Interim Report

1st – 3rd Quarter 2014

The Quality Connection

LEONI

Highlights: 1^{st} – 3^{rd} quarter 2014

- **Consolidated sales up by 4 percent to about € 3.1 billion in the first nine months of 2014**
- **Unplanned start-up costs squeezed earnings in the third quarter**
- **EBIT to the end of September 2014 at € 132.7 million (previous year: € 114.3 million)**
- **Sales forecast unchanged at approx. € 4.1 billion, profit guidance for the entire year lowered to more than € 180 million**

LEONI – The Quality Connection

The LEONI Group operates worldwide, providing wires, optical fibers, cables and cable systems as well as related services for applications in the automotive sector and other industries. The Company employs about 67,000 people in 31 countries. LEONI develops and manufactures technically sophisticated products for the motor vehicle industry – ranging from the single-core cable through to the complete wiring system with integrated electronics. The product range also encompasses wires and strands as well as optical fibers, standardised cables, special, hybrid and optical cables as well as completely assembled systems for customers in different industrial markets. Products specifically for application in environmentally friendly technologies are meanwhile gaining in significance.

Cover image:
LEONI is the first company on the market to provide a new generation of copper automotive cables with ultra-thin wall thickness, which reduces the bundle diameter in the cable harness by up to 15 percent and lowers the vehicle's overall weight by as much as 2 kg.

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

This Interim Report is published in German and English. The original is in German language. In case of doubt or conflict, the German language version will prevail.

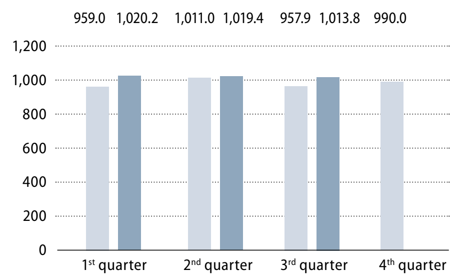
Content

Group key figures

	3rd quarter			1st – 3rd quarter		
€ million	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Sales	1,013.8	957.9	5.8 %	3,053.4	2,928.0	4.3 %
Earnings before interest, taxes and depreciation/amortisation (EBITDA)	67.1	66.6	0.7 %	225.6	204.4	10.4 %
Earnings before interest and taxes (EBIT)	34.7	36.5	(4.9) %	132.7	114.3	16.0 %
Adjusted earnings before interest and taxes (EBIT)[1]	36.4	49.8	(27.0) %	140.2	144.3	(2.8) %
Earnings before taxes (EBT)	26.0	29.9	(13.1) %	109.3	90.8	20.4 %
Consolidated net income	16.1	18.0	(10.6) %	77.5	64.1	20.9 %
Capital expenditure (incl. acquisitions)	51.0	32.7	56.0 %	140.2	95.2	47.3 %
Equity ratio (%)	33.9 %	33.7 %	—	33.9 %	33.7 %	—
Earnings per share (€)	0.49	0.55	(10.9) %	2.37	1.95	21.5 %
Employees as at 30/09/ (number)	67,391	60,088	12.2 %	67,391	60,088	12.2 %

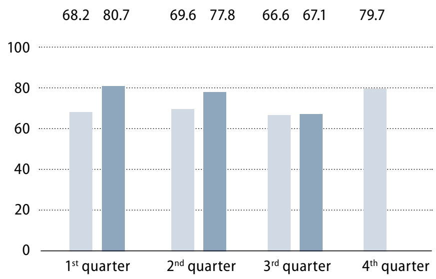
[1] Earnings adjusted for the impact of revaluation as part of allocating the prices of major acquisitions, restructuring, impairment of non-current assets, gains on business disposals and on business combinations including related derivatives.

Consolidated sales € million

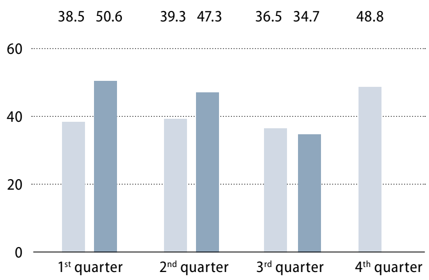


Consolidated EBITDA € million

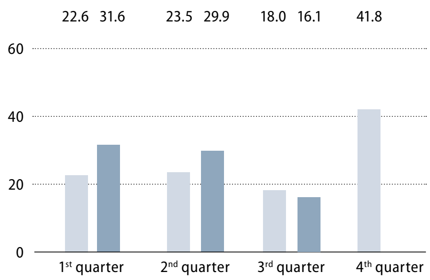
2013 2014



Consolidated EBIT € million



Consolidated net income € million



The LEONI Share

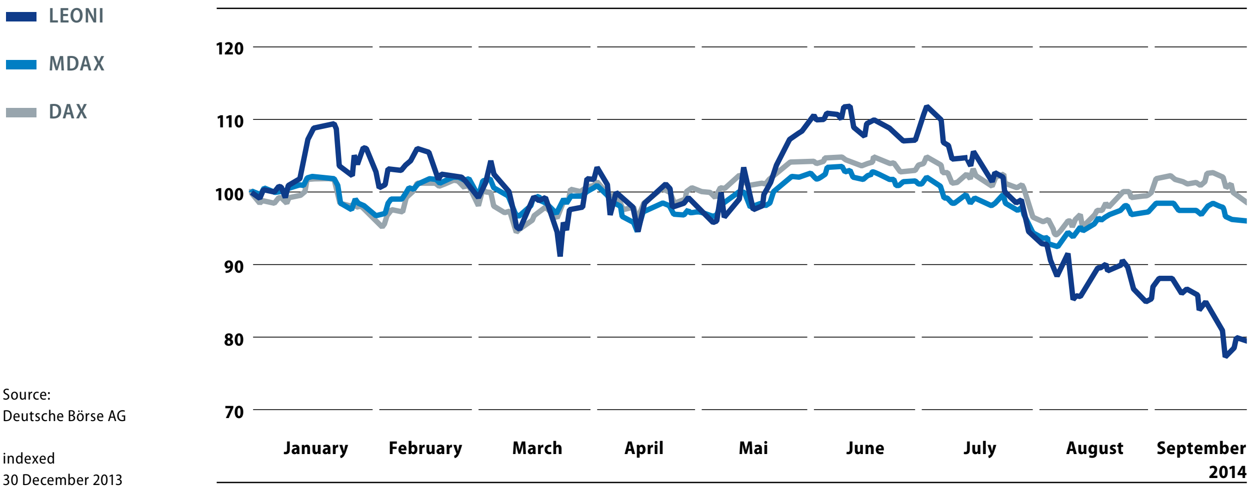
Equity markets consolidated in the third quarter

There was a sharp correction on most of the world's equity markets in the summer following the sustained uptrend in the first half of 2014. The geopolitical conflicts left their traces on markets around the globe, just as the very hesitant economic recovery and fresh uncertainties involving the banking sector in Europe. The subsequent recovery took only a few market indices back to new highs. Germany's leading DAX index was, at 9,474 points at the end of September, at roughly its level of the turn of the year. At 15,995 points, the MDAX traded 3.5 percent below its level at the end of 2013.

Overview of key LEONI share data

First listed on	1 January 1923
Ticker symbol	LEO
ISIN	DE0005408884
WKN	DE540888
Class of shares	Ordinary bearer shares with no par value
Market segment	Prime Standard
Index	MDAX
Share capital	€ 32,669,000
Number of shares	32,669,000

1st – 3rd quarter 2014 performance



Source:
Deutsche Börse AG

indexed
30 December 2013

LEONI's share price dips significantly after reaching a high

The shares of the automotive and component supply industries performed in line with the overall market, albeit with the usual wider swings. After nine months, the DAX 'Automobiles' sector index and the sub-index for the automotive suppliers were about 4 and 6 percent below their respective levels at the beginning of the year. The LEONI share, which, in the first half, made stronger gains than the sector indices and reached a new all-time high of € 60.66 at the beginning of July, thereafter suffered to an especially heavy extent from the caution among investors. It was possibly our involvement in Russia and the Ukraine that resulted in greater uncertainty, even though the conflict in the region has so far not made any material impact on our business. Our share recorded its low for the year to date of € 41.99 just before the end of the period under report. On 30 September 2014 it traded at € 43.22, which equated to a decrease of about 20 percent from the price at the end of 2013.

The market capitalisation of the roughly 32.7 million LEONI shares stood at about € 1,412 million at the end of September 2014, as opposed to approx. € 1,775 million on 31 December 2013.

Key LEONI share figures

		3rd quarter		1st – 3rd quarter	
		2014	2013	2014	2013
Net result	€/share	0.49	0.55	2.37	1.95
Equity as at 30 September	€/share	27.08	24.00	27.08	24.00
High [1]	€/share	60.66	45.70	60.66	45.70
Low [1]	€/share	41.99	36.94	41.99	28.97
Closing price [1] at end of quarter	€/share	43.22	44.96	43.22	44.96
Average daily trading volume	no. of shares	264,595	187,452	250,951	238,601
Market capitalisation at end of quarter	€ million	1,411.95	1,468.80	1,411.95	1,468.80

[1] XETRA closing prices of the day

Trading volumes

From January to September 2014, an average of about 251,000 LEONI shares traded per day, up from approximately 239,000 shares in the same period of the previous year. In total, 47.9 million shares were traded during the period under report (previous year: 45.6 million shares).

Analysts still upbeat about LEONI

The majority of the 21 analysts who cover LEONI on a regular basis (as of September) still regard our share as a worthwhile investment. Two thirds (14 financial market specialists) still rated our share as a buy at the end of the third quarter, four recommended that our share be held and three advised selling.

Stable shareholder structure

Institutional investors remain our largest group of shareholders. They hold about two thirds of LEONI's 32,669,000 shares. The remainder is in the hands of private shareholders. Wilms Beteiligungs GmbH, Oslo-based Norges Bank as well as, since August 2014, the US investment firm of T. Rowe Price had holdings of between 3 and 5 percent on 30 September 2014. No single shareholder owned more than 5 percent of the shares during the period under report.

A two-thirds majority of LEONI shares is held in Germany. The remaining third is evenly spread between the rest of Europe, especially so in the United Kingdom, and in the United States.

In the third quarter of 2014, LEONI AG received voting rights, which are accessible on the internet at www.leoni.com under the heading Investor Relations / Share / Voting rights announcements.

Quarterly financial report
Interim group management report

Overview of conditions and business performance

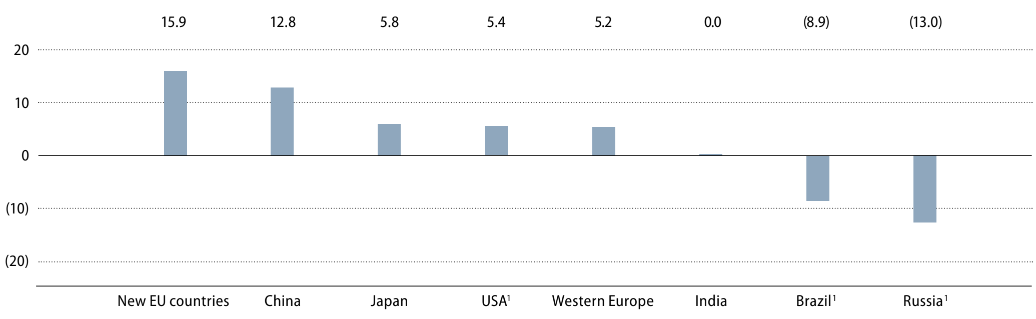
Macroeconomic trend

The global economy has remained on a growth course so far this year, albeit with somewhat less momentum than originally projected. According to the International Monetary Fund (IMF), both the industrialised and emerging countries grew at a weaker pace in the first half of 2014 than forecast. Initial figures for the third quarter show a trend of further cooling in some regions. According to the Chinese government's office of statistics, for example, growth in that country's economy was down to a rate of just 7.3 percent in the period from July to September from 7.5 percent in the previous quarter. The German economy also slowed down a little: the country's Federal Office of Statistics reported manufacturing industry sales for August 2.6 percent below the figure for the previous month, with domestic sales down more heavily than sales in foreign markets. Other key figures for manufacturing industry, such as output and order receipts, were also down.

Business by sector

In most of the customer industries of importance to LEONI there was little sign in the year to date of the weaker macroeconomic momentum. The **global car market** was still able to rely on the major automotive regions of Western Europe, USA and China, which, according to the German Association of the Automotive Industry (VDA), made considerable gains in the first nine months of 2014. In Japan, too, the sales figures rose significantly. By contrast, new vehicle registrations in Brazil and Russia were discernibly lower.

Trend of car sales in the key countries January to September 2014/2013 %



[1] Light vehicles (cars and light commercial vehicles)
Source: VDA

The trend in the global **commercial vehicle market** was solid as well. According to a VDA publication in June, the western European market for heavy trucks grew by 3 percent in the year to date, while the US market was up at a double-digit rate and China registered 4 percent growth.

The effect of the economic downturn during the summer on the domestic **electrical and electronics industry** was perceptible to a minor extent, according to the German Electrical and Electronic Manufacturers' Association (ZVEI). Thanks to the good performance in the first half, the sector's output and sales were up 1.7 percent and 2.1 percent year on year, respectively, in the first eight months. Order receipts still registered an increase of 0.3 percent.

The German **machinery and plant engineering sector** presented a steady picture. The German Engineering Federation (VDMA) reported that in the first eight months of 2014 the sector's domestic order bookings were up by 4 percent year on year, whereas foreign market orders were down by 1 percent. Overall, the size of new orders was at the previous year's level.

Germany's providers of **information and communications technology as well as consumer electronics** displayed confidence at the beginning of the second half. BITKOM (the German Association for Information Technology, Telecommunications and New Media) says that about 80 percent of companies anticipate increasing sales in the subsequent six months.

Overview of LEONI AG's business performance

Measured against the same period in 2013, LEONI increased its consolidated sales by nearly 6 percent to € 1,013.8 million in the third quarter of 2014. In the first nine months of the current year, we generated sales growth of more than 4 percent to € 3,053.4 million. Demand was favourable from both the global motor vehicle industry and many other industrial sectors of importance to LEONI, thanks to which both of our divisions expanded their business.

Exceptional costs related to new product start-ups in the Wiring Systems Division weighed on earnings before interest and taxes (EBIT) in the third quarter of 2014. For July to September 2014 consolidated EBIT therefore amounted to € 34.7 million, down from € 36.5 million in the same period of 2013. EBIT was up by 16 percent to € 132.7 million in the first nine months of the current year.

In terms of sales, LEONI was thus in line with the forecast for 2014 issued at the beginning of the year, which projected an increase to approximately € 4.1 million. Earnings, by contrast, will not rise above € 200 million as originally projected, but, from today's perspective, will only increase to more than € 180 million. We issued correspondingly an updated guidance on 13 October 2014. The causes of this unplanned, adverse effect on earnings in the Wiring Systems Division were resolved in September, but it will no longer be possible to recoup the reductions suffered in the summer by the end of the year. From today's perspective, performance in the fourth quarter will be back on track.

» Annual Report 2013 pages 47 et seq.

The LEONI Group's strategy, business activity and its product range as well as its most important markets are comprehensively presented in the Annual Report 2013 and have not materially changed in the period under report. The current report can be read on and downloaded from LEONI's website under the heading Investor Relations / Financial publications or requested from LEONI AG.

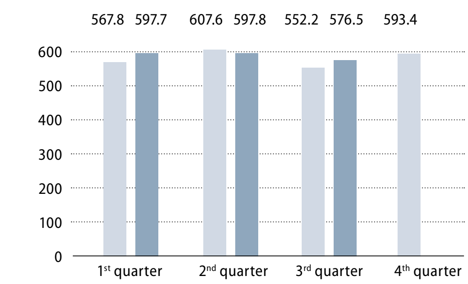
Reports by division / Segment report

Wiring Systems Division

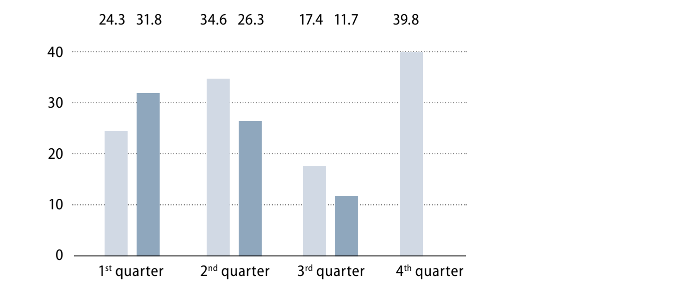
Sales up nearly 3 percent to € 1.8 billion in the first nine months

Underpinned by the still favourable, global motor vehicle business, the Wiring Systems Division (WSD) enlarged its business comprising wiring systems and cable harnesses slightly in the third quarter of 2014: its external sales increased by about 4 percent on the same quarter of the previous year to € 576.5 million. In the first nine months, business volume rose by nearly 3 percent year on year to € 1,771.9 million. Cable harnesses and wiring systems for the cars of various German, other European and American automotive companies remained the most important sales generators. In particular, this involved increases in shipments to the export heavyweight German premium carmakers, whereas the demand, for example, from the French vehicle industry dipped again after a brief upturn in the second quarter. Thanks to strong growth in sales of engine cable harnesses to the international commercial vehicle industry, the significance of this customer group increased further. The dynamic performance in our still young Power Sports unit, which covers recreational and sports vehicles, also made a perceptible contribution to expansion. We furthermore generated an encouraging sales increase with cable harnesses for the international component supply industry.

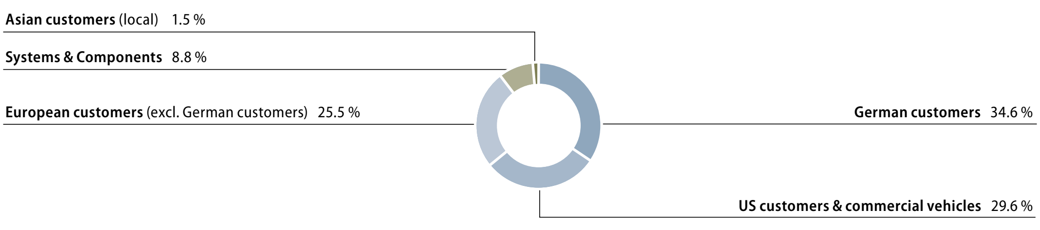
Wiring Systems external sales € million



Wiring Systems EBIT € million



Sales breakdown of Wiring Systems Q1–Q3/2014



Major new product start-ups weighed on third-quarter earnings

As planned, LEONI started series production involving various new projects in the third quarter of 2014, which already made initial contributions to sales. Among others, these included wiring systems for French mid-range cars that are made in China as well as charging cables and cable harnesses for the hybrid version of a German premium vehicle. While these projects commenced on schedule, the simultaneous production start in Asia and the Americas of wiring systems for a German top-range model in the summer months incurred unexpected exceptional charges. Above all, these charges concerned a facility in Mexico. The expansion and changeover to the significantly more complex production and logistical processes involved in customised wiring systems resulted in an unexpectedly large requirement for staff, high reject rates as well as additional airfreight charges to meet our delivery commitments. We immediately launched countermeasures at this facility, which began to take effect in September. The switch to the new Euro 6 standard in the commercial vehicle industry also had after-effects because of the increased complexity of the corresponding engines, which weighed on earnings. In total, exceptional start-up costs squeezed EBIT by about € 15 million in the first nine months. The Wiring Systems Division's earnings before interest and taxes in the period from January to September 2014 thus amounted to € 69.8 million, down from € 76.3 million in the same period of the previous year. The third quarter accounted for € 11.7 million of this total (previous year: € 17.4 million).

Order book bolstered by new commercial vehicle projects

A number of orders from the international commercial vehicle industry have strengthened LEONI's position in this important market segment. The division received new orders from Europe as well as from the Americas and Asia. For instance, we won an initial project for the Swedish company Scania and will therefore in the future have all of the key European truck makers among our customers. The project involves the transnational equipping of several engine platforms in Europe and Brazil with cable harnesses from mid-2015. In addition, LEONI obtained orders from two European commercial vehicle manufacturers covering wiring systems for harvesting machines as well as especially robust and reliable pre-formed engine cable harnesses.

We also received a further order from a US-based customer that operates internationally. It comprises the supply of cable harnesses for several commercial vehicle models in the years 2015 and 2016. From the second half of 2015, LEONI will furthermore be making transmission cable harnesses for the heavy trucks of a European/Chinese joint venture. Finally, a Korean construction machinery producer ordered engine cable harnesses and wiring systems from LEONI.

We also booked further orders from the car industry in the third quarter of 2014. Among others, a European manufacturer ordered complete wiring systems for a vehicle that will be launched on the Chinese market. A French carmaker furthermore commissioned us to supply the wiring for diesel engines of several models. And a Chinese carmaker contracted us to supply transmission wiring.

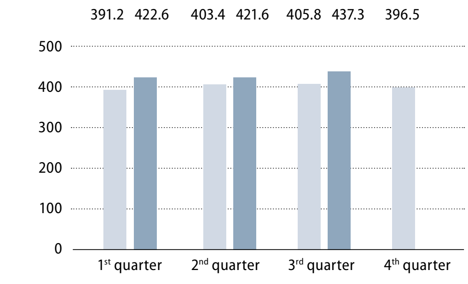
In total, the Wiring Systems Division's order book amounted to just over € 12 billion at the end of September and therefore constitutes a foundation further bolstered for the planned growth. The precise amount and timing of the shipments will depend on what our customers actually call forward.

Wire & Cable Solutions Division

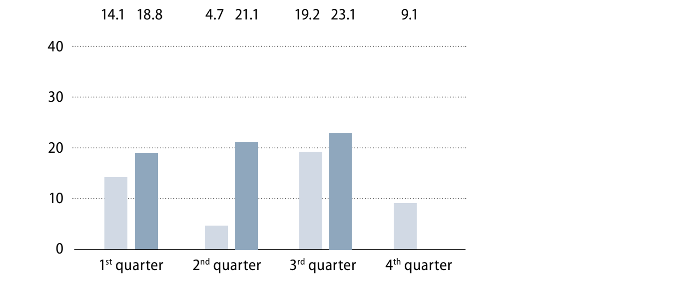
Nine-month sales raised by 7 percent to € 1.3 billion

The good demand for automotive cables and cable solutions for industry in the Wire & Cable Solutions Division continued in the summer months as well. In the period from July to September 2014, the division's external sales rose by nearly 8 percent year on year, to € 437.3 million. In the first nine months of the current year, we generated sales growth of about 7 percent to € 1,281.5 million. In regional terms, the division grew particularly in Asia, but also in the Americas. As planned, this consequently raised the proportion of sales generated in these regions. The amount of business in Europe decreased slightly.

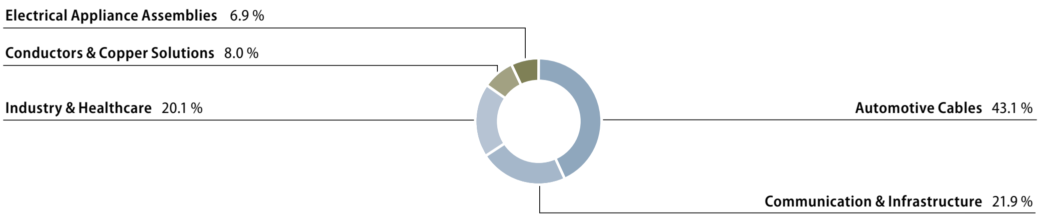
Wire & Cable Solutions external sales € million



Wire & Cable Solutions EBIT € million



Sales breakdown of Wire & Cable Solutions Q1-Q3/2014 by business group



Heavy demand from the automotive, industrial and medical technology sectors

Business Group Automotive Cables (AM) benefited from the sustained heavy demand for standard and special automotive cables, especially so in Asia and the Americas. It increased its sales by about 10 percent in the first nine months of 2014. Business Group Industry & Healthcare (IH) also made strong gains, underpinned by, among other factors, the good demand from the medical technology industry as well as the robotics business in China. In Business Group Communication & Infrastructure (CI) there was a slight overall rise in sales, with performance differing by market: whereas, for example, the demand for cables for the solar industry in China remained high, business involving cables for the petrochemical industry and data cables was still weak. The sales of Business Group Electrical Appliance Assemblies (ES) were more or less stable thanks to the unchanged demand from the household and electrical appliance industry. The business volume of Business Group Conductors & Copper Solutions (CC) was about at the previous year's level, but sales involving wires and strands were down because of the lower copper price. Overall, the industrial units' business volume rose by nearly 5 percent from January to September 2014.

Earnings improved to € 62.9 million after three quarters

Thanks to this sales growth and the positive effect of the restructuring measures applied in the previous year, the Wire & Cable Solutions Division's earnings have improved considerably in the year so far. Between July and September 2014, EBIT was up by approximately 20 percent year on year, to € 23.1 million. The nine-month result even rose by about two thirds to € 62.9 million, although the division incurred much higher restructuring expenses and charges due to the sharper drop in the copper price towards the end of the quarter in the same period of 2013.

WCS ON Excellence

The Wire & Cable Solutions Division launched its 'WCS ON Excellence' programme in the third quarter of 2014 to further step up its globalisation and raise profitability. The objective is to further expand business in promising markets, to widen the margin and to tap synergies within the organisation; there is moreover to be a disproportionately strong increase in income generated in Asia/Pacific and the Americas in the next decade. To achieve this, 'WCS ON Excellence' includes a large number of measures in the areas of procurement, technology, production and sales.

Order cushion further enlarged

The Wire & Cable Solutions Division booked new orders amounting to € 1,311.2 million in the first nine months of 2014. Order receipts thus exceeded both the corresponding figure for the previous year of € 1,252.6 million and current total nine-month sales. In the third quarter Business Group AM gained, among other orders, two major contracts from the international automotive component supply industry involving our complex data and sensor cables. Business Group ES also received new orders for cable harnesses and power cords for two manufacturers of household and electrical appliances that operate worldwide. There were also significant increases in the orders received from the robotics (Business Group IH) and infrastructure (Business Group CI) industries.

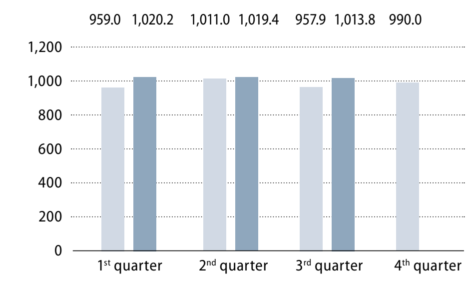
Group sales and earnings

Consolidated sales increased to € 3.1 billion

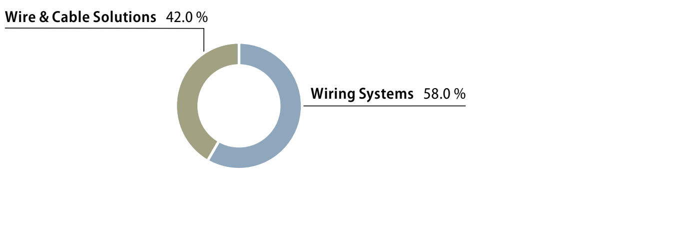
The good demand from the automotive sector and many of the other important industries for our products continued in the third quarter of 2014 as well. In the period from July to September consolidated sales increased by nearly 6 percent year on year, to € 1,013.8 million. In the first nine months of the current year our business was up by more than 4 percent to € 3,053.4 million despite adverse items of € 63.3 million due to the lower price of copper and of € 20.2 million resulting from changes in exchange rates. There was no material change in the scope of consolidation.

LEONI expanded in all three regions during the first three quarters of 2014. Our strongest growth was in Asia, where business volume increased by almost 24 percent year on year to € 552.1 million. In the Americas, sales were up by about 4 percent to € 455.4 million. In the EMEA (Europe, Middle East and Africa) group of countries business volume was, at € 2.045,9 million, slightly above the corresponding pre-year figure of € 2,044.1 million. The two largest markets of the region in terms of sales, namely Germany and Eastern Europe, accounted for € 839.0 million (previous year: € 821.2 million) and € 511.9 million (previous year: € 465.3 million), respectively, of the total figure.

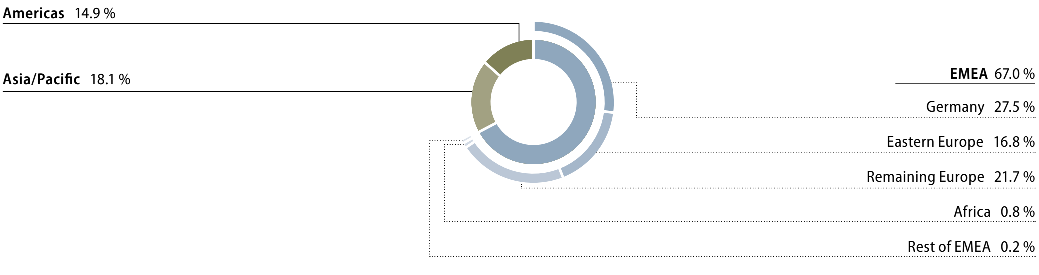
Consolidated sales € million



Q1–3/2014 consolidated sales by division



Q1–3/2014 consolidated sales by region



EBIT affected by exceptional factors

» Reports by division / Segment report page 10

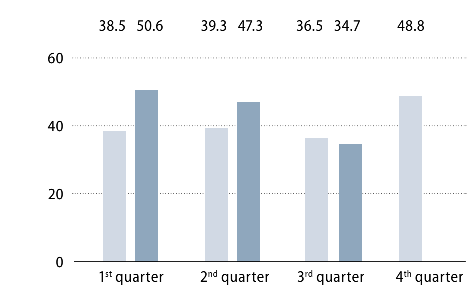
The cost of sales of the LEONI Group rose by 4.5 percent year on year to € 2,531.1 million in the first nine months of 2014, and thus by slightly more than the amount of business. Non-scheduled exceptional items related to the new product start-ups in the Wiring Systems Division incurred unbudgeted expenses in the summer months. Gross profit on sales rose by just over 3 percent to € 522.3 million between January and September of the current year, equating to a **gross margin** of 17.1 percent (previous year: 17.3 percent).

These exceptional expenses on the new product start-ups also affected selling costs, which increased by nearly 8 percent to € 159.7 million in the first three quarters due in particular to high airfreight costs. General administrative costs also increased at a somewhat faster rate than sales, i.e. by approximately 5 percent to € 149.5 million. This was due to structural expansion we carried out in preparation for future growth. Research and development costs rose by more than 3 percent to € 81.7 million and involved mainly preparation for new projects in the Wiring Systems Division.

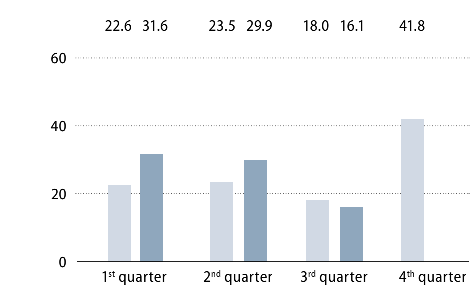
The balance of other operating income and expenses improved from expenses of € 21.0 million in the first nine months of the previous year to income of € 1.2 million. This primarily reflected significantly lower restructuring expenses, which amounted to € 1.2 million in the period under report. In the same period of the previous year the expenses incurred came to € 19.1 million due to extensive restructuring. These measures exerted a beneficial effect on the cost structure in the current year.

2013 2014

Group EBIT € million



Consolidated net income € million



Overall, **consolidated earnings before interest and taxes** were up by 16 percent year on year in the period from January to September 2014, to € 132.7 million. The third quarter accounted for € 34.7 million of this total (previous year: € 36.5 million). EBIT adjusted for the impact of allocating the purchase prices, restructuring charges and divestment amounted to € 140.2 million after nine months (previous year: € 144.3 million). The adjustment disregards provision made for legacy environmental costs at a facility in Germany, which reduced the EBIT figure for the first nine months of 2014 by a further € 1.5 million.

The **financial result** including other investment income improved slightly to a negative balance of € 23.3 million (previous year: negative € 23.5 million). As a result, **pre-tax earnings** rose by about 20 percent to € 109.3 million in the first three quarters of 2014, while **consolidated net income** was up by nearly 21 percent to € 77.5 million. The Company reported pre-tax earnings for the third quarter of the current year of € 26.0 million (previous year: € 29.9 million) and consolidated net income of € 16.1 million (previous year: € 18.0 million).

Financial situation

Large amount of funds tied up for capacity expansion and working capital

The LEONI Group generated cash from operating activities of € 35.6 million in the first nine months of 2014, down from € 36.0 million in the same period of the previous year. The considerable earnings growth during the period under report offset the larger amount of funds tied up in working capital. Alongside the greater business volume, the latter was due in particular to the complex new product start-ups in the Wiring Systems Division, the increasing globalisation of our business as well as measures to guard against geopolitical risks.

As we enlarged the capacity in both of our divisions significantly as planned, capital spending in the first three quarters rose to € 159.0 million (previous year: € 97.5 million). Free cash flow at the end of September 2014 thus came to a negative € 123.4 million as opposed to negative € 61.6 million in the same period of 2013.

» Capital expenditure page 16

Financing activity provided the LEONI Group with cash of € 57.0 million between January and September 2014 (previous year: an outflow of € 113.7 million), due primarily to funds received from the issue of two borrower's note loans as well as use of short-term credit lines.

» Asset situation page 17

Including exchange rate-related changes, cash and cash equivalents amounted to € 134.5 million on 30 September 2014, up from € 122.3 million on the same day in 2013.

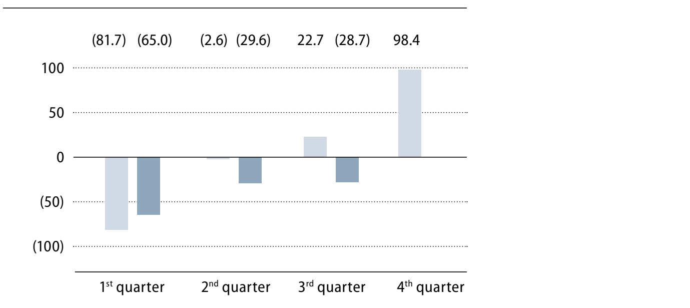
Consolidated statement of cash flows *(abridged version)*

	1st – 3rd quarter	
€ million	**2014**	**2013**
Cash provided by operating activities	35.6	36.0
Cash used for capital spending activities	(159.0)	(97.5)
Cash provided / used by financing activities	57.0	(113.7)
Decrease in cash and cash equivalents	(66.4)	(175.2)
Cash and cash equivalents at period end	**134.5**	**122.3**

Calculation of free cash flow

	1st – 3rd quarter	
€ million	**2014**	**2013**
Cash provided by operating activities	35.6	36.0
Cash used for capital spending activities	(159.0)	(97.5)
Free cash flow	(123.4)	**(61.6)**

Free cash flow € million



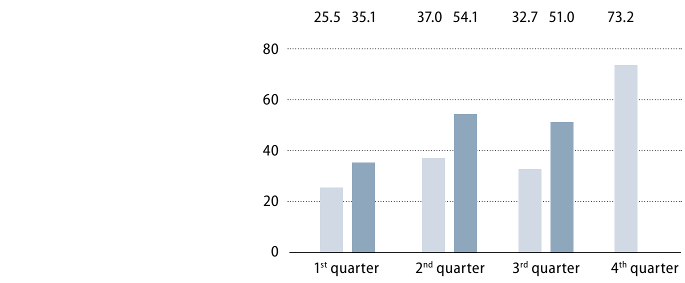
Capital investment substantially increased

The LEONI Group's capital expenditure rose by about 47 percent year on year in the first nine months of 2014, to € 140.2 million. The third quarter accounted for € 51.0 million of this total (previous year: € 32.7 million).

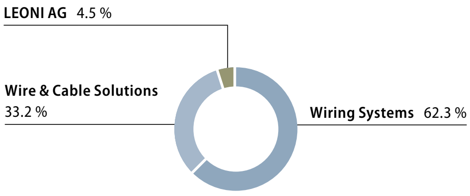
The increase in the capital expenditure of the Wiring Systems Division between January and September 2014 was an especially substantial one of about 61 percent to € 87.4 million because of the numerous new contracts. Among other things, work continued on building another plant in China, which will in the future supply a German premium carmaker with wiring systems. We also worked on setting up a new production line in Serbia, from where we will supply the vehicles of a European carmaker with customised cable harnesses.

The Wire & Cable Solutions Division invested € 46.6 million in the first nine months of 2014, which was about 27 percent more than in the same period of the previous year. In particular, the focus was on the division's automotive cables production involving capacity expansion in China, Mexico and Poland as well as enlargement of industrial cables production capacity in Eastern Europe. Capital expenditure within LEONI AG came to € 6.3 million (previous year: € 4.5 million), the main focus of which was adaptation of the IT infrastructure to planned expansion.

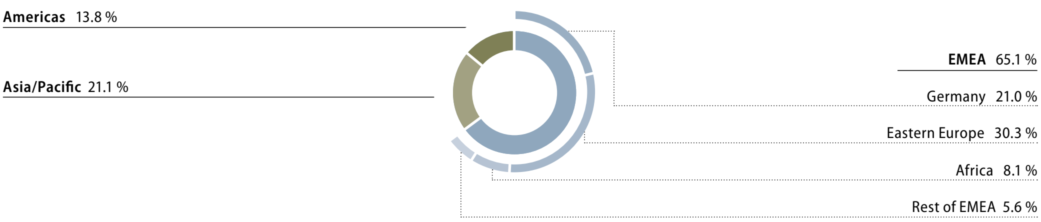
Capital expenditure € million



Q1–3/2014 capital expenditure by segment



Q1–3/2014 capital expenditure by region



Asset situation

34 percent equity

As at 30 September 2014, LEONI's consolidated balance sheet was enlarged by approximately 9 percent vis-à-vis the 2013 yearend figure, to € 2,607.0 million. Due to the increased volume of business, **current assets** increased by about 9 percent to € 1,458.6 million, in particular owing to a rise in inventories of approximately 21 percent to € 617.0 million. The numerous, in some cases complex new product start-ups, stocking up to hedge risks and further internationalisation of our operations also had an impact in this respect. Globalisation also bolstered the increase in trade receivables, which rose by a total of about 12 percent to € 561.3 million. In addition, there was growth of 33 percent to € 109.2 million in other assets, due among other factors to the larger amount of entitlements to reimbursement of value added tax. On the other hand, cash and cash equivalents, which were used to fund current operations as well as capacity expansion, were down by about 32 percent to € 134.5 million.

Due to the extensive capital investment of both divisions in new capacity, the item comprising property, plant and equipment grew by more than 8 percent to € 769.8 million. Furthermore, the **non-current assets**, the total of which increased by about 8 percent to € 1,148.3 million, reflected the approximately 12 percent rise in receivables from long-term development contracts to € 52.7 million, which was due to the large number of new projects.

On the liabilities side of the balance sheet, there was an increase particularly in current financial liabilities, which more than doubled to € 89.3 million. They also served to finance our operating activities. The expansion of our business furthermore resulted in an increase in trade liabilities from € 675.1 million to € 681.5 million. In addition, there was a roughly 49 percent rise in current other financial liabilities to € 35.2 million related to fluctuation in the measurement of hedging transactions. Other current liabilities were, due among other factors to the larger amount of holiday pay provisions, up by about 12 percent to € 165.2 million. On the other hand, short-term provisions were down from € 37.1 million to € 29.0 million because significantly fewer restructuring measures were needed during the period under report than in the same period of the previous year. In total, **current liabilities** were up by about 8 percent to € 1,037.8 million at the end of September.

Non-current liabilities increased by a total of just over 12 percent to € 684.5 million. There were two principal reasons: first, we took out two new borrower's note loans in the amounts of € 25 million and € 20 million in March and April, respectively, and as a result of which non-current financial liabilities rose by about 10 percent to € 454.6 million. Second, we topped up pension provisions by nearly 26 percent to € 142.3 million because their value had to be adjusted due to the decline in the market level of interest rates.

Equity, which was up by about 7 percent from the turn of the year to € 884.7 million on 30 September 2014, reflected above all the earnings and the resulting 8 percent rise in retained earnings to € 581.9 million. Accumulated other comprehensive income also improved from a negative figure of € 34.5 million to one of € 22.4 million. This figure includes large forex gains of € 34.5 million, which were offset primarily by major actuarial losses relating to the adjusted measurement of pension provisions amounting to € 22.7 million.

The **equity ratio** stood at 33.9 percent on the reporting date, down from 34.5 at the end of 2013. **Net financial liabilities** rose from € 257.0 million to € 409.4 million.

Asset and capital breakdown

€ million	30/09/2014	31/12/2013
Current assets	1,458.6	1,332.4
Non-current assets	1,148.3	1,067.4
Total assets	**2,607.0**	**2,399.7**
Current liabilities	1,037.8	963.6
Non-current liabilities	684.5	608.5
Equity	884.7	827.6
Total equity and liabilities	**2,607.0**	**2,399.7**

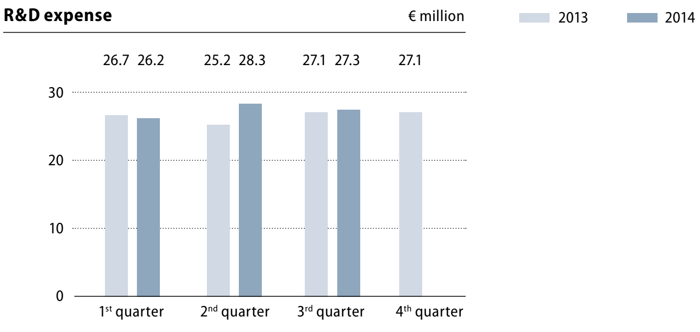
Calculation of net financial liabilities

€ million	30/09/2014	31/12/2013
Cash and cash equivalents	134.5	198.0
Current financial liabilities	(89.3)	(41.3)
Non-current financial liabilities	(454.6)	(413.7)
Net financial liabilities	(409.4)	(257.0)

Research & Development

The LEONI Group spent € 81.7 million on research and development between January and September 2014 (previous year: € 79.1 million). In the Wiring Systems Division the focus was still on customer-specific projects for the automotive industry. Among other things, the Wire & Cable Solutions Division developed various innovative products for the motor vehicle industry. One of the products newly launched, for example, was LEONI FLUY, a copper cable with ultra-thin wall thickness that is currently being trialled in the first test vehicles. For electric cars and plug-in hybrids we also presented a universally deployable charging cable with a light function that displays the charge level of a battery without any add-on devices.
The current Annual Report contains further information on our R & D work.

» Annual Report 2013 page 84 et seq.



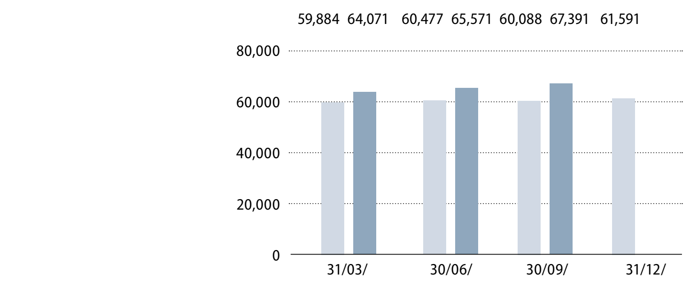
Employees

More than 67,000 LEONI employees worldwide
LEONI's staff rose by 5,800 employees in the first nine months of 2014 to 67,391 worldwide as a result of the larger business volume and the complex new business start-ups in the Wiring Systems Division. Of that total on 30 September, 4,295 employees worked in Germany (31 December 2013: 4,222) and 63,096 outside Germany (31 December 2013: 57,369), equating to 93.6 percent of the overall workforce. In addition there are temporary employees, whom we deploy especially in China to cope with the growth in that country where their number rose from 4,284 to 4,682 from January to September.

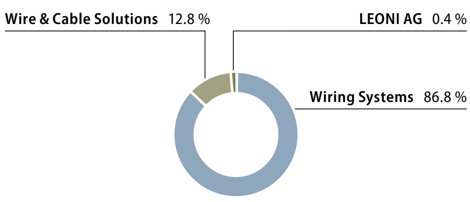
As a result of the new project start-ups, some of which are extensive and demanding, the Wiring Systems Division's workforce grew substantially in the first three quarters of 2014, i.e. by 5,357 to 58,520 employees. Alongside Eastern Europe and North Africa, we recruited particularly in Central America.

The staff of the Wire & Cable Solutions Division increased by 431 people from the turn of the year to 8,632 worldwide at the end of September 2014. We recruited mainly at the automotive cables facilities in all three of the world's regions, but weighted towards Asia and the Americas. Within LEONI AG the number of employees rose by 12 to 239 people.

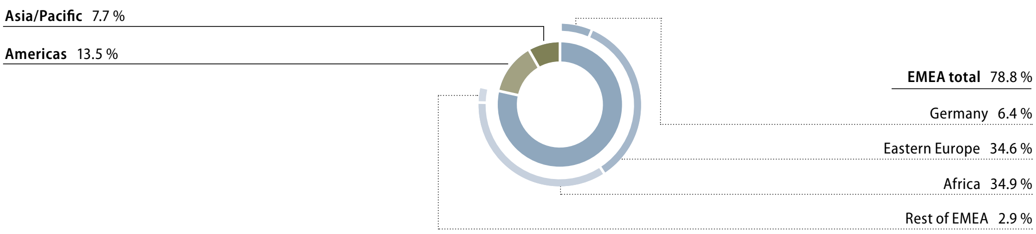
Employees



Employees by segment as of 30 September 2014



Employees by region as of 30 September 2014



Supplementary report

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

Sustainability report

» Annual Report 2013 page 88 et seq.

» www.leoni.com/publications/company/United Nations Global Compact 2014

LEONI is committed to sustainable corporate governance aimed at meeting the requirements of all the stakeholders affected by our actions. The current Annual Report and the third Global Compact Communication on Progress released in August 2014, which is accessible on our website, provide extensive information on our activity with respect to corporate responsibility.

Risk and opportunity report

The risk and opportunity situation for the LEONI Group has not materially changed since the end of 2013. There are still no risks that would threaten the Company's continued existence. All existing risks and opportunities as well as the structure and set-up of our risk and opportunity management are comprehensively presented in our Annual Report 2013. This also covers the potential fallout from such political uncertainty as currently exists due to the Ukraine crisis. Our production in the region is currently not compromised. We are prepared as well as possible with crisis plans and precautionary accumulation of inventory for any aggravation of the situation.

» Annual Report 2013 page 93 et seq.

Forecast

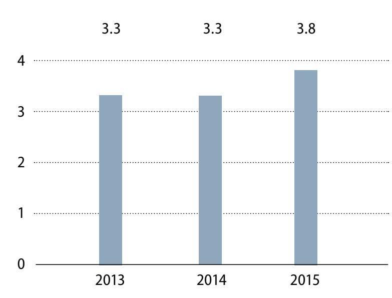
Business and underlying conditions

Macroeconomic conditions

The somewhat weaker-than-expected global economic growth in the first half of the year as well as the risks stemming from the conflicts in the Ukraine and the Middle East prompted the IMF in October 2014 to scale back its growth forecasts for the global economy slightly for the second time this year. The new forecast calls for growth in the world economy of 3.3 percent over the year as a whole (down from 3.4 percent). Yet this breaks down into very wide regional variations: while the projections especially for the US economy, but also for India and some other emerging countries in Asia were raised, almost all of the major economies of the eurozone as well as Japan and Brazil are likely to expand at a slower pace than previously forecast. Despite the recently reported slight slowdown, China is still expected to grow and the moderate growth projection for Russia is also unchanged. The IMF meanwhile assumes that, on the whole, the geopolitical situation will ease to some extent.

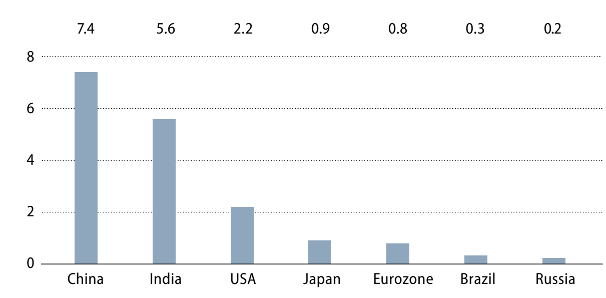
For Germany the IMF as well as the leading German economic research institutions now estimate GDP growth of 1.3 to 1.4 percent, down from the previous figure of 1.9 percent. The key factors stated for the correction are the dip in sentiment among German consumers, industry's restraint in terms of capital investment and the lethargic economic recovery in the eurozone.

Global economic growth 2013 to 2015 %



Source: IMF World Economic Outlook, 10/2014 (2014 and 2015: estimate)

2014 economic growth in selected regions %



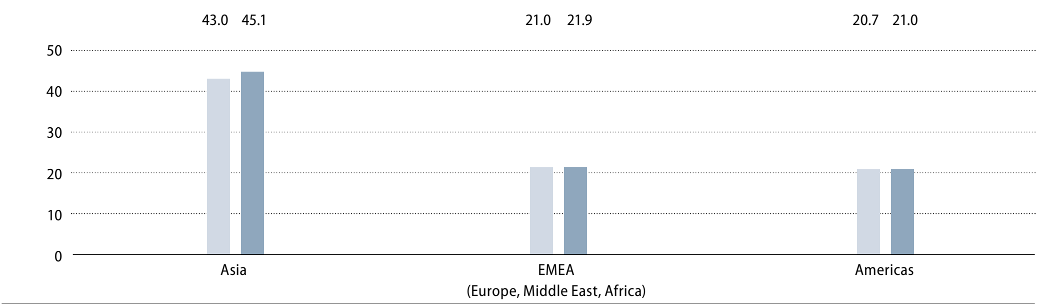
Source: IMF World Economic Outlook, 10/2014 (estimate)

Sector setting

The **automotive sector** has hitherto proved to be largely unimpressed by the less dynamic prospects for the economy as a whole. In its output forecast as updated in August, the IHS Automotive market research institute projects global output of nearly 4 percent more cars and light commercial vehicles than in 2013. It furthermore expects output to grow in all three world regions, namely in Asia, the Americas and EMEA (Europe, Middle East and Africa). The VDA also expects car sales to pick up by about 4 percent in 2014.

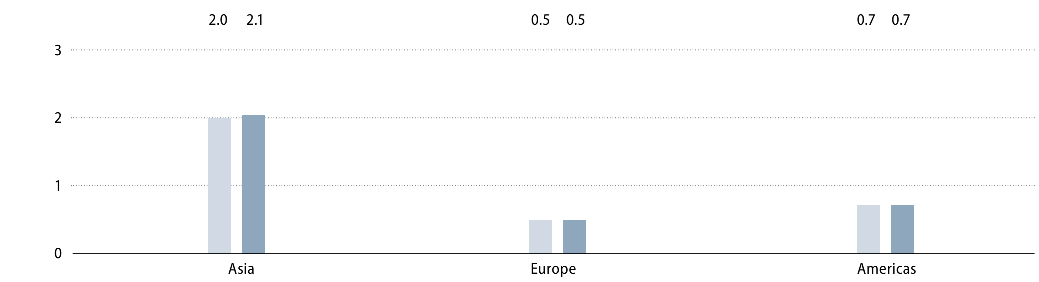
The **commercial vehicle industry** will expand further this year, according to IHS Automotive. Overall, about 2 percent more heavy commercial vehicles are expected to be made worldwide than in 2013, with especially strong growth rates in North America.

2013 2014e **Output of cars and light commercial vehicles by region** million units



Source: IHS Automotive (08/2014)

2013 2014e **Output of heavy commercial vehicles by region** million units



Source: IHS Automotive (08/2014)

The German **electrical engineering and electronics industry** also remains confident. The German ZVEI sector association expects the global electrical goods market to grow by 5 percent. It estimates increases of 6 percent for Asia, 5 percent for the Americas and 3 percent for Europe.

The VDMA federation revised its output forecast for the German **machinery and plant engineering sector** downwards, from 3 percent to 1 percent growth, at the end of July because of the subdued trend in the first half. Yet the sector's output would thus still reach a record level.

For the German manufacturers of **information and communications technology** as well as **consumer electronics** the BITKOM high-tech association forecasts a 1.6 percent increase in sales this year, with information technology growing at a rate of 4.3 percent. Decreases of 0.9 and 1.5 percent respectively, are on the other hand projected for the telecommunications and consumer electronics segments. Worldwide, sales of information and telecommunications technology products and services are forecast to rise by 4.5 percent this year.

The exports of the German **medical technology industry** will continue to rise in 2014 according to Spectaris, its association, whereas domestic business is expected to remain roughly at the previous year's level.

The LEONI Group's business performance

The good demand from the automotive industry and most of the other customer sectors of importance to LEONI continued at the beginning of the fourth quarter. We are paying close attention to the mounting macroeconomic uncertainty, but have so far not felt any notable cut-backs among our customers in total. We therefore still project an increase in **consolidated sales** to approximately € 4.1 billion for the whole of 2014. The Wiring Systems Division will provide about € 2.4 billion of this total (previous year: € 2.3 billion), with the Wire & Cable Solutions Division contributing approximately € 1.7 billion (previous year: € 1.6 billion).

The growth in the earnings before interest and taxes of the Wire & Cable Solutions Division will, as expected and from today's perspective, clearly outpace that in its sales to more than € 80 million (previous year: € 47.1 million). The Wiring Systems Division should be back on track in the fourth quarter. The unplanned exceptional adverse factors related to the major new product start-ups are mainly out of the way, but it will no longer be possible to recoup the charges consequently incurred by the end of the year. We therefore now estimate segment EBIT for this year of at least € 100 million (previous year: € 116.1 million), whereas we were projecting more than € 120 million at the beginning of 2014. For this reason, we do not expect **consolidated earnings before interest and taxes** for the entire year grow to more than € 200 million as originally budgeted, but probably only to a total of more than € 180 million.

Due to the smaller increase in earnings as well as the larger amount of funds tied up in working capital, which is the result of the mounting geopolitical risks and the growing globalisation of our operations, our original 2014 forecasts for the **key figures** of free cash flow, net financial liabilities, equity ratio and return on capital employed will not be met either. The corresponding revised figures are presented in the table on the following page.

Our **capital expenditure budget** for the current year is unchanged at a total of about € 200 million. Both divisions will boost their global capacity, the focal regions being Asia/Pacific and the Americas. We are meanwhile also engaged in further countries; in the fourth quarter, for example, we will start building a wiring systems production line in Paraguay.

The medium-term prospects for LEONI remain favourable, provided that the underlying economic conditions do not materially change. From today's perspective, LEONI will generate further gains in both sales and especially earnings in 2015. We project sales of about € 5 billion and a 7 percent EBIT margin for 2016.

The LEONI Group's targets

		Actual 2013 figures	Original forecast for 2014 (March 2014)	Updated forecast for 2014 (October 2014)
Consolidated sales	€ billion	3.92	approx. 4.1	approx. 4.1
EBIT	€ million	163.1	> 200	> 180
Capital expenditure [1]	€ million	168.4	approx. 200	approx. 200
Free cash flow [2]	€ million	36.7	approx. 30	approx. 0
Net financial liabilities	€ million	257.0	approx. 260	approx. 300
Equity ratio	%	34.5	approx. 36	approx. 35
Return on capital employed	%	13.2	approx. 16	approx. 14

[1] excl. acquisitions
[2] before acquisitions and divestments

Interim consolidated financial statements 30 September 2014

Consolidated income statement

	3rd quarter			1st – 3rd quarter		
€ '000 (except information to shares)	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Sales	1,013,779	957,941	5.8 %	3,053,395	2,927,960	4.3 %
Cost of sales	(848,823)	(790,583)	7.4 %	(2,531,082)	(2,422,508)	4.5 %
Gross profit on sales	**164,956**	**167,358**	**(1.4) %**	**522,313**	**505,452**	**3.3 %**
Selling expenses	(54,314)	(45,672)	18.9 %	(159,718)	(148,239)	7.7 %
General and administration expenses	(50,873)	(46,664)	9.0 %	(149,490)	(142,787)	4.7 %
Research and development expenses	(27,253)	(27,149)	0.4 %	(81,704)	(79,067)	3.3 %
Other operating income	3,319	2,676	24.0 %	7,605	8,032	(5.3) %
Other operating expenses	(1,153)	(14,003)	(91.8) %	(6,403)	(29,062)	(78.0) %
Income/expenses from associated companies and joint ventures	55	(9)	> 100.0 %	69	12	> 100.0 %
EBIT	**34,737**	**36,537**	**(4.9) %**	**132,672**	**114,341**	**16.0 %**
Finance revenue	228	152	50.0 %	836	543	54.0 %
Finance costs	(8,996)	(6,801)	32.3 %	(24,317)	(24,392)	(0.3) %
Other income/expenses from share investments	0	(1)	(100.0) %	144	307	(53.1) %
Income before taxes	**25,969**	**29,887**	**(13.1) %**	**109,335**	**90,799**	**20.4 %**
Income taxes	(9,892)	(11,907)	(16.9) %	(31,832)	(26,696)	19.2 %
Net income	**16,077**	**17,980**	**(10.6) %**	**77,503**	**64,103**	**20.9 %**
attributable to: equity holders of the parent	16,037	17,928		77,275	63,812	
non-controlling interests	40	52		228	291	
Earnings per share (basic and diluted)	0.49	0.55		2.37	1.95	
Weighted average shares outstanding (basic and diluted)	32,669,000	32,669,000		32,669,000	32,669,000	

Consolidated statement of comprehensive income

	3rd quarter			1st – 3rd quarter		
€ '000	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Net income	**16,077**	**17,980**	**(10.6) %**	**77,503**	**64,103**	**20.9 %**
Other comprehensive income						
Items that cannot be reclassified to the income statement:						
Actuarial gains or losses on defined benefit plans	(15,203)	(8,063)	(88.6) %	(30,124)	(2,586)	(> 100.0) %
Income taxes applying to items of other comprehensive income that are not reclassified	3,702	572	> 100.0 %	7,428	259	> 100.0 %
Items that can be reclassified to the income statement:						
Cumulative translation adjustments						
Gains and losses arising during the period	31,156	(5,742)	> 100.0 %	34,545	(13,084)	> 100.0 %
Less reclassification adjustments included in the income statement	0	0	—	29	(598)	> 100.0 %
Total cumulative translation adjustments	31,156	(5,742)	> 100.0 %	34,574	(13,682)	> 100.0 %
Available-for-sale investments						
Losses arising during the period	0	(2)	100.0 %	0	(4)	100.0 %
Less reclassification adjustments included in the income statement	0	2	(100.0) %	0	(133)	100.0 %
Total available-for-sale investments	0	0	—	0	(137)	100.0 %
Cash flow hedges						
Losses and gains arising during the period	(4,266)	2,205	(> 100.0) %	(466)	1,336	(> 100.0) %
Less reclassification adjustments included in the income statement	(496)	(310)	(60.0) %	104	925	(88.8) %
Total cash flow hedges	(4,762)	1,895	(> 100.0) %	(362)	2,261	(> 100.0) %
Income taxes applying to items of other comprehensive income that are reclassified	1,185	(550)	> 100.0 %	705	(864)	> 100.0 %
Other comprehensive income (after taxes)	**16,078**	**(11,888)**	**> 100.0 %**	**12,221**	**(14,749)**	**> 100.0 %**
Total comprehensive income	**32,155**	**6,092**	**> 100.0 %**	**89,724**	**49,354**	**81.8 %**
attributable to: equity holders of the parent	32,071	6,076	> 100.0 %	89,431	49,128	82.0 %
non-controlling interests	84	16	> 100.0 %	293	226	29.6 %

Consolidated statement of cash flows

	3rd quarter		1st – 3rd quarter	
€ '000	**2014**	**2013**	**2014**	**2013**
Net income	16,077	17,980	77,503	64,103
Adjustments to reconcile cash provided by operating activities:				
Income taxes	9,892	11,907	31,832	26,696
Net interest	8,539	6,728	22,880	22,826
Dividend income	0	2	(144)	(306)
Depreciation and amortisation	32,358	30,092	92,933	90,071
Other non-cash expenses and income	(55)	9	(69)	(12)
Result of asset disposals and measurement of assets held for sale	83	(247)	271	1,108
Change in operating assets and liabilities, adjusted for the impact of changes in the scope of consolidation				
Change in receivables and other financial assets	3,318	18,444	(63,842)	(56,082)
Change in inventories	(32,362)	(18,984)	(107,300)	(57,415)
Change in other assets	(4,138)	4,354	(28,342)	(19,185)
Change in provisions	10,358	6,993	18,751	4,244
Change in liabilities	(2,146)	(1,371)	35,798	7,913
Income taxes paid	(6,412)	(4,864)	(28,159)	(22,667)
Interest paid	(10,724)	(17,523)	(16,822)	(25,891)
Interest received	59	68	190	255
Dividends received	0	(2)	144	306
Cash provided by operating activities	**24,847**	**53,586**	**35,624**	**35,964**
Capital expenditures for intangible assets and property, plant and equipment	(54,139)	(31,578)	(159,811)	(98,552)
Capital expenditures for other financial assets	16	(29)	(7)	(59)
Cash receipts from disposal of assets and disposal of assets held for sale (incl. liabilities)	538	752	782	1,091
Cash used for capital spending activities	**(53,585)**	**(30,855)**	**(159,036)**	**(97,520)**
Cash receipts from acceptance of financial debts	16,715	157,905	107,249	187,512
Cash repayments of financial debts	(15,119)	(200,098)	(17,616)	(251,870)
Dividends paid by LEONI AG	0	0	(32,669)	(49,004)
Dividends paid to the non-controlling interest shareholders	0	0	0	(305)
Cash provided by/used for financing activities	**1,596**	**(42,193)**	**56,964**	**(113,667)**
Decrease of cash and cash equivalents	(27,142)	(19,462)	(66,448)	(175,223)
Currency adjustment	3,793	(1,665)	2,987	(782)
Cash and cash equivalents at beginning of period	157,862	143,446	197,974	298,324
Cash and cash equivalents at end of period	134,513	122,319	134,513	122,319

Consolidated statement of financial position

Assets

€ '000	30/09/2014	31/12/2013	30/09/2013
Cash and cash equivalents	134,513	197,974	122,319
Trade accounts receivable	561,299	502,663	510,152
Other financial assets	19,039	19,531	18,819
Other assets	109,207	82,230	95,328
Receivables from income taxes	7,946	12,299	9,140
Inventories	616,998	509,698	545,950
Assets held for sale	9,646	7,965	0
Total current assets	**1,458,648**	**1,332,360**	**1,301,708**
Property, plant and equipment	769,849	709,782	682,557
Intangible assets	81,929	82,256	79,210
Goodwill	148,263	148,417	148,598
Shares in associated companies and joint ventures	527	458	731
Trade receivables from long-term development contracts	52,742	46,931	47,085
Other financial assets	6,710	4,860	5,750
Deferred taxes	69,284	56,999	48,404
Other assets	19,018	17,653	15,007
Total non-current assets	**1,148,322**	**1,067,356**	**1,027,342**
Total assets	**2,606,970**	**2,399,716**	**2,329,050**

Equity and liabilities

€ '000	30/09/2014	31/12/2013	30/09/2013
Current financial debts and current proportion of long-term financial debts	89,305	41,279	81,859
Trade accounts payable	681,491	675,099	614,373
Other financial liabilities	35,204	23,640	22,772
Income taxes payable	37,511	39,481	34,751
Other current liabilities	165,238	146,986	159,638
Provisions	29,041	37,100	39,186
Total current liabilities	**1,037,790**	**963,585**	**952,579**
Long-term financial debts	454,607	413,685	393,267
Long-term financial liabilities	7,987	6,850	4,806
Other non-current liabilities	9,989	9,333	12,109
Pension provisions	142,344	113,261	118,232
Other provisions	23,961	22,578	22,159
Deferred taxes	45,601	42,827	41,881
Total non-current liabilities	**684,489**	**608,534**	**592,454**
Share capital	32,669	32,669	32,669
Additional paid-in capital	290,887	290,887	290,887
Retained earnings	581,853	537,247	495,541
Accumulated other comprehensive income	(22,385)	(34,541)	(36,692)
Equity holders of the parent	883,024	826,262	782,405
Non-controlling interests	1,667	1,335	1,612
Total equity	**884,691**	**827,597**	**784,017**
Total equity and liabilities	**2,606,970**	**2,399,716**	**2,329,050**

Consolidated statement of changes in equity

				Accumulated other comprehensive income						
€ '000	Share capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Available-for-sale investments	Cash flow hedges	Actuarial gains and losses	Equity holders of the parent	Non-controlling interests	Total equity
1 January 2013	**32,669**	**290,887**	**480,733**	**45,370**	**107**	**(4,917)**	**(62,568)**	**782,281**	**1,691**	**783,972**
Net income			63,812					63,812	291	64,103
Other comprehensive income				(13,615)	(107)	1,365	(2,327)	(14,684)	(65)	(14,749)
Total comprehensive income								49,128	226	49,354
Dividend payment			(49,004)					(49,004)	(305)	(49,309)
30 September 2013	**32,669**	**290,887**	**495,541**	**31,755**	**0**	**(3,552)**	**(64,895)**	**782,405**	**1,612**	**784,017**
1 January 2014	**32,669**	**290,887**	**537,247**	**29,674**	**0**	**(2,653)**	**(61,562)**	**826,262**	**1,335**	**827,597**
Net income			77,275					77,275	228	77,503
Other comprehensive income				34,509	0	343	(22,696)	12,156	65	12,221
Total comprehensive income								89,431	293	89,724
Dividend payment			(32,669)					(32,669)	0	(32,669)
Disposals of non-controlling interests									39	39
30 September 2014	**32,669**	**290,887**	**581,853**	**64,183**	**0**	**(2,310)**	**(84,258)**	**883,024**	**1,667**	**884,691**

Notes to the interim consolidated financial statements for the period from 1 January to 30 September 2014

Principles

These interim financial statements were, in accordance with the International Accounting Standard IAS 34, Interim Financial Reporting, as it is to be applied within the European Union, prepared as a condensed interim report. The financial statement does not include all the disclosures and information required for annual consolidated financial statements and therefore correlates with the consolidated financial statements as at 31 December 2013. LEONI prepares and publishes the interim financial statements in euro (€). The presented interim financial statements and interim management report as at 30 September 2014 were subjected to neither a review nor an audit pursuant to Section 317 of the German Commercial Code (HGB) by the auditors. The Management Board authorised release of the interim financial statements on 10 November 2014.

1 | Accounting principles

The consolidation, valuation and accounting methods applied are, with exception of the amendments described hereinafter, in line with those of the 2013 consolidated financial statements, where they are described in the notes.
The following new or amended, major IFRS requirements were applied for the first time at the beginning of the 2014 financial year and thus also to these interim financial statements:

- In May 2011, with IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interest in Other Entities, as well as consequential amendments to IAS 27, Separate Financial Statements, and IAS 28, Investments in Associates, the International Accounting Standards Board (IASB) issued updates and improvements to the accounting as well as disclosure requirements concerning consolidation, joint arrangements or jointly controlled entities, associates and structured entities / special purpose entities.

  – IFRS 10, Consolidated Financial Statements, replaces the requirements under the previous IAS 27, Consolidated and Separate Financial Statements, on consolidated financial statements and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 did not have any effect on consolidation of the investments held by the Group.

  – IFRS 11, Joint Arrangements, replaces IAS 31, Interests in Joint Ventures, and the Interpretation SIC-13, Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 did not have any effect on the consolidated financial statements.

- IFRS 12, Disclosure of Interests in Other Entities, includes all the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure obligations are applicable to condensed interim financial statements. The Group consequently did not make any such disclosures.

- In December 2011, the IASB issued amendments to IAS 32, Financial Instruments: Presentation. The amendments contain a clarification in the offsetting rules. Furthermore, additional application guidelines on offsetting of financial assets and financial liabilities were adopted in the Standard. These amendments consequently did not have any effect on the consolidated financial statements.

- In June 2013, the IASB issued amendments to IAS 39, Financial Instruments: Recognition and Measurement. Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. These changes are to be applied to financial years beginning on or after 1 January 2014. These amendments did not have any effect on the consolidated financial statements.

Several minor amendments and clarifications involving various other Standards also apply for the first time to the year 2014. However, they did not have any effect on either the consolidated financial statements or the interim consolidated financial statements.

2 | Scope of consolidation

In addition to LEONI AG, which is based at Marienstrasse 7 in Nuremberg and is registered with the Nuremberg local court under number HRB 202, all the entities where LEONI AG is in a position, either directly or indirectly, to determine the financial and operating policies as well as returns are included in the consolidated financial statements.

Two Chinese companies were merged into one legal entity during the period under report, while a subsidiary that no longer operates was liquidated.

Explanations

3 | Segment information

The Group has two segments subject to reporting: Wire & Cable Solutions as well as Wiring Systems. The Wire & Cable Solutions Division encompasses the development, manufacture and sale of wires, optical fibers, cables and cable systems as well as related services for applications in the automotive sector and other industries.

The activity of the Wiring Systems Division is focused on the development, production and distribution of complete wiring systems and ready-to-install cable harnesses for the motor vehicle industry. Its products and services also encompass high-voltage wiring systems for hybrid and electric vehicles, power distribution components and special connectors.

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

Segment information	**3rd quarter**		**1st – 3rd quarter**		
€ '000 (employees excluded)	**2014**	**2013**	**2014**	**2013**	**Change**
Wiring Systems					
Sales	576,523	552,155	1,772,049	1,727,597	2.6 %
Less intersegment sales	29	19	111	65	70.8 %
External sales (sales to third parties)	576,494	552,136	1,771,938	1,727,532	2.6 %
EBIT	11,716	17,361	69,755	76,303	(8.6) %
EBIT as a percentage of external sales	2.0 %	3.1 %	3.9 %	4.4 %	—
Employees (as at 30/09)	58,520	51,745	58,520	51,745	13.1 %
Wire & Cable Solutions					
Sales	474,334	445,500	1,396,174	1,326,112	5.3 %
Less intersegment sales	37,049	39,695	114,717	125,684	(8.7) %
External sales (sales to third parties)	437,285	405,805	1,281,457	1,200,428	6.8 %
EBIT	23,074	19,201	62,940	37,994	65.7 %
EBIT as a percentage of external sales	5.3 %	4.7 %	4.9 %	3.2 %	—
Employees (as at 30/09)	8,632	8,122	8,632	8,122	6.3 %
Consolidation / LEONI AG					
Sales	(37,078)	(39,714)	(114,828)	(125,749)	8.7 %
Less intersegment sales	37,078	39,714	114,828	125,749	(8.7) %
External sales (sales to third parties)	—	—	—	—	
EBIT	(53)	(25)	(23)	44	
Employees (as at 30/09)	239	221	239	221	8.1 %
Group					
Sales	1,013,779	957,941	3,053,395	2,927,960	4.3 %
Less intersegment sales	—	—	—	—	
Consolidated sales (external sales)	1,013,779	957,941	3,053,395	2,927,960	4.3 %
EBIT	34,737	36,537	132,672	114,341	16.0 %
EBIT as a percentage of external sales	3.4 %	3.8 %	4.3 %	3.9 %	—
Employees (as at 30/09)	67,391	60,088	67,391	60,088	12.2 %

4 | Other operating expenses and income

The other operating income in the amount of € 7,605 k (previous year: € 8,032 k) comprises primarily income from government grants of € 5,234 k (previous year: € 4,747 k).

Other operating expenses amounted to € 6,403 k in the period under report (previous year: € 29,062 k). The decrease versus the previous year is attributable primarily to the extent of restructuring measures. During the period under report, restructuring expenses amounted to € 1,230 k. In particular, these expenses involved impairment of no longer useable machinery at a facility in Germany as well as severance payments for employees in Morocco. Of the restructuring expenses, € 850 k (previous year: € 7,314 k) pertained to the Wire & Cable Solutions Division and € 380 k (previous year: € 11,737 k) to the Wiring Systems Division. In the previous year, restructuring expenses amounted to € 19,051 k and included especially severance payments for facilities in Morocco and Germany. The item furthermore includes exchange losses in the amount of € 1,331 k (previous year: € 2,356 k). The currency effects were due mostly to fluctuation in the exchange rates of currencies for which a hedge is not legally possible or does not make sense because of the heavy costs this would involve.

5 | Financial result

The financial result, i.e. the balance of finance revenue and costs, was in line with the previous year's level. Favourable refinancing terms offset the increased interest expenses due to the larger average amount of debt.

6 | Income taxes

The reported income taxes of € 31,832 k (previous year: € 26,696 k) comprise current tax expense of € 31,111 k (previous year: € 30,504 k) and deferred tax expense due to differences in balance sheet items of € 721 k. In the previous year there was deferred tax income of € 3,808 k due to differences in balance sheet items and from capitalising deferred taxes on tax losses.

The tax rate was 29.1 percent (previous year: 29.4 percent).

7 | Comprehensive income

The overview below shows the gross amounts, income tax effects and net amounts of other comprehensive income:

	3rd quarter						1st – 3rd quarter					
	2014			2013			2014			2013		
€ '000	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount
Change in actuarial gains and losses	(15,203)	3,702	(11,501)	(8,063)	572	(7,491)	(30,124)	7,428	(22,696)	(2,586)	259	(2,327)
Foreign currency translation adjustments	31,156	0	31,156	(5,742)	0	(5,742)	34,574	0	34,574	(13,682)	2	(13,680)
Change in fair value of securities (available-for-sale financial assets)	0	0	0	0	0	0	0	0	0	(137)	30	(107)
Changes in unrealised gains/losses on cash flow hedges	(4,762)	1,185	(3,577)	1,895	(550)	1,345	(362)	705	343	2,261	(896)	1,365
Other comprehensive income	**11,191**	**4,887**	**16,078**	**(11,910)**	**22**	**(11,888)**	**4,088**	**8,133**	**12,221**	**(14,144)**	**(605)**	**(14,749)**

Currency translation differences of € 34,574 k benefited other comprehensive income in the first nine months (previous year: a negative effect of € 13,682 k). These differences were attributable mainly to translation of the Chinese renminbi, the British pound sterling as well as the US dollar into the euro reporting currency.

The lower level of market interest rates reduced the discount rate on pension obligations particularly in Germany, Switzerland as well as the United Kingdom and resulted in actuarial losses in the amount of € 30,124 k (previous year: losses of € 2,586 k).

Taking deferred taxes into account, the overall result was other comprehensive income of € 12,221 k (previous year: a negative amount of € 14,749 k).

8 | Financial liabilities

The sum of current and non-current financial liabilities was € 543,912 k on 30 September 2014 (31/12/2013: € 454,964 k). Current financial liabilities were up for reporting date-related reasons to fund working capital. The increase in non-current financial liabilities is attributable to the issue of borrower's note loans in March and April 2014 in the nominal amounts of € 25 million and € 20 million, respectively.

9 | Financial instruments

The tables below show the carrying amounts and the fair values of the financial instruments held in the Group on 30 September 2014 and on 30 September 2013:

		Amounts recognised in balance sheet according to IAS 39					
[€ '000]	Category in accordance with IAS 39	**Carrying amount 30/09/2014**	Amortised cost	Cost	Fair Value recognised in equity	Fair Value recognised in profit or loss	**Fair Value 30/09/2014**
Assets							
Cash and cash equivalents	LaR	**134,513**	134,513				**134,513**
Trade receivables	LaR	**561,299**	561,299				**561,299**
Long-term trade receivables from development contracts	LaR	**52,742**	52,742				**52,742**
Other financial receivables	LaR	**18,293**	18,293				**18,293**
Other non-derivative financial assets							
Available-for-Sale financial assets	AfS	**1,065**		1,065			**1,065**
Derivative financial assets							
Derivatives without a hedging relationship	FAHfT	**2,193**				2,193	**2,193**
Derivatives with a hedging relationship	n/a	**4,198**			2,338	1,860	**4,198**
Total equity and liabilities							
Trade payables	FLAC	**681,491**	681,491				**681,491**
Liabilities to banks	FLAC	**193,821**	193,821				**195,895**
Liabilities on bills of exchange and other financial liabilities	FLAC	**594**	594				**594**
Borrower's note loans	FLAC	**349,497**	349,497				**356,668**
Other financial liabilities	FLAC	**27,788**	27,788				**27,788**
Derivative financial liabilities							
Derivatives without a hedging relationship	FLHfT	**11,541**				11,541	**11,541**
Derivatives with a hedging relationship	n/a	**3,862**			3,862		**3,862**
Of which aggregated by categories in accordance with IAS 39:							
Loans and Receivables (LaR)	LaR	**766,847**	766,847				**766,847**
Available-for-Sale Financial Assets (AfS)	AfS	**1,065**		1,065			**1,065**
Financial Assets Held for Trading (FAHfT)	FAHfT	**2,193**				2,193	**2,193**
Financial Liabilities measured at Amortised Cost (FLAC)	FLAC	**1,253,191**	1,253,191				**1,262,436**
Financial Liabilities Held for Trading (FLHfT)	FLHfT	**11,541**				11,541	**11,541**

[€ '000]	Category in accordance with IAS 39	**Carrying amount 30/09/2013**	Amounts recognised in balance sheet according to IAS 39 Amortised cost	Cost	Fair Value recognised in equity	Fair Value recognised in profit or loss	**Fair Value 30/09/2013**
Assets							
Cash and cash equivalents	LaR	**122,319**	122,319				**122,319**
Trade receivables	LaR	**510,152**	510,152				**510,152**
Long-term trade receivables from development contracts	LaR	**47,085**	47,085				**47,085**
Other financial receivables	LaR	**18,343**	18,343				**18,343**
Other non-derivative financial assets							
Available-for-Sale financial assets	AfS	**1,065**		1,065			**1,065**
Derivative financial assets							
Derivatives without a hedging relationship	FAHfT	**3,476**				3,476	**3,476**
Derivatives with a hedging relationship	n/a	**1,685**			1,685		**1,685**
Total equity and liabilities							
Trade payables	FLAC	**614,373**	614,373				**614,373**
Liabilities to banks	FLAC	**198,133**	198,133				**199,898**
Liabilities on bills of exchange and other financial liabilities	FLAC	**3**	3				**3**
Borrower's note loans	FLAC	**276,990**	276,990				**282,425**
Other financial liabilities	FLAC	**22,103**	22,103				**22,103**
Derivative financial liabilities							
Derivatives without a hedging relationship	FLHfT	**3,608**				3,608	**3,608**
Derivatives with a hedging relationship	n/a	**1,867**			1,867		**1,867**
Of which aggregated by categories in accordance with IAS 39:							
Loans and Receivables (LaR)	LaR	**697,899**	697,899				**697,899**
Available-for-Sale Financial Assets (AfS)	AfS	**1,065**		1,065			**1,065**
Financial Assets Held for Trading (FAHfT)	FAHfT	**3,476**				3,476	**3,476**
Financial Liabilities measured at Amortised Cost (FLAC)	FLAC	**1,111,602**	1,111,602				**1,118,802**
Financial Liabilities Held for Trading (FLHfT)	FLHfT	**3,608**				3,608	**3,608**

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

The fair values of other non-current receivables maturing after more than one year corresponded to the present values of payments relating to the assets, in each case taking into account the current interest parameters that reflected market and partner-related changes in terms.

Trade liabilities and other liabilities usually matured in the short term; the amounts on the balance sheet represented approximations of the fair value. The fair values of liabilities to banks, the borrower's note loans and the other non-current financial liabilities were determined as the present values of the payments relating to the liabilities based on the respectively applicable yield curves.

The fair values of the foreign exchange transactions were based on current reference rates observable on the market and taking into consideration forward premiums or discounts. LEONI takes account of the risk of non-fulfilment by business partners 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 fair values of the interest rate hedging instruments (interest swaps and interest collars) were based on discounted future cash flows. The applicable market interest rates and volatilities were used for the maturities of the financial instruments.

Valuation method to determine fair value

The tables below contain an overview of the valuation methods used for measuring the fair value of the financial instruments concerned.

30/09/2014 [€ '000]	**Prices quoted on active markets (step 1)**	**Valuation methods where all principal parameters are based on observable market data (step 2)**	**Valuation methods where all principal parameters are *not* based on observable market data (step 3)**	**Total**
Financial assets measured at fair value				
Derivative financial assets				
Derivatives without a hedging relationship	0	2,193	0	**2,193**
Derivatives with a hedging relationship	0	4,198	0	**4,198**
Financial liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship	296	11,245	0	**11,541**
Derivatives with a hedging relationship	0	3,862	0	**3,862**

30/09/2013 [€ '000]	**Prices quoted on active markets (step 1)**	**Valuation methods where all principal parameters are based on observable market data (step 2)**	**Valuation methods where all principal parameters are *not* based on observable market data (step 3)**	**Total**
Financial assets measured at fair value				
Derivative financial assets				
Derivatives without a hedging relationship	321	3,155	0	**3,476**
Derivatives with a hedging relationship	0	1,685	0	**1,685**
Financial liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship	0	3,608	0	**3,608**
Derivatives with a hedging relationship	0	1,867	0	**1,867**

Neither in the period under report nor in the previous one was there any movement between the individual levels.

Further information

10 | Transactions with related parties

LEONI maintains relationships with joint ventures as part of its ordinary business activity.

This involves LEONI as a matter of principle purchasing products and services on market terms. There were no significant transactions and no lending relationships with joint ventures during the period under report.

The Company generated income of € 989 k (previous year: € 655 k) from the sale of products and services to members of the Supervisory Board as well as related parties and made purchases worth € 674 k (previous year: € 340 k) from them during the period under report. All supply and service transactions were concluded on standard market terms.

11 | Management Board and Supervisory Board

On 24 March 2014, the Supervisory Board extended the contracts of Management Board members Dieter Bellé and Dr Andreas Brand to 31 December 2019. The contract of Management Board Chairman Dr Klaus Probst was extended only to 30 June 2015 at his own request.

Dr Frank Hiller joined the Company as a member of the Management Board on 1 April 2014. His contract expires on 31 December 2017.

Nuremberg, 10 November 2014

Dr Klaus Probst   Dieter Bellé   Dr Andreas Brand   Dr Frank Hiller

Key dates

Interim Report 1st – 3rd Quarter 2014
11 November 2014

Preliminary Figures 2014
February 2015

Press Conference on financial statements
17 March 2015

Analyst and Investor Meeting
18 March 2015

Annual General Meeting
7 May 2015

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