

LEONI



Financial results

Q2 2020

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LEONI

Summary

Q2 2020 significantly burdened by Covid-19 - gradual improvement since May 2020

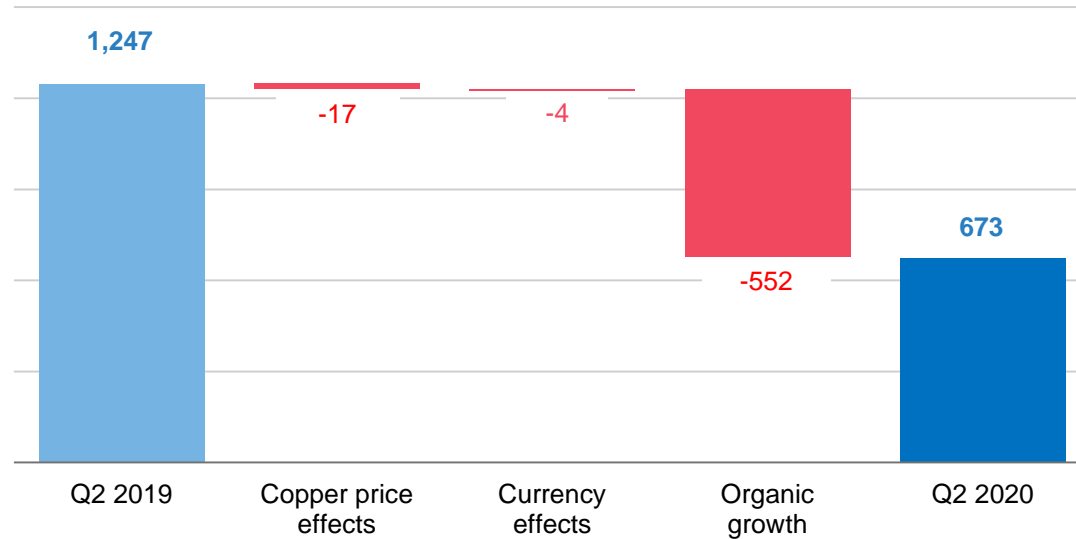
- › Sales, operating income and FCF in Q2 2020 down y/y due to strongly declining volumes in both divisions.
- › April marked the low-point during Q2 – gradual recovery has started and is in line with restructuring assumptions.
- › Two-thirds of production sites back at normalised production levels and China almost back to pre-crisis levels at the end of Q2.
- › VALUE 21 implementation progressing in plan: implemented measures expected to yield already c. EUR450m of gross cost savings from 2022 onwards. Well on track to achieve gross cost savings target of EUR500m from 2022 onwards.
- › Additional EUR330m credit line guaranteed by German Federal Government and State Governments ensures continuation of business operations including Covid-19 impact, assuming that the market will gradually recover over the course of the year.



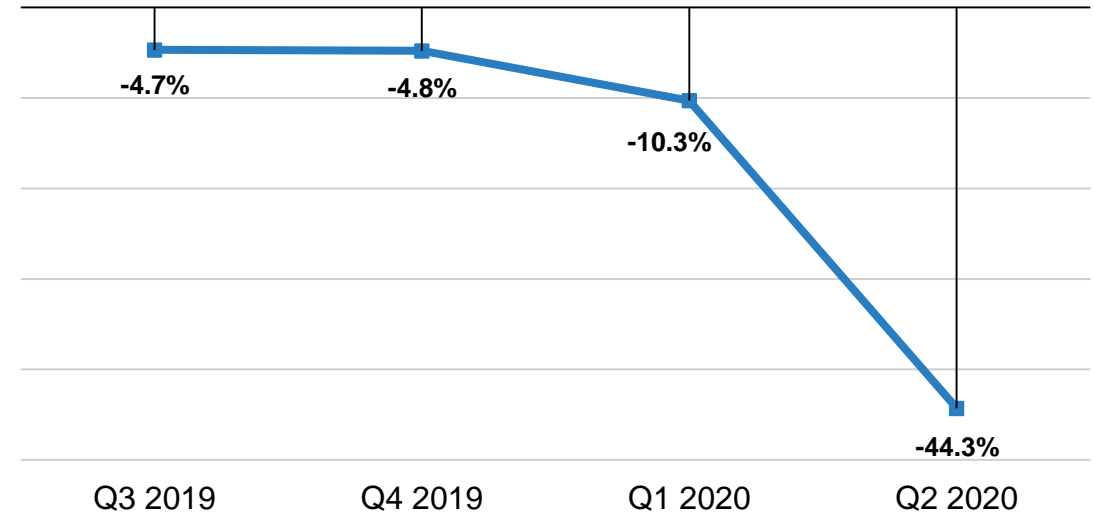
Q2 2020 sales decline due to Covid-19-related production shutdown

Sales down 46% year-on-year

€ million



Organic sales growth development (in % y/y)



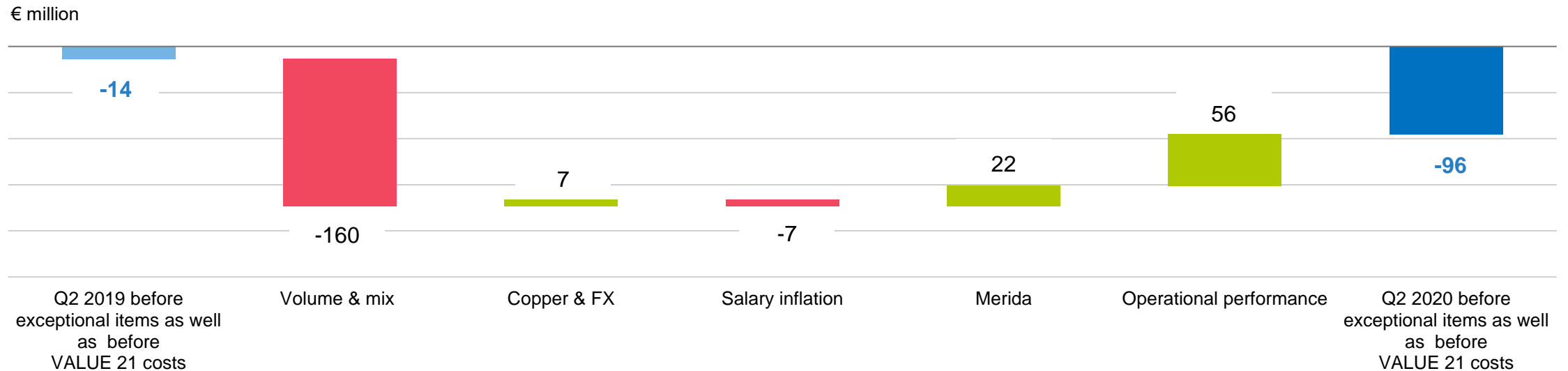
- › Q2 sales development (-46% y/y; H1/20: -28% y/y) suffered from collapse in global demand across almost all end customer industries.
- › April marks low-point in top-line development – gradual monthly improvement since.

- › Both divisions affected by Covid-19-related plant shutdowns and other production restrictions.
- › Sharpest H1 sales decline the Americas (-35% y/y), followed by EMEA (-29%) and Asia (-18%).

Rounding differences may for arithmetical reasons occur versus the mathematically precise figures

Operational improvements outweighed by Covid-19 impact

Operating income down due to significantly lower volumes

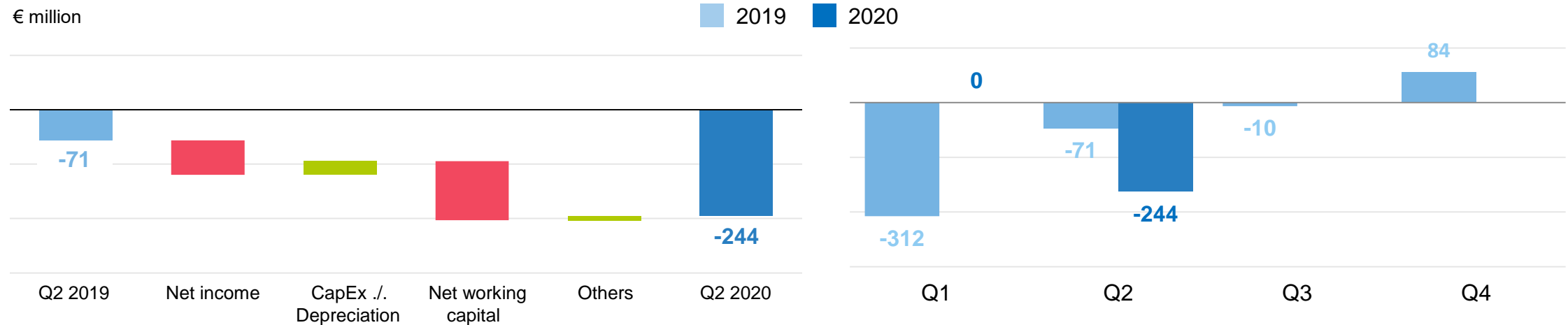


- › EBIT before exceptional items as well as before VALUE 21 costs decreased in H1 and Q2 2020 due to significantly lower sales y/y.
- › Previous year's EBIT before exceptional items as well as before VALUE 21 costs included a EUR22m (H1/19: EUR59m) burden related to ramp-up issues at WSD plant in Merida, Mexico.
- › Main exceptional items in Q2 2020: impairments and write-downs in both divisions (EUR13m), refinancing costs (EUR4m), provisions for onerous contracts (EUR4m), Covid-19-related exceptional costs for protecting our staff (EUR7m) e.g. for bus transports, protective clothing and masks and disinfectants.
- › VALUE 21 costs in Q2 2020: EUR5m.

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Free cash flow impacted by bottom-line and working capital effects

Significant lower cash burn in H1 2020 y/y, despite Covid-19 pandemic



- › Q2: Operating cash flow decreased significantly y/y due to negative bottom-line and Covid -19-related net working capital development, especially in trade payables.
- › Investments in operating business remained at low levels in Q2 2020.
- › H1: Free cash flow of EUR-244m (H1/19: EUR-382m) as a result of lower net income and working capital effects.
- › Q1 was improved y/y mainly due to structural improvements in WC management, a dampened increase in receivables, proceeds from sale-and-lease-back transactions and lower capex.

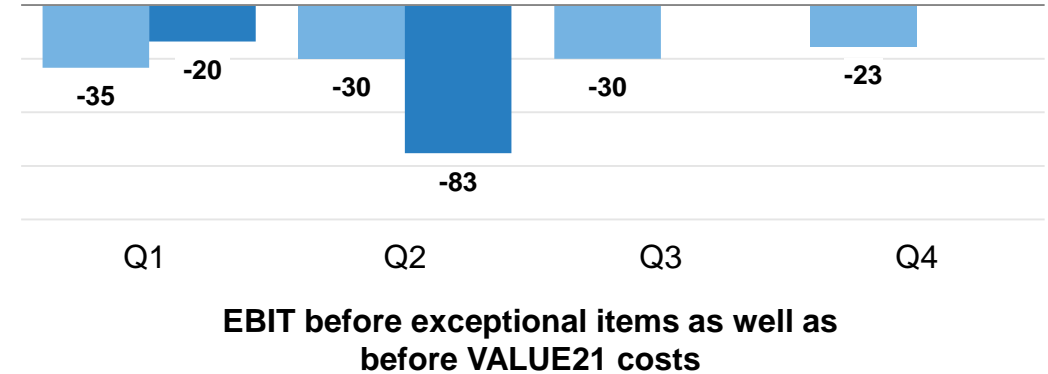
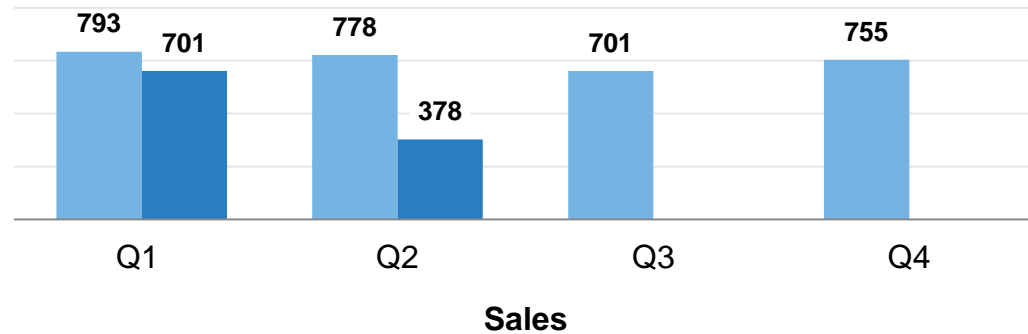
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WSD faces significant decline in global demand

April marks the low-point in Q2 – gradual improvement across all regions has started

€ million

2019 2020



- › Organic sales: -51% y/y in Q2 2020 (H1/20: -31% y/y).
- › Sharp decrease in demand in Q2 2020 due to the Covid-19 pandemic – gradual improvement since May.
- › New project acquisitions in Q2 2020: EUR0.2bn (Q2/19: EUR0.1bn).

- › EBIT before exceptional items as well as before VALUE 21 costs suffered from significant decline in volumes.
- › Previous year's Q2 income development including costs of EUR22m related to the ramp up issues in Merida, Mexico.

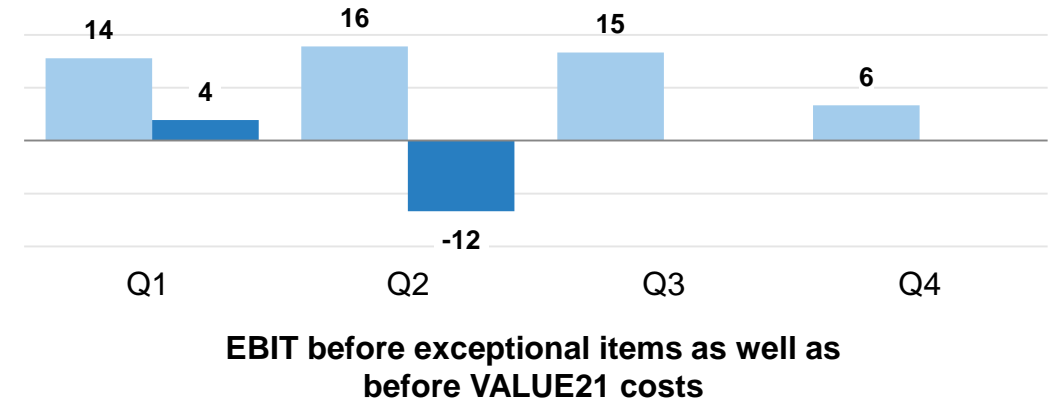
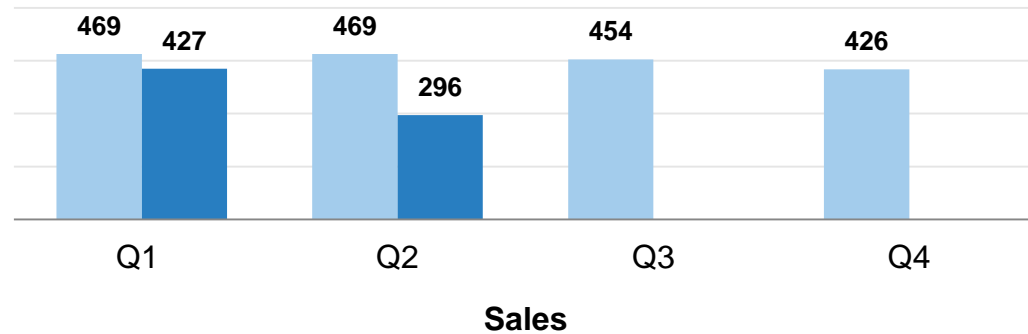
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WCS with weak demand in almost all end customer industries

Negative organic growth impacting profitability

€ million

2019 2020



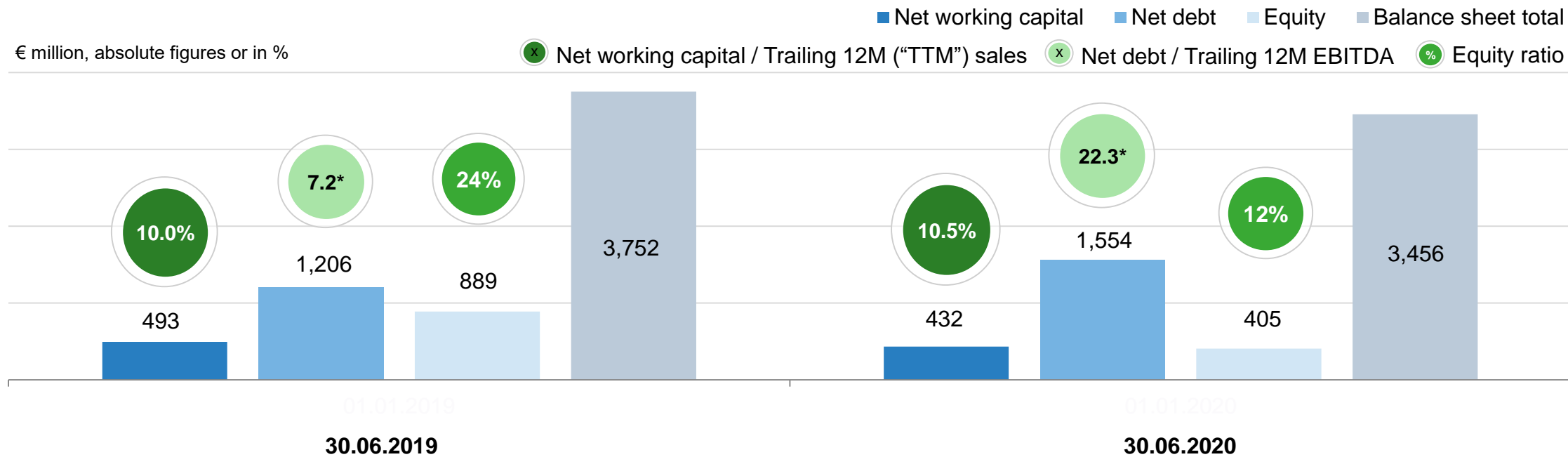
- › Organic sales: -34% y/y in Q2 2020 (H1/20: -21% y/y).
- › Healthcare as well as energy and infrastructure continue to show positive developments in Q2 2020, but “Automotive” and “Industrials” businesses with declining volumes.
- › Q2 order intake of EUR260m (Q2/19: EUR447m); book-to-bill ratio below 1.

- › Decrease in Q2 EBIT before exceptional items as well as before VALUE 21 costs mainly due to lower volumes.
- › Q2 exceptional items including impairments totalling EUR6m.

Rounding differences may for arithmetical reasons occur versus the mathematically precise figures

Balance sheet further impacted by Covid-19 effects

Key balance sheet items



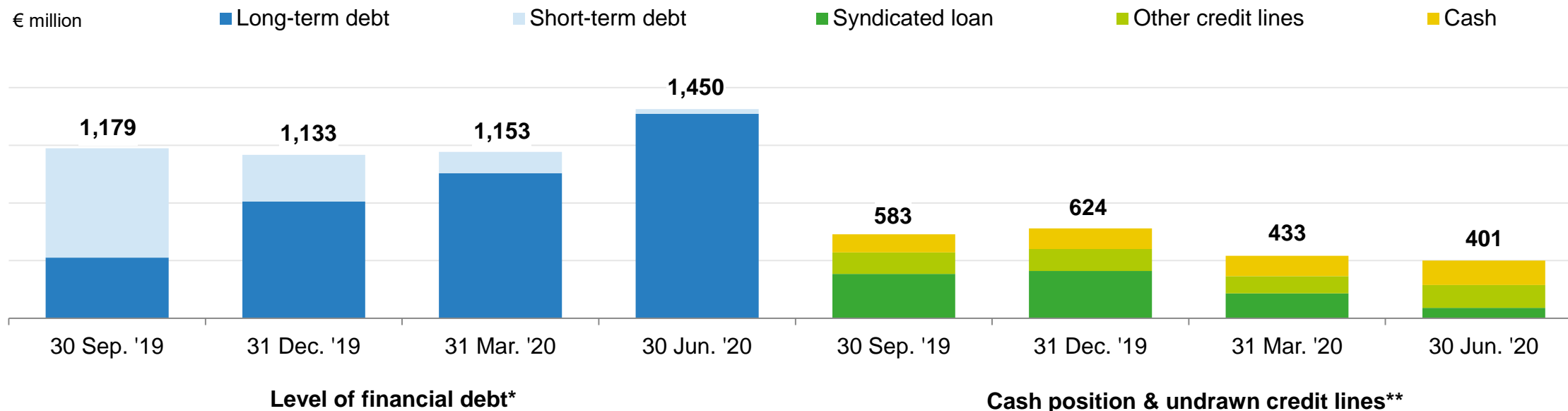
- › Gearing (net debt/equity) at the end of June 2020 of 384%.
- › Equity ratio at 12% at the end of June due to negative quarterly result.

- › Net working capital lower y/y, driven by structurally improved working capital management, but also still affected by temporary Covid-19-related effects such as lower payables (increase in net working capital q/q).

* TTM EBITDA excluding TTM exceptional items (Q3/19-Q2/20: EUR192m; Q3/18-Q2/19: EUR102m) as well as VALUE 21 costs (Q3/19-Q2/20: EUR79m; Q3/18-Q2/19: EUR18m)

Improved maturity profile and additional financing secured

Additional EUR330m credit line ensures proper financing according to expert restructuring opinion



- › All undrawn credit lines are firmly committed until at least the end of 2022 - reclassification of funds related to the RCF at the end of FY 2019.
- › Additional EUR330m credit line guaranteed (to 90%) by German Federal and State Governments ensures proper financing of the Group according to updated expert restructuring opinion in April.

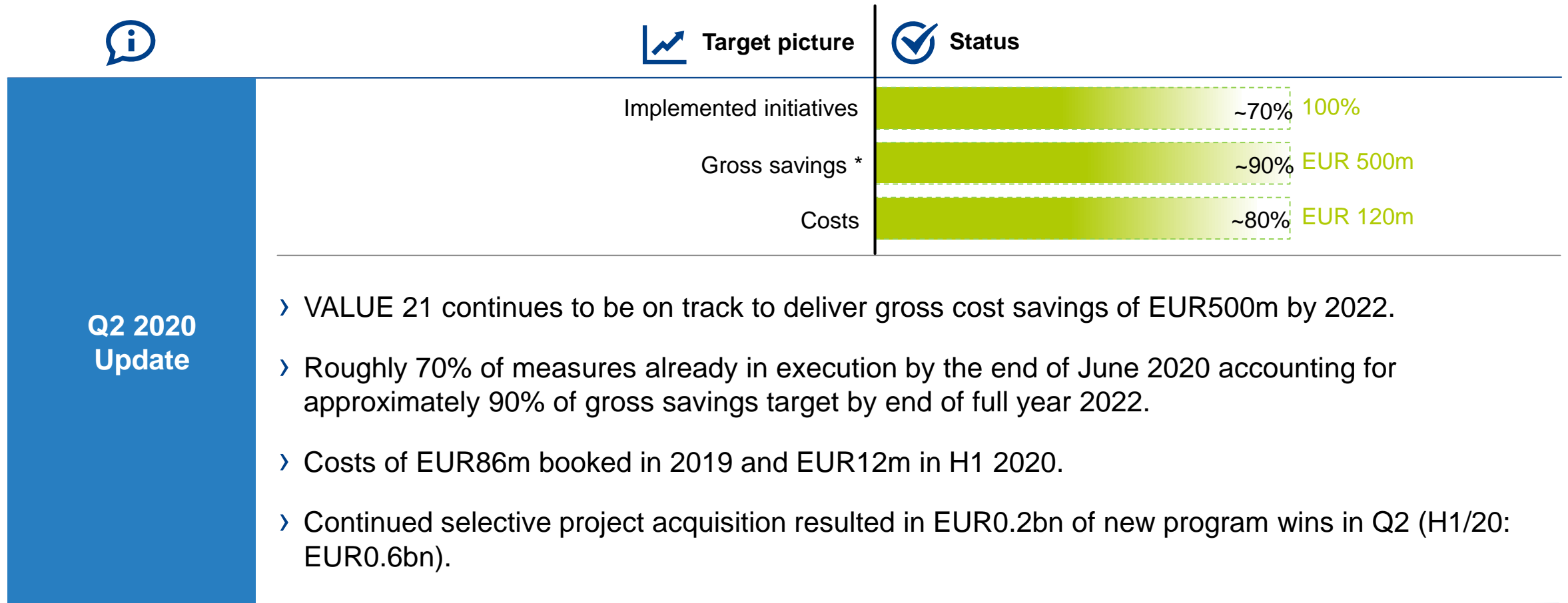
- › Decrease in YTD liquidity** mainly due to repayment of “Schuldschein” loan of EUR166m in March 2020 and H1 operating development.
- › Total liquidity including cash position of EUR401m** at the end of Q2.

* Excluding leasing liabilities related to IFRS16: Q3/19: EUR184m; Q4/19: EUR196m; Q1/20: EUR244m; Q2/20: EUR274m

** Bank guarantees amounting to EUR65m (end FY 2019: EUR74m) must be deducted from freely available liquidity at the end of Q2 2020

VALUE 21 progressing according to plan

Roughly 90% of gross savings potential from 2022 onwards achieved by the end of Q2 2020



* Gross full run-rate as of FY 2022

Update on separation from WCS

Investors interested in specific business lines

- › Overall attractiveness of WCS businesses still positive; varying degree of market interest for individual parts of the division.
- › Against this background, consideration of a partial sale scenario and preparation of a carve-out into sub-units.
- › Currently challenging M&A environment.
- › Separations will only be completed if a fair value can be achieved and if potential buyers can present a forward-looking concept.
- › Announced portfolio streamlining in WCS will continue; specific solutions for parts of portfolio accounting for around EUR 500 million in revenue being considered.



Outlook 2020

Covid-19 pandemic significantly impacting FY 2020 development

- › As anticipated, H1 2020 significantly impacted by the Covid-19 pandemic.
- › April marked the low-point in Q2; from today's perspective, we expect a gradual improvement of the market environment, assuming that there will be no second wave of the pandemic.
- › Continuous dialogue with customers regarding the gradual ramp up of global production; in China, our production sites are almost back at pre-crisis levels at the end of Q2 2020.
- › Covid-19 will continue to burden LEONI's top- and bottom-line as well as cash flow development during the remainder of the year.
- › More detailed forecast currently not possible, as the continuation of the market recovery remains uncertain.



Near term priorities and next steps

Business has started to recover and we stay focused on executing our operational improvements

- › Q2 has heavily affected by Covid-19 pandemic; gradual recovery started in Q2.
- › Despite the strong headwinds, VALUE 21 and the implementation of our restructuring concept are progressing according to plan.
- › WCS separation is well on track and we are preparing the carve-out into sub-units.
- › Management of COVID-19 challenges, close monitoring of anticipated market recovery and proper execution of VALUE 21 remain top priorities.



Q & A session



Contact & upcoming events

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Upcoming Events

9M 2020 results	11 November 2020
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