum (i) of the shares to be issued under Notes, which are to be issued following authorisation based on exclusion of subscription rights, and (ii) the shares that are issued from authorised capital based on exclusion of subscription rights during the term of this authorisation may not exceed a proportionate interest in the share capital of €3,266,900.00 (which corresponds to 10 percent of the Company's share capital in the amount of €32,669,000.00 at the time of this authorisation).

The Company's share capital has been conditionally increased by up to €16,334,500.00, divided into up to 16,334,500 registered shares (no-par value shares) (Conditional Capital 2022). The conditional capital increase is only implemented to the extent that the holders of option and/or conversion rights and/or the persons obliged to exercise the options or to convert their bonds under bonds with warrants or convertible bonds, profit participation rights and/or participating bonds (or combinations of these instruments) issued by the Company or a group company of the Company within the meaning of Section 18 AktG in which the Company directly or indirectly holds an interest of at least 90 percent of the voting rights and of the capital, against contributions in cash based on the authorisation resolved by the Annual General Meeting of 24 May 2022, exercise their option or conversion rights or, to the extent they are subject to the obligation to exercise the options or to convert their bonds, comply with such obligation to exercise the options or to convert their bonds, or to the extent that the Company exercises its right under these instruments to grant shares of the Company in lieu of payment of the amount due in cash (in full or in part), in each case unless other fulfilment possibilities are used. The issue of the new shares shall, in accordance with the authorisation resolution described above, take place at the respective option exercise or conversion price.

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 Executive Board may, with the Supervisory Board's approval, deviate from this by determining that new shares participate in the profit from the beginning of the financial year for which, at the time of exercise of option or conversion rights or fulfilment of option exercise and/or conversion obligations, no resolution on the use of the distributable profit has yet been taken at the Annual General Meeting.

The Executive Board is authorised, with the approval of the Supervisory Board, to establish the further details of the implementation of the contingent capital increase.

As at 31 December 2022, LEONI AG had not made use of the option to issue Notes under this authorisation.

Material agreements to which the Company is party and that are subject to a change of control clause triggered by a takeover bid: If a change of control occurs as a result of a takeover offer, the borrower's note loan issued in 2015 that still existed with a total volume of €12 million as at 31 December 2022, may be terminated. The lenders under the borrower's note loans issued in 2018 with a total volume of €331 million may, if a change of control occurs, demand repayment of their respective share in the loan within ten days after notification by the lender or, upon request by the Company, only within ten days after a negotiation period of up to 60 days has elapsed. According to the Company's application of 26 January 2023, which was granted consent by the borrower's note lenders, the consenting borrower's note lenders may not assert any termination rights during the bridging period to originally mid-2023 (now extended to 31 August 2023) under the borrower's note loans placed in 2015 and 2018 provided the declaration of consent was not terminated on their part, while a change of control does not represent grounds for cancellation under the declaration of consent.

Under the 2018 syndicated loan agreement providing for a revolving credit facility in the total amount € 750 million (recently amended by the bridging agreement of 30 December 2022 whereby, among other things, the final maturity was originally extended to mid-2023 (now extended to 31 August 2023)), a change of control event entitles each lender to cancel the loan and to demand repayment of that lender's share in the outstanding loans as at the end of the relevant interest period together with any accrued interest and any other amounts payable under or in connection with the relevant finance documents. As is the case regarding the borrower's note loans issued in 2018, this cancellation right can be exercised within ten days after the lender has issued CoC termination notice or, if the Company first requests to negotiate with the lender, only within ten days after a period of up to 60 days has elapsed.

Under both the borrower's note loans and the syndicated loan agreement, the right to cancel the relevant loans and to demand repayment is afforded to each lender individually for their respective share of the loan or facility. Under the syndicated loan agreement, each lender is furthermore separately entitled, following a change of control, to refuse to disburse any further loan amounts (with the exception of cashless rollover loans).

Under the syndicated loan agreement of 13 March 2020 and under the syndicated loan agreement of 22 April 2020, which is secured by a joint guarantee of German Federal and State Governments (Bund-Länder-Großbürgschaft) in the amount of €324 million (originally €330 million) (both recently amended by the bridging agreement of 30 December 2022 whereby, among other things, the final maturity was extended to originally mid-2023 (now extended to 31 August 2023)), the lenders likewise have the right to cancel in the event of a change of control (syndicated loan agreement of 13 March 2020: cancellation) and to demand repayment. These rights are also afforded to each lender individually for its respective share of the loan or facility and must be exercised, also as regards the syndicated loan agreement secured by the joint guarantee of German Federal and State Governments, upon a request to that effect from the Federal or relevant State Government. The individual right to cancel the loan (syndicated loan agreement of 13 March 2020: cancellation) and to demand immediate repayment lapses if the relevant lender fails to notify the agent under the relevant syndicated loan agreement of its intent to cancel the loan within ten days (as regards the syndicated loan agreement of 13 March 2020) or within 30 days (syndicated loan agreement of 22 April 2020) after having been informed of the change of control event. Furthermore, in the event of a change of control, some major customers, suppliers and other joint venture partners also have the right to prematurely terminate contractual agreements with the Company.

The bridging agreement of 30 December 2022 stipulates that under the syndicated loan agreement of 2018, the syndicated loan agreement of 13 March 2020 as well as under the syndicated loan agreement of 22 April 2020 secured by a joint guarantee of German Federal and State Governments (Bund-Länder-Großbürgschaft) in the amount of €324 million (originally €330 million) no termination rights may be exercised during the bridging phase originally to mid-2023 (now extended to 31 August 2023) that originated or originate prior to or during the bridging phase under the respective syndicated loan, while a change of control does not represent grounds for termination.

Compensation agreements concluded between the Company and members of the Executive Board or employees covering the eventuality of a takeover bid Compensation agreements with the members of the Executive Board or employees covering the eventuality of a takeover bid do not exist.

Nuremberg, 5 June 2023

The Executive Board

Hans-Joachim Ziems

Dr Harald Nippel

Dr Ursula Biernert

Ingo Spengler

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Consolidated income statement

01/01 to 31/12 € '000	Notes	2022	2021
Sales	[6]	5,093,363	5,118,923
Cost of sales		(5,078,979)	(4,379,223)
Gross profit on sales		**14,384**	**739,700**
Selling expenses		(196,761)	(232,645)
General and administration expenses		(339,237)	(348,936)
Research and development expenses		(139,897)	(127,982)
Other operating income	[7] [8]	185,672	52,967
Other operating expenses	[7]	(95,312)	(31,184)
Result from associated companies and joint ventures	[19]	31,705	39,223
EBIT		**(539,446)**	**91,143**
Finance revenue	[9]	4,463	1,160
Finance costs	[9]	(75,815)	(71,767)
Other income from investments		0	105
Earnings before taxes		**(610,798)**	**20,641**
Income taxes	[10]	6,115	(68,500)
Consolidated net loss		**(604,683)**	**(47,859)**
attributable to: Equity holders of the parent company		(604,904)	(47,722)
Non-controlling interests		221	(137)
Earnings per share (basic and diluted)	[31]	(18.52)	(1.46)
Weighted average no. of shares outstanding (basic and diluted)	[31]	32,669,000	32,669,000

Consolidated statement of comprehensive income

01/01 to 31/12 € '000		2022		2021
Consolidated net loss		**(604,683)**		**(47,859)**
Other comprehensive income				
Items that cannot be reclassified to the income statement:				
Actuarial gains or losses on defined benefit plans		22,835		32,161
Income taxes applying to items of other comprehensive income that are not reclassified		(4,623)		171
Share of the actuarial gains and losses that pertain to associates and joint ventures		334		(53)
Items that can be reclassified to the income statement:				
Cumulative translation adjustments				
Gains and losses arising during the period	(22,437)		16,943	
Less reclassification adjustments included in the income statement	(7,077)		(37,329)	
Total cumulative translation adjustments		(29,514)		(20,386)
Cash flow hedges				
Gains and losses arising during the period	22,254		4,562	
Less reclassification adjustments included in the income statement	(9,044)		(10,161)	
Total cash flow hedges		13,210		(5,599)
Parts of the items that can be reclassified to the income statement which pertain to associates and joint ventures		(634)		3,265
Income taxes applying to items of other comprehensive income that are reclassified		(2,637)		1,822
Other comprehensive income (after taxes)		**(1,029)**		**11,381**
Total comprehensive income		**(605,712)**		**(36,478)**
attributable to: Equity holders of the parent company		(605,933)		(36,457)
Non-controlling interests		221		(21)

Consolidated statement of financial position

Assets € '000	Notes	31/12/2022	31/12/2021
Cash and cash equivalents		210,722	164,635
Trade accounts receivable	[11]	408,688	392,718
Other current financial assets	[12]	69,560	91,073
Other current assets	[13]	179,298	133,757
Receivables from income taxes		13,369	15,458
Inventories	[14]	511,992	470,015
Contract assets	[6]	127,561	111,636
Assets held for sale	[4]	6,596	415,043
Total current assets		**1,527,786**	**1,794,335**
Property, plant and equipment	[15]	801,254	1,271,416
Intangible assets	[16]	13,710	38,147
Goodwill	[18]	0	68,722
Shares in associated companies and joint ventures	[19]	41,158	53,416
Contract assets	[6]	58,063	69,485
Other non-current financial assets		19,146	13,595
Deferred taxes	[10]	110,827	54,515
Other non-current assets		89,691	85,479
Total non-current assets		**1,133,849**	**1,654,775**
Total assets		**2,661,635**	**3,449,110**

Equity and liabilities € '000	Notes	31/12/2022	31/12/2021
Current financial debts and current proportion of long-term financial debts	[21]	1,159,167	579,679
Trade accounts payable	[22]	820,812	739,919
Current financial liabilities	[23]	54,708	67,934
Income taxes payable		26,442	24,691
Other current liabilities	[24]	276,891	207,498
Provisions	[25]	43,161	67,326
Liabilities held for sale	[4]	4,912	260,761
Total current liabilities		**2,368,093**	**1,947,808**
Non-current financial debts	[21]	436,392	1,018,837
Non-current financial liabilities		6,482	9,396
Other non-current liabilities		18,697	15,774
Pension provisions	[26]	94,256	123,223
Other provisions	[25]	65,833	76,305
Deferred taxes	[10]	31,839	28,355
Total non-current liabilities		**653,499**	**1,271,890**
Share capital	[27]	32,669	32,669
Contingent capital of €6,534 k (previous year: €6,534 k)			
Additional paid-in capital	[27]	290,887	290,887
Retained earnings	[27]	(610,334)	(5,430)
Accumulated other comprehensive income		(91,179)	(90,150)
Equity holders of the parent company		(377,957)	227,976
Non-controlling interests		0	1,436
Total equity	**[27]**	**(377.957)**	**229,412**
Total equity and liabilities		**2,661,635**	**3,449,110**

Consolidated statement of cash flows

01/01 to 31/12 € '000	2022	2021
Consolidated net loss	**(604,683)**	**(47,859)**
Adjustments to reconcile cash provided by operating activities:		
Income taxes	(6,115)	68,500
Net interest	65,159	69,527
Dividend income	0	(105)
Depreciation and amortisation	195,264	204,268
Impairment of non-current assets and of assets held for sale	613,942	20,510
Non-cash result relating to associate companies and joint ventures	(31,705)	(39,223)
Result of asset disposals	(10,317)	2,454
Effect of deconsolidation	(122,424)	(21,344)
Change in operating assets and liabilities		
Change in receivables and other financial assets	(7,727)	37,305
Change in inventories	(52,106)	(109,653)
Change in other assets	(67,120)	14,389
Change in restructuring provisions	(4,636)	(27,821)
Change in other provisions	(32,524)	(30,440)
Change in liabilities	134,602	6,313
Income taxes paid	(50,425)	(37,884)
Dividends received	43,611	41,367
Cash flows from operating activities	**62,796**	**150,304**
Capital expenditure for intangible assets	(10,550)	(12,207)
Capital expenditure for property, plant and equipment	(222,907)	(162,592)
Cash receipts from disposals of intangible assets	0	184
Cash receipts from disposals of fixed assets	16,029	3,364
Cash receipts from disposals of other financial assets	4	101
Income from the disposal of a business operation / subsidiaries less cash and cash equivalents paid	280,636	9,305
thereof: Disposal proceeds €321,341 k (previous year: €17,140 k)		
Cash and cash equivalents paid €40,705 k (previous year: €7,835 k)		
Cash flows from capital investment activities	**63,212**	**(161,845)**
Cash receipts from acceptance of financial debts	187,675	112,881
Cash repayments of financial debts	(204,663)	(63,021)
Interest paid	(71,525)	(66,787)
Interest received	1,750	859
Cash flows from financing activities	**(86,763)**	**(16,068)**
Change in cash and cash equivalents	39,245	(27,609)
Currency adjustments	(435)	8,628
Cash and cash equivalents at beginning of period	171,912	190,893
of which carried on the balance sheet in the item 'Assets held for sale'	7,277	8,453
of which carried on the balance sheet in the item 'Cash and cash equivalents'	164,635	182,440
Cash and cash equivalents at end of period	210,722	171,912
of which carried on the balance sheet in the item 'Assets held for sale'	0	7,277
of which carried on the balance sheet in the item 'Cash and cash equivalents'	210,722	164,635

Consolidated statement of changes in equity

€ '000	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income: Cumulative translation adjustments	Accumulated other comprehensive income: Cash flow hedges	Accumulated other comprehensive income: Actuarial gains and losses	Equity attributable to shareholders in the parent company	Non-controlling interests	Total
01 January 2021	**32,669**	**290,887**	**42,292**	**46,955**	**3,014**	**(151,384)**	**264,433**	**1,532**	**265,965**
Consolidated net loss			(47,722)				(47,722)	(137)	(47,859)
Other comprehensive income				(17,237)	(3,777)	32,279	11,265	116	11,381
Total comprehensive income							(36,457)	(21)	(36,478)
Disposal of non-controlling interests								(75)	(75)
31 December 2021	**32,669**	**290,887**	**(5,430)**	**29,718**	**(763)**	**(119,105)**	**227,976**	**1,436**	**229,412**
01 January 2022	**32,669**	**290,887**	**(5,430)**	**29,718**	**(763)**	**(119,105)**	**227,976**	**1,436**	**229,412**
Consolidated net loss			(604,904)				(604,904)	221	(604,683)
Other comprehensive income				(30,148)	10,573	18,546	(1,029)	0	(1,029)
Total comprehensive income							(605,933)	221	(605,712)
Disposal of non-controlling interests								(1,657)	(1,657)
31 December 2022	**32,669**	**290,887**	**(610,334)**	**(430)**	**9,810**	**(100,559)**	**(377,957)**	**0**	**(377,957)**

Notes
Principles

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

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

LEONI AG's consolidated financial statements on 31 December 2022 were compiled in euros. Except where stated otherwise, all amounts are presented in thousands of euros ('€k'). The balance sheet is structured by term, while the income statement is prepared using the function of expense method. The statement of comprehensive income is issued in two related presentations. Where the balance sheet and income statement items are summarised to improve clarity of presentation, they are shown separately in the Notes.

The accounting and valuation methods applied in the consolidated financial statements on 31 December 2022 are in line with those of the previous year, with the exception of the new IFRS requirements applied for the first time in the 2022 financial year. These are explained under › **Note 2**.

Business Group Automotive Cable Solutions (BG AM), the sale of which was agreed in May 2022, was initially presented in the Group's reporting as a discontinued operation since the 2022 half-year financial report and thus as held for sale. Given that the buyer, in a surprise move, refused to close the sale in December 2022, BG AM is once again being presented as a continuing operation in the Group's accounting.

These consolidated financial statements were prepared on the going concern basis under IAS 1.25.

The newly adopted budget and medium-term planning for 2023 to 2027 includes the latest assessments on the supply situation in the automotive industry and the projections for the market thereby extrapolated. The external consultant on restructuring drafted a new restructuring plan in line with the IDW S6 auditing standard that already reflects the financial restructuring measures presented below. In this context, the budget and medium-term planning was also verified for plausibility and the Company's ability to restructure was confirmed. However, the restructuring plan is based on more conservative assumptions and also considers other negative implications stemming from the uncertain refinancing situation compared with the budget and medium-term planning, and it meanwhile continues to expect that LEONI will, with overwhelming probability, be fully funded provided that refinancing is successful. Such deviations could arise especially from unforeseeable developments in connection with overcoming the economic consequences of the Ukraine war, the easing consequences of Covid-19, the semiconductor crisis, the increased raw material, energy, transport and personnel costs as well as the OEMs' curtailed ability to award contracts because of the delayed implementation of our restructuring plan, are subject to increased uncertainty. These incalculable effects could mean major uncertainty with respect to operating performance and, if they go far beyond the planning assumptions or other adverse effects on liquidity simultaneously occur, constitute a risk to LEONI's ability to continue as a going concern.

Positive effects on liquidity stem from the ValuePlus strategy and performance programme launched in 2022, which follows on from the VALUE 21 programme successfully completed in 2021 and takes into account the new organisational structure as well as the effects of such changed external parameters as the semiconductor crisis, the war in Ukraine and the easing consequences of Covid-19. A key element of ValuePlus is a continuous performance enhancement programme that builds on VALUE 21 and whose success is measured on an ongoing basis. The year 2022 saw the implementation of corresponding measures to improve efficiency and offset market-related material price inflation and call-off volatility, which have made a positive contribution to profitability and the liquidity situation.

Considering the latest developments and its assessments concerning their possible consequences and of measures currently being applied, the Executive Board presently expects that there will not, with overwhelming probability, be any gaps in liquidity.

Due to the fact that the sale of Business Group Automotive Cable Solutions failed to complete and to major loans maturing in mid-2023, it was necessary to redevise the refinancing already planned with a term to 2025. Our syndicate banks promptly said that they would temporarily extend the loans due on 31 December 2022, originally to mid-2023 (now extended to 31 August 2023). As reported in our ad-hoc announcement of 3 April 2023, LEONI reached an agreement with its syndicate banks, key borrower's note creditors as well as Mr Stefan Pierer on a restructuring plan under the Corporate Stabilisation and Restructuring Act (German abbr. 'StaRUG'). We refer to the supplementary report in Note 36 for details of the restructuring plan. LEONI AG has already begun to apply this restructuring plan under the Corporate Stabilisation and Restructuring Act and submitted notice of this plan to the Restructuring Court of Nuremberg local court on 31 March 2023. The restructuring plan was submitted on 8 May 2023. Based on this, the discussion and ballot meeting took place on 31 May 2023. In this meeting, the restructuring plan was approved with the required majority of at least 75 percent, respectively, within two of the total three groups affected by the plan. For this reason, the Executive Board believes there are good and overwhelmingly probable prospects that the application for its restructuring plan will be judicially confirmed (Sections 60 et seq. StaRUG), and, given that any appeals are unlikely to succeed (Sections 64 & 66, StaRUG), the plan will come into legal force. Furthermore, to the Company's knowledge there are no indications either that all subsequent steps towards implementing the restructuring transition cannot also be taken.

Even so, implementing the restructuring plan by way of the StaRUG process is subject to merger control clearance, other customary caveats (e.g. entry of the capital measures in the commercial register), judicial confirmation of the restructuring plan, all the documentation covering the required contracts having been submitted as well as execution of the cash capital increase. There are, moreover, risks that the judicially confirmed restructuring plan and the legal actions taken in executing the restructuring plan might be challenged.

Until the new financing concept including extension of the maturities of the RCF credit lines and borrower's note loans to the end of 2026, reduction of LEONI's debt and the capital reduction with a subsequent capital increase of € 150 million including process assurance for the StaRUG procedure as well as the antitrust filing are carried out, there is 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).

In summary, the Executive Board rates it as overwhelmingly probable that implementation of the restructuring plan as well as the other mitigating measures contained in the restructuring plan will succeed. The Executive Board therefore considers it overwhelmingly probable that the Company will be able to continue as a going concern.

The Management Board on 05 June 2022 authorised the presented consolidated financial statements for the year ended 31 December 2022 for submission to the Supervisory Board. The consolidated financial statements are published in the business register.

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

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

Principles of consolidation

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

- power over the investee (i.e. the Group has existing rights that give it the ability to direct the relevant activities (that significantly affect the investee's returns)

- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect the amount of the investor's returns

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

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

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

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

Acquisition-related costs are expensed.

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

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

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

Shares in associated companies and joint ventures

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

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

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

Shares in associated companies and in joint venture companies are accounted for under the equity method. The shares are valued with their purchase price on the acquisition date, which is increased or reduced respectively in the subsequent periods for any changes in net assets of the company such as the proportionate share of net income or loss and by received dividends. The proportionate net income or loss is determined using the accounting policies described in this Note. In line with the treatment of fully consolidated subsidiaries, the goodwill included in the carrying amount of companies accounted for under the equity method is no longer amortised. Instead of a test for impairment of equity method goodwill, the whole investment accounted for under the equity method is reviewed for impairment according to IAS 36, provided there are indications according to IFRS 9 of additional impairment loss. The Group determines on each balance sheet date whether there are objectively discernible indications that the investment in an associated company or joint venture might be impaired. If this is the case, the difference between the fair value of the investment and the carrying amount is expensed as an impairment loss. The result from associated companies and joint ventures is presented in operating income in line with the accounting and valuation principles of the consolidated financial statements.

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

Foreign currency translation

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

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

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

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

Country	Currency	ISO Code	31/12/2022	31/12/2021
Brazil	Real	BRL	**5.63540**	6.36010
China	Renminbi yuan	CNY	**7.41820**	7.19470
United Kingdom	Pound sterling	GBP	**0.88410**	0.84150
Korea	Won	KRW	**1,343.82500**	1,343.90500
Mexico	Peso	MXN	**20.71930**	23.35600
Poland	Zloty	PLN	**4.67680**	4.59945
Romania	Leu	RON	**4.94930**	4.95100
Russian Federation	Ruble	RUB	**79.98500**	84.28080
Switzerland	Swiss franc	CHF	**0.98420**	1.03755
USA	Dollar	USD	**1.06600**	1.13110

Annual average exchange rate — 1 euro in foreign currency units

Country	Currency	ISO Code	2022	2021
Brazil	Real	BRL	**5.47843**	6.38077
China	Renminbi yuan	CNY	**7.11093**	7.64621
United Kingdom	Pound sterling	GBP	**0.85369**	0.86190
Korea	Won	KRW	**1,355.05885**	1,353.69346
Mexico	Peso	MXN	**21.24628**	24.10730
Poland	Zloty	PLN	**4.68322**	4.57985
Romania	Leu	RON	**4.93623**	4.92072
Russian Federation	Ruble	RUB	**72.56922**	87.60249
Switzerland	Swiss franc	CHF	**1.00456**	1.08072
USA	Dollar	USD	**1.05745**	1.18544

Measurement of fair value

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

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

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

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

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

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

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

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

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

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

Income from the sales of goods in the Wire & Cable Solutions Division is recognised at the time when control is transferred to the customer. This is generally the case upon delivery of the products.

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

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

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

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

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

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

With of the majority of its customers, LEONI has an enforceable right to payment for the series-supply performance completed to date. The conditions for revenue recognition over a period of time in the Wiring Systems Division are thereby met. Revenue for these customised products is consequently recognised over a period of time, together with presentation under contract assets.

If LEONI does not have an enforceable right to payment for the performance completed to date, the sales revenues are recognised at the time when control is transferred to the customer. This is generally the case upon delivery of the products.

The payment terms granted in the Wiring Systems Division within the framework of series supply are normally 30 to 120 days from the date of delivery.

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

Interest and dividend income

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

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

Research and development costs

Research costs are expensed as incurred.

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

Government grants

A government grant is recognised when there is sufficient assurance that the grant will be received and that the enterprise will comply with the conditions attaching to it. Expense-related grants are recognised as income on a systematic basis over the periods necessary to match them with the associated costs. Performance-related grants that cannot be directly offset with the expenses incurred are recognised in other operating income. Grants for an asset are deducted from the cost of the asset. Given the tight liquidity situation due to the consequences of the Covid-19 pandemic,LEONI also received government assistance as defined by IAS 20 in the 2020 financial year. Such assistance is action by government designed to provide an economic benefit that is specific to an entity qualifying under certain criteria, which was again available in the 2022 financial year. We refer to › **Note 8** for the disclosures according to this standard.

Contributions from customers for duplicating production capacity in Ukraine

Contributions from customers for duplicating Ukrainian production capacity at other locations do not, due to 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 31 December 2022, other current liabilities already included payments received from customers in the amount of €72 million. By 31 December 2022, a net figure of €44 million was recognised under production cost in the income statement.

Factoring

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

Reverse factoring

Reverse factoring transactions are used to finance suppliers in connection with copper procurement. Under these agreements, greater use of the existing payment terms can also be made. There is no effect, however, either in terms of recognition or under civil law that would entail reclassification of the trade liabilities to another type of liability on the balance sheet, as they involve liabilities for the payment of goods that were invoiced by suppliers and are part of the working capital used in the Company's normal business cycle.

Inventories

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

Non-current assets held for sale

A non-current asset, or a disposal group, is classified as held for sale and presented separately in the statement of financial position if the related carrying amount is realised mainly by a sale transaction and not by continued use, and if the criteria pursuant to IFRS 5 in this regard are met. To qualify, the asset must be available for immediate sale in present condition on usual terms (saleable condition) and such a disposal highly probable. This is the case if management is committed to a plan to sell and an active programme to locate a buyer has been initiated. IFRS 5 also covers discontinued operations. These are components of an entity that are classified as held for sale and represent either a separate major line of business or a geographical area of operations. If non-current assets or a disposal group are classified as held for sale, they are no longer depreciated and are measured at the lower of carrying amount and fair value less costs to sell. If the fair value of the assets held for sale or the disposal group, less the selling costs, is less than the net carrying amount of the assets or disposal group, a write-down is made on the fair value, less the selling costs. If the disposal plan changes and the criteria pursuant to IFRS 5 for an asset or disposal group that were classified as held for sale are no longer met, they are no longer presented separately but reclassified to the balance sheet item where they were originally recorded. They are valued at the lower of the carrying amount before the asset or disposal group was classified as held for sale (as adjusted for any subsequent depreciation, amortisation or revaluation that would have been recorded without classification as held for sale) and their recoverable amount at the date of the decision not to sell. There was temporarily a case of discontinued operations during the financial year. However, the sale of the WCS Division's largest unit, the Business Group Automotive Cable Solutions (BG AM), could not be completed because, in a surprise move, the buyer refused in December 2022 to close the purchase agreement signed in May 2022. There was consequently no case of discontinued operations as at 31 December 2022. Another sale of BG AM is not being pursued. Details regarding the measurement and presentation of BG AM are described in › **Note 4**.

Property, plant and equipment

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

The following useful lives are assumed for depreciation:

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

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

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

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of the financial year, and if necessary adjusted. We refer to the comments regarding IAS 36 below.

Contract assets

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

Leases

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

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

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

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

Land, leasehold rights and buildings	1-50 years
Machinery, factory and office equipment	1-15 years

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

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

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

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

Measurement of the lease includes the following payments:

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

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

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

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

- The term of the lease has changed or there are material events or material change in circumstances that lead to a changed assessment with respect to exercising a purchase option. In such a case, the lease liability is remeasured by discounting the adjusted lease payments with an updated interest rate. This involves the right of use being adjusted for the amount resulting from remeasurement of the lease liability, down to a carrying amount of as little as nil. Any adjustments beyond that must be recognised through profit or loss.

- Lease payments will change due to index or interest rate changes, or due to a change in the payment expected to be made based on a residual value guarantee. In such cases, the lease liability is remeasured by discounting the adjusted lease payments with an unchanged discount rate (unless the change in lease payments is attributable to a change in a variable rate of interest, in which case an updated interest rate must be used).

- A lease is changed and the change to the lease is not recognised as a separate lease. In that case, the lease liability is remeasured based on the term of the changed lease by discounting the changed lease payments using an updated interest rate at the time the change becomes effective. The right of use is adjusted accordingly.

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

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

Intangible assets

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

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

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

According to IAS 38, intangible assets with an indefinite useful life are not amortised on a regular basis; instead such intangible assets must, according to IAS 36, be reviewed for impairment at least annually and written down to their lower recoverable amount. As in the case of goodwill, the review is carried out as at 31 December of each year and according to the same principles. The remarks below therefore apply accordingly. Intangible assets with an indefinite useful life are reviewed once a year to determine whether the estimate of assessment of an indefinite useful life is still justified. If this is not the case, the assessment is prospectively changed from an indefinite to a definite useful life.

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

Goodwill

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

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

Later reversal for a goodwill impairment recorded in previous financial years or interim reporting periods is not permitted.

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

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

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

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

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

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

Detailed explanations of the impairment tests carried out during the financial year are included in › Note 17.

Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  – the financial asset is held in the context of a business model that intends to hold financial assets to collect contractual cash flows and

  – the contract terms of the financial assets lead to cash flows at fixed points of time and which exclusively represent repayments and interest on the principal amount outstanding.

  Gains or losses are recognised in the income statement when the asset is derecognised, modified or impaired.

  – Cash and cash equivalents comprise cash in hand, cheques and immediately disposable bank deposits with an original maturity of three months or less. Cash is recognised at par value.

Impairment of financial assets
The Group applies the simplified approach under IFRS 9 to impairment of trade receivables and contract assets, and recognises the expected losses over the full lifetime. The Group therefore does not follow up on changes in the credit risk, instead recognising a risk provision based on the expected credit loss on each reporting date. The expected losses are determined using an impairment matrix by grouping the principal types of receivables according to their risk ratings, which represent the ability of customers to settle amounts due as contracted. The allocations to the default risk categories are made principally based on external ratings of the key customers that consider forward-looking estimates. The data on the external rating and the probabilities of default are updated quarterly and annually on the respective reporting dates. Also factored into calculation of impairment is a 20-percent recovery rate, i.e. the proportion of receivables already written off that can still be recovered. Based on this approach, no distinction is made between allocation to Level 1 and Level 2 of the impairment method according to IFRS 9 for these financial Instruments. The risks pertaining to all other customers were included using an across-the-board approach to determine the risk rating. Calculation of expected losses is based on the

probability of default in line with the default risk category, which is categorised in a range from 'low risk' to 'receivables in default'.

Where there are objective indications of an impairment, the financial Instruments are transferred to Level 3 of the impairment method according to IFRS 9. In the process, the Group assumes a default on a financial asset when contractual payments are substantially overdue. In certain cases, it may also assume a default on a financial asset when internal or external information indicates it is unlikely that the Group will receive the outstanding contractual amount before all the credit protection it holds is considered. A financial asset is derecognised when there is no reasonable expectation that the contractual cash flows will be realised.

The general impairment method of IFRS 9 must be applied to bank deposits as well as other financial assets subject to the impairment requirements. The Group therefore monitors the creditworthiness of its business partners to detect any significant increase in the risk of default. Upon initial recognition, such financial Instruments are allocated to Level 1. The expected loss corresponds to the value that could arise from potential default events within the next twelve months after the reporting date. The potential impairment expense identified was insignificant, however.

Financial liabilities

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

- Financial liabilities at fair value through profit or loss (FVTPL)
  Financial liabilities that fall into this category are also carried at fair value in the subsequent periods with the resulting gains or losses recognised in the income statement.

  This category comprises financial liabilities held for trading as well as liabilities that were, upon initial recognition, designated as financial liabilities at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired and held with a view to disposal in the near future. Derivatives, including embedded derivatives recognised separately, are also classified as held for trading except for such derivatives that were designated as a hedging instrument and are effective as such.

  As in the previous year, the Company did not classify any primary financial liabilities as held for trading in the 2022 financial year, nor did it make use of the option to designate financial liabilities at fair value through profit or loss upon their initial recognition.

- Financial liabilities at amortised cost (AC)
  All financial liabilities that do not fall into above-mentioned category and are not derivative financial instruments are measured at amortised cost using the effective interest rate method. In the case of current liabilities, the amortised cost corresponds to either their repayment or settlement value. Gains or losses are recognised in the income statement when the liabilities are derecognised or amortised.

Derivative financial instruments and hedging activities

Derivative financial instruments entered into by the LEONI Group are recorded at their fair value on the balance sheet date. Depending on their maturity, derivatives with a positive fair value are reported as current or non-current other financial assets and derivatives with a negative fair value are reported as current or non-current other financial liabilities. In general, the Group recognises the changes in fair value of derivative financial instruments in the income statement. However, the Group records changes in fair value of derivatives used to hedge anticipated cash flows on firm commitments and forecast transactions in accumulated other comprehensive income until the hedged item is recognised in the income statement when the requirements of the standard to apply cash flow hedge accounting are met. The ineffective portions of the fair value changes of those derivatives are recognised in earnings immediately. The amounts recognised in other comprehensive income are subsequently recognised in the same period as the hedged transaction takes place and have effect on net income.

Where interest-rate derivative contracts are concluded to hedge the fair value of a hedged item measured at amortised cost, the hedging instrument is also measured at the fair value and any changes in the fair value of both the hedging derivative and hedged item, so far as these result from the hedged risk, are recognised in the income statement under either finance costs or finance revenue.

Commodity future transactions that are settled in cash are recognised as derivatives, changes in the fair value of which are recognised in the cost of sales.

Contracts entered into for the purpose of receipt or supply of non-financial items according to the Group's expected purchase, sale or usage requirements and held as such (own use contracts) are reported not as derivative financial instruments but as pending transactions.

If hybrid contracts contain embedded derivatives with a financial or non-financial liability as host contract, such derivatives are reported separately from the host contract when the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, when a separate instrument with the same terms as the embedded derivative were to fulfil the definition of a derivative and when the hybrid contract is not measured at fair value through profit or loss. The review whether a contract contains an embedded derivative that must be reported separately from the host contract is made at the time when the Company becomes a contracting party. A reassessment is made only when there are major changes to the terms of the contract that result in a significant change to the cash flows.

Pension plans and similar obligations

The valuation of defined-benefit pension obligations is based upon actuarial computations using the projected-unit-credit method in accordance with IAS 19. Changes due to the actuarial assumptions or differences between the actual development and the original assumptions as well as gains or losses on the pension plan or plan assets (actuarial gains or losses) as a difference between the return on plan assets recorded in net interest expenses and the actual return are recognised in other comprehensive income. Past service cost is recognised in the income statement at the time of the change to the plan.

The amount recognised as a defined benefit asset or liability comprises the present value of the defined benefit obligation, less the fair value of plan assets out of which the obligations are to be settled directly. The value of a defined benefit asset is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The interest costs relating to the net obligation are presented under finance costs.

Other provisions

Other provisions are recorded when a present legal or constructive obligation to a third party has been incurred from past events, the payment is probable and the amount can be reasonably estimated. So far as the Group expects repayment for an accrued provision at least in part, for example, from an insurance policy, such repayment is recognised as a separate asset provided the inflow of the repayment is virtually certain. The provisions are valued according to IAS 37 with the best estimate of the amount of the obligation. Where provisions do not become due until after one year and a reliable estimate of the payment amounts and dates is possible, the present value for the non-current proportion is determined on a discounted basis. The unwinding of discount on provisions is recognised under interest expenses.

Obligations to dispose of an asset and to re-cultivate its site or similar obligations must be recognised as a component of acquisition and production costs and simultaneously recognised as a provision. In the subsequent periods, this amount added to the asset is to be depreciated over its residual useful life. The best possible estimate of the payment obligation or provision is accreted to its present value at the end of each period.

Restructuring provisions are recognised when the constructive obligation has arisen according to the criteria under IAS 37.72. Accruals are not reported under provisions, but rather under liabilities.

Present obligations that arise in connection with onerous contracts are recognised as provision. The existence of an onerous contract is assumed when the Group is party to a contract under which the unavoidable costs to fulfil the contract are expected to exceed the economic benefit stemming from this contract. The unavoidable costs represent the lower of the costs to fulfil the contract and any indemnity or penalty payments resulting from non-fulfilment. Any costs to that extent relating directly to the contract are recognised as incremental contract fulfilment costs, including the prorated directly attributable overheads.

Income taxes

The current tax assets and tax liabilities for the current and prior periods are measured at the amount expected to be recovered from the taxation authority or paid to the taxation authority. Calculation of the amount is based on the tax rates and tax laws that are applicable to the corresponding period. Uncertain, current income tax items for tax years not yet finally assessed are, according to the requirements under IFRIC 23 and based on experience, considered at the best possible estimate.

Deferred tax is, pursuant to IAS 12, formed according to the balance sheet liability method. This provides that tax assets and liabilities for all temporary differences, apart from the exceptions under IAS 12.15, IAS 12.24, IAS 12.39 and IAS 12.44, between the carrying amount on the consolidated balance sheet and the amount for tax purposes as well as for tax loss and interest carryforwards are recognised (temporary concept). Deferred taxes are measured using the currently enacted tax rates in effect during the periods in which the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax law is recognised in the period that the law is enacted. Deferred tax assets are applied only to the extent that it is more likely than not that the tax benefit will be realised. If there is a history of losses, a deferred tax asset is recognised for an unused tax loss carryforward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carryforward can be utilised. The legally independent entities are, on each balance sheet date, assessed individually in this respect, with any history of loss included in the assessment. Further details are presented in › **Note 10**.

Deferred tax assets and liabilities are offset if they relate to income taxes levied by the same taxation authority and the Group has a legally enforceable right to set off current tax assets against current tax liabilities.

Income taxes referring to items that are recognised in other comprehensive income are also recognised in other comprehensive income and not in the income statement.

Earnings per share

Earnings per share are computed in accordance with IAS 33, Earnings per Share. The basic earnings per share are computed by dividing consolidated net income / loss attributable to the LEONI shareholders by the weighted average of the number of ordinary shares outstanding during the relevant period. The diluted earnings per share are computed by dividing consolidated net income attributable to the LEONI shareholders by the total of the weighted average number of ordinary shares outstanding, plus the weighted average number of securities that can be converted into ordinary shares. There was no dilution in the reporting periods presented.

Statement of cash flows

The statement of cash flows is classified by operating, investing and financing activities in accordance with IAS 7. This involves cash flows from operating activities being determined by the indirect method whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Cash inflows and outflows due to factoring and reverse factoring are attributed to operating activity. Interest payments are presented accordingly under financing activity. Undistributed income from entities valued under the equity method and exchange gains or losses reclassified from other comprehensive income to the income statement is principally reported under 'Non-cash result relating to associated companies and joint ventures'. Interest paid and received is classified as cash flow from financing activities. Paid dividends are presented in cash flows from financing activities. The cash holdings comprise cash and cash equivalents. These include cash in hand, cheques and immediately disposable bank deposits with an original maturity of up to three months. The effect of exchange rate-related changes in value on cash and cash equivalents is presented separately so that the cash and equivalents at the beginning and end of the period can be reconciled with the balance sheet disclosure.

Segment information

Segment reporting is based on the accounting standard IFRS 8, Operating Segments, following the management approach contained therein, which provides for reporting based on the internal organisational and reporting structure as well as what management uses internally for evaluating segment performance. The segment reporting and designation therefore follows the internal organisational and reporting structure of the Group. The Group is organised into business units by products and services for the purpose of Corporate Governance. The Group therefore has two segments subject to reporting: Wire & Cable Solutions and Wiring Systems. The disposals of more parts of the Wire & Cable Solutions Division are presented in › **Note 4**, especially the sale of key parts of the industrial business pooled in the Business Group Industrial Solutions (BG IN) closed on 20 January 2022 as well as the disposal of two further, smaller-scale units, just as the sale of the Business Group AM that, contrary to expectation, was not completed did not lead to any change in segmentation. Management monitors the earnings before interest and taxes (EBIT) and before exceptional items separately to take decisions on allocation of resources and to determine the profitability of the segments. EBIT before exceptional items adjusts earnings for such non-recurring factors as the effects of refinancing the Group (incl. impairment), restructuring measures, M&A transactions as well as exceptional costs related to the war in Ukraine to allow a better comparison between periods and better interpretation of the operating profitability. The principles for measuring the gain or loss of the segments as well as the assets and liabilities are ascertained in line with the accounting and valuation principles of the consolidated financial statements.

Key judgements, estimates and assumptions

When preparing the consolidated financial statements, management makes judgements, estimates and assumptions that influence the amounts of assets, liabilities and contingent liabilities as well as the expense and income reported on the balance sheet date. All estimates and assumptions are based on the conditions and assessments on the balance sheet date. The uncertainty that these assumptions and estimates involve can, however, despite diligent appraisal in future periods cause outcomes that result in major adjustment to the carrying amounts of the assets and liabilities concerned. Estimates and judgements based unforeseeable developments especially in connection with overcoming the economic consequences of the Ukraine war, the easing consequences of Covid-19, the semiconductor crisis, the increased raw material, energy, transport and personnel costs as well as the OEMs' curtailed ability to award contracts because of the delayed implementation of our restructuring plan, are subject to increased uncertainty. The incalculable effects of the aforementioned challenges mean major uncertainty with respect to operating performance and could lead to further falling short of the budget and medium-term planning.

The war in Ukraine as well as the persisting but easing consequences of Covid-19 and the related disruptions to ordinary business (e.g. disruptions to supply chains including customer plant closures triggered by the still persisting semiconductor shortage as a consequence of the pandemic) continue to exert difficult to forecast effects on the LEONI Group and therefore constitute an event that goes beyond the general risk to business.

Sales performance remained virtually stable in fiscal 2022 versus the previous year despite tough underlying conditions characterised by semiconductor shortage, disrupted production in Ukraine as well as less call-off from customers because of disruptions in the supply chain. All told, however, the difficult to predict increases in raw material and logistics costs, wage inflation and efficiency losses resulting from the high volatility of customer call-offs made their mark.

Persistently unstable supply chains could lead to further business disruption. The consequently ongoing bottlenecks in raw material and input products as well as the resulting, significant increase in raw material prices, volatile energy prices and the mounting inflationary pressure additionally escalate the uncertainty.

Given the presently persisting semiconductor crisis as a consequence of the pandemic, we must continue to anticipate disruptions to supply chains, including customer plant shutdowns. This will continue to restrict production in the automotive industry.

In summary, the macroeconomic conditions as changed by the easing consequences of Covid-19, the semiconductor crisis and the war in Ukraine could lead to unplanned losses of sales, unexpected impacts on earnings and liquidity and adverse effects on free cash flow. Impact on the consolidated financial statements could furthermore stem from interest-rate adjustments in Germany and elsewhere, volatile foreign exchange rates, bad debt, changing sales and cost structures or uncertain forecasts with respect to 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 further impairment of non-current assets.

Given the production facilities that LEONI has in Ukraine, the war that broke out at the end of February 2022 between Russia and Ukraine remains a particular factor of uncertainty despite measures to minimise the risk by partly duplicating projects. There could still be major supply disruption on the procurement side, longer-term production outages due, for instance, to non-availability of staff or because of outage of IT and/or ERP systems, raw material shortage as well as disruptions in the supply chain to customers. Furthermore, LEONI assets could be destroyed. Events such as the aforementioned could, if they occurred singly or combined, continue to lead to unforeseeable losses of sales and earnings.

The extent and duration of the consequences of Covid-19, the semiconductor crisis and the macroeconomic conditions as changed by the pandemic and the war in Ukraine continue to be very difficult to estimate. Despite the good performance towards the end of 2022, LEONI still sees itself facing multifaceted challenges and volatile markets. These include higher raw material, energy and logistics costs as well as increases in personnel costs.

These estimates and judgements on which the financial statements are based assume that there will be no material impact due to potential interruptions to production as a result of war in Ukraine as well as the described imponderables of the easing consequences of Covid-19. Any significant detriment to production at our plants in Ukraine due to escalation of the war would have an adverse effect on our financial, asset and earnings situation despite the action taken to duplicate production capacity elsewhere. The war in Ukraine consequently remains a particular factor of uncertainty even though action has already been taken to minimise the risk. The medium-term perspective taken is that, once the pre-crisis level has been reached in 2024, there will be a further, gradual market recovery driven particularly by growth in the electromobility sector. Based on business planning to date, the Executive Board anticipates sales growth in fiscal 2023, reflecting both a larger volume of business and higher prices due to having passed on cost increases. Generally speaking, the Executive Board believes that the LEONI Group will be operating in a setting of stable and slightly greater demand, although the call-off pattern of our customers continues to be more volatile than before the onset of the supply chain problems involving semiconductors in particular. The assumption is that the fallout from the semiconductor crisis will probably affect the uptake from our customers beyond 2023. Furthermore, any significant detriment to production at our plants in Ukraine due to escalation of the war would have an adverse effect on our projected KPIs despite the action taken to duplicate production capacity elsewhere. The Executive Board has applied has corresponding measures that cushion the impact of the easing consequences of Covid-19 and the Ukraine war on production and the supply chain. The forecast depends on successful implementation of the agreed financial restructuring plan. We refer to › **Note 36** for further information in this regard. The budget and medium-term planning for 2023 to 2027 adopted by the Executive Board and the Supervisory Board includes the latest, more conservative assessments of the supply situation in the automotive industry and the projections for the market thereby extrapolated.

In summary, the Executive Board considers it highly probable that implementation of the restructuring plan based on taking into account the outcomes of the discussion and ballot meeting on 31 May 2023 will succeed. Despite the existence-threatening financing and liquidity risk, the Executive Board rates it as overwhelmingly probable that the Company will be able to continue as a going concern based on the measures initiated and planned.

The probable economic trend as well as country-specific government measures were considered based on the information available at the time in updating these estimates and judgements pertinent to the consolidated financial statements.

The most significant assumptions concerning the future as well as other key sources of estimation uncertainty at the balance sheet date, which present a risk that material adjustment to the carrying amounts of the assets and liabilities will be necessary within the next financial year, are explained hereinafter.

Impairment testing of goodwill, intangible assets and of non-current assets is based on calculation of the recoverable amount, which is the higher of value in use and fair value less cost to sell. To estimate the value in use the Group must estimate the probable future cash flows of the cash-generating units to which the non-current asset or goodwill relates, and moreover choose a reasonable interest rate to compute the present value of these cash flows (discounted cash flow method). When testing for impairment, the recoverable amount of the respective cash-generating unit was as a matter of principle based on the fair value less cost to sell and was determined based on the level three parameters pursuant to IFRS 13. The cash flows are extrapolated from the business planning for the next five financial years. The business planning is prepared on a bottom-up basis taking targets into account, meaning that the budgeted figures are prepared in detail for each customer group or business group and subsidiary and condensed to the segments and the Group as a whole. Key planning assumptions are based on the unit-sales projections issued by the carmakers. Our business planning considers price agreements based on experience and anticipated efficiency enhancements as well as a sales and cost trend based on the strategic outlook. The recoverable amount is heavily dependent on the projected unit sales and on the discount rate applied under the discounted cash flow method. The projected take-up quantities, their discount rate just as the projections of future costs, especially wage costs but also the rising raw material prices due to the semiconductor crisis as well as potentially charging these on to customers, are subject to major uncertainty particularly against the backdrop the imponderables of the consequences of Covid-19, the semiconductor crisis and the macroeconomic conditions as changed by the pandemic and the war in Ukraine. In addition, there are even greater operational risks related to customers' curtailed ability to award contracts, which stemmed from the absence of a financing solution effective 31 December 2022. The details regarding the assumptions for impairment testing can be found in › **Note 17**.

The estimate of fair value less cost to sell differs from the value in use only through the treatment of the measured asset as a business operation not belonging to the Group. The assumptions and parameters applied to ascertain the recoverable amount and the details of the impairment tests are explained more thoroughly in › **Notes 17** and › **18**.

Management must, with respect to accounting for capitalised deferred taxes relating mainly to unused loss carryforwards, make estimates and judgements concerning the amount of taxable profit available in the future for use of the loss carryforwards. So far as this has been made sufficiently specific, future tax planning strategies and the expected timing of the income from it will be considered in the process. Deferred tax assets are recognised regularly to the extent that deferred tax liabilities in the same amount and with the same term applicable to them are expected. Furthermore, deferred tax assets are recognised only if future taxable income is with high probability expected that is sufficient to use the deferred tax assets from loss carryforwards and temporary differences. For this judgement, the taxable income is extrapolated from the business planning that has been prepared according to the principles described above. Due to the mounting uncertainty about the future, the period under consideration is normally five years. In the case of entities in loss situations, deferred tax assets are not recognised until there are signs of a turnaround or it is highly probable that the future positive results can be generated. Rules on limiting the use of losses (minimum taxation) are observed when measuring the valuation allowances for deferred tax assets from loss carryforwards. Further details are presented in › **Note 10**.

Present obligations that arise in connection with onerous contracts are recognised as provision. Measuring the provisions involves a substantial degree of estimation. LEONI makes provision for contingent losses on customer contracts and order-related risks when the estimated total unavoidable costs exceed the expected sales revenues. LEONI identifies the potential losses on customer contracts by means of ongoing control of the project's progress and updating of estimates. An extrapolation from business planning is also made to assess the extent to which there may be an onerous customer contract, which is made according to the principles described above and linked with the assumptions and estimates likewise presented above.

The pension expense pertaining to defined benefit plans post employment is determined based upon actuarial computations. These measurements are based on assumptions and judgements with respect to discount rates applied to the net obligation, future wage and salary increases, mortality and future pension increases. Due to the non-current nature of such plans, such estimates are subject to material uncertainties. Details of these uncertainties and sensitivities are presented in › **Note 26**.

2| New accounting requirements

New accounting requirements applied for the first time in the financial year

Amendments to IFRS 3, Reference to the Conceptual Framework
There is an obligation to apply for the first time for the 2022 financial year the amendments to IFRS 3, Reference to the Conceptual Framework, which the IASB issued on 14 May 2020 and which were adopted into European law on 28 June 2021. Since 1 January 2022, the Standard thus now refers to the Conceptual Framework 2018 and no longer to the Conceptual Framework 1989. Two additions concerning business combinations were furthermore included. An acquirer must, for transactions and other events within the scope of IAS 37 or IFRIC 21, apply these requirements when identifying the liabilities it has assumed in a business combination and must explicitly not recognise acquired contingent assets. These amendments have no effect on our financial reporting.

Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract
There is an obligation to apply for the first time for the 2022 financial year the amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract, which the IASB issued on 14 May 2020 and which were adopted into European law on 28 June 2021. These stipulate that the costs of fulfilling a contract comprise the costs that relate directly to the contract. The cost of fulfilling the contract must thus include both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts (e.g. pro-rata depreciation of prop-

erty, plant and equipment used to fulfil several contracts). These amendments have no effect on our financial reporting because the Group already considered all directly related costs as fulfilment costs before.

Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use

There is an obligation to apply for the first time for the 2022 financial year the amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use, which the IASB issued on 14 May 2020 and which were adopted into European law on 28 June 2021. The amendments prohibit deducting from the cost of an item of property, plant or equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Henceforth, an entity must recognise the proceeds from selling such items and the cost of producing those items in profit or loss. Costs of testing remain an example of directly attributable costs. The amendments are to be applied retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. These amendments have no effect on our financial reporting because the Group has no property, plant or equipment that is used to produce goods during test runs.

Annual Improvements to IFRSs 2018-2020 Cycle

The amendments under the annual improvements to IFRSs for the years 2018-2020 concern smaller-scale changes to the following standards: IFRS 1, First-time Adoption of International Financial Reporting Standards, with respect to subsidiaries as first-time adopters, IFRS 9, Financial Instruments, with respect to fees in the '10 percent' test for derecognition, IAS, Agriculture and an illustrative example with respect to IFRS 16. They must be applied for the first time to financial years beginning on or after 1 January 2022. These amendments have no effect 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 any material impact on the consolidated financial statements and are therefore not explained any further.

Future new accounting requirements

The following new or amended Standards and Interpretations have already been adopted by the IASB but have not yet become mandatory or have not yet been adopted into European law. The Company has not prematurely applied these requirements.

Amendments to IAS 1 and to IFRS Practice Statement 2, Disclosure of Accounting Policies

These amendments refer to the requirements under IAS 1, Disclosure of Accounting Policies, with respect to disclosing accounting policies. The term 'material information on accounting policies' replaces the term 'significant accounting policies'. These changes must be applied to financial years beginning on or after 1 January 2023. These amendments are unlikely to have any effect on our financial reporting.

Amendments to IAS 8, Definition of Accounting Estimates

The amendments refer to the definition of accounting estimates, now clarifying that these involve monetary amounts in financial statements that are subject to measurement uncertainty. They must be applied for the first time to financial years beginning on or after 1 January 2023 and apply to changes in accounting policies or changes in accounting estimates that are made on or after the start of this period. These amendments are unlikely to have any effect on our financial reporting.

Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments further curtail the initial recognition exemption of deferred tax to the extent that an entity cannot apply it to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

They must be applied for the first time for financial years beginning on or after 1 January 2023. These amendments are unlikely to have any effect on our financial reporting.

Amendments to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures

The amendments govern the sale or contribution of assets between an investor and an associated company or joint venture. In the case of transactions with an associate or joint venture, the extent to which gains or losses are recognised will in future depend on whether the assets sold or contributed constitute a business under IFRS 3. The IASB has indefinitely postponed the timing of initial application. These amendments are unlikely to have any effect on our financial reporting.

Amendments to IFRS 16, Lease Liability in a Sale and Leaseback
On 22 September 2022, the IASB issued amendments to IFRS 16, Lease Liability in a Sale and Leaseback. These require a seller-lessee to subsequently measure lease liabilities arising from a sale and leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. These changes must be applied for the first time to financial years beginning on or after 1 January 2024. These amendments are unlikely to have any effect on our financial reporting.

Amendments to IAS 1, Classification of Liabilities as Current or Non-current
The amendments to IAS 1, Classification of Liabilities as Current or Non-current, issued on 23 January 2020 clarify that the classification of liabilities as current or non-current should be based only on the existing substantive right as at the reporting date to defer settlement by at least 12 months. The EU's endorsement is still pending. These amendments concern only the presentation of liabilities as current or non-current. The amendments are unlikely to have any effect on our financial reporting as the credit agreements pertaining to our liabilities classified as non-current grant the corresponding rights.

Amendments to IAS 1, Classification of Non-current Liabilities with Covenants
On 31 October 2022, the IASB issued amendments to IAS 1, Classification of Non-current Liabilities with Covenants. These amendments clarify that only covenants with which an entity is required to comply on or before the reporting date affect this classification. In addition, an entity must disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. These changes must be applied for the first time to financial years beginning on or after 1 January 2024. These amendments are unlikely to have any effect on our financial reporting.

International Tax Reform – Pillar Two Model Rules (Proposed amendments to IAS 12)
On 9 January 2023, the IASB issued an exposure draft headed 'International Tax Reform – Pillar Two Model Rules (Proposed amendments to IAS 12)'. The IASB thereby responded to uncertainty about applying IAS 12 in accounting for deferred taxes in connection with the rules on global minimum tax. These amendments introduce a mandatory temporary exception from the recognition of deferred taxes that could arise from the impending implementation of the OECD's published rules on global minimum tax as well as targeted disclosure rules for entities concerned. Comments to the IASB on this exposure draft were due by 10 March 2023. These amendments are unlikely to have any effect on our financial reporting.

3| Scope of consolidation

Along with LEONI AG, the consolidated financial statements account for another 11 companies in Germany and 47 companies outside Germany in which LEONI AG is entitled, either directly or indirectly, to a majority of the voting rights.

Number of fully consolidated companies

	31/12/2022	31/12/2021
Germany	12	18
Outside	47	55
	59	**73**

The scope of consolidation changed during the period under report principally due to the sale of parts of the industrial business pooled in the Business Group Industrial Solutions (BG IN) of the Wire & Cable Solutions Division, the sale of the Fiber Optics companies and of one company in India.

The changes in the scope of consolidation are presented in the section below. A complete list of the fully consolidated subsidiaries as well as of the associates and joint ventures on 31 December 2022 is shown at the end of these Notes (annex to the Notes).

4| Disposals of subsidiaries, assets and liabilities held for sale as well as other portfolio measures

The sale of key parts of the industrial business pooled in the Business Group Industrial Solutions (BG IN) of the Wire & Cable Solutions Division to BizLink Holding Inc. was closed on 20 January 2022. With the completion of this sale, 13 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 operating 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 the transaction, including the effect on profit or loss recognised, as well as the assets and liabilities held for sale as at

Deconsolidated upon disposal in 2022	€ '000
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 liabilities	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 gain / loss	**125,159**

Held for sale in 2021	€ '000
Trade accounts receivable	42,106
Inventories	119,939
Other current assets	13,068
Property, plant and equipment	133,058
Intangible assets	10,782
Goodwill	54,358
Other non-current assets	10,534
Cash and cash equivalents	6,730
Assets held for sale	**390,574**
Financial liabilities	107,488
Trade accounts payable	57,781
Other current liabilities	35,707
Provisions	40,355
Other non-current liabilities	5,653
Liabilities held for sale	**246,984**
Net held-for-sale assets presented on the balance sheet	**143,590**

31 December 2021. The increase in receivables and liabilities at the time of the sale versus the 31 December 2021 balance sheet date is due to the fact that receivables from and liabilities to associated companies are also presented in the accounting for divestitures.

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 €2,182 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 €1,786 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 expenses.

The overview below shows the assets and liabilities disposed at the time of deconsolidation including the effect on profit or loss recognised as well as the assets and liabilities held for sale as at 31 December 2021. The increase in receivables and liabilities at the time of the sale versus the 31 December 2021 balance sheet date is due to the fact that receivables from and liabilities to associated companies are also presented in the accounting for divestitures.

Deconsolidated upon disposal in 2022	€ '000
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	2,182
Deconsolidated net assets	(4,016)
Deconsolidated OCI	48
Net gain / loss	**(1,786)**

Held for sale in 2021	€ '000
Trade accounts receivable	2,758
Inventories	10,413
Other current assets	956
Property, plant and equipment	8,423
Intangible assets	0
Other non-current assets	1,372
Cash and cash equivalents	547
Assets held for sale	**24,469**
Financial debt	6,089
Trade accounts payable	2,273
Other current liabilities	2,580
Provisions	2,335
Other non-current liabilities	499
Liabilities held for sale	**13,777**
Net held-for-sale assets presented on the consolidated balance sheet	**10,692**

A binding agreement on the sale of j-fiber GmbH, which is allocated to the Wire & Cable Solutions Division, was signed in May 2022. The sale was closed on 3 April 2023.

Upon fulfilment of the criteria, the assets and liabilities will be presented as held for sale; they amounted to €9,236 k and €4,912 k, respectively, on 31 December 2022. Furthermore, based on an impairment test, a write-down on the net held-for-sale assets was recognised in the amount of €2,639 k, which is included in other operating expenses, meaning that the assets held for sale amounted to €1,684 k as of 31 December 2022. The overview below presents the carrying amounts of the principal groups:

31/12/2022	€ '000
Trade accounts receivable	2,036
Inventories	3,323
Other current assets	870
Property, plant and equipment	2,893
Intangible assets	113
Assets held for sale	**9,236**
Current financial liabilities	476
Trade accounts payable	1,530
Other current liabilities	436
Short-term provisions	24
Non-current financial debts	2,066
Other non-current liabilities	31
Long-term provisions	349
Liabilities held for sale	**4,912**
Net assets held for sale	**4,323**
Impairment	(2,639)
Net held-for-sale assets presented on the consolidated balance sheet	**1,684**

Upon the deal being closed on 12 September 2022, LEONI Cable Solutions (India) Private Limited, which is allocated to the Wire & Cable Solutions Division, was sold to Ravicab Cables Private Limited. The subsidiary was deconsolidated on the day of its disposal, as control over it also passed to the purchaser on this date. The consideration to be paid by the acquirer was €5,163 k. The Group recognised a loss totalling €949 k due to the sale. The loss included an exchange loss in the amount of €1,971 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 expenses. The transaction furthermore incurred withholding tax in the amount of €2,255 k, which was recognised in income tax expense accordingly.

The overview below presents the assets and liabilities disposed at the time of deconsolidation, including the effect on profit or loss recognised in the third quarter of 2022:

Deconsolidated upon disposal	€ '000
Trade accounts receivable	3,933
Inventories	1,947
Other current assets	1,355
Property, plant and equipment	6,594
Other non-current assets	682
Cash and cash equivalents	1,753
Deconsolidated assets	**16,264**
Financial debt	3,264
Trade accounts payable	2,528
Other current liabilities	5,145
Provisions	1,185
Deconsolidated liabilities	**12,123**
Net assets	**4,141**
Consideration received	5,163
Deconsolidated net assets	(4,141)
Deconsolidated OCI	(1,971)
Net gain / loss	**(949)**

BG AM, the sale of which was agreed in May 2022, was initially presented in the Group's reporting as a discontinued operation since the 2022 half-year financial report and thus as held for sale. Given that the buyer, in a surprise move, refused to close the sale in December 2022, BG AM is once again being presented as a continuing operation in the Group's accounting. In December, the business operation was reclassified at its recoverable amount as the criteria under IFRS 5 were no longer fulfilled. BG AM was no longer presented separately on the balance sheet, in the income statement and in the statement of cash flows from this point in time. We refer to › **Note 17** with respect to determining the recoverable amount as part of the annual impairment test.

Notes
Explanations

5 | Segment reporting

The Group is organised into business units by products and services for the purpose of Corporate Governance. The segment reporting follows the internal organisational and reporting structure of the Group. The Group has two segments subject to reporting:

Wire & Cable Solutions
The Wire & Cable Solutions Division is a leading manufacturer of automotive cables throughout Europe. Its product range encompasses standard cables, special cables and charging cables for the automotive industry as well as wires and strands.

Wiring Systems
The development, manufacture and sale of cable harnesses, complete wiring systems as well as related components and connectors for the international automotive and supply industry constitute the main business of the Wiring Systems Division.

Management monitors EBIT before exceptional items to take decisions on allocation of resources and to determine the profitability of the units. This represents the EBIT figure adjusted for exceptional, non-recurring factors. For a precise definition of the exceptional items, we refer to the management report (› **1.8. Governance of the operating business**). The EBIT before exceptional items is ascertained in line with the accounting and valuation principles of the consolidated financial statements. It also contains the earnings from measurement under the equity method of joint ventures and associates.

Intersegment sales and revenues are generally recorded at values that approximate sales to third parties.

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 (including impairments), restructuring measures, M&A transactions as well as extraordinary costs related to the Ukraine war are classified as exceptional items. For 2021, EBIT before exceptional items was calculated in accordance with the definition applicable from 2022.

The details by segment for the 2022 and 2021 financial years are as follows:

	Wire & Cable Solutions		Wiring Systems Division		Reconciliation		LEONI Group	
€ '000	2022	2021	2022	2021	2022	2021	2022	2021
Gross sales	1,726,331	2,177,948	3,629,506	3,191,235	(262,475)	(250,259)	5,093,363	5,118,923
Less intersegment sales	262,024	249,704	451	555	(262,475)	(250,259)		
External sales	1,464,307	1,928,244	3,629,056	3,190,680			5,093,363	5,118,923
of which domestic	260,700	465,541	1,217,200	921,071	–	–	1,477,900	1,386,612
of which foreign	1,203,607	1,462,703	2,411,856	2,269,609	–	–	3,615,463	3,732,312
% foreign proportion	82.2	75.9	66.5	71.1			71.0	72.9
EBIT	16,898	124,943	(428,440)	(33,289)	(127,904)	(511)	(539,446)	91,143
as a percentage of external sales	1.2	6.5	(11.8)	(1.0)			(10.6)	1.8
EBIT before exceptional items	36,227	139,633	(21,824)	(9,528)	3,811	(511)	18,214	129,594
as a percentage of external sales	2.5	7.2	(0.6)	(0.3)			0.4	2.5
Financial result and other investment income							(71,352)	(70,502)
Income before taxes							(610,798)	20,641
Income taxes							(6,115)	(68,500)
Consolidated net loss							(604,683)	(47,859)
Earnings from measurement under the equity method	113	(408)	31,593	39,630	–	–	31,705	39,223
Depreciation / amortisation	38,041	46,775	150,750	148,109	6,473	9,384	195,264	204,268
EBITDA	54,939	171,718	(277,690)	114,820	(121,431)	8,873	(344,182)	295,411
Balance sheet total	2,323,398	2,381,568	2,079,159	2,384,414	(1,740,922)	(1,316,872)	2,661,635	3,449,110
Investment in property, plant and equipment as well as intangible assets	73,179	79,822	190,482	149,069	2,162	2,272	265,822	231,163
Acquisitions / investments in financial assets	-	1,566	1,354	38	–	–	1,354	1,603
Average number of employees	4,075	7,684	92,077	93,574	214	213	96,365	101,471

Intra-Group business transactions between the segments as well as the figures for LEONI AG are presented in the reconciliation. In the financial year, the intra-Group business transactions include the income totalling € 130 million related to the transfer of the umbrella brand to the Group parent company. Of this total, the Wiring Systems Division accounted for € 89 million and the Wire & Cable Solutions Division for € 41 million.

Segment information by geographical region:

	EMEA total										Americas		Asia		LEONI Group	
of which:			Germany		Eastern Europe		Rest of Europe		Rest of EMEA							
€ '000	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
External sales																
Wire & Cable Solutions	731,032	1,054,875	260,700	465,541	352,236	351,606	98,307	211,336	19,789	26,392	387,411	448,145	345,865	425,224	1,464,307	1,928,244
Wiring Systems Division	2,815,546	2,438,699	1,217,200	921,071	304,121	394,773	1,207,708	1,057,333	86,517	65,523	487,032	410,728	326,477	341,252	3,629,056	3,190,680
	3,546,578	**3,493,574**	**1,477,900**	**1,386,612**	**656,357**	**746,379**	**1,306,016**	**1,268,668**	**106,305**	**91,915**	**874,443**	**858,873**	**672,342**	**766,476**	**5,093,363**	**5,118,923**
Non-current assets[1]	663,786	1,034,713	165,702	268,313	336,992	495,200	12,062	19,406	149,030	251,794	91,245	155,798	101,091	172,468	856,122	1,362,979

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

As in the previous year, China accounted for the most significant proportion of consolidated external sales by national market in Asia with a 11.2 percent (previous year: 12.8 percent) share while, in the Americas, Mexico accounted for 7.3 percent (previous year: 6.6 percent) and the United States for 7.1 percent (previous year: 7.9 percent).

In the 2022 financial year, sales to three customers of the Wiring Systems Division totalled €597,242 k, €561,652 k and €554,325 k, respectively, and thus in each case accounted for more than 10 percent of consolidated sales. In the previous year, sales to two customers of the Wiring Systems Division totalled €548,770 k and €532,806 k, respectively, and thus in each case accounted for more than 10 percent of consolidated sales.

6 | Sales

€ '000	**2022**	2021
Group		
Transfer at a certain point in time	2,648,404	2,953,462
Transfer over a certain period of time	2,444,959	2,165,461
of which development services	38,137	51,118
of which customised products	2,406,822	2,114,343
Sales	**5,093,363**	**5,118,923**
Wiring Systems		
Transfer at a certain point in time	1,184,097	1,025,219
Transfer over a certain period of time	2,444,959	2,165,461
of which development services	38,137	51,118
of which customised products	2,406,822	2,114,343
Sales	**3,629,056**	**3,190,680**
Wire & Cable Solutions		
Transfer at a certain point in time	1,464,307	1,928,244
Sales	**1,464,307**	**1,928,244**

The performance obligations relating to series supply in the Wiring Systems Divisions have terms of just a few weeks because of the short notice at which product is called forward, which is why use was likewise made of the option not to provide additional disclosures regarding the performance obligations not yet met in full on the reporting date.

The Group expects to recognise the performance obligations from commenced development contracts remaining on the reporting date as sales revenues within the next two years in the amount of roughly €48 million (previous year: about €64 million).

The contract assets totalling €185,624 k (previous year: €181,121 k) broke down as follows:

€ '000	2022	2021
Current contract assets	127,561	111,636
Development contracts	15,893	14,441
Customer-specific products without any option for alternative use	111,668	97,195
Long-term contract assets	58,063	69,485
Development contracts	58,063	69,485
	185,624	**181,121**

7| Other operating income and other operating expenses

Other operating income

€ '000	2022	2021
Gain on disposal of consolidated company	125,159	30,549
Compensation	15,968	0
Gains on disposals of property, plant and equipment as well as intangible assets	14,956	748
Reversal of provisions	6,315	53
Provision of services for joint venture in Langfang, China	5,935	6,234
Government grants	3,998	4,815
Insurance compensation	587	6,000
Other	12,754	4,568
	185,672	**52,967**

In the 2022 financial year, gain on disposal of parts of the industrial business pooled in the Business Group Industrial Solutions (BG IN) of the Wire & Cable Solutions Division accounted for €125,159 k. In the previous year, the gain on disposal of LEONI Schweiz AG including its subsidiary LEONI Studer AG was €30,549 k. Furthermore, compensation totalling €15,968 k (previous year: 0), especially for early termination of a customer project, had a beneficial effect in the financial year. Gains on disposals of property, plant and equipment as well as intangible assets amounting to €14,956 k (previous year: €748 k) stemmed mainly from selling the land and buildings of an American subsidiary.

Other operating expenses

€ '000	2022	2021
Goodwill impairment	68,722	4,330
Impairment of a business unit held for sale	6,833	0
Factoring cost	6,091	3,558
Loss on the disposal of business units	3,568	8,869
Exchange losses	2,822	5,994
Losses on disposals of property, plant and equipment as well as intangible assets	1,137	3,576
Other	6,140	4,857
	95,312	**31,184**

The annual impairment test resulted in goodwill in the amount of €68,722 k (previous year: €4,330 k) being written down in full. Details can be found in › **Note 18.**

Prior to the planned sale of j-fiber GmbH, the business unit was impaired by €6,833 k. The losses on the sale of the Fiber Optics companies and the business unit in India totalled €3,568 k. More detailed explanation of this is to be found in › **Note 4**.

8| Government grants

The Group obtained various performance-related government grants in the 2022 financial year, which totalled €5,321 k (previous year: €14,302 k), of which €1,323 k (previous year: €9,487 k) was directly offset in the income statement with the expenses incurred. Grants related to short-time working or similar schemes in countries other than Germany as a consequence of the Covid-19 pandemic partly accounted this in the amount of €385 k (previous year: €8,914 k).

Performance-related grants in the amount of €3,998 k (previous year: €4,815 k), which pertained mainly to the Wiring Systems Division, were furthermore presented in other operating income. Of this, €2,188 k (previous year: €1,845 k) was attributable to the subsidy for export business in Egypt, while another €1,534 k (previous year: €2,328 k) was granted by the Chinese government to promote business located in the country.

As in the previous year, no government grants for capital investment in property, plant and equipment were recognised in fiscal 2022.

In April 2020, furthermore, the Group signed a € 330 million operating loan on standard market terms with its core banks. This was paid down by € 6 million in 2022 as scheduled. As at 31 December 2022, the facility was drawn in the amount of € 324 million and therefore in full. 90 percent of this loan is guaranteed by the German government and the federal states of Bavaria, Lower Saxony and North Rhine-Westphalia (jumbo guarantee provided by the federal government and federal states in connection with the Covid-19 pandemic, RCF III). This was fully drawn by the end of fiscal 2021. The operating loan had a fixed term to end of 2022. This was, in December 2022, originally extended to mid-2023 under a bridge agreement (now extended to 31 August 2023).

9 | Finance revenue and costs

The finance revenues of €4,463 k (previous year: €1,160 k) involved interest income and income resulting from a change of the discount rate for long-term provisions. As in the previous year, they were computed on the basis of the effective interest rate method.

Finance costs broke down as follows:

€ '000	2022	2021
Finance cost from bank loans	48,558	48,144
Finance cost from lease liabilities	10,286	10,976
Guarantee fees	5,779	5,316
Finance cost from pension obligations	1,763	1,889
Other finance costs	9,428	5,442
	75,815	**71,767**

Interest expenses were computed based on the effective interest rate method. The increase in other finance costs is due to heavier exchange losses.

10 | Income taxes

€ '000	2022	2021
Current taxes		
Germany	13,841	10,000
Outside	37,822	44,718
	51,663	**54,718**
Deferred current taxes		
Germany	(9,476)	(1,526)
Outside	(48,302)	15,308
	(57,778)	**13,782**
	6,115	**68,500**

In the 2022 financial year, the Group recognised tax income of €6,115 k (previous year: tax expense €68,500 k) in the income statement. Tax expense of €7,260 k (previous year: tax income of €1,993 k) was recognised in other comprehensive income.

Deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. For the Group's German companies, the deferred taxes on 31 December 2022 were calculated using a corporate tax rate of 15.0 percent, unchanged from the previous year. A solidarity surcharge of 5.5 percent on the corporate tax as well as an average trade tax rate of 13.8 percent were included as in the previous year. In line with the previous year, the tax rate thus applied to calculate deferred taxes for German companies amounted to a combined 29.6 percent. For non-German companies the country-specific, respective tax rates were used.

The table below reconciles the income tax expense or the expected tax expense at the reported tax rate to the effective income taxes presented in the financial statements for the respective financial year. To calculate the projected income tax expense, we multiplied the pre-tax earnings by the combined tax rate in Germany of 29.6 percent (previous year: 29.6 percent) applicable to the financial year.

	2022		2021	
	€ '000	(%)	€ '000	(%)
Expected tax expense (2022: 29.6%; 2021: 29.6%)	(180,796)	29.6	6,110	29.6
Foreign tax rate differentials	38,449	(6.3)	(3,117)	(15.1)
Loss carryforwards for which no tax assets could be recognised and changes in valuation allowances	139,390	(22.8)	67,889	328.9
Non-deductible expenses	8,159	(1.3)	8,049	39.0
Permanent differences, due particularly to disposals of investments	(9,946)	1.6	(3,406)	(16.5)
Foreign tax at source	10,588	(1.7)	4,122	20.0
Prior-period tax income / expense	(1,182)	0.2	2,136	10.3
Income from equity investments	(9,743)	1.6	(11,620)	(56.3)
Other	(1,034)	0.1	(1,662)	(8.0)
Effective income taxes / tax rate	**(6,115)**	**1.0**	**68,500**	**331.9**

This was attributable primarily to not having recognised deferred tax assets against current losses.

The loss carryforwards for which no tax assets could be recognised and the changes in valuation allowances in the amount of €139,390 k (previous year: €67,889 k) in the fiscal year involved particularly tax assets not capitalised in the amount of €132,325 k (previous year: €65,062 k). These valuation allowances concerned deferred tax assets from temporary differences as well as loss carryforwards to the extent it is considered more likely than not that such benefits will be used in future years. In determining the valuation allowance all factors including legal factors and information available were taken into account. Deferred tax assets that were recognised in preceding periods were written down in the amount of €13,514 k (previous year: €6,801 k). The change in valuation allowances included reversal of valuation allowances on deferred tax assets with effect on the income statement in the negative amount of €4,646 k (previous year: a negative amount of €3,722 k). The item included a negative amount of €1,803 k (previous year: negative €252 k) for the use of loss carryforwards for which no tax assets were recognised in the previous years.

Deferred tax assets can be recognised only to the extent that the Company has sufficient taxable temporary differences or so far as there are convincing, substantial indications that sufficient tax-able profit will be available against which the Company's unused tax losses can be utilised. Based on management's assumptions for and estimates of future business performance, there are convincing, substantial indications that these tax assets will be realised. This assessment is in turn based on experience as well as the currently available information and forecasts. Accordingly, deferred tax assets on loss carryforwards were recognised in the amount of €7,551 k (previous year: €17,818 k) in the cases of entities that incurred a tax loss in either the current or previous year, and where the deferred tax assets on loss carryforwards are not covered by a net deferred tax liability. The item comprising permanent differences in the negative amount of €9,946 k (previous year: negative €3,406 k) include the effects of both intra-group disposals of investments to prepare for the originally planned sale of BG AM and sales of investments to third parties. Changes to foreign tax rates are recognised in the income statement in a partial amount of €295 k (previous year: negative €65 k) in the item Other amounting to negative €1,034 k.

The deferred tax assets and deferred tax liabilities were derived from temporary differences recorded under the following balance sheet items as well as tax loss carryforwards, including values reclassified to the balance sheet item of 'assets / liabilities held for sale':

	Consolidated statement of financial position		Consolidated income statement	
€ '000	**2022**	2021	**2022**	2021
Inventories	13,541	19,903	(9,915)	6,680
Accounts receivable and other assets	33,310	25,607	12,779	5,671
Property, plant and equipment	127,643	8,646	117,778	2,604
Intangible assets	54,577	148	54,429	(708)
Non-current financial assets	4,837	4,009	827	(2,285)
Tax loss carryforwards	336,574	322,609	15,618	71,579
Liabilities and provisions	28,026	29,930	(3,183)	(15,297)
Pension provisions	16,905	22,411	(2,663)	(4,168)
Total	615,411	433,264		
Valuation allowance	(452,383)	(325,479)	(128,006)	(72,615)
Deferred tax assets (before offsetting)	**163,028**	**107,785**		
Inventories	6,504	7,046	1,646	(472)
Accounts receivable and other assets	9,930	6,736	(8,828)	(1,839)
Property, plant and equipment	24,487	20,427	790	2,454
Intangible assets	6,460	10,261	4,845	(1,887)
Non-current financial assets	15,963	24,876	8,938	(7,663)
Liabilities and provisions	18,667	12,275	(6,138)	8,210
Pension provisions	29	4	(1,815)	54
Other (outside basis difference)	2,000	0	0	3,381
Deferred tax liabilities (before offsetting)	**84,040**	**81,624**		
Deferred tax income / expense			**57,101**	**(6,300)**
Net deferred tax assets / tax liabilities	**78,988**	**26,160**		

No deferred tax assets on temporary differences and tax loss carryforwards were recognised in the amount of €452,383 k (previous year: €325,479 k) because realisation of the tax assets in the foreseeable future does not seem sufficiently certain.

The net amount of deferred tax assets and liabilities was derived as follows:

Consolidated statement of financial position		
€ '000	**2022**	2021
Deferred tax assets	563,210	379,994
Valuation allowance	(452,383)	(325,479)
Net deferred tax assets	**110,827**	**54,515**
Deferred tax liabilities	**31,839**	**28,355**
Net deferred tax assets / tax liabilities	**78,988**	**26,160**

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

On the balance sheet date, there were deferred tax liabilities with respect to dividend decisions that trigger foreign withholding taxes and for which the dividend payout has not yet occurred in the amount of €2,000 k (previous year: 0). Deferred taxes on outside basis differences (differences between the respective net assets including goodwill of the subsidiaries and the respective tax value of the shares in these subsidiaries) were furthermore not recognised because reversal of differences arising for example from dividend payments can be managed, and from planned disposals no material tax effects are to be expected in the foreseeable future. Outside basis differences amounted to negative €1,387,478 k on 31 December 2022 (previous year: negative €894,265 k).

On the balance sheet date, the Group had foreign income tax loss carryforwards but also German corporate tax loss carryforwards. Excluding the values reclassified to the balance sheet item of 'assets / liabilities held for sale, these totalled €1,208,241 k (previous year: €1,159,200 k), of which €1,096,629 k (previous year: €1,016,175 k) may, based on legislation applicable on the respective reporting date, be carried forward indefinitely and in unlimited amounts. In Germany, however, losses carried forward may be deducted from income without restriction up to €1,000 k only. Any remaining amount of income may be offset by loss carryforwards by up to 60 percent. For US companies, deduction of loss carryforwards is limited to 80 percent of positive income. The remaining tax losses eligible for limited carryforward pertained exclusively to foreign subsidiaries and will expire by 2032 at the latest if not utilised.

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

€ '000	2022
Usable until 2023	17,328
Usable until 2024	7,764
Usable until 2025	29,888
Usable until 2026	12,862
Usable until 2027	21,653
Usable until 2028	1,911
Usable until 2029	2,828
Usable until 2030	6,242
Usable until 2031	6,329
Usable until 2032	4,806

The Group had domestic trade tax loss carryforwards as well as foreign loss carryforwards for US state tax in the amount of €859,373 k on the balance sheet date (previous year: €847,738 k). The German trade tax loss carryforwards may, based on legislation applicable on the respective balance sheet dates, be carried forward indefinitely and in unlimited amounts; the options to offset against future income correspond to the corporate tax loss carryforwards.

In the financial year, German trade tax loss carryforwards amounting to €7,524 k (previous year: €360 k) and no German corporate tax loss carryforwards (previous year: €1,544 k) were utilised. Foreign income tax loss carryforwards were used in the amount of €8,508 k (previous year: €13,025 k). Loss carryforwards for US state tax were used in the amount of €4,481 k in the financial year (previous year: €324 k).

11 | Trade accounts receivable

The trade receivables in the amount of €408,688 k (previous year: €392,718 k) were non-interest bearing. On the balance sheet date, trade receivables were reduced by factoring amounting to €353,543 k (previous year: €371,484 k). In genuine factoring, the factoring company assumes the default risk of the receivables. The reduction in factoring volume is due principally to the sale of key parts of the industrial business pooled in the Business Group Industrial Solutions as well as of the LEONI Fiber Optics GmbH, LEONI Fiber Optics, Inc. and j-plasma GmbH companies.

12 | Other current financial assets

€ '000	2022	2021
Receivables from associated companies and joint ventures	13,387	13,996
Other current financial assets	56,173	77,077
	69,560	**91,073**

The other current financial assets presented in the amount of €56,173 k (previous year: €77,077 k) include other financial assets in the amount of €36,302 k (previous year: €72,782 k) and derivative financial assets in the amount of €19,871 k (previous year: €4,295 k). The decrease in financial assets is attributable particularly to the smaller amount of security retainers related to factoring.

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

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

13 | Other current assets

€ '000	2022	2021
Receivables for VAT	109,341	71,721
Prepaid expenses	36,893	31,614
Advance payments	14,017	12,023
Salary advances and travel cost advances	2,863	2,278
Receivables for other taxes	2,007	2,118
Other assets	14,177	14,003
	179,298	**133,757**

14 | Inventories

€ '000	2022	2021
Raw materials and manufacturing supplies	325,374	283,208
Work in progress	80,250	83,332
Finished products and merchandise	106,368	103,475
	511,992	**470,015**

The amount of impairment of inventories recognised as expense was €23,737 k (previous year: €23,965 k). This includes an impairment amounting to €4,679 k that related to the war in Ukraine. As in the previous year, the fiscal 2022 write-downs on inventory were fully included in the cost of sales.

The inventory recognised as expense in the cost of sales (inventory used) in the financial year amounted to €3,160,375 k (previous year: €3,004,530 k).

The carrying amount included inventories in the amount of €22,101 k (previous year: €18,053 k) that were measured at net realisable value.

15 | Property, plant and equipment

€ '000	Land, leasehold rights and buildings	Technical equipment, plant and machinery	Other equipment, factory and office equipment	Advance payments and assets under construction	Total
Net carrying amount on 1 January 2021	**576,964**	**617,264**	**101,552**	**87,182**	**1,382,962**
Acquisition costs on 1 January 2021	787,575	1,542,656	381,568	99,300	2,811,099
Currency differences	28,961	33,505	7,712	1,958	72,136
Additions	50,718	74,117	25,253	69,150	219,238
Assets held for sale	68,826	134,736	51,621	27,787	282,970
Disposals	36,227	68,794	10,606	690	116,317
Deconsolidation	0	0	123	0	123
Reclassification	4,277	51,221	10,961	(66,459)	0
31 December 2021	766,478	1,497,969	363,144	75,472	2,703,063
Accumulated depreciation on 1 January 2021	210,611	925,392	280,016	12,118	1,428,137
Currency differences	4,069	18,662	5,037	151	27,919
Depreciation	50,426	105,136	36,954	0	192,516
Impairment	1,672	10,021	2,209	918	14,820
Assets held for sale	21,723	84,101	34,711	954	141,489
Reversal	26	0	96	0	122
Disposals	18,820	54,977	15,819	418	90,034
Deconsolidation	0	0	100	0	100
Reclassification	0	4,030	(128)	(3,902)	0
31 December 2021	226,209	924,163	273,362	7,913	1,431,647
Net carrying amount on 31 December 2021	**540,269**	**573,806**	**89,782**	**67,559**	**1,271,416**
Acquisition costs on 1 January 2022	766,478	1,497,969	363,144	75,472	2,703,063
Currency differences	4,729	10,666	3,738	(429)	18,704
Additions	51,652	83,955	21,265	98,292	255,164
Assets held for sale	4,230	8,145	3,713	1,501	17,589
Disposals	37,411	100,202	21,775	1,809	161,197
Deconsolidation	3,190	20,662	4,947	50	28,849
Reclassification	13,494	52,018	8,965	(74,477)	0
31 December 2022	791,522	1,515,599	366,677	95,498	2,769,296
Accumulated depreciation on 1 January 2022	226,209	924,163	273,362	7,913	1,431,647
Currency differences	1,786	7,449	2,881	5	12,121
Depreciation	48,976	108,700	29,747	2	187,425
Impairment	129,328	288,076	46,673	57,027	521,104
Assets held for sale	1,549	7,991	3,655	1,501	14,696
Disposals	29,584	96,149	20,802	2	146,537
Deconsolidation	2,661	15,938	4,402	21	23,022
Reclassification	0	0	0	0	0
31 December 2022	372,505	1,208,310	323,804	63,423	1,968,042
Net carrying amount on 31 December 2022	**419,017**	**307,289**	**42,873**	**32,075**	**801,254**

Impairments or property, plant and equipment were recognised in the amount of €521,104 k (previous year: €14,820 k), of which €511,777 k was incurred in connection with the annual impairment test (cf. › **Note 17** in this regard).

16 | Intangible assets

€ '000	Trademarks, similar rights, software and other	Customer relationships and order backlog	Development costs	Advance payments	Total
Net carrying amount on 1 January 2021	**31,360**	**3,769**	**8,862**	**11,233**	**55,224**
Acquisition costs on 1 January 2021	162,290	120,092	20,628	17,194	320,204
Currency differences	618	347	261	112	1,338
Additions	6,755	0	846	4,324	11,925
Assets held for sale	17,693	6,582	5,032	3,848	33,155
Disposals	5,298	98	7,706	3,996	17,098
Deconsolidation	0	0	4,171	156	4,327
Reclassification	1,558	0	1,416	(2,974)	0
31 December 2021	148,230	113,759	6,242	10,656	278,887
Accumulated amortisation on 1 January 2021	130,930	116,323	11,766	5,961	264,980
Currency differences	530	346	134	0	1,010
Amortisation	10,285	496	900	71	11,752
Impairment	1,485	0	0	0	1,485
Assets held for sale	13,763	6,585	1,516	510	22,374
Disposals	5,133	21	5,994	2,945	14,093
Deconsolidation	0	0	2,020	0	2,020
Reclassification	357	0	0	(357)	0
31 December 2021	124,691	110,559	3,270	2,220	240,740
Net carrying amount on 31 December 2021	**23,539**	**3,200**	**2,972**	**8,436**	**38,147**
Acquisition costs on 1 January 2022	148,230	113,759	6,242	10,656	278,887
Currency differences	304	82	708	(45)	1,048
Additions	7,151	2,479	133	897	10,660
Assets held for sale	3,934	798	0	0	4,732
Disposals	2,735	0	0	452	3,187
Deconsolidation	1,049	2,587	0	0	3,636
Reclassification	1,274	0	55	(1,329)	0
31 December 2022	149,241	112,935	7,138	9,727	279,040
Accumulated amortisation on 1 January 2022	124,691	110,559	3,270	2,220	240,740
Currency differences	122	82	381	804	1,389
Amortisation	7,029	586	271	(47)	7,839
Impairment	13,242	1,170	3,188	5,415	23,015
Assets held for sale	3,821	798	0	0	4,619
Disposals	3,473	0	2	0	3,475
Deconsolidation	(552)	108	2	0	(442)
Reclassification	0	0	0	0	0
31 December 2022	138,342	111,491	7,106	8,392	265,331
Net carrying amount on 31 December 2022	**10,899**	**1,444**	**32**	**1,335**	**13,710**

Impairments of intangible assets were recognised in the amount of €23,015 k (previous year: €1,485 k), of which €22,534 k was incurred in connection with the annual impairment test (cf. › **Note 17** in this regard). This was included in the cost of sales in amount of €15,176 k and in administrative costs in the amount of €7,358 k.

The contractual and non-contractual business relationships obtained in the context of business acquisitions under the item customer relationships and order backlog had a residual value of €1,444 k (previous year: €3,200 k); the average residual useful life of the customer relationships was about six years. An impairment under the annual impairment test in the amount of €1,170 k pertained to this item in the financial year (previous year: 0).

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

€ '000	2022	2021
Cost of sales	1,297	2,416
General and administration expenses	5,962	8,513
Selling expenses	90	151
Research and development expenses	490	672
	7,839	**11,752**

17 | Impairment testing of property, plant and equipment as well as intangible assets

Property, plant and equipment as well as intangible assets were tested for impairment where there were possible signs of depreciation pursuant to IAS 36.13.

In the impairment tests, the recoverable amount of the respective cash-generating unit was based on the fair value less cost to sell and was determined based on the level three parameters pursuant to IFRS 13. As a matter of principle, the cash flows relevant to the impairment test stem from the medium-term planning for a five-year period as approved by the Supervisory Board, for the preparation and plausibility check of which the market circumstances are considered and a peer group comparison is carried out. In addition, such other external sources as data from IHS Markit (IHS) as the leading provider of automotive-related market data was used.

When the buyer surprisingly refused to close the sale of Business Group Automotive Cable Solutions in December 2022, the envisaged refinancing could no longer be implemented as planned. The uncertain financing situation on the measurement date led, among other things, to customers being less able to book new orders as well as further operational risks with respect to executing restructuring measures with corresponding impact on medium to long-term business prospects.

The medium-term planning approved by the Supervisory Board was complemented with additional planning assumptions derived from the expert opinion on restructuring in line with the IDW S6 auditing standard issued by an external expert to ensure that these changed conditions and the increased factors of uncertainty are reflected in the planning used for carrying out the impairment test.

The business of the Wire & Cable Solutions Division is subdivided by product group into Business Groups.

In the case of one of the Business Groups, the business is managed across various legal entities (LEs) that do not generate cash inflows on a stand-alone basis. This Business Group therefore constitutes a cash-generating unit for impairment testing of the assets. The other business groups of the Wire & Cable Solutions Division are managed at the level of the individual legal entities. These are production and distribution facilities that independently generate separate cash inflows. The structuring focuses on producing technical products and/or solutions that are made by a legal entity and sold to the customer. While there are interdependencies with other products, these do not constitute a dominant correcting variable. The individual legal entities of the Business Group therefore constitute the cash-generating units.

The Wiring Systems Division comprises several legal entities which cannot generate cash inflows on a stand-alone basis. Cash inflows are made possible only by the interaction of several facilities with differing value-chain stages as well as differing products and product generations. For this reason and considering a profitability-focused use of production capacity, the cash-generating unit is defined at the level of the division.

Within the Wiring Systems Division, goodwill is allocated at the division level. Goodwill impairment testing is therefore done at the level of the entire Wiring Systems Division. (cf. › **Note 18**).

As part of ascertaining the fair values less cost to sell for the respective cash-generating units, LEONI applied as key assumptions and measurement parameters a long-term growth rate of 0.0 percent (previous year: 1.0 percent).

The measurement assumptions as well as the measurement results of the impairment tests were additionally verified with an appraisal issued by another external expert. This appraisal was issued for the purpose of the appropriateness of the creditors' participation in the restructuring plan and was carried out under the StaRUG procedure. Furthermore, the findings from the refinancing negotiations were considered in assessing the plausibility of the impairment tests.

The values in use of the cash-generating units are below their fair values less cost to sell because the cash flows from future restructuring, which the Company is not obliged to carry out, are disregarded. Against this backdrop, the fair values less cost to sell correspond to the recoverable amounts of the cash-generating units. In the past financial year, cash-generating units of the Wire & Cable Solutions Division and of the Wiring Systems Division were impairment tested based on the recoverable amount.

Cash-generating unit (CGU)

Segment/CGU	Impairment € million	Recoverable amount € million	Average sales growth %	Average EBIT margin %	WACC %
Wire & Cable Solution					
CGU 1	172.3	261.8	4.0	2.7	11.7
CGU 2	1.1	–*	–*	–*	–*
Wiring System					
CGU 3	362.0	628.2	4.8	1.5	12.0

*) No disclosures, IFRS 5 applied at the end of the year

Impairment testing based on the value ratios before refinancing, i.e. taking into account the risks of customers' curtailed ability to book new orders as well as further operational risk because of the uncertain financing situation, called for, alongside the goodwill impairments (cf. › **Note 18**), further impairments effective 31 December 2022 in the amount of €534.3 million, which impacted CGU1 within the Wire & Cable Solution Division in the amount of € 172.3 million and CGU3 as the Wiring Systems Division in the amount of €362.0 million. The overall need for write-down concerns intangible assets in the amount of €22.5 million (cf. › **Note 16**) and property, plant and equipment in the amount of €511.8 million (cf. › **Note 15**). The impairments of property, plant and equipment comprise capitalised lease rig hts of use in the amount of €93.5 million (cf. › **Note 20**).

The need for impairment was, after writing down goodwill, as a matter of principle spread pro-rata among the remaining non-current assets, while the individual assets were not written down below their recoverable amount. Reclassification into assets and liabilities held for sale in CGU 2 within the Wire & Cable Solutions Division incurred impairment expense of €1.1 million. We refer to Section 4 concerning the other impairments related to reclassification into assets and liabilities held for sale. The war in Ukraine caused need to write down property, plant and equipment by €7.9 million and capitalised lease rights of use by €0.2 million in the 2022 financial year. The assets concerned are not expected to generate any more cash inflows. Further, individual assets were impaired by €0.5 million as part of having shut down the facility in Brake, Germany. Overall, impairment of non-current assets amounted to €544.1 million, which was reflected in the income statement's cost of sales with a figure of €536.6 million and in general administrative expenses with €7.5 million.

18| Goodwill

Goodwill in the financial year is summarised as follows:

€ '000	2022	2021
Acquisition costs on 1 January	88,567	144,631
Accumulated allowance	19,845	15,251
Carrying amount on 1 January	**68,722**	**129,380**
Valuation allowance	68,722	4,330
Disposals	0	56,129
Currency translation differences	0	200
Carrying amount on 31 December	0	68,722
Acquisition costs on 31 December	83,835	88,567
Accumulated allowance on 31 December	83,835	19,845
Carrying amount on 31 December	**0**	**68,722**

In addition to the obligatory impairment tests of all goodwill that must be carried out at least once a year, the Company carries out additional impairment tests during the financial year where there are indications of impairment. The obligatory impairment test of all goodwill that must be carried out at least once a year was executed as at 31 December 2022.

For the purpose of the impairment test, all goodwill was allocated to those cash-generating units or groups of cash-generating units that benefit from the synergies of the business combinations.

The part of the goodwill in the Wire & Cable Solutions Division that was classified as held for sale in the past year has been disposed in the current financial year.

In all the goodwill impairment tests, determination of the recoverable amount was based on the fair value less cost to sell. The underlying cash flow forecasts are in each case based on the five-year business planning as approved by the Executive Board. The change in acquisition costs as well as the accumulated allowance as at 31 December versus the previous year, while the carrying amount remains the same, is due to the divestiture of goodwill already fully amortised.

Within the Wiring Systems Division, the item of goodwill in the amount of €68.7 million is allocated entirely at segment level and tested for impairment. As part of this impairment test, goodwill in the amount of €68.7 million was written down in full. This goodwill impairment was fully reflected in the income statement under other operating expenses. The principal assumptions of the impairment test and the reasons for the write-down are presented in › **Note 17**.

19 | Shares in associated companies and joint ventures

As in the previous year, the shares in associated companies and joint ventures involved primarily LEONI Wiring Systems Co. Ltd. based in Langfang, China, in which the Group holds a 50 percent stake and which is included on the consolidated financial statements with this share. The business purpose of this joint venture is the production of cable harnesses for car model series.

The following key figures may be extrapolated from the financial statements prepared in accordance with IFRS for the aforementioned significant joint venture. The figures are stated at 100 percent and do not reflect LEONI's share in these amounts. There is furthermore a reconciliation of the pro-rata net assets with the carrying amount of the share held by LEONI in this joint venture.

€ '000	2022	2021
Current assets	158,143	200,608
of which cash and cash equivalents	6,840	37,103
Non-current assets	40,050	43,311
Current liabilities	122,424	143,379
of which current financial liabilities	39,382	69,544
Non-current liabilities	3,141	3,139
Sales	416,118	402,288
Interest income	450	531
Interest expenses	1,986	1,864
Depreciation / amortisation	13,496	11,848
Expenses	328,595	296,574
Earnings before taxes	**72,491**	**92,534**
Income tax expense or revenue	(9,157)	(13,075)
Earnings after taxes	**63,334**	**79,460**
Other comprehensive income	(1,499)	6,530
Total comprehensive income	**61,835**	**85,990**
Pro-rata comprehensive income	30,918	42,995
Net assets (excl. goodwill)	**72,628**	**97,400**
Pro-rata net assets	36,314	48,700
Pro-rata goodwill	4,223	4,354
Carrying amount of investment	**40,537**	**53,054**
Non-significant joint ventures	621	362
Carrying amount of investment on balance sheet	**41,158**	**53,416**
Average number of employees	1,254	1,355

LEONI received a dividend of €43,058 k from Langfang-based LEONI Wiring Systems Co. Ltd. in the financial year (previous year: €40,861 k).

The carrying amount of joint ventures and associated companies that are individually not significant was €621 k (previous year: €362 k).

The summarised financial information, based on the values pertaining to LEONI, is presented below:

€ '000	2022	2021
Income from continuing operations	(75)	(99)
Other earnings after taxes	334	(53)
Total comprehensive income	**259**	**(152)**

20 | Leases

The Company has leases for land, leasehold rights and buildings, machinery, motor vehicles as well as factory and office equipment. Calculation of the lease liabilities as at the reporting date for land, leasehold rights and buildings was based on residual terms of between one and twenty years, whereas liabilities for rental of machinery, motor vehicles and factory and office equipment was based on residual terms of between one and five years.

Expenses for leases that had terms of less than twelve months were recognised during the year under report. These leases involved mostly motor vehicles, technical equipment and machinery, but also short-term building leases. Expenses were furthermore recognised for leases where the new value of the asset is less than €5 k. The latter concerns mostly office and business equipment.

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

€ '000	Land, leasehold rights and buildings	Technical equipment, plant and machinery	Other equipment, factory and office equipment	Total
Net carrying amount on 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	9,923	1,165	426	11,514
Additions	41,481	2,531	6,146	50,158
Reclassification to assets held for sale	39,912	1,023	3,884	44,819
Disposals	11,567	691	4,503	16,761
31 December 2021	**297,331**	**30,729**	**20,610**	**348,670**
Accumulated amortisation on 1 January 2021	**57,884**	**9,080**	**9,928**	**76,892**
Currency differences	2,511	440	169	3,120
Additions	35,004	6,295	6,638	47,937
Impairment	952	207	1,153	2,312
Reclassification to assets held for sale	10,306	359	1,495	12,160
Disposals	8,900	721	4,395	14,016
31 December 2021	**77,145**	**14,942**	**11,998**	**104,085**
Net carrying amount on 31 December 2021	**220,186**	**15,787**	**8,612**	**244,585**
Acquisition costs on 1 January 2022	**297,331**	**30,729**	**20,610**	**348,670**
Currency differences	2,621	(750)	57	1,928
Additions	38,328	869	3,159	42,356
Deconsolidation	2,730	119	4,000	6,849
Reclassification to assets held for sale	4,202	60	92	4,354
Disposals	29,938	1,154	5,298	36,390
31 December 2022	**301,410**	**29,515**	**14,436**	**345,361**
Accumulated amortisation on 1 January 2022	**77,145**	**14,941**	**11,998**	**104,084**
Currency differences	825	(601)	38	262
Accumulated amortisation	35,287	6,888	5,323	47,498
Accumulated impairment	86,150	4,373	3,195	93,718
Deconsolidation	2,187	128	3,485	5,800
Reclassification to assets held for sale	1,521	27	34	1,582
Disposals	23,695	1,114	5,046	29,855
31 December 2022	**172,004**	**24,332**	**11,989**	**208,325**
Net carrying amount on 31 December 2022	**129,406**	**5,183**	**2,447**	**137,036**

Impairments of rights of use were recognised in the amount of €93,718 k (previous year: €2,312 k), of which €93,541 k was incurred in connection with the annual impairment test (cf. › **Note 17** in this regard).

The adjustment or reassessment of leases affected accruals in the amount of €7,185 k and disposals in the amount of €7,294 k during the year under review.

The following amounts are recognised in the income statement:

€ '000	2022	2021
Amortisation of rights of use	47,498	47,937
Finance cost on lease liabilities	10,287	10,976
Expenses for short-term leases	3,027	2,974
Impairments on rights of use	93,718	2,312
Expenses for low-value leased items	1,860	1,266
Variable leasing expenses	245	424
Income from sub-leases	33	0
Total amount of leasing expenses classified to the income statement	**156,602**	**65,889**

Cash outflows due to leasing totalled €62,175 k (previous year: €66,331 k).

Lease liabilities in the amount of €233,257 k (previous year: €248,554 k) are recognised under financial debt, of which €41,871 k current and €191,386 k non-current.

The future (undiscounted) minimum rental payments on non-cancellable operating leases are presented according to their maturity in › **Note 29** ('Risk management and financial derivatives'; sub-section 'Liquidity risk').

The Company has signed leases for rental of land and buildings with variable lease payments, which depend on the volume of inventory movements. In the year under report, the expenses not recognised under lease liabilities for such leases amounted to €245 k (previous year: €424 k), the payouts for which amounted to €122 k (previous year: €377 k).

Based on the extension and termination options, the potential future cash outflows come to a figure of €58,674 k (previous year: €61,265 k). In particular, this concerns options to extend by up to 20 years for leases of buildings as well as factory and office equipment. These options were disregarded in measurement of lease liabilities because their exercise was not presently deemed as sufficiently certain.

In addition, there are off-balance sheet, future obligations pertaining to short-term leases in the amount of €916 k (previous year: €377 k), to leases for minor-value assets in the amount of €6,907 k (previous year: €1,924 k), as well as to variable lease payments in the amount of €124 k (previous year: €2,483 k) and leases that have already been agreed, but do not commence until after the reporting date in the amount of €4,075 k (previous year: €4,458 k).

21| Financial liabilities

€ '000	2022	2021
Current financial debts and current proportion of long-term financial debts	1,159,167	579,679
Non-current financial debts	436,392	1,018,837
	1,595,559	**1,598,516**

The financial liabilities comprised liabilities to banks, notes payable, lease liabilities and other loan obligations. During the year under report, current financial liabilities in the amount of €476 k (previous year: €89,953 k) as well as non-current financial liabilities in the amount of €2,066 k (previous year: €23,534 k) were reclassified to the balance sheet item 'liabilities held for sale'.

Current financial liabilities and the short-term proportion of long-term loans amounted to €1,159,167 k on the reporting date (previous year: €579,679 k). The increase in current financial liabilities was due principally to reclassification of originally non-current financial liabilities in the amount of €593,587 k (RCF I). Borrower's note loans in the amount of €98,079 k were furthermore reclassified to current debt because of their maturity structure. On the other hand, a borrower's note loan in the amount of €53,686 k was repaid because it matured.

Non-current financial liabilities amounted to €436,392 k on the reporting date (previous year: €1,018,837 k). This change is due principally to the aforementioned reclassification of the originally non-current financial liabilities.

As at 31 December 2022, the existing RCF III working capital loan in the amount of €324 k that originally matured at the end of 2022 was thus utilised in full. In December 2022, the term of the loan was extended, originally to mid-2023 (now extended to 31 August 2023). The 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).

Group-wide financial liabilities remained largely unchanged in the financial year. However, LEONI AG had an increased funding requirement that was covered on the one hand by the further utilisation of an existing syndicate loan (RCF I with a total available amount of €750 million and maturing at the end of August 2023). An additional net withdrawal of €86 million in the 2022 financial year increased utilisation of RCF I to €610 million. Utilisation of the existing RCF II syndicate loan decreased by €18 million (net) in the financial year to a total of €132 million. The total available amount under RCF II was €150 million. In December, the term of the loan originally due at the end of 2022 was extended to the end of August 2023.

The RCF I, RCF II and RCF III credit lines used are due within the next twelve months after the balance sheet date. These were consequently presented under current financial liabilities on the balance sheet as at 31 December 2022.

Financial liabilities as at 31 December 2022 also include borrower's note loans in the amount of €343 million. These are mostly due for repayment in the years 2023 or later. The interest regularly payable on these loans is allocated to current financial liabilities.

Current and non-current lease liabilities amounted to €233,257 k on 31 December 2022 (previous year: €248,553 k).

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

Nominal value € '000	Carrying amount 31/12/2022 € '000	Payment year	Repayment	Interest	Hedging instrument
11,000	11,011	2018	matures 2023	fixed income	none
87,000	87,053	2018	matures 2023	variable rate	Cash flow hedge
66,500	66,571	2018	matures 2024	fixed income	none
87,000	87,046	2018	matures 2024	variable rate	Cash flow hedge
12,000	12,183	2015	matures 2025	fixed income	none
58,000	58,075	2018	matures 2026	fixed income	none
13,500	13,520	2018	matures 2028	fixed income	none
8,000	8,003	2018	matures 2028	variable rate	Cash flow hedge

Details regarding the financial liabilities and hedging instruments are to be found in › **Note 29**. The restructuring plan agreed at the beginning of 2023 led to significant changes in financial liabilities. We refer to › **Note 36** for more details of the restructuring plan and the associated debt relief.

22 | Trade accounts payable

On 31 December 2022, trade liabilities amounting to €820,812 k (previous year: €739,919 k) involved reverse factoring, which included reverse factoring liabilities in the amount of €112,152 k (previous year: €142,085 k). Liabilities amounting to €1,530 k (previous year: €60,054 k) were reclassified to liabilities held for sale in fiscal 2022.

23 | Current financial liabilities

€ '000	2022	2021
Liabilities to associated companies and joint ventures	1,218	1,420
Other liabilities	53,490	66,514
	54,708	**67,934**

Current financial liabilities included payables amounting to €20,101 k (previous year: €38,088 k) from the receipt of payment on receivables that were sold within factoring contracts.

Also included are liabilities related to anticipated discounts on future business volumes amounting to €20,692 k (previous year: €14,347 k).

24 | Other current liabilities

€ '000	2022	2021
Liabilities to employees	105,461	118,013
Liabilities due to duplication of production	71,657	0
Tax liabilities	42,390	41,991
Liabilities connected with social security	26,981	23,598
Other liabilities	30,402	23,896
	276,891	**207,498**

Other current liabilities rose primarily due to the payments received from customers for the precautionary duplication of production capacity at other locations, brought about by the war in Ukraine. These payments are recognised in profit or loss as soon as the corresponding costs are incurred.

25 | Provisions

The changes in provisions are summarised as follows:

€ '000	01/01/2022	Usage	Reversal	Allocation	Allocation of interest	Currency differences	Change in scope of consolidation	31/12/2022	Current provisions 2022	Non-current provisions 2022	Current provisions 2021	Non-current provisions 2021
Personnel-related provisions	25,858	2,505	2,605	1,672	(1,378)	(94)	(414)	**20,722**	1,376	19,346	2,598	23,260
Provisions for product warranties	8,728	1,485	2,821	2,704	0	(29)	(755)	**6,400**	6,400	0	8,728	0
Other provisions for purchasing and distribution	76,848	28,515	25,139	37,366	(1,270)	(1,050)	(59)	**60,281**	25,719	34,563	33,389	43,460
Restructuring provisions	13,096	7,997	2,580	5,784	0	(157)	(1,117)	**7,343**	7,255	88	13,008	88
Other provisions	19,100	2,453	5,314	2,564	(169)	(518)	0	**14,247**	2,411	11,836	9,603	9,497
Total	**143,631**	**42,954**	**38,459**	**50,090**	**(2,817)**	**(1,848)**	**(2,345)**	**108,994**	**43,161**	**65,833**	**67,326**	**76,305**

The personnel-related provisions involved mainly long-term provisions for anniversary bonuses in the amount of €6,096 k (previous year: €7,608 k) and semi-retirement provisions in Germany in the amount of €1,258 k (previous year: €5,006 k). The provision for anniversary bonuses is paid out according to the age structure of the workforce upon the employees' respective anniversaries of service. Based on the current workforce, payments will mostly become due in the next 19 years. The payments relating to provisions for partial retirement will probably be spread over the next five years.

The product warranties were determined based on experience, with goodwill concessions also taken into account. Provisions were added in the amount of €2,704 k (previous year: €4,366 k) for claims under warranty and/or for compensation in fiscal year 2022. These provisions for claims under warranty and/or for compensation were offset by claims against the insurer in the amount of €50 k (previous year: €50 k).

The provisions in purchasing and distribution pertained mostly to order-related provisions for several onerous contracts totalling €56,371 k (previous year: €71,069 k). The decrease is due, among other factors, to the reversal of provisions because of the war in Ukraine and successful price negotiations with customers, which were recognised in the cost of sales. On the other hand, this reflected provision made especially for the likely ongoing increase in factor costs (raw materials, personnel and transport) as well as anticipated decline in volume and adverse exchange rate effects. Losses could consequently, in the course of 2023 and thereafter over a multi-year period, impact on liquidity.

Restructuring provisions were down further due to usage in connection with paying out severance. An opposing effect involves accretion of expected severance payments in connection with shutting down the production of a facility in the Wiring Systems Division. These factors will essentially affect liquidity within the next financial year.

As in the previous year, other provisions contain provision for the soil decontamination of a site in Germany.

26 | Pension provisions

At LEONI, there are in various countries pension commitments that provide for benefits in the event of disablement, retirement or death. These principal commitments are limited to our companies in the United Kingdom and Germany and are set up as defined benefit plans. The obligations and the plan assets of the pension plans in these two countries accounted for 95.6 percent (previous year: 96.7 percent) and 99.3 percent (previous year: 99.5 percent), respectively, of the Group total. The pension plan in the United Kingdom is managed by a legally independent entity, namely the LEONI UK Pension Scheme.

As part of reclassification to liabilities held for sale pursuant to IFRS 5 as at 31 December 2022, €633 k of the net liability stemming from the pension commitment in Germany is no longer presented under pension provisions, but rather under liabilities held for sale.

In the year under report, parts of the net liability were deconsolidated in full because these had finally been disposed in the context of the sale of BG IN and BU FO. In the previous year, these parts of the net liability had already no longer been presented under pension provisions, but rather, according to IFRS 5, under liabilities held for sale.

Germany

In Germany, LEONI grants defined benefits to most employees for the deferral of compensation. Amounts of deferred compensation earn fixed interest and lead to a claim for fixed lump-sum benefit once entitlement takes effect. These benefits are covered by capital insurance. The reinsurance policies are qualifying insurance policies and are therefore recognised as plan assets. The terms of the insurance policies are in line with the dates when the benefits become due. The interest rate for benefit modules follows the respective current maximum rate stipulated by Section 65 of the Insurance Supervision Act (VAG) in conjunction with Section 2 (1) of the Actuarial Reserve Ordinance. It is capped at 6.0 percent; recently acquired benefit modules are rated at 4.0 percent interest.

Deferred compensation payments were made mostly to a third-party Contractual Trust Arrangement (CTA) to minimise the risk of employee-financed pension schemes failing to pay out. Once a year, the trustee agrees reinsurance policies on the life of the respective employees in the amount of these deferrals. Furthermore, the plan assets stemming from reinsurance policies that already existed in the past were also largely converted to this model. The trust assets and the values of the insurance policies are in the economic ownership of the respective LEONI company and are therefore deemed to be qualified plan assets.

The pension plan of Leonische Drahtwerke AG, which was closed to people joining the Company as long ago as 1981, granted pension payments based on years of service and income at the time of retirement.

The plans in Germany are exposed to risks relating primarily to interest rates, longevity and partly also salary increases.

United Kingdom

In the United Kingdom, there is a defined benefit plan that was set up in the year 2000 and replaced the pension plan in place until then. Until it was closed to new staff joining in 2008, all employees were able to participate in this plan. The pension plan is administered by a trust whose board comprises both employer and employee representatives. There are also outside experts consulting on asset management and actuarial matters. The trust determines the contributions to be paid in by LEONI and decides on the additional contributions to be paid by LEONI in the event of any plan deficit. While the discount rates to be applied to computing the pension obligation increased significantly during the year under report and the obligation therefore diminished in line, there was also a decrease in plan assets, meaning that the plan deficit stemming from the balance of defined benefit obligation and plan assets was virtually unchanged at €42,985 k (previous year: €43,897 k). This equates to 27.3 percent (previous year: 17.9 percent) of the defined benefit obligation. Negotiations between LEONI and the trust are conducted every three years to determine the amounts to be paid in to clear any deficit and the period over which to do so. In addition to the ongoing contributions, payments of €6,296 k were made in the financial year (previous year: €5,715 k) to clear the deficit.

The amount of committed benefits is based upon the salary of the last year of employment as well as years of service and contributions of the participants to the fund. Pension adjustments are linked to an inflation index, reflecting increases in the cost of living.

LEONI is exposed due to these plans in the United Kingdom to risks involving primarily interest rates, investment, inflation and longevity, as well as salary increases.

Other countries

In France, there are defined benefit plans in accordance with the country's legal requirements and other agreements. The collective agreement of the French metal-working trade union determines the size of the benefit. It is linked to monthly wages and salaries and depends on years of service.

Furthermore, there are at some foreign subsidiaries pension-like defined benefit schemes, above all for transition payments after entering retirement, which were presented as defined benefit plans pursuant to IAS 19 and which were of only minor significance to the Group.

The trend in net pension obligations, which is comprised of the change in the defined benefit obligation and the change in the fair value of plan assets is as follows:

2022

Change in defined benefit obligations	€ '000	UK	Germany	Other	Total
Defined benefit obligations at the beginning of the fiscal year		245,789	111,978	12,281	370,048
Service cost		1,764	1,741	1,003	4,508
Interest cost		4,640	1,381	185	6,206
Actuarial gains / (losses)		(79,132)	(27,093)	(1,336)	(107,561)
Past service cost		0	0	(246)	(246)
Contributions by plan participants		28	2,183	0	2,211
Currency translation differences		(9,127)	0	323	(8,804)
Reclassification to liabilities held for sale and disposal of subsidiaries		0	(652)	(115)	(767)
Benefits paid		(6,258)	(2,805)	(755)	(9,818)
Defined benefit obligations at the end of the fiscal year		**157,704**	**86,733**	**11,340**	**255,777**
Change in plan assets					
Fair value of plan assets at the beginning of the fiscal year		201,892	43,584	1,349	246,825
Interest income		3,876	524	43	4,443
Return on plan assets (excl. interest income based on discount rate)		(85,633)	942	(35)	(84,726)
Currency translation differences		(6,969)	0	1	(6,968)
Contributions by the employer		8,869	186	184	9,239
Contributions by plan participants		28	2,183	0	2,211
Administrative costs, fees and taxes		(1,086)	0	0	(1,086)
Reclassification to liabilities held for sale and disposal of subsidiaries		0	(411)	(47)	(458)
Benefits paid		(6,258)	(1,390)	(311)	(7,959)
Plan assets at the end of the fiscal year		**114,719**	**45,618**	**1,184**	**161,521**
Net liability due to defined benefit plans		**42,985**	**41,115**	**10,156**	**94,256**

2021				
Change in defined benefit obligations € '000	**UK**	**Germany**	**Other**	**Total**
Defined benefit obligations at the beginning of the fiscal year	243,610	151,368	15,453	410,431
Service cost	1,822	2,180	1,583	5,585
Interest cost	3,150	1,347	174	4,671
Actuarial gains / (losses)	(13,749)	(2,336)	(3,231)	(19,316)
Past service cost	0	0	(28)	(28)
Contributions by plan participants	27	2,455	0	2,482
Currency translation differences	17,378	0	122	17,500
Reclassification to liabilities held for sale and disposal of subsidiaries	0	(39,848)	(1,143)	(40,991)
Benefits paid	(6,449)	(3,188)	(649)	(10,286)
Defined benefit obligations at the end of the fiscal year	**245,789**	**111,978**	**12,281**	**370,048**
Change in plan assets				
Fair value of plan assets at the beginning of the fiscal year	172,967	49,093	2,774	224,834
Interest income	2,269	435	78	2,782
Return on plan assets (excl. interest income based on discount rate)	12,967	(95)	(27)	12,845
Currency translation differences	12,986	0	(4)	12,982
Contributions by the employer	7,980	218	65	8,263
Contributions by plan participants	27	2,455	0	2,482
Administrative costs, fees and taxes	(855)	0	0	(855)
Reclassification to liabilities held for sale and disposal of subsidiaries	0	(7,990)	(1,246)	(9,236)
Benefits paid	(6,449)	(532)	(291)	(7,272)
Plan assets at the end of the fiscal year	**201,892**	**43,584**	**1,349**	**246,825**
Net liability due to defined benefit plans	**43,897**	**68,394**	**10,932**	**123,223**

The pension obligations are presented on the balance sheet as a net liability in the amount of €94,256 k (previous year: €123,223 k).

The defined benefit obligation at the end of the financial year broke down into €229,169 k (previous year: €341,577 k) in funded obligations and €26,608 k (previous year: €28,471 k) in unfunded obligations.

A breakdown of the obligations into the categories of existing and past employees as well as non-vested and vested benefits is provided in the overview below:

2022 € '000	**UK**	**Germany**	**Other**	**Total**
Current employees with non-vested benefits	35,339	36,219	2,689	74,247
Current employees with vested benefits	0	0	8,651	8,651
Former employees with non-vested benefits	46,935	22,688	0	69,623
Pensioners	75,430	27,826	0	103,256
Defined benefit obligations at the end of the fiscal year	**157,704**	**86,733**	**11,340**	**255,777**
2021				
Current employees with non-vested benefits	55,414	51,737	2,852	110,003
Current employees with vested benefits	0	0	9,429	9,429
Former employees with non-vested benefits	77,091	27,086	0	104,177
Pensioners	113,284	33,155	0	146,439
Defined benefit obligations at the end of the fiscal year	**245,789**	**111,978**	**12,281**	**370,048**

The actuarial gains or losses on revaluation were recognised in accumulated other comprehensive income. The trend in the Group's actuarial losses, including the share pertaining to associated companies, is presented in the overview below:

€ '000	**2022**	2021
Actuarial losses at the beginning of the fiscal year	141,580	173,697
Actuarial (gains) / losses		
– due to the change in demographic projections	3,013	5,175
– due to the change in financial estimates	(120,589)	(23,988)
– due to adjustments based on experience	9,682	(445)
Return on plan assets (excl. interest income based on discount rate)	84,725	(12,850)
Changes related to deconsolidation of minority interests	0	(9)
Actuarial losses at the end of the fiscal year	**118,411**	**141,580**

The assumptions for interest rates, rates of compensation increase and the expected return on plan assets on which the calculation for defined benefit obligations is based were established for each country as a function of their respective economic conditions. The discount rate was determined on the basis of top-tier, fixed-income corporate bonds. This involved referencing bonds that on the reporting date had maturities in line with the pension obligations and are quoted in the corresponding currency. AA-rated bonds were used as the basis for data to determine the discount rates.

The overview below shows the actuarial assumptions made to calculate the defined benefit obligation:

	2022			2021		
	UK	Germany	**Total**	UK	Germany	Total
Discount rate	≥4.79%	≥3.80%	**≥4.35%**	≥1.94%	≥1.23%	≥1.63%
Long-term rate of wage and salary increase	≥3.27%	≥2.50%	**≥2.94%**	≥3.35%	≥2.50%	≥2.94%
Rate of compensation increase	>3.17%	>2.00%	**≥2.64%**	>3.24%	>1.75%	≥2.59%

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

	2022			2021		
	UK	Germany	**Total**	UK	Germany	Total
Discount rate	≥1.94%	≥1.23%	**≥1.63%**	≥1.25%	≥0.90%	≥0.89%
Long-term rate of wage and salary increase	>3.35%	>2.50%	**>2.94%**	>2.85%	>2.50%	>2.27%
Rate of compensation increase	>3.24%	>1.75%	**≥2.59%**	>2.81%	>1.75%	≥1.86%

An increase in expected return on plan assets was applied to the part of benefit commitments in Germany where later pension payments are to be adjusted for inflation. This was based on the ECB's long-term inflation target of 2.0 percent despite the presently far higher rate of inflation.

The assumed mortality is based on published statistics and historical data in the respective countries. The valuation of the retirement benefit obligations in the United Kingdom is always based on the S3NA mortality table, expanded and specified with personal determinants of mortality pursuant to the CMI Mortality Projections Model 2020. The impact on the defined benefit obligation is included in the actuarial changes due to demographic assumptions. As in the previous year, the mortality tables used in Germany were the 'Heubeck-Richttafeln 2018 G'.

The discount rate is the key determinant for the amount of net pension obligations. An increase or a decrease by 1 percentage point has the following impact on the defined benefit obligation:

2022 € '000	**UK**	**Germany**	**Other**	**Total**
Defined benefit obligations at the end of the fiscal year	157,704	86,733	11,340	**255,777**
Discount rate plus 1 percentage point Change:	(19,201)	(7,739)	(696)	**(27,636)**
Defined benefit obligations:	138,503	78,994	10,644	**228,141**
Discount rate minus 1 percentage point Change:	24,052	9,201	806	**34,059**
Defined benefit obligations:	181,756	95,934	12,146	**289,836**

2021 € '000	**UK**	**Germany**	**Other**	**Total**
Defined benefit obligations at the end of the fiscal year	245,789	111,978	12,281	370,048
Discount rate plus 1 percentage point Change:	(37,109)	(12,436)	(939)	(50,484)
Defined benefit obligations:	208,680	99,542	11,342	319,564
Discount rate minus 1 percentage point Change:	48,001	15,181	1,094	64,276
Defined benefit obligations:	293,790	127,159	13,375	434,324

The assumptions concerning the trends in salaries, pensions and mortality with respect to the pension plan in the Group have the effect on the defined benefit obligation set out below:

	2022		2021	
€ '000	**UK**	**Germany**	UK	Germany
Defined benefit obligations at the end of the fiscal year	157,704	86,733	245,789	111,978
Salary trend plus 0.5 percentage points Change (absolute):	1,131	11	2,377	16
Change (relative):	0.72%	0.01%	0.97%	0.01%
Salary trend minus 0.5 percentage points Change (absolute):	(1,131)	(9)	(2,377)	(16)
Change (relative):	(0.72)%	(0.01)%	(0.97)%	(0.01)%
Rate of compensation plus 0.5 percentage points Change (absolute):	10,180	1,489	16,637	2,807
Change (relative):	6.46%	1.72%	6.77%	2.51%
Rate of compensation minus 0.5 percentage points Change (absolute):	(9,049)	(1,376)	(15,449)	(2,561)
Change (relative):	(5.74)%	(1.59)%	(6.29)%	(2.29)%
Life expectancy plus 1 year Change (absolute):	4,524	1,569	9,507	2,416
Change (relative):	2.87%	1.81%	3.87%	2.16%

The mortality trend is taken into account in the two major pension plans through the use of generation tables. Calculation of the defined benefit obligation with a one-year rise in life expectancy raises the defined benefit obligation of the plans as follows: in the United Kingdom by 2.87 percent (previous year: 3.87 percent) and in Germany by 1.81 percent (previous year: 2.16 percent).

The calculation of sensitivities was, as part of an observation performed on a ceteris paribus basis, based on changing an assumption, whereas all other assumptions remain unchanged, whereby dependencies between the assumptions are ruled out. The method for calculating sensitivities is identical to that for calculating the net pension obligation.

The defined benefit plan expense recognised in comprehensive income comprises the amounts contained in consolidated net income and in other comprehensive income:

€ '000	2022	2021
Current service cost	4,508	5,585
Net interest cost	1,763	1,889
Past service cost	(246)	(28)
Administrative costs and taxes related to plan management	1,086	855
Defined benefit plan expense recognised in consolidated net income	**7,111**	**8,301**
Actuarial (gains) / losses	(107,894)	(19,258)
Return on plan assets (excl. interest income based on discount rate)	84,725	(12,850)
	0	(9)
Income / expense relating to defined benefit plans recognised in other comprehensive income	**(23,169)**	**(32,117)**
Defined benefit plan income / expense recognised in comprehensive income	**(16,058)**	**(23,816)**

The net interest expense that arose from applying the discount rate to the balance of defined benefit obligation less plan assets (net pension obligation) was presented under finance costs.

The expense recognised in consolidated net income was contained in the following items of the income statement:

€ '000	2022	2021
Cost of sales	1,282	2,258
General and administration expenses	2,559	2,504
Selling expenses	576	633
Research and development expenses	931	1,017
Finance costs	1,763	1,889
Defined benefit plan expense recognised in consolidated net income	**7,111**	**8,301**

Asset-liability matching strategies

At LEONI, the key benefit commitments are, in accordance with the Company's Articles of Association, furnished with a benefit reserve that is suited in its nature to funding the benefit payments when they are due and in the required amount. In the case of the German pension plan, this is done exclusively by means of qualifying life insurance policies that are synchronised in their terms and amounts with the expected benefit payments. In the case of the pension plan in the United Kingdom, boards of the independent trust ensure adherence to the investment strategies. These strategies are aimed at minimising potential investment risks, at having sufficient funds available at short notice to serve the benefit payments due and generating a return that is in line with the market over the long term. Assessments of the investment portfolio are regularly conducted together with independent, outside specialists in the fields of asset investment and actuarial policies to review the attainment of strategic targets and for the boards on that basis to take investment decisions.

The breakdown of plan assets in the various classes is presented in the table below:

	2022		2021	
	€ '000	%	€ '000	%
Debt instruments	25,582	15.8	20,593	8.3
of which: prices not quoted on an active market	25,582	15.8	20,593	8.3
Property	18,699	11.6	23,823	9.7
of which: prices not quoted on an active market	18,699	11.6	23,823	9.7
Securities funds	56,097	34.7	144,353	58.5
Qualifying insurance policies	45,618	28.2	43,631	17.7
Other plan assets	13,078	8.1	12,114	4.9
of which: prices not quoted on an active market	13,078	8.1	12,114	4.9
Cash and cash equivalents	2,447	1.5	2,311	0.9
Total plan assets	**161,521**	**100.0**	**246,825**	**100.0**

The plan assets from qualifying insurance policies stemmed almost exclusively from the reinsurance policies in Germany. Apart from the class comprising cash and cash equivalents, the assets of all other classes stated involved the plan assets of the pension plan in the United Kingdom and broke down as follows:

2022	€ '000	UK	%
Debt instruments		25,582	22.3
of which: prices not quoted on an active market		25,582	22.3
Property		18,699	16.3
of which: prices not quoted on an active market		18,699	16.3
Securities funds		56,097	48.9
Other plan assets		13,078	11.4
of which: prices not quoted on an active market		13,078	11.4
Cash and cash equivalents		1,263	1.1
Total plan assets		**114,719**	**100.0**

2021	€ '000	UK	%
Debt instruments		20,593	10.2
of which: prices not quoted on an active market		20,593	10.2
Property		23,823	11.8
of which: prices not quoted on an active market		23,823	11.8
Securities funds		144,353	71.5
Other plan assets		12,114	6.0
of which: prices not quoted on an active market		12,114	6.0
Cash and cash equivalents		1,009	0.5
Total plan assets		**201,892**	**100.0**

The debt instruments held involved both national and foreign corporate and government bonds. Investment in property is transacted exclusively by way of open-ended property funds. The securities funds involved diversified growth funds or liability-driven investment funds (LDIs). The other plan assets included investments in funds in which the portfolios comprised foreign utility and transport infrastructure organisations.

The breakdown of and investment strategy for plan assets by the stated investment classes corresponds to the targeted investment classes set out in the statutes of the pension plan and is continually monitored by the trustee. The objective is to ensure the best possible congruity with respect to long-term structure and interest rate as well as inflation sensitivities between pension obligations and the plan assets ('liability-driven investments').

LEONI did not make any own use of plan assets.

The contributions to plan assets amounted to €9,239 k and were projected at €8,925 k for the subsequent financial year.

A breakdown of pension payments (excluding compensatory effects of payouts from the plans assets) was presented as follows:

Pension payments made	€ '000
2021	10,286
2022	**9,818**

Expected pension payments	€ '000
2023	10,686
2024	11,173
2025	12,739
2026	13,734
2027	14,084
2028 – 2032	79,166
Pension payments expected until 2032	**141,582**

The average, weighted Macaulay duration of benefit obligations was 14 years in the United Kingdom and 10 years in Germany.

Some non-German companies provide defined contribution plans. In Germany and other countries, state plans were also recognised under defined contribution plans. The total cost of such contributions amounted to €79,791 k in the financial year (previous year: €84,927 k).

27 | Equity

Share capital

The share capital in the amount of €32,669 k (previous year: €32,669 k), which corresponded to the share capital of LEONI AG, is divided into 32,669,000 (previous year: 32,669,000) no-par-value shares at €1.00 each. They are registered shares. The refinancing provides for simplified capital reduction to nil. We refer in this regard to › Note 36.

Additional paid-in capital

As in the previous year, the additional paid-in capital amounted to €290,887 k.

Retained earnings

Major impairments led to a loss if LEONI AG's share capital. More detail of is explained under the notes headed 'Principles' and 'Events after the balance sheet date'. The Executive Board notified shareholders of the loss in share capital in an extraordinary general meeting on 2 June 2023.

Authorised capital

The Executive Board was authorised to increase the share capital by up to €16,335 k on or before 10 May 2022 with the Supervisory Board's approval by once or in partial amounts issuing up to 16,334,500 new bearer shares, each with a pro-rated share of €1.00 in the share capital, on a cash or non-cash basis. In this context, the new shares were to be offered to the shareholders for subscription as a rule. No use of this authorisation has been made. The existing authorisation expired on 10 May 2022 and thus prior to the 2022 Annual General Meeting.

Shareholders at the Annual General Meeting on 23 July 2020 authorised the Executive Board with the approval of the Supervisory Board until 22 July 2025 to acquire own shares totalling up to 10 percent of the Company's share capital for any permissible purpose within legal constraints with the lowest amount of the Company's share capital existing at the time the Annual General Meeting approves this authorisation, at the time of this authorisation taking effect or at the time when this authorisation is exercised. At no time may the total of shares acquired by virtue of this authorisation and other shares of the Company already acquired and still held by the Company or attributable to it exceed 10 percent of the Company's share capital.

Shareholders at the Annual General Meeting on 24 May 2022 authorised the Executive Board to increase the Company's share capital by up to €16,334,500 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.

Contingent capital
Furthermore, the Annual General Meeting on 7 May 2015 authorised the Executive Board to issue convertible bonds and/or warrant-linked bonds until 6 May 2020. This involved a contingent increase in share capital by up to €6,534 k. The Executive Board did not make any use of this adopted authorisation.

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

Furthermore, the authorisation to issue convertible bonds and/or warrant-linked bonds of 23 July 2020 and of the Contingent Capital 2020 pursuant to Article 4 (6) of the Articles of Association was cancelled at the Annual General Meeting on 24 May 2022, and the Executive Board was newly authorised to issue warrant-linked and/or convertible bonds, profit-sharing rights and/or participating bonds (or combinations of these instruments), to exclude subscription rights, to create new contingent capital and as to correspondingly amend the Articles of Association.

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

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

Dividend payment
It was decided not to pay any dividend in fiscal year 2022.

Appropriation of retained profit or loss
With the annual financial statements of LEONI AG under commercial law having shown a net loss in the 2022 financial year, the loss computed in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) of €918,827 k will be carried forward to the next financial year.

28 | Contingencies and other obligations

Lease obligations

We refer to › **Note 20** concerning off-balance sheet contingent liabilities pertaining to leases.

Purchase order commitments

Purchase order commitments for property, plant and equipment as well as intangible assets amounted to €13,923 k on the closing date (previous year: €50,030 k).

Litigation, claims and contingent liabilities

Individual LEONI companies are involved in litigation or could be involved in further litigation, which could entail claims for compensation or other claims. Appropriate amounts with respect to such claims and, where applicable, claims against the insurers were recognised.

As reported, several civil proceedings in the form of class action lawsuits and other legal action were initiated against LEONI and other wiring systems manufacturers in the United States and Canada since October 2011 based on alleged breaches of anti-trust law. These proceedings have been concluded since 2017 by way of dismissal or settlement without any acceptance of liability. A legal proceeding was recently still pending in one Canadian province. The remaining proceeding has been suspended since 2014. Based on the assessment of its local lawyers, LEONI expects these proceedings to have been concluded by the settlement in other provinces. A corresponding ruling is still pending, however.

In January 2022, searches were also conducted at facilities of the LEONI Group as part of investigations by the German Federal Cartel Office (Bundeskartellamt) 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. The Executive Board concluded that there was insufficient evidence of any violations by the time the consolidated financial statements were prepared and that sentence to a fine, while remotely possible, is improbable.

A claimant originally sued for damages of €12 million with respect to an alleged breach of the law in connection with having taken over employees in France. The proceeding is directed primarily against a company that was part of the Business Group Industrial Solutions (BG IN) and was sold to a new owner during the year under report. Formally, however, LEONI AG and a Wiring Systems Division company also stand accused. The responsible court in France dismissed the complaint on all points in a verdict on 21 January 2021. The claimant has lodged an appeal and simultaneously lowered their claim to €4.2 million. LEONI successfully defended itself against this, too. However, the decision has as yet not taken legal effect.

As also reported in the preceding years, LEONI is engaged in connection with the fraud case of 2016 and with outside support in asserting and enforcing claims against employees. LEONI obtained a payout of €5 million from its existing fidelity insurance policy. LEONI has submitted farther-reaching claims for compensation to the fidelity insurance provider. Examination and assertion of the claims is ongoing. It is not yet possible to comment on progress and prospects of success. However, effort is presently being made to reach a settlement in this respect.

Other than the above, there have not been any and there are currently no pending lawsuits or court proceedings that have any major impact on LEONI's business.

29 | Risk management and financial derivatives

Overview of financial instruments

The financial instruments allocated to the disposal group in accordance with IFRS 5 are, generally speaking, included in the explanations below. Further explanation regarding the disposal groups can be found in › **Note 4**.

The tables below show financial instruments held in the Group on 31 December 2022 and in the previous year:

€ '000	Measurement category according to IFRS 9	Carrying amount 31/12/2022	Recognition according to IFRS 9			Fair value 31/12/2022
			Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss	
Assets						
Cash and cash equivalents	AC	**210,722**	210,722			**210,722**
Trade receivables	AC	**339,546**	341,582			**341,582**
Other financial receivables	AC	**62,126**	62,130			**62,130**
Financial assets held for sale	FVTPL	**69,142**			69,142	**69,142**
Other non-derivative financial assets						
Investments	FVTPL	**1,472**			1,472	**1,472**
Derivative financial assets						
Derivatives without a hedging relationship	FVTPL	**6,311**			6,311	**6,311**
Derivatives with a hedging relationship	n/a	**18,795**		18,795		**18,795**
Liabilities						
Trade payables	AC	**820,812**	822,342			**822,342**
Liabilities to banks and borrower's note loans	AC	**1,362,229**	1,362,229			**738,100**
Other financial liabilities	AC	**50,417**	50,417			**50,417**
Lease liabilities	n/a	**233,257**	235,799			**n/a**
Derivative financial liabilities						
Derivatives without a hedging relationship	FVTPL	**2,036**			2,036	**2,036**
Derivatives with a hedging relationship	n/a	**8,809**		8,809		**8,809**
Of which aggregated by categories according to IFRS 9:						
Financial assets at amortised cost	AC	**614,434**	614,434			**614,434**
Financial assets at fair value through profit or loss	FVTPL	**76,925**			76,925	**76,925**
Financial liabilities at amortised cost	AC	**2,234,988**	2,234,988			**1,610,859**
Financial liabilities at fair value through profit or loss	FVTPL	**2,036**			2,036	**2,036**

The amounts presented in the 'Carrying amount' column of this table may deviate from those in other columns of a row because the other columns including all financial instruments also those that are shown in separate balance sheet items as part of a disposal group pursuant to IFRS 5. Further explanation of this can be found in › **Note 4.**

€ '000	Measurement category according to IFRS 9	Carrying amount 31/12/2021	Recognition according to IFRS 9: Amortised cost	Recognition according to IFRS 9: Fair value recognised in equity	Recognition according to IFRS 9: Fair value recognised in profit or loss	Fair value 31/12/2021
Assets						
Cash and cash equivalents	AC	164,635	171,912			171,912
Trade receivables	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 non-derivative 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 payables	AC	739,919	799,973			799,973
Liabilities to banks and borrower's note loans	AC	1,349,891	1,433,432			1,423,160
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 according 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

The amounts presented in the 'Carrying amount' column of this table may deviate from those in other columns of a row because the other columns including all financial instruments also those that are shown in separate balance sheet items as part of a disposal group pursuant to IFRS 5. Further explanation of this can be found in › **Note 4.**

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

The other financial assets did not include any bank deposits (previous year: €9,872 k), which are pledged to factoring partners and are therefore not available to LEONI.

The fair values of other non-current receivables maturing after more than one year correspond to the present values of payments relating to the assets, in each case taking into account the current interest parameters that reflect market and partner-related changes in terms. The fair values must therefore be allocated to hierarchy level 2.

Trade liabilities and other liabilities usually mature in the short term; the amounts on the balance sheet represent approximations of their fair value.

The fair values of other non-current financial liabilities are determined as the present values of the payments relating to the liabilities based on the respectively applicable yield curves and taking into account the Group-specific margins. In the case of liabilities to banks and borrower's note loans, the fair value corresponds to the total enterprise value determined as part of impairment testing because this is below the nominal value of the loans and borrower's notes. The fair values must be allocated to hierarchy level 2.

Capital management

The primary objective of LEONI's capital management is to ensure that it maintains a strong credit rating, a good equity ratio and appropriate gearing to support its business and increase shareholder value.

The Group manages its capital structure and makes adjustments based on the change in underlying economic conditions as well as its own financial situation. The Group is presently involved in a refinancing process that was begun in 2021. A new financing structure was agreed with the banks involved in fiscal 2022, but its implementation failed in the current financial year because the condition of selling BG AM was not met. A restructuring plan was thereupon devised at the beginning of the 2023 financial year, which provided for the Group's refinancing by means among others of debt relief, a capital reduction and a subsequent capital increase. The groups of creditors consented to the restructuring plan in the discussion and ballot meeting under the StaRUG procedure. We refer to › **Note 36** for more detail.

LEONI controls its capital with gearing. Gearing is defined as the ratio of net financial debts to equity.

€ '000	2022	2021
Financial debt	1,595,559	1,598,516
Less cash and cash equivalents	(210,722)	(164,635)
Net financial debt	1,384,837	1,433,880
Financial debt included in 'liabilities held for sale'	2,541	113,487
Cash and cash equivalents included in 'assets held for sale'	0	(7,277)
Net financial liabilities including items contained in 'assets / liabilities held for sale'	1,387,378	1,540,090
Equity	(377,957)	229,412
Gearing	**(366)%**	**671%**

At the end of fiscal year 2022, gearing stood at an arithmetically negative 366 percent (previous year: positive 671 percent) due to the reported negative equity as a consequence of heavy impairments. We refer to › **Notes 17** and › **18** for more information on these impairment losses. More detail on sustained improvement of gearing under the restructuring plan can be found in › **Note 36**.

The current financial and liquidity situation of the LEONI Group is comprehensively presented in the Group management report (› **3.4. Financial situation**). We refer to this and our going-concern reporting in the Note headed 'Principles' for the purpose of providing explanations concerning capital management and refinancing of LEONI.

The trend in financial liabilities is presented in the table below:

€ '000	Current	Non-current	Total
01/01/2022	579,679	1,018,837	**1,598,516**
Non-cash changes			
New borrowing	54,932	134,808	189,740
Repayment	(159,701)	0	(159,701)
Non-cash changes			
Reclassification	731,176	(731,176)	0
Effect of currency translation	1,126	0	1,126
Measurement effects	(6,581)	(8,712)	(15,293)
Lease liability recognition	(47,361)	44,168	(3,193)
Reclassification to 'liabilities held for sale'	5,897	(21,533)	(15,636)
31/12/2022	1,159,167	436,392	**1,595,559**

€ '000	Current	Non-current	Total
01/01/2021	50,142	1,542,873	**1,593,015**
Non-cash changes			
New borrowing	6,881	105,999	112,880
Repayment	(4,801)	(7,357)	(12,158)
Non-cash changes			
Reclassification	608,265	(608,265)	0
Effect of currency translation	(62)	4,369	4,307
Measurement effects	6,858	9,180	16,038
Lease liability recognition	2,534	(2,250)	284
Reclassification to 'liabilities held for sale'	(90,140)	(25,712)	(115,852)
31/12/2021	579,679	1,018,837	**1,598,516**

Net results of the financial instruments

The net results of the financial instruments by measurement category according to IFRS 9 were as follows:

€ '000	2022	2021
Financial assets at amortised cost (AC)	20,418	23,867
Financial assets and financial liabilities at fair value through profit or loss (FVTPL)	(35,939)	(28,023)
Financial liabilities at amortised cost (AC)	11	(8,114)
	(15,510)	**(12,270)**

Offsetting of financial instruments

LEONI had derivative assets and derivative liabilities to various financial institutions that do not fulfil the offsetting criteria under IAS 32.42. Accordingly, these derivative financial instruments were presented separately in the balance sheet. However, the concluded master contracts contain offsetting agreements in the case of insolvency.

The overview below presents the corresponding figures:

31/12/2022 € '000	Gross value	Offsetting	Net value	Offsetting agree-ments	Net value
Other financial assets, Derivatives	24,661	0	**24,661**	(7,254)	**17,407**
Other financial liabilities, Derivatives	(9,088)	0	**(9,088)**	7,254	**(1,834)**
31/12/2021					
Other financial assets, Derivatives	4,243	0	**4,243**	(3,261)	**982**
Other financial liabilities, Derivatives	(15,260)	0	**(15,260)**	3,261	**(11,999)**

Cash flow hedge reserve

The table below shows the trend in the cash flow hedge reserve within consolidated equity.

€ '000	Cash flow hedge reserve	of which: hedging of Currency risks	of which: hedging of Interest rate risks
01/01/2022	**(763)**	**982**	**(1,745)**
Change in value of the hedge from:			
Hedging of sales, cost of sales and investment in property, plant and equipment as well as the variable interest of the borrower's note loan	22,254	13,027	9,227
Reclassification in the income statement	(9,044)	(9,044)	
Tax effect	(2,637)	(2,637)	
31/12/2022	**9,810**	**2,328**	**7,482**
01/01/2021	**3,014**	**6,366**	**(3,352)**
Change in value of the hedge from:			
Hedging of sales, cost of sales and investment in property, plant and equipment as well as the variable interest of the borrower's note loan	4,562	2,955	1,607
Reclassification in the income statement	(10,161)	(10,161)	
Tax effect	1,822	1,822	
31/12/2021	**(763)**	**982**	**(1,745)**

The underlying hedging transactions are described in the sections on currency and interest rate risks.

Credit risk

The risk of default arises from deposits with banks and financial institutions, the contractual cash flows from debt instruments, derivative financial instruments with a positive fair value and, above all, from outstanding trade receivables and contract assets.

All customers that conclude business with the Group on a credit basis are subject to credit screening. Regular analysis of receivables and the structure of the receivables facilitates ongoing monitoring of the risk. Accounts receivable management is organised in a decentralised way and is subject to the requirements of a guideline for Group-wide accounts receivable management.

The table below shows the breakdown by region of receivables from customers:

in percentage points		2022	2021
EMEA		**70**	**59**
of which:	Germany	25	15
	France	19	10
	Belgium	6	2
	Romania	6	3
	Morocco	5	3
	Other	9	26
Asia		**17**	**28**
of which:	China	16	24
	India	1	2
	Other	1	2
Americas		**12**	**13**
of which:	USA	9	9
	Other	3	4

The following table shows the size categories of receivables from customers on the balance sheet date:

	2022		2021	
	(%)	total share in %	(%)	total share in %
Largest customer	8	8	8	8
Second largest customer	6	6	7	7
Third to fifth largest customers	4-5	13	5-6	15
Other customers	≤4	73	≤4	70

The valuation allowances for trade receivables as well as contract assets were as follows:

€ '000	2022	2021
Allowances on 1 January	**35,241**	**34,397**
Exchange rate differences	3,185	743
Additions (allowances recognised as expense)	11,727	10,640
Usage	(9,316)	(818)
Reversal	(12,635)	(9,240)
Reclassification to assets held for sale and effects of deconsolidation	(4,738)	(481)
Allowances on 31 December	**23,464**	**35,241**

The gross carrying amounts of and valuation allowances for trade receivables as well as contract assets break down as follows by default risk category:

Risk rating € '000	Size of exposure (gross) 31/12/2022	Valuation allowance 31/12/2022
low risk	377,876	8,308
average risk	137,356	8,278
above-average risk	67,860	3,500
increased and high risk	6,524	452
very high risk	291	127
exposures at default	27,870	2,799
	617,777	**23,464**
	31/12/2021	**31/12/2021**
low risk	405,270	9,316
average risk	63,509	5,488
above-average risk	107,906	5,790
increased and high risk	19,324	1,579
very high risk	4	0
exposures at default	13,067	13,067
	609,080	**35,241**

This is based on the following impairment matrix:

Default risk categories		Default rate	Risk rating
1	Very high credit rating	0.10%	low risk
2	High credit rating	0.25%	low risk
3	Good credit rating	0.50%	low risk
4	Relatively good credit rating	1.00%	low risk
5	Medium credit rating	2.00%	average risk
6	Higher risk	4.00%	above-average risk
7	High risk	6.50%	increased and high risk
8	Not creditworthy	10.00%	increased and high risk
9	Not creditworthy	18.00%	very high risk
10	Insolvent	100.00%	exposures at default

Contract assets are classed as comparable with trade receivables and carry a low or average risk.

Of all receivables, 24 percent (previous year: 28 percent) were covered, with insurance limits, by a Group master policy with a credit insurer or other local credit insurers. Insurance excess amounts were disregarded in determining the total amount insured. The amount actually insured was consequently slightly below this percentage. Of the non-insured receivables, 42 percent (previous year: 42 percent) involved customers that are exempt from contractually compulsory cover. The customers exempt from contractually compulsory cover were mainly major companies in the automotive as well as electronic/electrical engineering sectors. For 34 percent (previous year: 30 percent) of total receivables there was no cover from a credit insurer. The table below shows the breakdown of insured and non-insured receivables from customers:

(%)	2022	2021
Receivables (insured)	24	28
exempt from compulsory cover	42	42
no cover	34	30

The insured subsidiaries must apply for credit insurance limits to the credit insurer for all receivables from customers that are not exempt from compulsory cover and that exceed the limits specified in the existing guideline. The following specific conditions apply: LEONI has an obligation to declare exposure to the credit insurers for all receivables from customers greater than €50 k. A cover limit can also be obtained for smaller receivables. Consignment stores and manufacturing risks are covered by blanket insurance. The credit insurance policy reimburses 90 percent of the insured amount. Measurement and monitoring with respect to impairment of the non-insured receivables is supported among other things by the credit screening carried out by the credit insurer and other service providers.

The subsidiaries that were not insured will be integrated in the master policy so far as this makes sense from the aspect of the principal customer base and provided there are no regional or political reasons on the part of the credit insurer against inclusion. The subsidiaries that cannot be integrated are to be covered via local credit insurers. Internal credit limits are set for major customers that are exempt from mandatory cover and other non-insured customers. Limits are applied for without delay, on a decentralised basis and are monitored by head office accounts receivable management.

For selected customers, true sale factoring serves as a further tool to reduce the risk of default. Customers with good credit ratings are also included.

For all other classes of financial assets, impairments as well as their changes are of subordinated significance to the consolidated financial statements of LEONI AG.

Liquidity risk

The Group monitors its current liquidity situation on a daily basis. Monthly, currency-specific, rolling liquidity planning for respective periods of 13 weeks as well as quarterly, currency-specific, rolling liquidity planning for respective periods of 18 months is used to control future liquidity requirement. The planning takes into consideration the terms of investments and financial assets (e.g. receivables or other financial assets) as well as the expected cash flows from business activity. LEONI furthermore analyses its existing finance based on its annual medium-term planning. We initiate suitable measures in good time so far as there is any change in borrowing requirement. We refer to the explanations contained in our going-concern reporting in the note headed 'Principles' as well as, with respect to the restructuring plan, to the 'Supplementary report' in › **Note 36**.

The Group's objective is to ensure funding in the respectively required currency. Flexibility is maintained by using such short and long-term financial instruments as overdrafts, loans, leases, factoring, reverse factoring and such capital market instruments as borrower's note loans.

To ensure liquidity, there were, on the balance sheet date, credit lines from banks amounting to €1,223,397 k (previous year: €1,327,376 k) with terms of up to six months. These credit lines were drawn via current accounts, fixed deposits and guarantees in the amount of €1,066,520 k (previous year: €1,087,483 k). Together with the cash and cash equivalents amounting to €210,722 k (previous year: €171,912 k), in each case including the proportion presented on the balance sheet under the item 'assets held for sale' of nil in the current year and of €7,277 k in the previous year, this works out to available liquidity of €367,599 k on the balance sheet date (previous year: €411,805 k).

The following table shows the contractually agreed (undiscounted) interest and principal payments pertaining to the primary financial liabilities as well as the derivative financial instruments with negative fair values:

2022	€ '000	Carrying amount 31/12/2022	Cash flow 2023	Cash flow 2024	Cash flow 2025-2027	Cash flow from 2028
Non-derivative financial liabilities						
Trade payables		(820,812)	(820,812)			
Liabilities to banks		(1,018,767)	(1,018,421)	(179)		
Liabilities on bills of exchange and other financial debts		(72)	(72)			
Borrower's note loans		(343,462)	(107,225)	(159,555)	(74,217)	(22,110)
Other financial liabilities		(50,345)	(50,345)			
Lease liabilities		(233,257)	(49,189)	(41,246)	(79,127)	(109,220)
Derivative financial liabilities						
Currency derivatives without a hedging relationship		(2,036)	157,804			
			(159,850)			
Currency and interest rate derivatives in connection		(8,809)	89,567			
with cash flow hedges			(96,069)	(518)	327	

2021	€ '000	Carrying amount 31/12/2021	Cash flow 2022	Cash flow 2023	Cash flow 2024-2026	Cash flow from 2027
Non-derivative financial liabilities						
Trade payables		(739,919)	(739,919)			
Liabilities to banks		(949,924)	(480,892)	(468,852)	(179)	
Liabilities on bills of exchange and other financial debts		(72)	(72)			
Borrower's note loans		(399,967)	(58,794)	(102,203)	(230,087)	(22,278)
Other financial liabilities		(62,070)	(62,070)			
Lease liabilities		(248,554)	(49,189)	(41,246)	(79,127)	(109,220)
Derivative financial liabilities						
Currency derivatives without a hedging relationship		(10,647)	509,988			
			(521,533)			
Currency and interest rate derivatives in connection		(4,613)	117,509			
with cash flow hedges			(120,099)	(904)	(845)	

In addition to the financial liabilities presented above, the disposal group in accordance with IFRS 5 (in this regard cf. › Note 4) in the year under report includes financial liabilities in the amount of €2,541 k (previous year: €176,821 k), of which lease liabilities amounting to €2,541 k (previous year: €29,946 k).

All instruments held on the respective balance sheet date and for which payments were already contractually agreed were also included. Foreign currency amounts were in each case translated at the spot rate on the reporting date. The variable interest payments pertaining to the financial instruments were determined based on the interest rates fixed most recently prior to the respective balance sheet date. Where LEONI can choose at what time financial liabilities are repaid, the liability is allocated to the earliest period in which LEONI can be required to repay. In the case of the currency derivatives, both the cash outflow and the cash inflow are presented in the table above for the purpose of transparency.

Non-deliverable forwards (NDFs) were signed to hedge amounts in currencies that are not freely convertible. This form of foreign currency transaction involves fulfilment upon maturity being based not on handling the cash flows in the corresponding currencies, but in the form of a settlement payment.

Currency risks

Although we conduct business mainly in euros or in the local currency of the respective country, we are also exposed to currency risks due to the globalisation of the markets.

In the Group's holding company, LEONI AG, the Corporate Finance & Treasury department deals with the resulting currency risks in collaboration with and based on the conditions set by the currency committee with respect to limits and terms. Hedging transactions are executed in line with the existing underlying transactions as well as the planned transactions.

Selection of the hedging instrument to be used is based on regular, in-depth analysis of the underlying transaction to be hedged. Principally, the hedging transactions are in Romanian lei, US dollars, Mexican pesos, Chinese yuan, UK pounds sterling and Tunisian dinar. The objective is to limit the impact of exchange rate variation on net income. Apart from the actual hedging transactions, we primarily take advantage of the option of netting foreign currency items within the Group to hedge our operating business activity. As a further currency-hedging measure, as a matter of principle we finance our foreign subsidiaries in their respective functional currencies by way of refinancing in the corresponding currency.

On the balance sheet date, there were currency-hedging transactions amounting to €740,945 k (previous year: €905,429 k) and maturing within 15 months. The total fair value of forward exchange transactions existing as of the balance sheet date was €8,090 k (previous year: negative €9,273 k). Forward exchange transactions amounting to €385,732 k (previous year: €232,821 k) met the conditions for hedge accounting (cash flow hedges). The ones that met the conditions for hedge accounting were completed in the 2022 financial year. Their total fair value of €4,326 k (previous year: negative €97 k) was recognised in other comprehensive income. The cash flows from the underlying transactions are mostly expected during the 2023 financial year. The changes in fair value recognised in other comprehensive income are reclassified to the income statement in relation to the earnings effect of the underlying transaction.

The remarks below refer to forward exchange transactions that met the conditions for hedge accounting.

There is a commercial relationship between the hedged items and the hedging instruments because the terms of the forward exchange contracts match the future transactions that will occur with high probability (this is the case with the nominal amount, currency and probable payment date). The underlying risk of the forward exchange contracts is identical to the hedged risk components. The Group has therefore stipulated a 1-to-1 hedge ratio for its hedging relationships.

The detailed breakdown of the nominal volumes and the average hedging rates of the forward exchange transactions that met the conditions for hedge accounting was as follows on the balance sheet date:

2022	Nominal value € '000 Residual term up to 6 months	Residual term 6 months up to 1 year	Residual term 1 to 2 years	Total	Average hedging rates Purchase	Sell
Assets currency contracts	168,063	103,113	5,090	**276,266**		
Forward exchange transactions						
EUR-GBP	4,366	8,257	5,090	**17,713**	0.90	0.89
EUR-RON	80,577	46,936		**127,513**	5.21	
EUR-TND	16,124	7,943		**24,066**	3.47	
USD-MXN	64,664	39,330		**103,995**	21.37	
Other	2,332	647		**2,979**		
Liabilities currency contracts	69,986	39,480		**109,466**		
Forward exchange transactions						
EUR-GBP	13,505	13,833		**27,339**	0.87	
EUR-EGP	12,489	7,410		**19,899**	22.99	
EUR-TND	32,726	11,585		**44,311**	3.31	
EUR-USD	11,266	6,651		**17,917**	1.01	
2021						
Assets currency contracts	105,375	7,706		**113,081**		
Forward exchange transactions						
EUR-EGP	12,975	3,550		**16,525**	20.70	
EUR-GBP	11,021	4,156		**15,177**	0.87	
EUR-RON	61,402			**61,402**	5.01	
EUR-TND	19,491			**19,491**	3.35	
Other	486			**486**		
Liabilities currency contracts	83,028	36,710		**119,738**		
Forward exchange transactions						
EUR-GBP	7,304			**7,304**		0.86
EUR-RON		16,259		**16,259**	5.06	
EUR-USD	14,844	4,120		**18,964**		1.21
EUR-MXN	50,094	13,795		**63,889**	20.74	
Other	10,786	2,536		**13,322**		

These hedging instruments, which LEONI has designated as hedging relationships, had the following impact on the balance sheet:

€ '000 **Forward exchange transactions 2022**	Nominal value	Carrying amount	Change in value to determine ineffectiveness
current or non-current other financial **assets**	276,266	11,605	13,027
current or non-current other financial **liabilities**	109,466	(7,052)	
Forward exchange transactions 2021			
current or non-current other financial **assets**	113,082	2,771	2,955
current or non-current other financial **liabilities**	119,739	(2,869)	

The fair values of the forward exchange transactions were based on current reference rates observable on the market and taking into consideration forward premiums or discounts. LEONI takes account of the risk of non-fulfilment by business partners as well as the risk of non-fulfilment on the part of the Group by determining correction values, known as credit value adjustments (CVAs) or debt value adjustments (DVAs), based on applying a premium / discount.

The hedged items had the following impact on the balance sheet:

€ '000	Change in value to determine ineffectiveness 2022	2021	Cash flow hedge reserve 2022	2021
Hedging of sales, cost of sales and investment in property, plant and equipment	12,208	3,065	2,328	982

The hedging relationships had the following impact on the income statement and other comprehensive income (OCI):

€ '000	Gain or loss on hedging recognised in OCI		Ineffectiveness reclassified from OCI to income statement		Item in the income statement	Amount reclassified from OCI to income statement		Item in the income statement
	2022	2021	2022	2021		2022	2021	
Hedging of sales, cost of sales and investment in property, plant and equipment	13,027	2,955	(819)	110	Other operating income / expense	(8,225)	(10,271)	Sales revenues, cost of sales

The amounts recognised in other comprehensive income in the context of hedge accounting came to €13,027 k in the financial year (previous year: €2,955 k). An amount of €9,044 k (previous year: €10,161 k) was reclassified via the income statement as shown in the following table.

€ '000	2022	2021
Sales revenues	176	423
Cost of sales	8,049	9,848
Other operating income / expense (ineffectiveness)	819	(110)
	9,044	**10,161**

Other explanations

The currency hedging transactions were signed with first-rate commercial banks, meaning that there is no significant counterparty risk either.

The effectiveness of hedging relationships is determined at the beginning of each hedging relationship and by regular, prospective assessment to ensure that a commercial relationship exists between the hedged item and the hedging instrument. LEONI makes a qualitative assessment whether the terms of the hedging instrument exactly match those of the hedged item ('critical term match').

When hedging foreign currency transactions, ineffectiveness can arise if the timing of the planned transaction changes vis-à-vis the original estimate, the hedged item does not occur to the expected extent or changes in the default risk of the hedged item or the derivative's counterparty occur.

Exchange rate sensitivity

Changes in exchange rates that are by prudent judgement essentially possible would affect consolidated earnings due to the fair values of the monetary assets and liabilities. Additional factors would arise that would affect equity due to change in fair value in the context of cash flow hedge accounting. We consider the risk of changes in interest rates arising from the currency derivatives to be immaterial, which is why it is not included in the assessment.

The table below is based on the exchange rates as at the balance sheet date. It illustrates the impact arising, from the perspective of the Group companies concerned, from appreciation or devaluation of the foreign currencies to be taken into account by plus 10 percent or minus 10 percent versus the respective functional currency. Comprehensive income per currency therefore also includes the impact arising from appreciation or devaluation of the euro for those Group companies where the functional currency is one of those stated in the table.

2022		€ '000
Changes in exchange rates, equity	**+10%**	**-10%**
RON	13,745	(11,247)
USD	1,949	(1,594)
CNY	2,101	(1,719)
TND	7,339	(6,005)
Changes in exchange rates, earnings	**+10%**	**-10%**
RON	(375)	506
USD	(9,851)	7,967
CNY	(8,903)	7,213
TND	1,049	1,049
PLN	(5,354)	4,441

2021		€ '000
Changes in exchange rates, equity	**+10%**	**-10%**
USD	(2,105)	1,722
CNY	54	(44)
RON	8,544	(6,991)
GBP	873	(714)
PLN	570	(466)
Changes in exchange rates, earnings	**+10%**	**-10%**
USD	(37,093)	30,476
CNY	(11,963)	9,647
RON	3,259	(2,544)
GBP	8,013	(6,906)
PLN	(5,102)	4,625

Interest rate risks

Depending on the expected trend of interest rates, the LEONI Group uses cash flow hedging instruments to hedge the risk of change in interest rates.

The extent of the LEONI Group's interest rate risk due to borrowing arises from both variable-rate borrower's note loans and fixed-interest borrower's note loans.

Interest rate swaps to hedge the risk of rate changes were likewise entered into in the same amount and with the same terms as the variable-rate borrower's note loans totalling €182,000 k that were placed in November 2018. LEONI AG receives a variable rate matching the 6-month EURIBOR and pays a fixed amount for these interest rate swaps. They hedge the future interest payments of the variable-rate borrower's note loans and have maximum residual terms of five years and ten months.

There is a commercial relationship between the hedged item and the hedging transaction because the terms of the interest rate swaps match those of the variable-interest loans. This applies to the nominal amount, the maturity, the payment dates and the repricing dates. The underlying risk of the interest rate swaps is identical to the hedged risk components. The Group has therefore stipulated a 1-to-1 hedge ratio for such a hedging relationship.

The nominal volumes and the average hedging rates of these interest rate swaps that met the conditions for hedge accounting are presented in detail as at the balance sheet date for the interest-rate contracts as follows:

	Nominal value								Average hedging rate in % based on current fixing	
€ '000	Residual term up to 2 years		Residual term 2 years to 6 years		Residual term 6 years to 10 years		Total			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Interest rate swaps	174,000	87,000	8,000	95,000	0	0	182,000	182,000	0.5161	0.5161

These hedging instruments, which LEONI has designated as hedging relationships, had the following impact on the balance sheet:

€ '000	Nominal value		Carrying amount		Change in value to determine ineffectiveness	
	2022	2021	2022	2021	2022	2021
Other current financial liabilities	182,000	182,000	7,644	(1,866)	9,227	1,607

The hedged items had the following impact on the balance sheet:

€ '000	Change in value to determine ineffectiveness		Cash flow hedge reserve	
	2022	2021	2022	2021
Hedging variable interest of the borrower's note loan	9,227	1,607	7,482	(1,745)

The hedging relationships had the following impact on the income statement and other comprehensive income (OCI):

€ '000	Gain or loss on hedging recognised in OCI	
	2022	2021
Hedging variable interest of the borrower's note loan	9,227	1,607

The increase in fair value totalling €9,227 k (previous year: increase of €1,607 k) was recognised in OCI. This resulted in neither ineffectiveness nor reclassifications in the income statement.

Other explanations

The fair values of the interest rate hedging instruments (interest swaps) were based on discounted future cash flows. The applicable market interest rates and volatilities were used for the residual maturities of the financial instruments.

We regard the counterparty risk as being very small because all interest rate derivatives were signed with national and international commercial banks that have first-class ratings. Counterparty risk is subject to regular monitoring.

The effectiveness of hedging relationships is determined at the beginning of each hedging relationship and by regular, prospective assessment to ensure that a commercial relationship exists between the hedged item and the hedging instrument. LEONI makes a qualitative assessment whether the contract modalities of the hedging instrument exactly match those of the hedged item.

Ineffectiveness can arise from the contract terms differing between the interest rate swap and the hedged item as well as from credit value/debt value adjustments which are not offset by changes in the fair value of the hedged loans.

Interest rate sensitivity
Consolidated earnings depend on the level of market interest rates. Any change in this level would impact on the Group's earnings and equity. The analysis we conduct covers all interest-bearing financial instruments that are subject to the risk of changes in interest rates. Risks of changes in interest rates that impact on other comprehensive income did not have to be considered.

When calculating the sensitivity of the interest rates we assume a parallel shift in the yield curve. Given expectation of a still volatile interest rate setting, we have adjusted the upward shift to 100 basis points and the downward shift to 50 basis points. A rate of zero interest is applied as the floor. With respect to the currencies that are key to us in this respect, the shift impacts as follows on the income statement as well as equity:

€ '000	2022		2021	
Changes in interest, equity	1.00%	(0.50)%	1.00%	(0.50)%
EUR	2,025	(999)	2,973	(654)
Changes in interest, earnings	1.00%	(0.50)%	1.00%	(0.50)%
CNY	779	(390)	748	(374)
EUR	(29,697)	(15,707)	(3,465)	0

Risks related to raw material prices
Business within the Wire & Cable Solutions Division is sensitive to changes in raw materials prices, especially of copper, but also gold and silver. For this reason, purchase prices for gold, silver and especially copper are hedged by way of future transactions to cover the usual future procurement volume. Such commodity future transactions are signed within ordinary business activity and as part of purchasing activity for required raw materials and therefore need not, in line with IFRS 9, be accounted for as financial derivatives. Commodity future transactions that are settled in cash are recognised as derivatives, changes in the fair value of which are recognised in the cost of sales. The risks arising from these derivatives are of minor significance to the Group.

30 | Measurement of fair value

The measurement of the fair values of assets and liabilities by hierarchy levels was as follows:

31/12/2022 € '000	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		69,142		**69,142**
Investments			1,472	**1,472**
Derivative financial assets				
Derivatives without a hedging relationship	737	5,574		**6,311**
Derivatives with a hedging relationship		18,795		**18,795**
Liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship		2,036		**2,036**
Derivatives with a hedging relationship		8,809		**8,809**
31/12/2021 € '000				
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**

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

The following valuation techniques and inputs to determine fair value were used for financial assets and liabilities that are either measured at fair value or for which a disclosure concerning fair value is presented in the Notes.

Level 1: The market price on the reporting date is applied to commodity future transactions recognised as derivatives.

Level 2: Given the very short terms of the trade receivables contained in the item 'Financial assets held for sale', the fair values largely correspond to the carrying amounts, as they did in the previous year. Foreign exchange transactions are measured based on current reference rates observable on the market and taking into consideration forward premiums or discounts. This considers the credit risk of the contracting partner by determining credit value adjustments (CVAs) or debt value adjustments (DVAs) based on applying a premium / discount.

The fair value of the financial debts is derived from the present value of the expected cash inflows or outflows while considering the market interest rates and volatilities applicable for the remaining terms.

Level 3: Investments that are of subordinated significance to the consolidated financial statements of LEONI AG are classified to this level.

31 | Earnings per share

Basic earnings per share were calculated as follows:

	2022		2021	
	Total amount	Earnings per share	Total amount	Earnings per share
	€ '000	€	€ '000	€
Numerator: Earnings before taxes attributable to equity holders of the parent company	(611,023)		20,743	
Consolidated net loss attributable to equity holders of the parent company	(604,904)	(18.52)	(47,722)	(1.46)
Denominator: Weighted average number of shares outstanding (no. of shares)	32,669,000		32,669,000	

As in the previous year, the number of shares outstanding on 31 December 2022, of 32,669,000, corresponded to the number of shares issued. As in the previous year, there was no dilution effect in the financial year under report.

32 | Auditor's professional fees

Expenses due to services performed by the appointed auditors in the financial year pertain primarily to audit of the financial statements and the consolidated financial statements alongside the combined management report of the parent company as well as audits of the financial statements of various subsidiaries as at 31 December 2022. There was furthermore a review of the half-year financial report as at 30 June 2022. The increase in fees for auditing the financial statements to € 3,602 k is due mainly to the 2022 financial year having included additional auditing services for accounting related to refinancing and the originally planned disposal of BG AM.

Other assurance services include particularly services in connection with the original refinancing plan including a notified equity transaction, which could not be implemented because of STARK Corporation's surprise refusal to close the sale of BG AM. In the previous year, this included especially services related to auditing financial statements in connection with selling WCS sub-segments.

€ '000	2022	2021
Audit	3,602	2,599
Other assurance services	326	1,007
	3,928	**3,606**

33 | Personnel expenses and employees

€ '000	2022	2021
Wages and salaries	978,187	1,015,950
Social-security contributions, expenses for pensions and retirement and fringe benefits	204,800	215,604
	1,182,987	**1,231,554**

The latter item includes the following retirement benefit expenses:

€ '000	2022	2021
Net periodic pension cost	7,111	8,301
Costs of defined contribution plans	79,791	84,927
	86,902	**93,228**

Annual average number of employees:

	2022	2021
Salaried staff	15,022	15,579
Wage earners	81,343	85,892
	96,365	**101,471**

The Group employed 95,090 people on the balance sheet date (previous year: 101,372), of which 91,973 worked outside Germany (previous year: 97,049).

Notes
Other information

34 | Transactions with related parties

The compensation for management in key positions within the Group comprises the compensation for active members of the Executive Board and the Supervisory Board.

The compensation for members of the Executive Board broke down as follows:

€ '000	2022	2021
Benefits due in the short term	4,582	3,633
Other benefits due in the long term	2,059	584
Post-employment benefits	0	450
	6,641	**4,667**

The short-term benefits included, along with the fixed compensation, a variable component of €1,078 k (previous year: €1,779 k). The expense for the long-term compensation component in fiscal 2022 was €2,059 k (previous year: €584 k). The receipts of the members of the Executive Board pursuant to Section 314 (1) no. 6a of the German Commercial Code (Handelsgesetzbuch, 'HGB') totalled €6,641 k (previous year: €4,667 k).

The compensation for members of the Supervisory Board in the year under report totalled €1,573 k (previous year: €1,539 k), which was exclusively comprised of benefits due in the short term.

Compensation for employee-representative members of the Supervisory Board
The employee representatives on LEONI AG's Supervisory Board received compensation based on their service contracts at LEONI. LEONI's related expenses were €1,137 k (previous year: €549 k). On 31 December 2022, there were liabilities in the amount of €65 k (previous year: €47 k) pertaining to service contracts with employee representative members of the Supervisory Board.

Compensation for former members of the Executive Board
The receipts in the financial year of former members of the Executive Board and their surviving dependants amounted to €977 k (previous year: €972 k). There are pension obligations (DBO) vis-à-vis former members of the Executive Board and their surviving dependants in the amount of €15,254 k (previous year: €19,164 k).

Joint ventures and associates
The Group had business relationships with joint ventures during the financial year. Transactions with these related parties result from normal trade in goods and services and were concluded on standard market terms. The extent of these business relationships with related entities and persons is presented in the following table:

€ '000	2022	2021
Receivables from long-term loans	0	3,453
Trade receivables	13,387	13,983
Trade payables	1,218	1,420
Income from disposals and services	17,008	16,619
Purchases and services obtained	105	570

This includes primarily the business relationships with the joint venture in Langfang, China.

Other relationships with related parties
In a voting rights announcement on 21 February 2022 it was reported that Pierer Industrie AG now holds or is attributed a total of 20 percent of the voting rights in LEONI AG. In a voting rights announcement on 20 June 2022 it was reported that, instead of Pierer Industrie AG, L1-Beteiligungs GmbH of Aalen, Germany has held or has been attributed a total of 20 percent of the voting rights in LEONI AG since 17 June 2022. Pierer Industrie AG and L1-Beteiligungs GmbH are both subsidiaries of Pierer Konzerngesellschaft mbH held by Mr Stefan Pierer.

L1-Beteiligungs GmbH presently itself directly holds 16.53 percent of the voting rights in LEONI AG. To the Company's knowledge, L1-Beteiligungs GmbH is furthermore authorised at general meetings of the Company to represent 3.47 percent of the voting rights held by Mr Martin Hetzner and his investment companies ENSoXX Holding AG and ENSoXX GmbH.

Together with the ENSoXX votes, Mr Dipl.-Ing. Stefan Pierer controls, based on the aforementioned fact, about 20 percent of the voting rights stemming from the shares issued by the Company via the Pierer investment companies. Mr Dipl.-Ing. Stefan Pierer and the Pierer investment companies thus command, based on the voting rights held and represented by them, the corresponding majority of voting rights at LEONI AG's general meeting.

Mr Hans-Joachim Ziems was a member of the Executive Board until 31 March of the 2021 financial year. Until Mr Ziems' departure from the Board, LEONI procured services from Ziems & Partner Unternehmensberater (consultants) in the amount of €1,903 k in fiscal 2021. Furthermore, at the time Mr Ziems left the Executive Board there were liabilities to this company in the amount of €2,550 k. The services were procured on standard market terms.

There were no other reportable transactions with related parties.

35 | Declaration pertaining to the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)

In December 2022, the Executive Board and the Supervisory Board issued the updated declaration of conformity pursuant to Section 161 AktG and made this available to shareholders on a permanent basis by publishing it on the internet (» **www.leoni.com**). The Declaration of Conformity is also included in the Corporate Governance report, which is published in the 2022 Annual Report.

36 | Events after the balance sheet date

Effective 10 January 2023, LEONI's Supervisory Board once again appointed Mr Hans-Joachim Ziems to the Executive Board as Chief Restructuring Officer (CRO). He will be supporting LEONI in the fundamental and quite short term revision of its refinancing plan.

On 30 January 2023, the Supervisory Board announced that Mr Aldo Kamper, Chief Executive Officer of LEONI AG since September 2023, would be leaving the Company effective 31 March 2023 at his own request to take on a new job soon. The Supervisory Board immediately began talks to settle his succession.

As reported in our ad-hoc announcement of 3 April 2023, LEONI reached an agreement with its syndicate banks, key borrower's note creditors as well as Mr Stefan Pierer[1] on a restructuring plan under the German Corporate Stabilisation and Restructuring Act (Unternehmensstabilisierungs- und restrukturierungsgesetz).

The restructuring plan will give the Company substantial debt relief and furnish it with fresh liquidity. It comprises the following key points:

- Some syndicate lenders and the participating borrower's note creditors of LEONI AG are prepared to transfer about 50 percent of their affected receivables to an entity to be newly established by Mr Stefan Pierer in return for being issued a value recovery instrument. The value recovery instrument to be granted by Mr Stefan Pierer's newly established entity corresponds to an economic participation in LEONI AG of 45 percent. The restructuring plan provides that the remaining borrower's note creditors either likewise participate in the solution and transfer 50 percent of their receivables to the newly established entity or waive their entitlement to a corresponding receivable amount. The amount of receivables to be transferred or relinquished thus totals €708 million.
- The share capital of LEONI AG will be reduced to nil euros as the outcome of a simplified capital reduction by amalgamating all shares. This will result in loss compensation within equity without any impact on the statement of comprehensive income. The market listing of LEONI AG shares will thus end.
- Through a cash capital increase involving the issue of 50,000,000 bearer shares each with a pro-rated share of €1 in the share capital, Mr Stefan Pierer will pay an amount €150 million (including of €100 million in cash) to LEONI AG via the entity he is to newly establish. In addition, the entity to be newly established will pay the previously acquired receivables totalling up to €708 million to the Company as a contribution in kind in the form of a waiver. So far as these receivables are recoverable, they will be recognised in the capital reserve while the non-recoverable amount will boost equity through recognition in profit or loss. Following this capital increase, to which only the entity to be newly established by Mr Stefan Pierer is to be admitted, this entity will be the new sole shareholder.

1 The parties to this agreement include L1-Beteiligungs GmbH, Pierer Beteiligungs GmbH, Zweite Pierer Beteiligungs GmbH as well as an entity to be newly established, each of which involve entities directly or indirectly held by Stefan Pierer. He is attributed approx. 20 percent of the voting rights in LEONI AG. Stefan Pierer himself furthermore issued an equity commitment in connection with implementation of the restructuring plan. All the aforementioned parties are parties related to LEONI AG within the meaning of Section 118a (1) sentence 2 of the German Stock Corporation Act.

- On this basis, the financing partners will be prepared to extend the remaining loans and borrower's notes amounting to approx. €0.7 billion to the end of 2026 on new commercial terms including collateral, thus ensuring full financing for the years ahead.

As a consequence of implementing these capital-related measures, LEONI AG will receive fresh liquidity from the capital increase amounting to €150 million and will be discharged of financial liabilities totalling €708 million. Some of the lending banks will provide bridge finance of up to €60 million for implementing the plan, an amount that is to be repaid from the funds provided by the cash capital increase.

LEONI AG has already begun to apply this restructuring plan under the Corporate Stabilisation and Restructuring Act and submitted notice of this plan to the Restructuring Court of Nuremberg local court on 31 March 2023. The restructuring plan was submitted on 8 May 2023. Based on this, the discussion and ballot meeting took place on 31 May 2023. In this meeting, the restructuring plan was approved with the required majority of at least 75 percent, respectively, within two of the total three groups affected by the plan. For this reason, the the Executive Board believes there are good and overwhelmingly probable prospects that the application for its restructuring plan will be judicially confirmed (Sections 60 et seq. StaRUG), and, given that any appeals are unlikely to succeed (Sections 64 & 66, StaRUG), the plan will come into legal force. Furthermore, to the Company's knowledge there are no indications either that all subsequent steps towards implementing the restructuring transition cannot also be taken.

Even so, implementing the restructuring plan by way of the StaRUG process is subject to merger control clearance, other customary caveats (e.g. entry of the capital measures in the commercial register), judicial confirmation of the restructuring plan, all the documentation covering the required contracts having been submitted as well as execution of the cash capital increase. There are, moreover, risks that the judicially confirmed restructuring plan and the legal actions taken in executing the restructuring plan might be challenged (cf. Note headed 'Principles' for details in this regard).

Also on 3 April 2023, the Supervisory Board announced that the present Supervisory Board Chairman of LEONI AG, Mr Klaus Rinnerberger, is to be LEONI AG's Chief Executive Officer (CEO) once consent under antitrust law has been given. Mr Hans-Joachim Ziems (CRO) will assume the role of Executive Board spokesperson until Mr Klaus Rinnerberger takes office.

The sale of j-fiber GmbH, which is allocated to the Wire & Cable Solutions Division, was closed on the same day. A binding agreement on this sale was signed back in May 2022.

On 12 April 2023, LEONI AG announced that the ongoing preparation of the 2022 financial statements established that there will certainly have been a share capital-devouring loss in fiscal 2022 because of major impairments. The Company estimated impairments totalling a high nine-digit euro amount; the precise figures were not yet certain at that time. LEONI AG's Executive Board therefore said, as it already did in its announcement of 29 March 2023 and pursuant to its obligation under Section 92 of the German Stock Corporation Act, that an extraordinary general meeting would be convened at short notice. This was held on 2 June 2023, during which the Executive Board presented to loss of share capital. We refer to the 'Risk and opportunity report' in the Combined Management Report for the assessment on continuation of business activity.

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

Nuremberg, 5 June 2023

LEONI AG
The Executive Board

Hans-Joachim Ziems | Dr Harald Nippel

Dr Ursula Biernert | Ingo Spengler

Annex to the Notes
Scope of consolidation

Scope of consolidation on 31 December 2022	Ownership (%)
I. Consolidated companies	
LEONI AG, Nuremberg, Germany	
LEONI Kabel GmbH, Roth	100
LEONI Industry Holding GmbH, Nuremberg	100
Haarländer GmbH, Roth	100
KB Kabel Beteiligungs-GmbH, Nuremberg	100
LEONI Cable Assemblies GmbH, Roth	100
LEONI Draht GmbH, Nuremberg	100
LEONI HighTemp Solutions GmbH, Halver	100
LEONI Kerpen GmbH, Stolberg	100
j-fiber GmbH, Jena	100
LEONI Bordnetz-Systeme GmbH, Kitzingen[1]	100
LEONI Kabelsysteme GmbH, Neu-Ulm[1]	100
LEONI Wiring Systems Spain, S.L.U., Sant Feliu de Llobregat, Barcelona, Spain	100
LEONI Italy S.r.l., Felizzano (Alessandria), Italy	100
LEONI Kabel Polska sp. z o.o., Kobierzyce, Poland	100
LEONI Kablo ve Teknolojileri Sanayi ve Ticaret Ltd. Sirketi, Nilüfer/Bursa, Turkey	100
LEONI Wiring Systems Slovakia spol. s r.o., Trencin, Slovakia	100
LEONI Temco Ltd., Cinderford, Gloucestershire, United Kingdom	100
LKH LEONI Kábelgyár Hungária Kft., Hatvan, Hungary	100
LEONI Wiring Systems Arad S.R.L., Arad, Romania	100
LEONI Wiring Systems France S.A.S., Montigny le Bretonneux, France	100
LEONI Wiring Systems Pitesti S.R.L., Bascov, Romania	100
LEONI Wiring Systems RO S.R.L., Bistrita, Romania	100
LEONI Wiring Systems U.K. Ltd., Newcastle-under-Lyme, Staffordshire, United Kingdom	100
TOV LEONI Wiring Systems UA GmbH, Stryi, Ukraine	100
Leonische Portugal Lda., Lugar de Sao Martinho, Guimarães, Portugal	100
LEONI Wiring Systems Czech, s.r.o., Mírová pod Kozákovem, Czech Republic	100
LEONI Slovakia spol. s.r.o., Trencianska Teplá, Slovakia	100
OOO LEONI RUS, Zavolzhye, Russia	100
LEONI Wiring Systems Southeast d.o.o., Prokuplje, Serbia	100
LEONI Bulgaria EOOD, Pleven, Bulgaria	100
LEONI Wiring System Poland sp.z.o.o, Ostrzeszów, Poland	100
LEONI Cable Maroc SARL, Aïn Sebâa, Casablanca, Morocco	100
LEONI Cable (China) Co., Ltd., Changzhou, China	100
LEONI Wire (Changzhou) Co. Ltd., Changzhou, China	100
Leonische Holding, Inc., Wilmington, Delaware, USA	100
LEONI Cable, Inc., Troy, Michigan, USA	100
LEONI Cable S.A. de C.V., Cuauhtémoc, Chihuahua, Mexico	100
LEONI Cable de Chihuahua S.A. de C.V., Cuauhtémoc, Chihuahua, Mexico	100
LEONI Wire, Inc., Chicopee, Massachusetts, USA	100
LEONI Wire & Cable Solutions Japan K.K., Atsugi-shi, Kanagawa, Japan	100
LEONI Automotive do Brasil Ltda., Itú, Saõ Paulo, Brazil	100
LEONI Electrical Systems (Shanghai) Co., Ltd., Shanghai, China	100
LEONI Wiring Systems (Tieling) Co., Ltd., Tieling, China	100
LEONI Wiring Systems Tunisia SARL, M'Saken-Sousse, Tunisia	100
LEONI Wiring Systems Ain Sebaa S.A., Aïn Sebâa, Casablanca, Morocco	100
LEONI Wiring Systems Bouskoura S.A., Bouskoura, Casablanca, Morocco	100
LEONI Wiring Systems Berrechid S.A., Berrechid, Morocco	100
LEONI Wiring Systems de Durango S.A. de CV., Durango, Mexico	100
LEONI Wiring Systems Egypt S.A.E., Nasr City, Cairo, Egypt	100
LEONI Wiring Systems, Inc., Tucson, Arizona, USA	100
LEONI Wiring Systems Mexicana, S.A. de C.V., Hermosillo, Mexico	100
LEONI Wiring Systems de Yucatán S.A. de C.V., Mérida, Mexiko	100
LEONI Wiring Systems Services de Hermosillo S.A. de C.V., Hermosillo, Mexico	100
LEONI Wiring Systems de Paraguay S.R.L., San Lorenzo, Paraguay	100
LEONI Wiring Systems (Pune) Pvt. Ltd., Pune, Maharashtra, India	100
LEONI Wiring Systems Korea, Inc., Busan (Jisa-dong), Korea	100
LEONI Electrical Systems (Jining) Co., Ltd., Jining, China	100
LEONI Electrical Systems (Penglai) Co., Ltd., Penglai, China	100
II. Associated companies and joint venture Wiring Systems Division	
Intedis GmbH & Co. KG, Kitzingen, Germany	50
Intedis Verwaltungs-GmbH, Kitzingen, Germany	50
Langfang LEONI Wiring Systems Co., Ltd., Sanhe City, Hebei Province, China	50
j-fiber Hengtong GmbH, Jena, Germany	38

1 Companies that make use of the exemption under Section 264 (3) of the German Commercial Code (HGB).

Independent Auditor's Report

Report on the audit of the Consolidated Financial Statements and of the Combined Management Report

Audit Opinions

We have audited the consolidated financial statements of LEONI AG, Nuremberg, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2022 to 31 December 2022 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of LEONI AG, Nuremberg, for the financial year from 1 January 2022 to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the combined corporate governance statement pursuant to section 289f and 315d German Commercial Code (HGB) including the reporting on corporate governance referenced in section 1.7 of the combined management report as well the non-financial statement pursuant to sections 315b and 315c HGB in connection with section 289c to 289e included in section 5.4 of the combined management report. Further we did not audit the content of section 6.5 of the combined management report that were marked as unaudited.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the statements referenced above as well as section 6.5 of the combined management report.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Material Uncertainty Related to Going Concern

We refer to section "Principles" in the notes to the consolidated financial statements and to section 3.4 "Financial situation", subchapter "Measures to stabilize the financial situation further" and "Refinancing plan" as well as the risk reporting in section 6.6 "Opportunity and risk situation", subchapter "Liquidity risk and financial risks" and subchapter "The Executive Board's assessment of the opportunity and risk situation" of the combined management report. In these sections, the legal representatives describe and explain the risks that threaten the existence of LEONI AG, in particular the restructuring and refinancing concept that has not yet been completed, as well as the uncertainties of future business and liquidity development. In order to ensure financing and liquidity, it is particularly necessary to implement the reorganization and refinancing concept – agreed with the syndicated loan lenders, the majority of the promissory note holders and the strategic investor in March 2023 – within the framework of StaRUG. The approval of the restructuring plan was granted by the creditor groups during the discussion and voting meeting according to StaRUG on 31 May 2023. The legal representatives assume that is more likely than not that the implementation of the reorganization and refinancing concept will be successful, despite certain conditions that have not been met yet, such as merger control approvals and general legal risks arising from the StaRUG process. Further uncertainties result from difficult to predict risks associated with macroeconomic developments, including consequences of the war in Ukraine and the semiconductor crisis. The executive directors deem it unlikely, that the Group will not be able to implement the measures contained in the restructuring report cannot be implemented successfully. However, In the event that the measures contained in the restructuring report cannot be implemented or that several risks occur simultaneously, the Group would not be able to realize its assets and settle its debts in the ordinary course of business. As presented in the combined management report, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, and constitute a risk with regards to the Group's ability to continue as a going concern within the meaning of section 322 (2) sentence 3 HGB.

According to Article 10 (2) lit. c) point ii) of the EU Audit Regulation, we summarize our audit response to these risks as follows: As part of our audit, we examined whether the preparation of the consolidated financial statements on the basis of the going concern assumption and the risk disclosures in the consolidated financial statements as well as the related information, presentations, explanations, analyzes and assessments in the consolidated management report are appropriate. With the help of our specialists in the field of insolvency law, we have evaluated the opinions of the legal advisors of LEONI AG with regard to the prospects for success of the implementation of the reorganization and refinancing concept. In this context, we have also recognized the restructuring report from May 2023 prepared by an external expert of the legal representatives based on IDW S 6. In addition, we conducted a plausibility assessment of the multi-annual planning of the legal representatives and checked whether the assumptions made are plausible and the planned measures are feasible. With the help of our specialists from the valuation department, we have validated the expected revenues contained in the multi-year financial plan by comparing them with general and sector-specific market expectations. We discussed the multi-annual planning of the legal representatives as well as the measures and implementation of the reorganization and refinancing concept regularly with the executive directors, the supervisory board, the legal advisors and with the external expert who prepared the restructuring report in accordance with IDW S 6. Finally, we have examined the completeness and accuracy of the information in the consolidated financial statements and in the consolidated management report in connection with the risks regarding the Group's ability to continue as a going concern within the meaning of § 322 paragraph 2 sentence 3 of the German Commercial Code.

Our audit opinions were not modified in respect of this matter.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2022 to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

In the following we present the key audit matters we have determined in the course of our audit:

1. Recoverability of Goodwill, Other intangible assets and Property, Plant and Equipment

2. Recognition and valuation of the provisions for losses from onerous contracts

Our presentation of these key audit matters has been structured as follows:

a) Description (including reference to corresponding information in the consolidated financial statements)

b) Auditor's response

1. Recoverability of Goodwill, Other intangible assets and Property, Plant and Equipment

a) As of December 31, 2022, goodwill of million EUR 0 million (previous year: million EUR 69) has been recorded in the consolidated financial statements of LEONI AG. In addition, the consolidated financial statements include other intangible assets and property, plant and equipment amounting EUR 815 million (previous year: EUR 1,310 million). This corresponds to around 31% of total assets. Following the impairment test according to IAS, 36 write-downs on non-current assets amounting to a total of EUR 603 million were recognized as expenses In the 2022 consolidated financial statements.

Regarding Goodwill, impairment tests are carried out during the financial year or in case of triggering events. In addition, impairment tests must also be performed for other intangible assets and property, plant and equipment in case of triggering events.

The impairment tests are based on valuations using the discounted cash flow method. These valuations are based on the present value of future cash flows for Cash Generating Units. As the sale of Business Group Automotive of the Wire & Cable Solutions Division could not be completed, the planned refinancing could not be implemented. The uncertain financing situation led, among other things, to a limited ability to contract new orders with customers and operational risks with regard to the implementation of restructuring measures, with corresponding effects on the medium to long-term business prospects. In order to reflect these changed general conditions and the increased uncertainty with regard to the future development in the cash flow projections used for carrying out the impairment test, the medium-term plan approved by the Supervisory Board was supplemented by additional planning assumptions from the restructuring report prepared by an external expert in accordance with IDW S6. Discounting is based on the weighted average cost of capital (WACC).

The results of the impairment tests is highly dependent on the executive directors' judgement with regard to valuation parameters and is therefore subject to estimation uncertainty and management's discretion. This applies in particular to the assessment of future cash flows of Cash Generating Units and the discount rate used. Consequently, the result of any impairment test is subject to uncertainties. This is particularly true against the background of the uncertainties of the future business development in connection with the persistently difficult macroeconomic conditions as a result of the Ukrainian war, the shortage of semiconductors and their impact on operations, such as on sales and costs development as well as on other operational risks, as a result of the uncertain refinancing situation of LEONI as of the balance sheet date.

Consequently, the impairment tests for goodwill as well as other intangible assets and property, plant and equipment were classified as a key audit matter.

The information provided by the executive directors on the impairment tests can be found in note 1 "Principles of consolidation as well as summary of key accounting and valuation methods" (sections "Measurement of fair value", "Goodwill", "Impairment of intangible assets and property, plant and equipment" as well as "Key judgments, estimates and assumptions"), in note 17 "Impairment testing of property, plant and equipment as well as intangible assets" and in note 18 "Goodwill".

b) Using our risk-based audit approach, we focused our audit on the processes around performing the impairment tests. We firstly evaluated the right allocation of assets and liabilities to Cash Generating Units. We examined whether the valuation model used properly reflects the requirements of the relevant accounting standards and whether the formulas in the model are correct. Additionally, we audited the completeness and accuracy of the input data and that the input data was accurately processed in the model. Additionally, we also evaluated the planning process as well as tested the design and implementation of relevant control activities.

We performed the audit of the valuation models as well as the mathematical accuracy of the valuation model with the involvement of our valuation specialists.

We reconciled the future cash flows used in the valuation with LEONI's multi-year financial plans approved by the legal representatives as well as the reorganization report prepared by an external expert based on IDW S6 of May 2023, that contains a critical assessment of LEONI's multi-year financial plans. We further evaluated the plausibility of the assumptions incorporated in the plans using general and sector-specific market expectations.

Since changes in the discount rate can have a significant impact on the recoverable amount and therefore on the result of the impairment test, we have validated the parameters used in determining the discount rate (WACC) supported by our valuation specialists and used their expertise to audit the WACC calculations. Due to the uncertainties inherent in the valuation, we have also carried out our own sensitivity analyses for cashgenerating units with minimal coverage.

In addition, when assessing the plausibility of the results of the valuation, we have taken into account the valuation report as of 31 December 2022, that was prepared by another external expert as part of the StaRUG process.

2. Recognition and valuation of provisions for losses from onerous contracts with customers

a) LEONI's consolidated financial statements include provisions for losses from onerous contracts with customers amounting to EUR 56 million.

An onerous contract exists if the unavoidable costs of meeting the obligation exceed the economic benefits expected to be received under it. The calculations of individual long-term customer projects form the basis for recognizing and evaluating the provisions from onerous contracts. The executive directors have to make considerable assumptions and forward-looking estimations regarding future project revenues and costs for these calculations. Accordingly, the estimations involve considerable uncertainty regarding future developments in the long-term customer projects, especially given the impact of the COVID-19 pandemic and the semiconductor shortage as a result of the pandemic as well as the associated uncertainty with regard to the sales development, the availability of intermediate products as well as the development of raw material prices and labour costs. There is a risk that the provisions for onerous contracts with customers have not been recorded completely in the consolidated financial statements or are not measured appropriately. We have classified the recognition and the valuation of provisions for losses from onerous contracts with customers as a key audit matter.

The information provided by the executive directors on the provisions for losses from onerous contracts can be found in section 1 „Principles of consolidation and summary of significant accounting judgments, estimates and assumptions“ (section "Other provisions" and "Key judgements, estimates and assumptions") and section 25 "Provisions" of the notes to the consolidated financial statements.

b) As part of our risk-based audit, we critically assessed the processes for determining the provisions for onerous contracts with customers and have evaluated to which extent the process could have been influenced by subjective judgement, high complexity and other risk factors. In this context, we examined whether the general recognition and valuation criteria for provisions, including the specific criteria of IAS 37.66 and following sections, were applied. When assessing the process for determining the provisions for onerous contracts we have also evaluated the design and implementation of relevant control activities.

We assessed the judgements made by the executive directors for individual projects based on a representative sample selection. Additionally, we carefully reviewed the underlying contracts and agreements and checked whether the provisions contained therein were taken into account when determining the provisions. Based on inquiries with the project managers, we analyzed the current project information (planned revenues and costs) and validated the accuracy. We assessed the estimates and assumptions made on the basis of the knowledge gained through our procedures and historical financial data. We also reconciled the calculation of the provisions with the contract and planning data as well as data from cost accounting systems.

Other Information
The executive directors and the supervisory board are responsible for the other information. The other information comprises:

- the report of the supervisory board
- the non-financial declaration contained in section 5.4 of the combined management report in accordance with sections 315b, 315c HGB,
- the combined corporate governance statement pursuant to sections 289f and 315d HGB including the reporting on corporate governance, which is referenced section 1.7 of the combined management report,
- section 6.5 of the combined management report that was marked as not audited,
- the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to section 297 (2) sentence 4 and section 315 (1) sentence 5 HGB, and
- all other parts of the published annual report, but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors as well as the supervisory board are responsible for the declaration according to Section 161 German Stock Corporation Act (AktG) are included in the combined corporate governance statement. Apart from that the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report
The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Combined Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the combined management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA-256 value 40ef0bef9885101928518f2396492dc63f76a38c0fd79c6873d542c4654b1c59, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the combined management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined management report for the financial year from 1 January 2023 to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the combined management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the group management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited combined management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor by the annual general meeting on 24 May 2023. We were engaged by the supervisory board on 13/15 September 2022. We have been the Group auditor of LEONI AG, NUREMBERG, without interruption since the financial year 2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Other matter
Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as with the audited ESEF documents. The consolidated financial statements and the combined management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Sebastian Kiesewetter.

Nuremberg, 12 June 2023

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Signed:
Sebastian Kiesewetter
Wirtschaftprüfer
(German Public Auditor)

Signed:
Alexander Hofmann
Wirtschaftprüfer
(German Public Auditor)

Independent auditor's report on a limited assurance engagement

Reasonable assurance report of the independent practitioner regarding the non-financial statement

To LEONI AG, Nuremberg/Germany,

Our engagement

We have performed a limited assurance engagement on the consolidated non-financial statement, which is included in the combined management report for the parent and the Group, of LEONI AG, Nuremberg/Germany, (hereafter referred to as "the Company"), for the financial year from 1 January to 31 December 2022 (hereafter referred to as "non-financial statement").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the non-financial statement in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and Article 8 of Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereafter referred to as "EU Taxonomy Regulation") and the delegated acts adopted thereon, as well as with the interpretation of the EU Taxonomy Regulation and the delegated acts adopted thereon, as is presented in section "Disclosures according to the EU Taxonomy Regulation" of the non-financial statement.

These responsibilities of the Company's executive directors include the selection and application of appropriate methods to the non-financial statement and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. In addition, the executive directors are responsible for such internal control as they have found necessary to enable the preparation of the non-financial statement that is free from material misstatements due to fraudulent behaviour (manipulation of the non-financial statement) or error.

Some of the wording and terminology contained in the EU Taxonomy Regulation and the delegated acts adopted thereon are still subject to considerable interpretation uncertainty and have not yet been officially clarified. Therefore, the executive directors have laid down their own interpretation of the EU Taxonomy Regulation and of the delegated acts adopted thereon in section "Disclosures according to the EU Taxonomy Regulation" of the non-financial statement. They are responsible for the reasonableness of this interpretation. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation is prone to uncertainty.

The preciseness and completeness of the environmental data in the non-financial statement is subject to inherent restrictions resulting from the manner in which the data was collected and calculated as well as from assumptions made.

Independence and Quality Assurance of the Audit Firm

We have complied with the German professional requirements on independence and other professional rules of conduct.

Our firm applies the national statutory rules and professional announcements – particularly of the "Professional Charter for German Public Auditors and German Sworn Auditors" (BS WP/vBP) and of the IDW Quality Assurance Standard "Quality Assurance Requirements in Audit Practices" (IDW QS 1) promulgated by the Institut der Wirtschaftsprüfer (IDW) and does therefore maintain a comprehensive quality assurance system comprising documented regulations and measures in respect of compliance with professional rules of conduct, professional standards, as well as relevant statutory and other legal requirements.

Responsibilities of the Independent Practitioner

Our responsibility is to express a conclusion on the non-financial statement based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Rev.): Assurance Engagements Other than Audits or Reviews of Historical Financial Information, adopted by the IAASB. This Standard requires that we plan and perform the assurance engagement so that we can conclude with limited assurance whether matters have come to our attention to cause us to believe that the non-financial statement has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "Disclosures according to the EU Taxonomy Regulation" of the non-financial statement.

The procedures performed in a limited assurance engagement are less in extent than in a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The choice of assurance work is subject to the practitioner's professional judgement.

Within the scope of our limited assurance engagement, which we performed during the months from November 2022 to June 2023, we performed, among others, the following procedures and other work:

- Obtaining an understanding of the structure of the Group's sustainability organisation and of the stakeholder engagement
- Inquiries of the executive directors and the relevant employees involved about the process of preparation, about the system of internal control relating to this process, as well as about the disclosures contained in the non-financial statement
- Identification of probable risks of material misstatements in the non-financial statement
- Analytical evaluation of selected disclosures contained in the non-financial statement
- Cross validation of selected disclosures and the corresponding data in the consolidated financial statements as well as in the combined management report
- Evaluation of the presentation of the non-financial statement
- Evaluation of the process to identify taxonomy-eligible and taxonomy-compliant economic activities and the corresponding disclosures in the non-financial statement.

The determination of the disclosures pursuant to Article 8 of the EU Taxonomy Regulation requires the executive directors to make interpretations of indefinite legal concepts. As there is the inherent risk that indefinite legal concepts may allow for various interpretations, the legal conformity of the interpretation, and hence our related examination, is prone to uncertainty.

Practitioner's conclusion

Based on the work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of the LEONI AG for the financial year from 1 January to 31 December 2021 has not been prepared, in all material respects, in accordance with Section 315c in conjunction with Sections 289c to 289e HGB and the EU Taxonomy Regulation and the delegated acts adopted thereon, as well as with the interpretation by the executive directors presented in section "Disclosures according to the EU Taxonomy Regulation" of the non-financial statement.

Restriction of Use

We issue this report as stipulated in the engagement letter agreed with the Company (including the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)" as of 1 January 2017 promulgated by the Institut der Wirtschaftsprüfer (IDW)). We draw attention to the fact that the assurance engagement was performed for the purposes of the Company and the report is solely designed for informing the Company about the findings of the assurance engagement. Therefore, it may not be suitable for another than the aforementioned purpose. Hence, this report should not be used by third parties as a basis for any (asset) decision.

We are liable solely to the Company. However, we do not accept or assume liability to third parties. Our conclusion was not modified in this respect.

Nuremberg/Germany, 12 June 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
Sebastian Kiesewetter	Sebastian Dingel
Wirtschaftprüfer	Partner
(German Public Auditor)	(Partner)

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Nuremberg, 5 June 2023

LEONI AG

The Board of Directors

Hans-Joachim Ziems

Dr Harald Nippel

Dr Ursula Biernert

Ingo Spengler

Additional information

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Ten-year overview

1 Changed measurement from 2016/2018.
2 This key figure represents adjustment of EBIT for exceptional, non-recurring factors to facilitate easier comparability between the periods and better interpretation of operating profitability. Effects stemming from the Group's refinancing (incl. impairments), restructuring measures, M&A transactions as well as extraordinary costs related to the Ukraine war are classified as exceptional items.
3 For fiscal years 2020, 2021 and 2022 net debt including items contained in 'Assets / liabilities held for sale'.
4 Appropriately adjusted due to reclassification of €5,049 k in bank accounts pledged to factoring partners.

under IFRS			2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Sales	Group	€ '000	**5,093,363.00**	5,118,923.00	4,133,538.00	4,845,712.00	5,101,123.00	4,925,297.00	4,431,322.00	4,502,940.00	4,103,434.00	3,917,886.00
	EMEA (without Germany)	%	**40.60**	41.10	45.40	45.90	42.40	41.50	40.80	39.90	39.00	40.60
	Germany	%	**29.00**	27.10	23.50	23.20	27.20	27.70	28.30	25.50	27.00	27.80
	Americas	%	**17.20**	16.80	16.00	17.10	15.60	15.20	15.80	16.40	15.10	14.70
	Asia	%	**13.20**	15.00	15.10	13.80	14.80	15.60	15.10	18.20	18.90	16.90
	Wire & Cable Solutions	%	**28.80**	37.67	38.48	37.52	37.91	37.79	39.30	40.74	41.52	40.76
	Wiring Systems	%	**71.20**	62.33	61.52	62.48	62.09	62.21	60.70	59.26	58.48	59.24
Expenses	Cost of materials	€ '000	**3,160,375.00**	3,004,530.00	2,413,448.00	2,866,138.00	2,998,025.00	2,880,569.00	2,554,381.00	2,675,797.00	2,436,320.00	2,354,687.00
	Cost of materials	% of sales	**62.00**	58.69	58.39	59.15	58.77	58.49	57.64	59.42	59.37	60.10
	Personnel expenses	€ '000	**1,182,987.00**	1,231,554.00	1,122,081.00	1,236,733.00	1,120,472.00	1,058,560.00	971,336.00	925,453.00	816,751.00	766,038.00
	Personnel expenses	% of sales	**23.20**	24.06	27.15	25.52	21.97	21.49	21.92	20.55	19.90	19.55
	Depreciation and amortisation	€ '000	**195,264.00**	204,268.00	221,739.00	204,550.00	158,590.00	149.524.00	151,094.00	147,029.00	123,392.00	120,992.00
	Depreciation and amortisation	% of sales	**3.79**	3.99	5.36	4.22	3.11	3.04	3.41	3.27	3.01	3.09
Earnings	EBITDA	€ '000	**(344.182.00)**	295,411.00	(579,17.00)	(179,396.00)	302,843.00	376,686.00	230,247.00	298,356.00	305,897.00	284,137.00
	EBIT	€ '000	**(539,446.00)**	91,143.00	(279,656.00)	(383,946.00)	144,253.00	227,162.00	79,153.00	151,327.00	182,505.00	163,145.00
	EBIT margin	% of sales	**(10.60)**	1.78	(6.77)	(7.92)	2.83	4.61	1.80	3.36	4.45	4.16
	EBIT before exceptional items[2]	€ '000	**18,214**	129,594	–	–	–	–	–	–	–	–
	Income / loss before taxes (from continuing operations)	€ '000	**(610,798.00)**	20,641.00	(336,902.00)	(418,897.00)	120,922.00	202,223.00	54,799.00	125,859.00	150,719.00	131,220.00
	Net income / loss	€ '000	**(604,683.00)**	(47,859.00)	(330,136.00)	(434,838.00)	73,245.00	145,508.00	11,518.00	77,269.00	115,060.00	105,896.00
Cash flow[1]	Free cash flow	€ '000	**126,008.00**	(11,541.00)	(73,742)[4]	(307,831.00)	(140,213.00)	11,065.00	(27,494.00)	(5,194.00)	(37,878.00)	36,788.00
Balance sheet	Property, plant and equipment, intangible assets, goodwill	€'000	**814,964.00**	1,378,285.00	1,567,566.00	1658705,00	1,422,408.00	1,263,505.00	1,167,442.00	1131,546.00	1040410,00	940,455.00
	Net debt[3]	€ '000	**1,387,377.00**	1,540,090.00	1,428,545[4]	1,185,571.00	612,676.00	406,236.00	403,574.00	321,565.00	316,200.10	256,989.64
	Equity	€ '000	**(377,957.00)**	229,412.00	265,965.00	636,138.00	1,081,438.00	1,041,886.00	917,164.00	996,328.00	917,755.00	827,597.00
	Equity	% of balance sheet total	**(14.20)**	6.65	7.61	17.68	31.24	33.13	31.10	35.09	34.41	34.49
	Return on equity (ROE)	%	**160.00**	(20.86)	(124.13)	(68.36)	6.77	13.97	1.30	7.76	12.54	12.80
Employees	Employees on 31 December		**95,090.00**	101,372.00	101,007.00	94,928.00	92,549.00	86,340.00	79,037.00	74,018.00	67,988.00	61,591.00
	employed abroad	%	**96.70**	95.70	95.50	94.90	94.50	94.60	94.50	94.10	93.70	93.10
Share	Market capitalisation on 31 December	€ million	**180.01**	324.08	217.25	338.12	989.22	2,038.22	1,105.85	1,190.62	1,613.69	1,774.90
	Consolidated net income / loss per share	€	**(18,52)**	(1,46)	(10,10)	(13,30)	2,31	4,49	0,33	2,36	3,51	3,23
	Dividend per share	€	**0.00**	0.00	0.00	0.00	0.00	1,40	0,50	1.00	1.20	1,00
	Share price on 31 December (to compute the dividend yield)	€	**5,51**	9,92	6,65	10,35	30,28	62,39	33,85	36,45	49,40	54,33
	Dividend yield	%	**0**	0	0	0	0	2.2	1.48	2.74	2.43	1.84

Disclaimer

Forward-looking statements
This report contains forward-looking statements that are based on management's current assumptions and estimates concerning future trends. Such statements are subject to risk, uncertainty and various factors that LEONI cannot control or precisely assess. These statements are regularly recognisable by formulations such as ”expect“, ”want“, ”anticipate“, ”intend“, ”plan“, ”believe“, ”aim“, ”estimate“, ”will“ and ”predict“ or similar terms. Should imponderables occur or should assumptions on which these statements are based prove to be incorrect, actual results could deviate considerably from those described in these statements. Likewise, events of force majeure, e.g. a pandemic, natural phenomena or military conflicts, can have effects on business activities and results that cannot be estimated in advance. LEONI assumes no obligation to update forward-looking statements to adjust them to events following publication of this report.

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

LEONI's Annual Report appears in German and in English. In case of doubt or conflict, the German language version will prevail. We release our Annual Report exclusively in digital form. It is available as a PDF with complete contents.

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