Interim Report
1st – 3rd quarter 2016

The Quality Connection

LEONI

Highlights: 3rd quarter 2016

- **Fraud case incurs a loss in the third quarter – nine-month EBIT at Group level drops to € 49.2 million (previous year: € 115.3 million)**
- **Adjusted EBIT slightly improved to € 125.6 million after three quarters**
- **Consolidated sales of € 3.3 billion in the first nine months down a little from previous year**
- **Majority stake in Wuhan Hengtong strengthens the Wiring Systems Division's market position in China**
- **Full-year forecast reaffirmed with consolidated sales of € 4.4 billion and EBIT of about € 65 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 more than 77,000 people in 32 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 acquired a majority stake in the Chinese wiring systems manufacturer Wuhan Hengtong Automotive in the 3rd quarter.
This makes us a supplier to the Dongfeng Motor Corporation, China's second-largest carmaker, enabling us to further boost our growth in Asia.

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.

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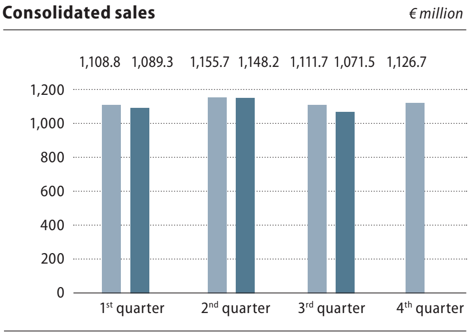
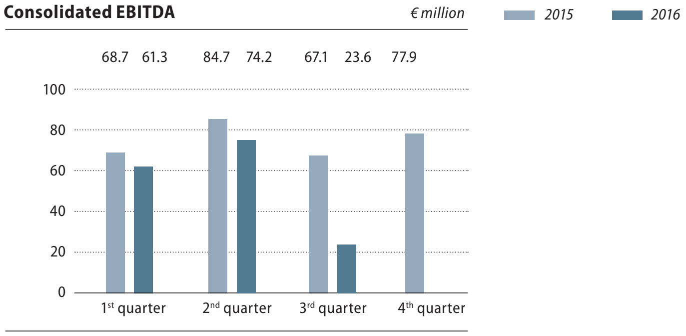
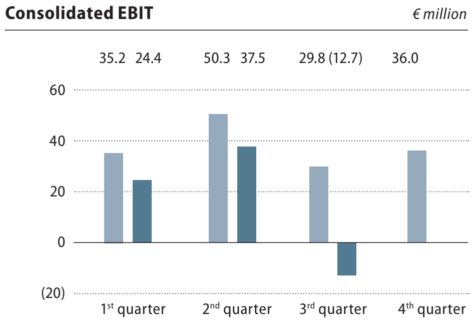
Group key figures

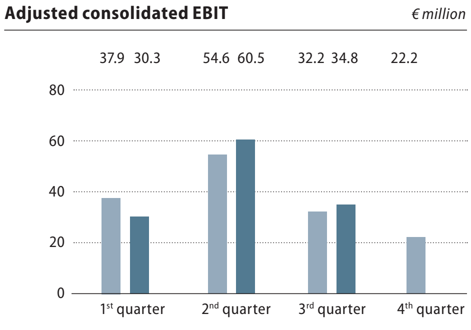
	3rd quarter			1st – 3rd quarter		
€ million	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Sales	1,071.5	1,111.7	(3.6) %	3,309.0	3,376.2	(2.0) %
Earnings before interest, taxes and depreciation/amortisation (EBITDA)	23.6	67.1	(64.8) %	159.1	220.5	(27.8) %
Earnings before interest and taxes (EBIT)	(12.7)	29.8	(> 100.0) %	49.2	115.3	(57.3) %
Adjusted earnings before interest and taxes (EBIT) *	34.8	32.2	8.1 %	125.6	124.7	0.7 %
Earnings before taxes (EBT)	(18.6)	23.8	(> 100.0) %	32.2	95.4	(66.2) %
Consolidated net loss/net income	(24.4)	15.7	(> 100.0) %	11.6	67.5	(82.9) %
Capital expenditures (incl. acquisitions)	47.8	63.5	(24.7) %	138.9	162.2	(14.4) %
Equity ratio (%)	31.8 %	34.5 %	—	31.8 %	34.5 %	—
Earnings per share (€)	(0.75)	0.48	(> 100.0) %	0.35	2.06	(83.0) %
Employees as at 30/09/ (number)	77,013	74,973	2.7 %	77,013	74,973	2.7 %

* *Earnings adjusted for the impact of purchase price allocation, restructuring, impairment of non-current assets, gains on business disposals and on business combinations including related derivatives as well as the burden associated with the fraud case*









The LEONI share

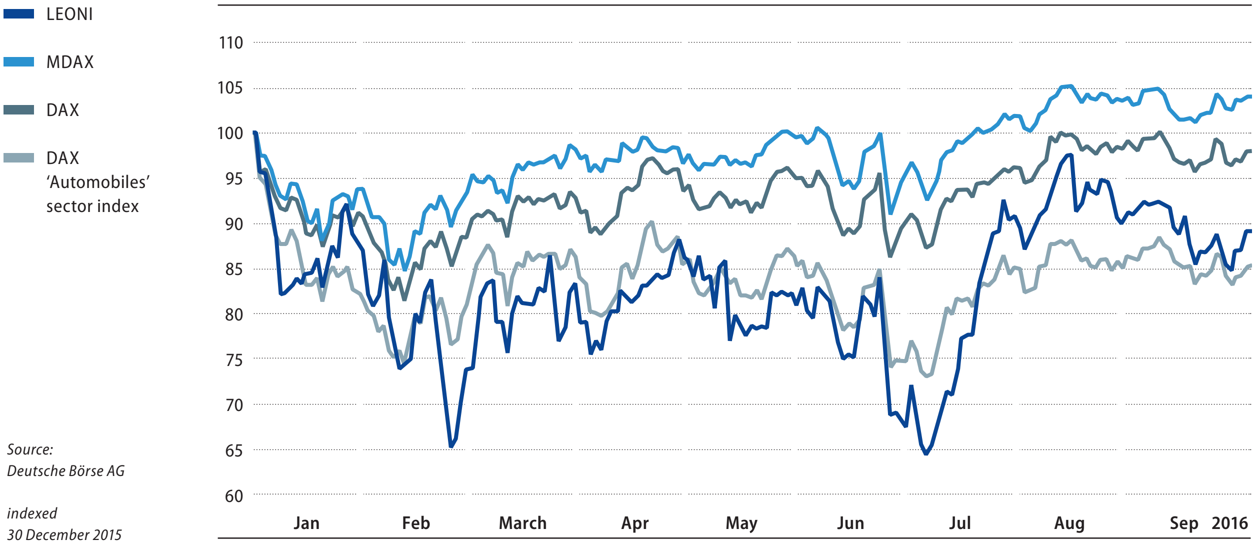
Equity markets buoyant in the third quarter

An upside move began on the international markets during the summer months following the weak performance at the beginning of the year and the considerable damper of the Brexit vote especially on the European markets. Robust US job market figures, the improved economy in China and waning concerns about the fallout from the UK referendum drove the revival. The key US indices as well as the Japanese Nikkei and the Euro Stoxx 50 all made gains in the third quarter. Germany's leading DAX index likewise cancelled out its losses due to the Brexit vote again during this period, but it was down by about 2 percent overall in the first nine months. The MDAX, by contrast, rose by nearly 4 percent in the period from January to September 2016.

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 2016 performance



Source: Deutsche Börse AG

indexed 30 December 2015

LEONI share recovers

The shares of Germany's carmakers and suppliers underperformed the overall market substantially. The DAX 'Automobiles' sector index and the sub-index for the automotive suppliers dipped by 15 and 13 percent, respectively, in the first three quarters of 2016. LEONI's share did slightly better in comparison. It initially lost value at the beginning of the year, recovered in the spring and then, at the beginning of July, dropped again to its low of € 23.45 for the year to date. The price picked up significantly in the third quarter, in mid-August reaching its 2016 high so far of € 35.58. On 30 September, our share traded at € 32.42, which equated to a decline of about 11 percent from the level at the end of the previous year. The market capitalisation of the approximately 32.7 million LEONI shares amounted to about € 1,059 million at the end of the reporting period (31 December 2015: € 1,191 million).

Key LEONI share figures

		3rd quarter		1st – 3rd quarter	
		2016	**2015**	**2016**	**2015**
Net result	*€/share*	(0.75)	0.48	0.35	2.06
Equity	*€/share*	27.51	30.08	27.51	30.08
High [1]	*€/share*	35.58	61.39	35.58	62.81
Low [1]	*€/share*	23.45	46.01	23.45	46.01
Closing price [1] at end of quarter	*€/share*	32.42	47.61	32.42	47.61
Average daily trading volume	*no. of shares*	315,731	204,553	307,808	217,830
Market capitalisation at end of quarter	*€ million*	1,059.13	1,555.37	1,059.13	1,555.37

[1] *XETRA closing prices of the day*

Trading volumes up significantly

An average of 307,808 LEONI shares were traded per day in the period from January to September 2016, a significantly larger volume than the figure of 217,830 shares for the same period in the previous year. In total, 59.1 million LEONI shares changed hands in the first nine months of the current year (previous year: 41.4 million).

Capital market professionals rate LEONI share as a hold or buy

At present, 22 financial market analysts cover LEONI on a regular basis. The majority rate an investment in LEONI positively: at the beginning of the fourth quarter, nine investment specialists recommended our share as a buy, while a further nine favoured holding. Four institutional investors advised to sell.

Stable shareholder structure

Our shareholder structure was virtually unchanged in the third quarter. All 32,669,000 LEONI shares continue to be in free float, with institutional investors continuing to hold about two thirds of our shares while the remaining third is owned by private shareholders. Approximately 60 percent of LEONI's shares are held in Germany. The remainder is evenly distributed across the rest of Europe, where it is concentrated in the United Kingdom, and in the United States.

On 22 September 2016, Dimensional Holdings Inc. of Austin, Texas acquired a stake of more than 3 percent in LEONI AG. The other major, single investors at the end of month included the US investment firm T. Rowe Price with more than 5 percent as well as Hans Wilms Beteiligungs GmbH of Germany, UK-based Schroders PLC, Classic Fund Management Aktiengesellschaft of Liechtenstein and the Switzerland-based UBS Group AG, each with holdings of between 3 and 5 percent.

These voting rights announcements as well as earlier ones are accessible on our website.

» www.leoni.com/en/Investor-Relations/Voting-rights-announcements

Quarterly financial report

Interim group management report

Overview of conditions and business performance

Macroeconomic trend

The trend of the global economy in the year to date has been somewhat weaker than expected. According to provisional calculations of the International Monetary Fund (IMF), the global economy grew by 2.9 percent in the first half of 2016 and thus less strongly than in the second half of 2015. Economic growth in the US that fell short of expectations and the realignment of the Chinese economy with the corresponding fallout on other states, especially so the raw material-exporting countries, are examples of the factors exerting a dampening effect. The Brexit vote, the numerous geopolitical risks and the protectionist tendencies in various industrialised countries also caused mounting uncertainty and restraint in business investment.

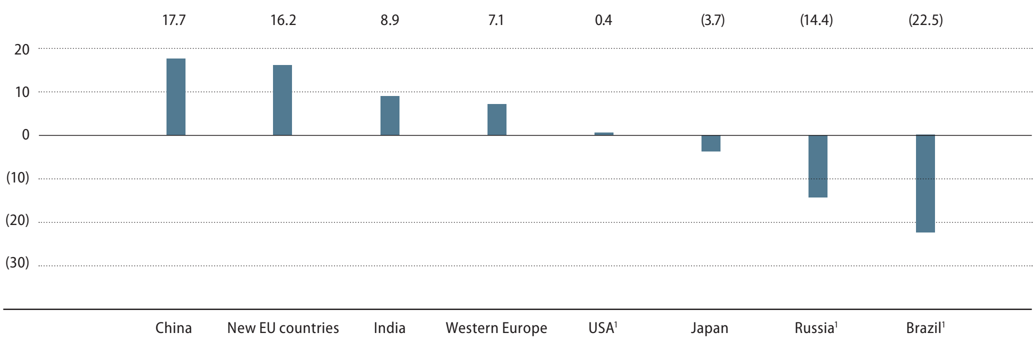
Confidence nevertheless prevails in the German economy. This is also reflected in the Ifo business climate index, which in September climbed to its highest level since May 2014. Entrepreneurs considered both their prospects and the current situation to be favourable. German gross domestic product grew by 0.7 percent in the first quarter of 2016 and by 0.4 percent in the second quarter.

Business by sector

The subdued global economy affected the customer industries of importance to LEONI to varying extents. On the whole, the international motor vehicle industry was virtually unaffected. According to the VDA (German Association of the Automotive Industry), the most important car markets recorded growth in the first nine months of 2016, with the strongest momentum being generated in China. Registrations of new cars and light commercial vehicles also picked up considerably in Europe and were at least slightly above the previous year's level in the United States. By contrast, the sales figures in Brazil and Russia were down by double-digit rates.

The IHS Automotive market research institute estimates that the automotive industry responded to the generally good demand in the first three quarters of 2016 by expanding its global output of passenger cars and light commercial vehicles by just over 3 percent. This involved more vehicles being manufactured in Asia and the EMEA region, whereas the number in the Americas was down somewhat from the same period in 2015.

Trend of car sales in the key countries *January to September 2016 / 2015* %



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

Based on our observations, the **market for heavy commercial vehicles** has not shown any clear trend so far this year: the demand for cable harnesses for trucks and engines was stable in the EMEA region and Asia, but subdued in the Americas. The construction vehicle sector put on a solid showing in the United States, but was muted in South America, Asia and the EMEA region. Demand in the agricultural machinery industry remained weak worldwide.

The sales and price-adjusted output of the German **electrical engineering and electronics industry** rose by about 1.3 and 1.7 percent, respectively, in the first eight months of 2016, according to the German Electrical and Electronic Manufacturers' Association (ZVEI). Domestic business performed a little better than exports. The sector recorded a slight 1.1 percent dip in order receipts, which was attributable entirely to the lower demand outside Europe. On the other hand, more orders were booked from within Germany and other euro countries.

The situation in the German **machinery and plant engineering** sector was opposite: to the end of August, German Engineering Federation (VDMA) reported fewer new orders from Germany and the eurozone, but growth in other countries. Overall, order bookings were at the previous year's level.

ICT companies (information and communications technology) in Germany recently noted rather more subdued demand. As was already the case in the second quarter, the value index of order receipts published by BITKOM (the German Association for Information Technology, Telecommunications and New Media) for July and August was again down for IT hardware as well as for telecommunications and consumer electronics products. The output index likewise dropped in the IT and telecommunication hardware segments. Only consumer electronics displayed uptrends.

Overview of LEONI AG's business performance

LEONI generated slight organic growth in both of its divisions in the period from January to September 2016, but this was more than offset by adverse effects involving the price of copper and changes in exchange rates. Consolidated sales were therefore down by 2 percent year-on-year for the nine-month period to € 3,309.0 million, of which the third quarter accounted for € 1,071.5 million (previous year: € 1,111.7 million). The volume of business was therefore in line with our forecast.

A case of fraud severely affected earnings before interest and taxes (EBIT), which therefore fell substantially short of our expectations. In the third quarter, criminals arranged money transfers to foreign accounts by electronic means and using falsified documents and identities. The fraud incurred a loss of about € 40 million. The Management Board immediately launched an investigation, reported it to the police's criminal investigation department and is currently looking into claiming compensation. While the Company's internal investigations have meanwhile largely been progressed, external ones are still ongoing. As it is no longer likely that any such compensation claims will be resolved this year, the fraud loss will weigh on the third quarter of 2016 in full as already reported. EBIT for this period therefore was negative at € 12.7 million (previous year: income of € 29.8 million). Consolidated EBIT amounted to € 49.2 million in the first nine months of 2016 (previous year: € 115.3 million). This furthermore included heavy, budgeted restructuring expenses of € 23.5 million (previous year: € 1.5 million).

In purely operating terms, earnings performance was fully on target in both divisions: Adjusted EBIT improved slightly to € 34.8 million in the third quarter (previous year: € 32.2 million) and to € 125.6 million for the whole of the first nine months (previous year: € 124.7 million).

The business activity, product range as well as principal markets of the LEONI Group and its two divisions are comprehensively presented in the Annual Report 2015 and have not materially changed in the period under report. The Wire & Cable Solutions Division formulated a new business strategy in the first half of 2016 and implemented corresponding organisational changes effective 1 July 2016. The organisational structure of the Wiring Systems Division was substantially streamlined as part of the comprehensive transformation process. Details of these changes are contained in the half-year financial report.

» Annual Report 2015 page 49 et seq.

» Half-year financial report pages 10 and 14

Reports by division / Segment report

Wiring Systems Division

Sales up slightly to about € 2 billion in the first three quarters

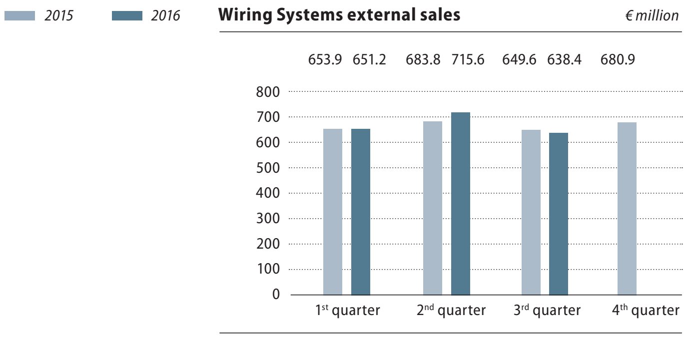
The amount of business in the Wiring Systems Division (WSD) was up by roughly 1 percent to € 2,005.2 million in the first nine months of 2016, of which the third quarter accounted for € 638.4 million (previous year: € 649.6 million). The sustained, good demand from the international motor vehicle industry led to organic growth of nearly 4 percent over the whole reporting period, although negative copper price and currency translation effects curtailed the benefit. Furthermore, when comparing with the corresponding amount of the previous year, a factor also to be taken into account is that the sales of the joint venture in Langfang, China (Q1-3/2015: € 60.9 million), which have been included at equity in the consolidated financial statements since December 2015, were no longer included in the amount of business during the period under report.

In the course of this year we generated sales increases above all to German, other European and Asian carmakers. The performance of business with the international component supply industry and the as yet small, but fast-growing electromobility sector was also encouraging. On the other hand, sales to American customers as well as the international commercial and special vehicles industry were down, which was attributable firstly to project completions, less product called forward as well as exchange-rate effects and, secondly, to the still weak commercial vehicles business especially in the agricultural segment.

Several new product start-ups also made initial contributions to sales in the third quarter of 2016. For instance, in China we commenced production of wiring systems for several compact car models of a German premium manufacturer; we started in North Africa to supply product for a French mid-market car model and, in Brazil as well as the Ukraine, began making wiring systems for various compact car models of a US manufacturer.

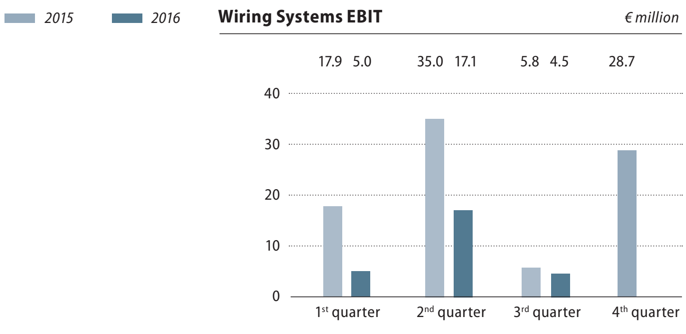
Wiring Systems sales performance

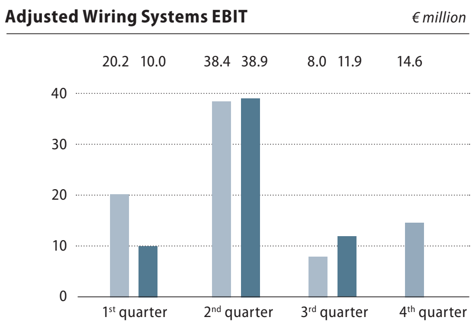
	€ million	in %
Q1 – Q3/2015 sales	**1,987.3**	
Organic growth	71.6	3.6
Currency effects	(35.7)	(1.8)
Copper price effects	(18.0)	(0.9)
Q1 – Q3/2016 sales	**2,005.2**	**0.9**



Earnings including restructuring costs at € 26.6 million

The Wiring Systems Division generated earnings before interest and taxes of € 26.6 million in the period from January to September of 2016 (previous year: € 58.7 million). This included the restructuring expenses incurred by reorganising the division in the amount of € 22.1 million (previous year: € 1.1 million). Third-quarter EBIT amounted to € 4.5 million (previous year: € 5.8 million). These restructuring costs were offset by gradual benefit stemming from our measures to boost the profitability of the previous year's critical projects. Among other things, we adjusted production plans, optimised logistics processes and relocated some work to other facilities.





Adjusted Wiring Systems EBIT

	3rd quarter		1st – 3rd quarter	
€ million	**2016**	**2015**	**2016**	**2015**
EBIT	**4.5**	**5.8**	**26.6**	**58.7**
Restructuring costs	2.4	0	22.1	1.1
Effect of purchase price allocation (PPA)	3.4	2.2	10.1	6.9
Other adjustments	1.5	0	2.0	0
Adjusted EBIT	**11.9**	**8.0**	**60.8**	**66.6**

WSD transformation running to plan

We continued to reorganise and restructure our Wiring Systems Division during the third quarter. The objective within a new, streamlined organisational structure is to shorten decision-making channels, to clearly define responsibilities, to make the cooperation between our different organisational units more efficient and to lower costs. During the period under report our focus was on informing and training our staff with respect to future allocation of tasks, responsibilities and rules on the collaboration between the plants, business units and central functions. Group-wide, this transformation entails about 1,100 redundancies. This will have incurred one-off restructuring expenses in 2016, which will initially be offset by only minor positive effect on earnings. A sustained increase in profitability is to be expected from 2017.

Order book boosted by further contracts

The Wiring Systems Division obtained further new and follow-on contracts from the international motor vehicle industry in the third quarter. Among others, a Korean carmaker commissioned us to supply all the wiring for a new vehicle model. LEONI will also be supplying the wiring systems for the next generation of a French compact car. In total, the Wiring Systems Division's order backlog amounts to more than € 14 billion over the next five years, giving us a solid basis for future growth. The exact amount and timing of the shipments will depend on what our customers actually call forward.

Majority stake acquired in the Chinese wiring systems maker Wuhan Hengtong

In September 2016, LEONI acquired 51 percent of the wiring systems manufacturer Wuhan Hengtong Automotive in China. The company will probably generate sales of about € 35 million this year and operates a wiring systems plant with almost 1,000 employees at a facility in Hubei province, approx. 700 kilometres west of Shanghai. Initially the company will supply DPCA, the joint venture of Dongfeng and the French carmaker PSA, and in the long term it will make cable systems for local carmakers - particularly for the Dongfeng Group, China's second-largest automotive manufacturer. The takeover, which is to be completed before the end of this year, is intended to boost our position on the Asian market and underpin the growth we have planned in China.

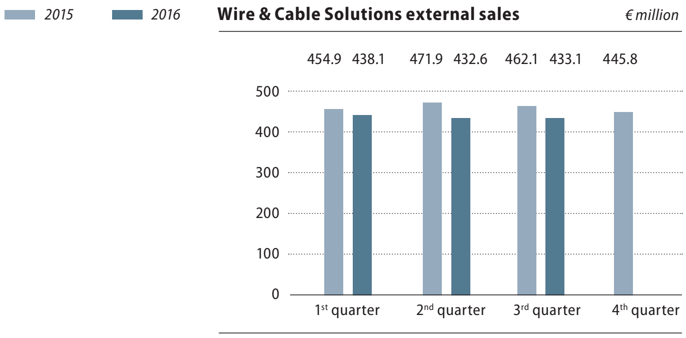
Wire & Cable Solutions Division

Sales of € 1,303.8 million after nine months in 2016

The uptrend in the operating business of the Wire & Cable Solutions (WCS) Division continued in the third quarter, meaning that we generated organic growth during both this period and the first nine months of 2016. This was offset, however, by major, adverse copper price and currency translation effects. The sales for the period from July to September 2016 of € 433.1 million (previous year: € 462.1 million) and for the first three quarters of € 1,303.8 million (previous year: € 1,388.9 million) were therefore in each case below their 2015 benchmarks.

Wire & Cable Solutions sales performance

	€ million	in %
Q1 – Q3/2015 sales	**1,388.9**	
Organic growth	44.4	3.2
Currency effects	(11.7)	(0.8)
Copper price effects	(117.9)	(8.5)
Q1 – Q3/2016 sales	**1,303.8**	**(6.1)**

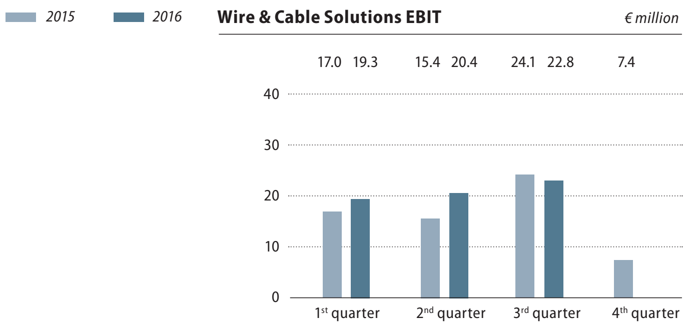


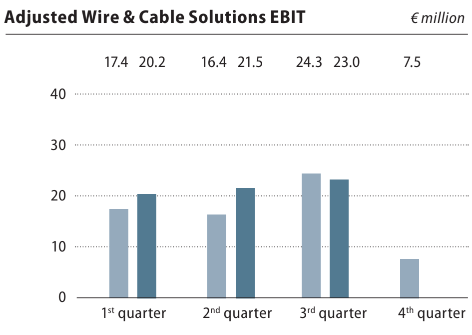
Strong business with the automotive, medical technology and robotics industries

The heavy demand for special cables, for example for driver assist systems particularly in Europe, but also in the United States, persisted in our Business Group (BG) Automotive Cable Solutions. This more than offset the weaker trend involving standard cables in China. However, substantial, adverse copper price and exchange-rate effects undermined this organic sales growth, due to which the volume of business was ultimately down by 8.5 percent. The Business Group Industrial Solutions, into which the former BGs Industry & Healthcare as well as Communication & Infrastructure were merged in the wake of strategic realignment, was slightly less affected by these factors. Its sales dipped by just under 3 percent. In operating terms, we made gains here especially with products and solutions for medical technology and robotic applications. On the other hand, business with the machinery and plant engineering as well as petrochemical and solar industry sectors was subdued because of their weak trend.

EBIT up to € 62.5 million

The generally encouraging operating performance and a changed mix towards more profitable products led to the Wire & Cable Solutions Division's earnings before interest and taxes increasing by roughly 11 percent to € 62.5 million in the period from January to September 2016 (previous year: € 56.5 million), of which the third quarter accounted for € 22.8 million (previous year: € 24.1 million). The nine-month EBIT figure included restructuring expenses of € 1.3 million and a negative copper price effect of € 3.8 million.





Adjusted Wire & Cable Solutions EBIT

	3rd quarter		1st – 3rd quarter	
€ million	**2016**	**2015**	**2016**	**2015**
EBIT	**22.8**	**24.1**	**62.5**	**56.5**
Restructuring costs	0	0	1.3	0.4
Effect of purchase price allocation (PPA)	0.2	0.3	0.8	1.1
Adjusted EBIT	**23.0**	**24.3**	**64.7**	**58.1**

Order receipts continue to slightly exceed sales

The Wire & Cable Solutions Division booked new orders worth € 1,306.4 million in the period from January to September 2016. This put order receipts slightly above the amount of business during the period under report, but, due to the change in the price of copper, took the figure below the previous year's € 1,393.4 million. Adjusted for the copper effect, there would also have been an increase versus the 2015 benchmark.

Various new orders were again booked during the third quarter of 2016. Among other new contracts, Business Group Automotive Cable Solutions was commissioned to supply silicone cables for high-voltage wiring systems, data cables for reversing cameras and aluminium battery cables for various new vehicles of a German premium carmaker. A major, international electronics manufacturer ordered fiber optic cables for ultra-HD television sets from Business Group Industrial Solutions. We furthermore won the tender for a project involving fiber optic components, which are used for transmission of high-voltage direct current.

On-schedule implementation of the new strategy

The strategic realignment, which aims to resolutely develop the Wire & Cable Solutions Division further from a wire and cable manufacturer to a solutions provider, is running on schedule. In the third quarter, we implemented the new organisational structure adapted to the changed strategy and began to specifically examine options for the operations that are deemed no longer to be core business. A first step in this respect was taken with the sale of LEONI Studer Hard GmbH in November.

Healthcare unit is Ziehm Imaging's 'Partner of the Year 2016'

Ziehm Imaging, our customer of many years, said that our high quality and adherence to delivery schedules as well as the good collaboration with LEONI were the reasons for commending our Healthcare unit as its 'Partner of the Year 2016'. The technologically leading manufacturer of medical C-arm x-ray machines attaches particular importance to safety and quality. As a systems supplier, LEONI provides Ziehm Imaging above all with cable harnesses for various mobile C-arms and is involved as early as the development phase of the devices.

Group sales and earnings

Sales of € 3.3 billion after three quarters in 2016

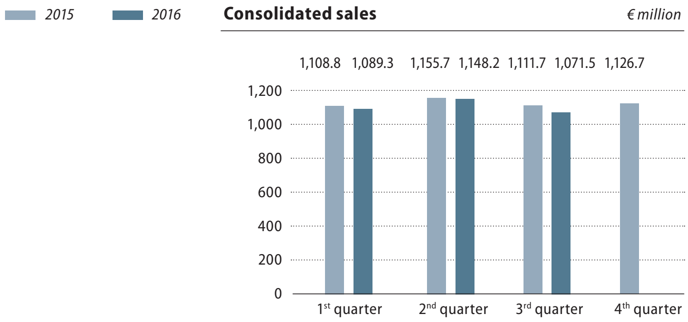
LEONI generated a slight organic increase in its consolidated sales in both the third quarter of 2016 and over the whole nine-month period. Major, adverse effects resulting from the changes in the price of copper and exchange rates offset this result. Unlike the same period of the previous year, the volume of business of our joint venture in China, which has been accounted for at equity since December 2015, was furthermore no longer included during the period under report. The consolidated sales for the period from January to September 2016 of € 3,309.0 million were therefore 2 percent below the corresponding 2015 figure. The third quarter of 2016 provided € 1,071.5 million (previous year: € 1,111.7 million).

Group sales performance

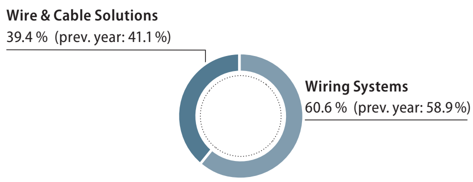
	€ million	in %
Q1 – Q3/2015 sales	**3,376.2**	
Organic growth	116.1	3.4
Currency effects	(47.4)	(1.4)
Copper price effects	(135.9)	(4.0)
Q1 – Q3/2016 sales	**3,309.0**	**(2.0)**

In the EMEA (Europe, Middle East and Africa) region, sales were up by more than 5 percent to € 2,308.8 million in the first three quarters, whereas business in the Americas was down by nearly 8 percent to € 523.2 million due, among other factors, to the weak commercial vehicle business and customer projects coming to a scheduled end. In Asia, adverse exchange-rate effects, the absence of the business of our subsidiary in Langfang, China, impending model changeovers and the weaker economy resulted in sales dropping by approximately 23 percent to € 477.0 million.

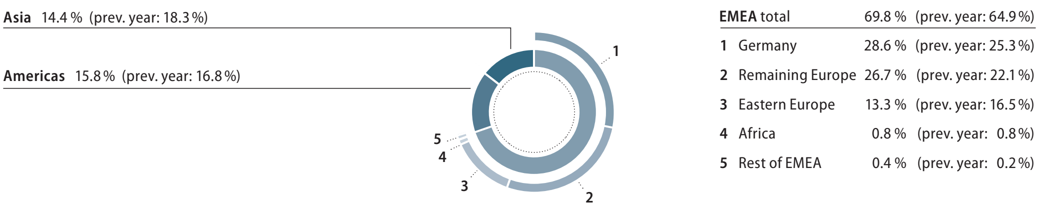
Consolidated sales *€ million*



Q1 – Q3/2016 consolidated sales by division



Q1 – Q3/2016 consolidated sales by region



Fraud case diminishes EBIT by € 40 million

The cost of sales in the LEONI Group was down slightly more than sales by about 3 percent from the same period in 2015 to € 2,752.8 million in the first nine months of 2016. This was due to lower material costs, among other factors. Gross profit on sales consequently rose by about 1 percent to € 556.2 million and the **gross margin** improved from 16.3 percent to 16.8 percent.

Selling expenses rose by nearly 4 percent to € 179.3 million from January to September 2016. In the first half, this item included increased freight costs for the critical orders in the Wiring Systems Division. General administration expenses, which rose by just over 4 percent to € 181.9 million, in particular reflected larger-scale, pan-divisional IT projects. Research and development costs increased by about 11 percent to € 99.9 million due primarily to extensive preliminary work on new customer projects.

There was a substantial increase of approximately € 40 million in other operating expenses in the first three quarters because of the burden associated with the fraud case. In addition, we incurred restructuring charges of € 23.5 million (previous year: € 1.5 million), which mostly pertained to the Wiring Systems Division. The balance of other operating income and expenses decreased from income of € 1.8 million to expenses of € 54.8 million. On the other hand, income from associated companies and joint ventures rose to € 9.0 million (previous year: € 0.1 million), which includes the pro-rata profit from the joint venture in China that is included at equity in the consolidated financial statements.

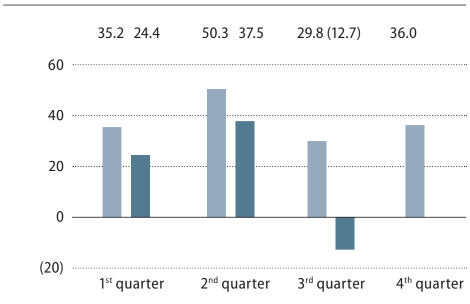
» Reports by division / Segment report page 8

In total for the period from January to September 2016, **consolidated earnings before interest and taxes** came to € 49.2 million (previous year: € 115.3 million). Adjusted for restructuring expenses, the burden associated with the fraud case and other non-operating factors, EBIT was up slightly to € 125.6 million (previous year: € 124.7 million).

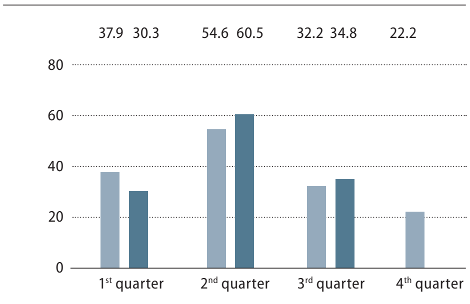
Due above all to less finance costs, the **financial result** including other investment income improved from a negative balance of € 19.9 million to negative € 17.0 million. Here we benefited from our refinancing in the previous year on more favourable terms, which has only exerted its full, positive effect since the second quarter of 2015. On the bottom line, we reported **earnings before taxes** for the first nine months of 2016 of € 32.2 million (previous year: € 95.4 million) and **consolidated net income** of € 11.6 million (previous year: € 67.5 million).

Consolidated EBIT for the third quarter of 2016 decreased substantially to negative € 12.7 million (previous year: positive € 29.8 million) due to the fraud case. Adjusted EBIT rose from € 32.2 million to € 34.8 million in this period.

Group EBIT *€ million*



Adjusted Group EBIT *€ million*



2015 *2016*

Adjusted Group EBIT

€ million	3rd quarter 2016	3rd quarter 2015	1st – 3rd quarter 2016	1st – 3rd quarter 2015
EBIT	**(12.7)**	**29.8**	**49.2**	**115.3**
Restructuring costs	2.4	0	23.5	1.5
Burden associated with the fraud case	40.0	0	40.0	0
Effect of purchase price allocation (PPA)	3.6	2.5	10.9	8.0
Other adjustments	1.5	0	2.0	0
Adjusted EBIT	**34.8**	**32.2**	**125.6**	**124.7**

Financial situation

Fraud case causes negative operating cash flow

The reduction in earnings due to the fraud case and restructuring expenses led to a decrease in the LEONI Group's cash flows from operating activities to negative € 10.2 million in the first nine months of 2016 (previous year: positive € 57.9 million). The additional amount of funds tied up in working capital during the period under report was roughly at the previous year's level.

Cash outflow for investments was reduced to € 151.8 million (previous year: € 173.3 million), meaning that **free cash flow** came to negative € 162.0 million in the first nine months of 2016 (previous year: negative € 115.4 million).

The usual extent of new borrowing and loan repayments as well as the dividend payout of € 32.7 million (previous year: € 39.2 million) resulted in a cash outflow on financing activity of € 24.8 million (previous year: outflow of € 0.3 million). There were larger-scale inflows and outflows in the previous year, which mostly cancelled each other out, because of the comprehensive refinancing to take advantage of the favourable terms on the capital market.

Overall and considering exchange rate-related changes, cash and cash equivalents were down to € 91.0 million in the first three quarters of 2016 (previous year: € 122.7 million).

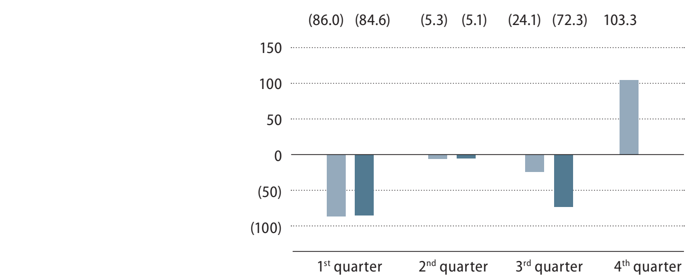
Consolidated statement of cash flows *(abridged version)*

	1st – 3rd quarter	
€ million	**2016**	**2015**
Cash flows from operating activities	(10.2)	57.9
Cash flows from capital investment activities	(151.8)	(173.3)
Cash flows from financing activities	(24.8)	(0.3)
Change of cash and cash equivalents	(186.9)	(115.7)
Cash and cash equivalents at end of period	**91.0**	**122.7**

Calculation of free cash flow

	1st – 3rd quarter	
€ million	**2016**	**2015**
Cash flows from operating activities	(10.2)	57.9
Cash flows from capital investment activities	(151.8)	(173.3)
Free cash flow	**(162.0)**	**(115.4)**

Free cash flow* *€ million*



* *before acquisitions and divestments and taking related costs into account*

Capital investment down by 14 percent

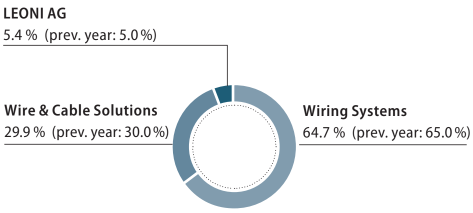
The LEONI Group invested € 138.9 million in the first nine months of 2016, which was roughly 14 percent less than in the same period of the previous year. This spending was almost exclusively on property, plant and equipment and intangible assets.

The Wiring Systems Division reduced its investment from € 105.5 million to € 89.9 million during the period under report. The focus was on expanding capacity for new customer projects in China, North Africa and Eastern Europe. We furthermore continued the extension and rebuilding work already begun at the divisional headquarters in Kitzingen; new workpackages at this facility have been shifted.

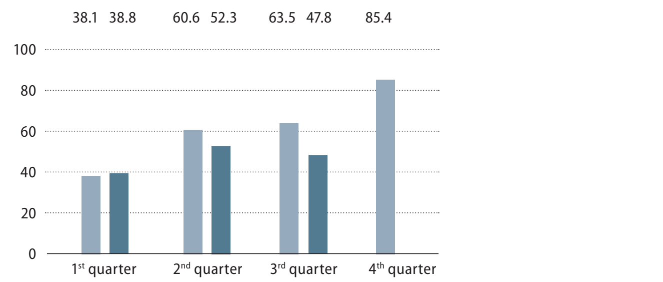
In the Wire & Cable Solutions Division we invested € 41.5 million in the first three quarters of 2016, i.e. likewise less than in the same period in 2015 (€ 48.7 million). In Germany, Eastern Europe, Asia and the Americas we expanded our capacity for automotive data and high-temperature cables. We also worked on setting up a plastics mixing line at a facility in China to increase local value creation. Preparatory work for an electron accelerator that will be installed at our facility in India in the first half of 2017 was another focal point.

LEONI AG invested € 7.5 million (previous year: € 8.0 million); mainly in IT projects.

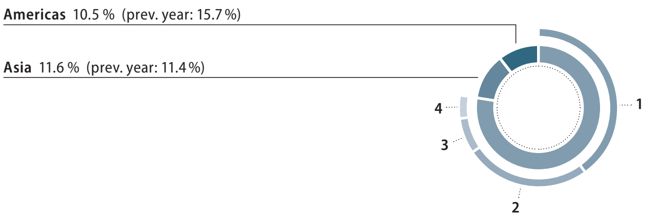
Q1 – Q3/2016 capital expenditures by segment



Capital expenditures



Q1 – Q3/2016 capital expenditures* by region



EMEA total	77.9 %	(prev. year: 72.9 %)
1 Eastern Europe	39.3 %	(prev. year: 38.7 %)
2 Germany	25.3 %	(prev. year: 19.2 %)
3 Africa	8.9 %	(prev. year: 10.0 %)
4 Rest of EMEA	4.4 %	(prev. year: 5.0 %)

* *Property, plant and equipment as well as intangible assets*

Asset situation

Stable balance sheet total

LEONI Group's balance sheet as at 30 September 2016 was lightened slightly versus the end of 2015 to € 2,827.9 million. As with sales, this also reflected the dampening effect of exchange rates.

On the asset side, there was a decrease in **current assets** of about 5 percent to € 1,470.7 million. In particular, this involved a significant reduction from € 279.7 million to € 91.0 million in cash and cash equivalents to fund our operating business and investments. This was offset by an increase, in line with the seasonal trend of business, in trade receivables by about 8 percent to € 606.4 million and in inventories by approximately 10 percent to € 603.4 million. Other assets also accumulated by more than 38 percent to € 129.4 million due to increased value added tax receivables.

The amount of assets held for sale was already reduced from € 7.0 million to nil in the first half because promising negotiations on the sale of a building in Morocco failed just before completion and the corresponding item was reclassified to non-current assets. Together with capital investments in excess of depreciation and amortisation, this reclassification resulted in an increase in property, plant and equipment by just over 3 percent to € 930.1 million. Moreover, the value of our holdings in associated companies and joint ventures rose from € 13.0 million to € 20.5 million due to the good performance of the joint venture in Langfang. In total, **non-current assets** grew by about 5 percent to € 1,357.2 million.

On the liabilities side, there was an overall increase in **current liabilities** by about 5 percent to € 1,174.1 million. Whereas the trade liabilities of € 727.4 million were slightly below their level at the end of 2015, other current liabilities were up by more than 26 percent to € 188.2 million due to increased holiday pay provisions and VAT liabilities. There was furthermore an increase in current financial liabilities from € 102.4 million to € 142.8 million because of reclassification of a long-term loan that will mature soon. In return, non-current financial liabilities were down from € 498.8 million to € 465.3 million. The fact that total **non-current liabilities** nevertheless rose by about 4 percent to € 755.2 million was due mainly to the increase of more than 34 percent to € 202.4 million in pension provisions, the valuation of which had to be adjusted because of the persisting low level of market interest rates.

The consequent actuarial losses as well as losses on translation of foreign currencies into the euro led, in **equity**, to a reduction in accumulated other comprehensive income from income of € 13.9 million to a loss of € 62.8 million. Retained earnings were furthermore down by approximately 3 percent to € 636.0 million. On balance, equity was down by nearly 10 percent to € 898.6 million, meaning that the equity ratio was 31.8 percent at the end of September 2016 (31 December 2015: 35.1 percent).

Net financial liabilities rose from € 321.6 million at the end of 2015 to € 517.1 million at the end of the reporting period.

Asset and capital breakdown

€ million	30/09/2016	31/12/2015
Current assets	1,470.7	1,546.3
Non-current assets	1,357.2	1,291.2
Total assets	**2,827.9**	**2,837.5**
Current liabilities	1,174.1	1,113.9
Non-current liabilities	755.2	727.2
Equity	898.6	996.3
Total equity and liabilities	**2,827.9**	**2,837.5**

Calculation of net financial liabilities

€ million	30/09/2016	31/12/2015
Cash and cash equivalents	91.0	279.7
Current financial liabilities	(142.8)	(102.4)
Non-current financial liabilities	(465.3)	(498.8)
Net financial liabilities	(517.1)	(321.6)

Research & Development

The LEONI Group's spending on research & development increased by about 11 percent to € 99.9 million in the first nine months of 2016 (previous year: € 89.9 million). The focus of our R & D work continued to be on optimising the weight and installation space of our cables and wiring systems within the context of customer-specific projects for the motor vehicle industry. In addition, we are continually expanding our line-up with innovative products and solutions to enhance our position as a systems partner to the automotive sector and other customers. At the IAA 2016 (International Motor Show), LEONI presented, among other products, an LED component for lighting in vehicles that can be integrated in different wiring systems. The customer's assembly processes and logistics expenses are thereby reduced. Given the mounting demand for data transfer in cars, we also developed a new automotive Ethernet cable during the period under report, which ensures disruption-free data communication even under adverse conditions.

R & D expense *€ million*

Adapting our range of products and services to country-specific requirements is a key topic in our Industrial Solutions unit. During the period under report, we obtained approval for our ORION patient positioning system for the US market and thereby improved our starting position in this key region. The current Annual Report contains detailed information on our R & D work.

» Annual Report 2015 page 97 et seq.

Employees

Number of employees slightly above 77,000

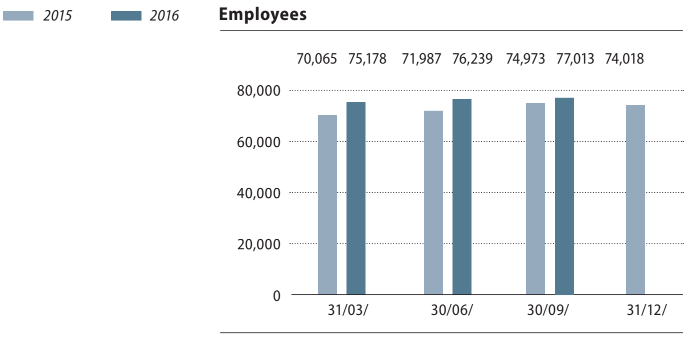
The LEONI Group had 77,013 employees on 30 September 2016, meaning that the workforce has been enlarged by 2,995 staff since the turn of the year. LEONI employed 4,392 people in Germany (31 December 2015: 4,359) and 72,621 people in other countries (31 December 2015: 69,659), putting the foreign proportion of about 94 percent. In addition, there were 4,423 part-time employees (31 December 2015: 4,366) working for LEONI mainly at facilities in Eastern Europe and China.

The Wiring Systems Division enlarged its workforce by 2,620 people to 67,365 employees in the first nine months of 2016. Additional staff was required primarily to work on wiring system orders at facilities in the Americas, Asia, Eastern Europe and North Africa.

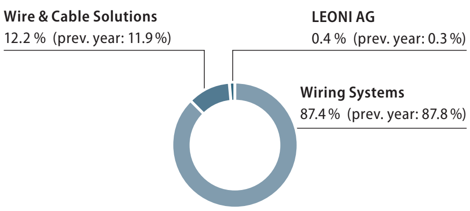
The Wire & Cable Solutions Division had 9,366 employees at the end of September this year, 359 more than at the end of 2015. Given the persistently good demand, the division recruited particularly for production of special automotive cables as well as special cables for industrial applications and medical technology, in both the EMEA region and Asia as well as the Americas.

The number of employees in the LEONI AG holding company rose by 16 since 31 December 2015 to 282 people.

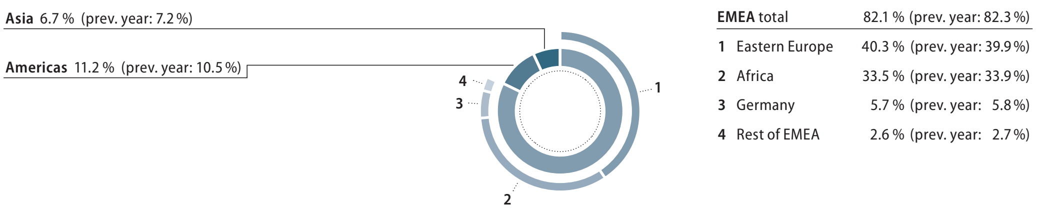
Employees



Employees by segment *as of 30 September 2016*



Employees by region *as of 30 September 2016*



Supplementary report

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

Sustainability report

LEONI is committed to sustainable corporate governance aimed at meeting the requirements of all the stakeholders affected by our actions. Comprehensive information on our sustainability-related work is contained in the current Annual Report and in our fourth Global Compact Communication on Progress published in August 2016, which is accessible on our website.

» Annual Report 2015 page 102 et seq.
» www.leoni.com

Risk and opportunity report

In response to the case of fraud uncovered in August 2016 we widened our attention to criminal activity and are subjecting all relevant processes, rules and financial control mechanisms to an internal review. Our control measures with respect especially to financial transactions have already been strengthened.

Other than that, the risk and opportunity situation for the LEONI Group has not materially changed since the end of 2015. 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 2015.

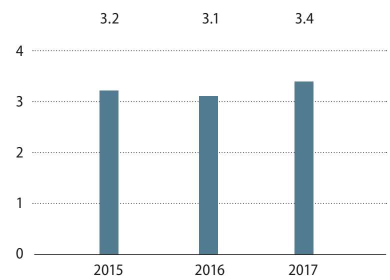
» Annual Report 2015 page 108 et seq.

Forecast

Business and underlying conditions

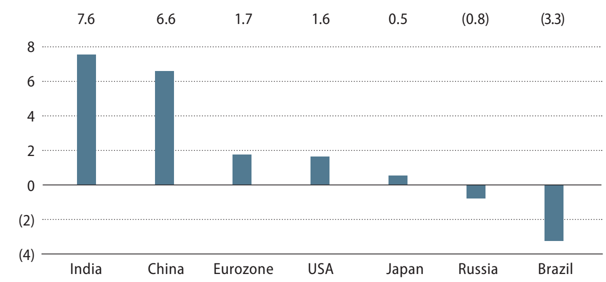
Macroeconomic setting
Given the hitherto sluggish economic trend and the still prevailing, multifaceted risks to the global economy, the IMF estimates an increase in global gross domestic product (GDP) of 3.1 percent this year. This growth stems primarily from the developing and emerging countries, which are forecast to grow by 4.2 percent with China and India providing the biggest impetus, whereas decreases continue to be likely in the cases of Brazil and Russia. In the industrialised countries, by contrast, there is likely to be only a slight, 1.6 percent gain, underpinned by the United States, the countries of the eurozone and, despite the Brexit vote, also by the United Kingdom. The IMF estimates that German GDP will have risen by 1.7 percent in 2016.

Global economic growth 2015 to 2017 %



Source: IMF

2016 economic growth in selected regions %



Source: IMF

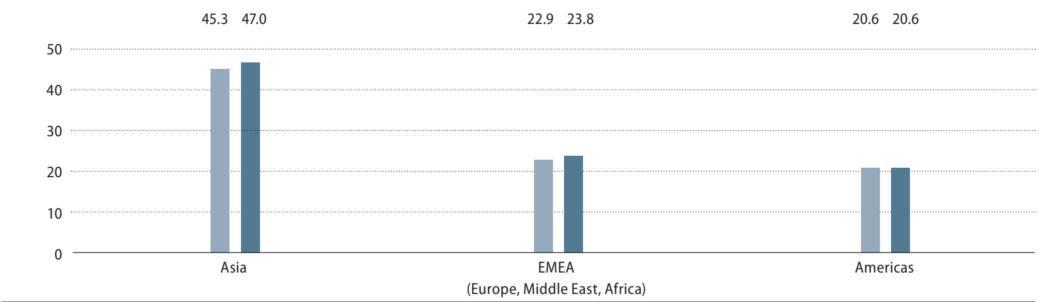
Sector trend

Most of the sectors of importance to LEONI continue to project moderately positive or at least steady performance for 2016: IHS Automotive estimates that the international **motor vehicle industry** will have produced about 3 percent more cars and light commercial vehicles worldwide this year than in 2015, with output of cars marginally up only in the EMEA region, but down globally. Production of light trucks is expected to show an increase in Asia as well as the Americas and the EMEA region.

The latest IHS Automotive data indicates, as already forecasted at the beginning of the year, that the truck and special vehicle industry will have manufactured about 3 percent more **heavy commercial vehicles** in 2016 than in the previous year. This growth stems from a significant increase in Asia, whereas output particularly in the Americas is expected to have dropped considerably.

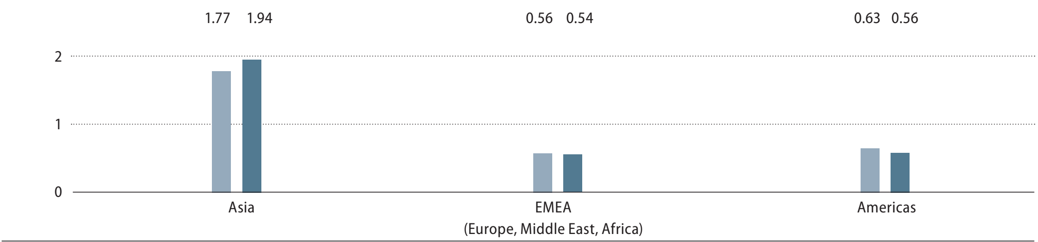
2015 *2016*

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



Source: IHS Automotive

Output of heavy commercial vehicles by region *million units*



Source: IHS Automotive

In a forecast updated in September, the ZVEI sector association projected 3 percent growth for the **global electrical goods market.** There is positive impetus especially from Asia and Europe, whereas the American market is likely to have picked up only slightly. Medical technology is among the strongest growing segments, but such other sub-markets of importance to LEONI as automation and communications technology will also have expanded.

This year's sales in the **machinery and plant engineering** sector can be expected to be flat, according to the VDMA federation. Machinery sales are likely to be up slightly in China, flat in Europe and down in the United States as well as Japan. Given the weak global economic setting and persisting political upheaval, the federation also projects zero growth for German output.

The sales of the **information and communications technology** (ICT) sector will have increased by 1.8 percent worldwide in 2016, according to its BITKOM association, with a stronger gain in information technology (IT) than in the communications segment. The United States will continue to be largest single market with a 3.5 percent increase in sales. In Europe, the ICT business will probably have grown by just 0.7 percent, with IT sales making gains while the sales of telecommunications products and services are projected to decline. German ICT companies are forecast to have generated a 1.7 percent sales increase in 2016.

The LEONI Group's business performance

The Management Board of LEONI AG expects the solid operating performance of the two divisions to continue in the fourth quarter of 2016 as well. From today's perspective, **consolidated sales** for the fiscal year 2016 as a whole will amount to about € 4.4 billion and will therefore, as expected, be approximately 2 percent below the previous year's figure. This small decline is attributable above all to the lower price of copper, the weaker economy in China and other key markets as well as the disappearance of the business volume of our subsidiary in Langfang, China because this was transferred into a joint venture.

In purely operating terms, **consolidated EBIT** will also be on target, but will, as already reported, be weighed down by about € 40 million due to the fraud case. We therefore reaffirm the guidance for consolidated EBIT issued in this connection in September 2016, when we lowered our full-year forecast from approx. € 105 million to about € 65 million. In addition to the exceptional, adverse effect of the fraud, the result includes budgeted restructuring expenses in the amount of approximately € 30 million, most of which concerning transformation of the Wiring Systems Division. In 2015, EBIT including extraordinary income of € 19.6 million from the sale of shares in the subsidiary in Langfang amounted to € 151.3 million.

The burden associated with the fraud case also impacts on other key financial figures. The table headed 'The LEONI Group's targets' at the end of this section was adjusted accordingly.

For the **Wiring Systems Division**, we project full-year sales of about € 2.6 billion (previous year: € 2.67 billion) and earnings before interest and taxes of roughly € 30 million (previous year: € 87.4 million). This takes into account restructuring expenses amounting to approximately € 25 million, whereas the previous year's EBIT included the exceptional benefit of € 19.6 million from the joint venture concluded in China. Implementation of our transformation programme will, in the months ahead, gradually contribute to further improvement of the Wiring Systems Division's profitability. We will also continue to expand our capacity for impending new projects of our customers. Among other work, we will extend facilities in China, the Ukraine as well as Serbia and build a new plant in Mexico.

In our **Wire & Cable Solutions Division** we estimate 2016 sales of about € 1.8 billion (previous year: € 1.83 billion), this slight decrease being due entirely to the lower price of copper. In the upcoming months, we will forge ahead resolutely with our development towards being a solutions provider in line with the division's new strategy. To this end, we will continue to examine suitable acquisitions as well as options for streamlining our business portfolio. From today's perspective, the division's EBIT will increase to about € 75 million (previous year: € 63.9 million). This includes restructuring expenses of approximately € 5 million for streamlining the portfolio. Worldwide expansion of capacity to produce special automotive cables will be another focal area of our investment in the future. We furthermore intend to start the construction work on a new factory in Roth, Germany in the spring of 2017. The plant will have high-tech production lines for high-quality cables and conductors as well as a centre of excellence and services for the entire division.

LEONI is a solidly positioned and financed company with good prospects. The comprehensive process of transforming the Wiring Systems Division and the strategic realignment of the WCS Division as well as the substantial order backlog in both segments constitute the underpinnings for good, long-term growth of our business. Moreover, LEONI is competitively positioned with innovative products as well as systems and will benefit more than average from the key trends in its major customer industries. There are opportunities for our automotive business, for instance, in the mounting demand for cables and systems for solutions in the fields of autonomous driving and electromobility as well as in weight optimisation and consequently CO_2 reduction by means of miniaturisation and lightweight construction. Our industrial segments are receiving positive impetus among other things from the trends towards digitalisation in all walks of life and saving resources with alternative energy technology.

You will find more information on future growth and our corporate strategy that is geared to the global trends in our Annual Report 2015.

» Annual Report 2015 page 51 et seq. and page 123 et seq.

The LEONI Group's targets

		Actual 2015 figures	Original forecast for 2016 (March 2016)	Updated forecast for 2016 (September 2016)
Consolidated sales	*€ billion*	4.5	4.4	4.4
EBIT	*€ million*	151.3	105	65
Capital expenditures	*€ million*	247.6	230	230
Free cash flow	*€ million*	(5.2)	(30)	(70)
Net financial liabilities	*€ million*	321.6	390	430
Equity ratio	*%*	35.1	35	32
Return on capital employed	*%*	10.0	6	4

Condensed interim consolidated financial statements 30 September 2016

Consolidated income statement

	3rd quarter			1st – 3rd quarter		
€ '000 (except information to shares)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Sales	1,071,483	1,111,725	(3.6) %	3,308,995	3,376,220	(2.0) %
Cost of sales	(900,471)	(938,903)	(4.1) %	(2,752,762)	(2,825,551)	(2.6) %
Gross profit on sales	**171,012**	**172,822**	**(1.1) %**	**556,233**	**550,669**	**1.0 %**
Selling expenses	(55,901)	(57,089)	(2.1) %	(179,293)	(172,919)	3.7 %
General and administration expenses	(59,809)	(57,900)	3.3 %	(181,935)	(174,399)	4.3 %
Research and development expenses	(33,730)	(29,080)	16.0 %	(99,948)	(89,936)	11.1 %
Other operating income	2,328	1,801	29.3 %	14,130	11,534	22.5 %
Other operating expenses	(40,467)	(826)	> 100.0 %	(68,901)	(9,738)	> 100.0 %
Result from associated companies and joint ventures	3,885	68	> 100.0 %	8,961	113	> 100.0 %
EBIT	**(12,682)**	**29,796**	**(> 100.0) %**	**49,247**	**115,324**	**(57.3) %**
Finance revenue	184	235	(21.7) %	796	1,249	(36.3) %
Finance costs	(6,200)	(6,257)	(0.9) %	(18,006)	(21,294)	(15.4) %
Other income / expenses from share investments	95	0	—	209	100	> 100.0 %
Income before taxes	**(18,603)**	**23,774**	**(> 100.0) %**	**32,246**	**95,379**	**(66.2) %**
Income taxes	(5,762)	(8,086)	(28.7) %	(20,691)	(27,848)	(25.7) %
Net income	**(24,365)**	**15,688**	**(> 100.0) %**	**11,555**	**67,531**	**(82.9) %**
attributable to: equity holders of the parent	(24,353)	15,567		11,501	67,212	
non-controlling interests	(12)	121		54	319	
Earnings per share (basic and diluted)	(0.75)	0.48		0.35	2.06	
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	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Net income	**(24,365)**	**15,688**	**(> 100.0) %**	**11,555**	**67,531**	**(82.9) %**
Other comprehensive income						
Items that cannot be reclassified to the income statement:						
Actuarial gains and losses on defined benefit plans	(23,507)	(656)	(> 100.0) %	(62,456)	5,658	(> 100.0) %
Income taxes applying to items of other comprehensive income that are not reclassified	4,712	(21)	> 100.0 %	13,501	(1,796)	> 100.0 %
Share of the actuarial gains and losses that pertain to associates and joint ventures	0	0		(15)	0	
Items that can be reclassified to the income statement:						
Cumulative translation adjustments						
Losses and gains arising during the period	(3,391)	(23,899)	85.8 %	(29,592)	32,222	(> 100.0) %
Less reclassification adjustments included in the income statement	91	0	100.0 %	91	(57)	> 100.0 %
Total cumulative translation adjustments	(3,300)	(23,899)	86.2 %	(29,501)	32,165	(> 100.0) %
Cash flow hedges						
Losses arising during the period	(665)	(3,908)	83.0 %	(7,837)	(6,074)	(29.0) %
Less reclassification adjustments included in the income statement	5,583	3,405	64.0 %	10,976	6,063	81.0 %
Total cash flow hedges	4,918	(503)	> 100.0 %	3,139	(11)	> 100.0 %
Parts of the items that can be reclassified to the income statement, which pertain to associates and joint ventures	(157)	0	—	(809)	0	—
Income taxes applying to items of other comprehensive income that are reclassified	(14)	487	(> 100.0) %	(504)	542	(> 100.0) %
Other comprehensive income (after taxes)	**(17,348)**	**(24,592)**	**29.5 %**	**(76,645)**	**36,558**	**(> 100.0) %**
Total comprehensive income	**(41,713)**	**(8,904)**	**(> 100.0) %**	**(65,090)**	**104,089**	**(> 100.0) %**
attributable to: equity holders of the parent	(41,688)	(8,985)	(> 100.0) %	(65,153)	103,708	(> 100.0) %
non-controlling interests	(25)	81	(> 100.0) %	63	381	(83.5) %

Consolidated statement of cash flows

	3rd quarter		1st – 3rd quarter	
€ '000	**2016**	**2015**	**2016**	**2015**
Net income	(24,365)	15,688	11,555	67,531
Adjustments to reconcile cash provided by operating activities:				
Income taxes	5,762	8,086	20,691	27,848
Net interest	5,860	5,931	16,751	20,239
Dividend income	(95)	0	(209)	(100)
Depreciation and amortisation	36,313	37,376	109,859	105,248
Losses on assets held for sale	0	0	0	1,000
Non-cash result from associated companies and joint ventures	(3,885)	(68)	(8,961)	(113)
Result of asset disposals	103	177	(767)	830
Change in operating assets and liabilities				
Change in receivables and other financial assets	22,829	(11,549)	(45,823)	(113,050)
Change in inventories	4,196	(3,327)	(63,285)	(38,378)
Change in other assets	(4,077)	2,000	(53,546)	(27,443)
Change in restructuring provisions	(1,216)	(523)	12,930	(1,087)
Change in other provisions	(2,381)	(3,542)	(17,272)	(617)
Change in liabilities	(49,234)	4,650	46,972	61,957
Income taxes paid	(6,935)	(6,423)	(26,923)	(31,808)
Interest paid	(8,337)	(8,330)	(13,199)	(15,134)
Interest received	208	274	775	891
Dividends received	95	0	209	100
Cash flows from operating activities	**(25,159)**	**40,420**	**(10,243)**	**57,914**
Capital expenditures for intangible assets and property, plant and equipment	(47,204)	(64,627)	(152,450)	(176,377)
Capital expenditures for other financial assets	(17)	(43)	(170)	(118)
Cash receipts from disposal of assets	121	204	815	3,210
Cash flows from capital investment activities	**(47,100)**	**(64,466)**	**(151,805)**	**(173,285)**
Cash receipts from acceptance of financial debts	15,323	0	35,117	250,969
Cash repayments of financial debts	0	(3,218)	(27,257)	(212,100)
Dividends paid by LEONI AG	0	0	(32,669)	(39,203)
Cash flows from financing activities	**15,323**	**(3,218)**	**(24,809)**	**(334)**
Change of cash and cash equivalents	(56,936)	(27,264)	(186,857)	(115,705)
Currency adjustments	(140)	(2,788)	(1,777)	6,411
Cash and cash equivalents at beginning of period	148,122	152,736	279,680	231,978
Cash and cash equivalents at end of period	91,046	122,684	91,046	122,684
of which carried on the balance sheet under the item 'assets held for sale'	0	1,893	0	1,893
of which carried on the balance sheet under the item 'cash and cash equivalents'	91,046	120,791	91,046	120,791

Consolidated statement of financial position

Assets

€ '000	30/09/2016	31/12/2015	30/09/2015
Cash and cash equivalents	91,046	279,680	120,791
Trade accounts receivable	606,382	562,200	645,460
Other financial assets	22,230	41,027	23,733
Other assets	129,365	93,583	116,905
Receivables from income taxes	18,204	14,881	14,087
Inventories	603,427	547,918	606,331
Assets held for sale	0	6,965	77,779
Total current assets	**1,470,654**	**1,546,254**	**1,605,086**
Property, plant and equipment	930,107	902,307	860,483
Intangible assets	75,050	79,324	81,219
Goodwill	150,128	149,915	148,450
Shares in associated companies and joint ventures	20,521	13,040	591
Trade receivables from long-term development contracts	56,188	54,246	54,385
Other financial assets	8,643	8,339	10,422
Deferred taxes	73,381	58,596	64,097
Other assets	43,194	25,430	22,549
Total non-current assets	**1,357,212**	**1,291,197**	**1,242,196**
Total assets	**2,827,866**	**2,837,451**	**2,847,282**

Equity and liabilities

€ '000	30/09/2016	31/12/2015	30/09/2015
Current financial debts and current proportion of long-term financial debts	142,807	102,409	48,616
Trade accounts payable	727,389	735,717	756,857
Other financial liabilities	49,649	61,840	40,567
Income taxes payable	26,560	32,143	23,887
Other current liabilities	188,195	149,132	175,861
Provisions	39,453	32,660	23,436
Liabilities held for sale	0	0	53,987
Total current liabilities	**1,174,053**	**1,113,901**	**1,123,211**
Long-term financial debts	465,347	498,836	503,825
Long-term financial liabilities	10,926	3,093	7,835
Other non-current liabilities	9,849	9,898	11,315
Pension provisions	202,387	150,735	157,421
Other provisions	29,315	26,735	24,732
Deferred taxes	37,420	37,925	36,373
Total non-current liabilities	**755,244**	**727,222**	**741,501**
Share capital	32,669	32,669	32,669
Additional paid-in capital	290,887	290,887	290,887
Retained earnings	636,039	657,207	647,261
Accumulated other comprehensive income	(62,804)	13,850	9,865
Equity holders of the parent	896,791	994,613	980,682
Non-controlling interests	1,778	1,715	1,888
Total equity	**898,569**	**996,328**	**982,570**
Total equity and liabilities	**2,827,866**	**2,837,451**	**2,847,282**

Consolidated statement of changes in equity

				Accumulated other comprehensive income					
€ '000	Share capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Cash flow hedges	Actuarial gains and losses	Equity holders of the parent	Non-controlling interests	Total equity
1 January 2015	**32,669**	**290,887**	**619,252**	**68,599**	**(4,469)**	**(90,761)**	**916,177**	**1,578**	**917,755**
Net income			67,212				67,212	319	67,531
Other comprehensive income				32,103	531	3,862	36,496	62	36,558
Total comprehensive income							103,708	381	104,089
Dividend payment			(39,203)				(39,203)		(39,203)
Disposal of non-controlling interests							0	(71)	(71)
30 September 2015	**32,669**	**290,887**	**647,261**	**100,702**	**(3,938)**	**(86,899)**	**980,682**	**1,888**	**982,570**
1 January 2016	**32,669**	**290,887**	**657,207**	**102,776**	**(6,742)**	**(82,184)**	**994,613**	**1,715**	**996,328**
Net income			11,501				11,501	54	11,555
Other comprehensive income				(30,319)	2,635	(48,970)	(76,654)	9	(76,645)
Total comprehensive income							(65,153)	63	(65,090)
Dividend payment			(32,669)				(32,669)	0	(32,669)
30 September 2016	**32,669**	**290,887**	**636,039**	**72,457**	**(4,107)**	**(131,154)**	**896,791**	**1,778**	**898,569**

Notes to the condensed interim consolidated financial statements for the period from 1 January to 30 September 2016

Principles

These interim financial statements were, in accordance with the International Accounting Standard IAS 34, Interim Financial Reporting as it is to be applied within the European Union, prepared as a condensed interim report. These financial statements do not include all the disclosures and information required for annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2015. LEONI prepares and publishes the interim financial statements in euro (€). The presented interim consolidated financial statements and interim group management report as at 30 September 2016 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 consolidated financial statements on 8 November 2016.

1 | Accounting principles

The consolidation, valuation and accounting methods applied are essentially in line with those in the 2015 consolidated financial statements, where they are described in the notes.

The accounting standards that were to be applied to the 2016 financial year for the first time did not have any material effect on the interim consolidated financial statements and are for this reason not specifically explained.

2 | Scope of consolidation

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

The scope of consolidation was extended during the period under report to include a wiring systems company in Mexico and a cables company in China, both of which were newly established. Furthermore, two subsidiaries of the Wire & Cable Solutions Division at its facility in Roth were merged into one legal entity.

The contract to acquire a majority holding in a Chinese wiring systems manufacturer was also signed in September. The entity is not yet included within the scope of consolidation because control had not yet been transferred.

Explanations

3 | Segment information

The Group has two segments subject to reporting:

Wire & Cable Solutions

The Wire & Cable Solutions Division develops, produces and assembles wires and strands, optical fibers, standard and special cables, hybrid and optical cables as well as complete cable systems for a very wide variety of industrial applications.

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 constitutes the main business of the Wiring Systems Division.

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

	3rd quarter		1st – 3rd quarter		
€ '000 (employees excluded)	**2016**	**2015**	**2016**	**2015**	**Change**
Wiring Systems					
Sales	638,467	649,653	2,005,456	1,987,482	0.9 %
Less intersegment sales	37	36	226	194	16.5 %
External sales (sales to third parties)	638,430	649,617	2,005,230	1,987,288	0.9 %
EBIT	4,493	5,821	26,624	58,662	(54.6) %
EBIT as a percentage of external sales	0.7 %	0.9 %	1.3 %	3.0 %	—
Employees as at 30/09/ (number)	67,365	65,808	67,365	65,808	2.4 %
Wire & Cable Solutions					
Sales	472,423	508,197	1,434,120	1,522,754	(5.8) %
Less intersegment sales	39,370	46,089	130,355	133,822	(2.6) %
External sales (sales to third parties)	433,053	462,108	1,303,765	1,388,932	(6.1) %
EBIT	22,757	24,058	62,527	56,546	10.6 %
EBIT as a percentage of external sales	5.3 %	5.2 %	4.8 %	4.1 %	—
Employees as at 30/09/ (number)	9,366	8,895	9,366	8,895	5.3 %
Consolidation / LEONI AG					
Sales	(39,407)	(46,125)	(130,581)	(134,016)	2.6 %
Less intersegment sales	39,407	46,125	130,581	134,016	(2.6) %
External sales (sales to third parties)	—	—	—	—	
EBIT	(39,932)	(83)	(39,904)	116	
Employees as at 30/09/ (number)	282	270	282	270	4.4 %
Group					
Sales	1,071,483	1,111,725	3,308,995	3,376,220	(2.0) %
Less intersegment sales	—	—	—	—	
External sales (sales to third parties)	1,071,483	1,111,725	3,308,995	3,376,220	(2.0) %
EBIT	(12,682)	29,796	49,247	115,324	(57.3) %
EBIT as a percentage of external sales	(1.2) %	2.7 %	1.5 %	3.4 %	—
Employees as at 30/09/ (number)	77,013	74,973	77,013	74,973	2.7 %

4 | Other operating income and other operating expenses

The other operating income in the amount of € 14,130 k (previous year: € 11,534 k) included government grants of € 3,416 k (previous year: € 8,133 k), which were mainly to subsidise export business in Egypt. Also included is income from providing services for our joint venture in Langfang of € 3,762 k (previous year: € 0 k; cf. also Note 10 in this regard). There were exchange gains in the amount of € 2,081 k.

Other operating expenses amounted to € 68,901 k (previous year: € 9,738 k), much of which, in the amount of € 39,552 k, was due to the fraud case uncovered in August 2016. There were, furthermore, restructuring expenses amounting to € 23,484 k (previous year: € 1,483 k), of which € 13,222 k (previous year: € 225 k) were included in restructuring provisions as at 30 September 2016. The Wiring Systems Division incurred restructuring expenses in the amount of € 22,144 k (previous year: € 1,077 k) primarily for the redundancies involved in reorganising the division. The Wire & Cable Solutions Division accounted for restructuring expenses of € 1,340 k (previous year: € 406 k) for shutting down its production for Industrial Projects in Mexico and Standard Automotive Cables in India. In the previous year, the other operating expenses included exchange losses in the amount of € 2,870 k.

5 | Financial result

The financial result, i.e. the balance of finance revenue and costs, came to negative € 17,210 k (previous year: negative € 20,045 k), which reflected the more favourable refinancing terms in 2015 that lowered interest expenses.

6 | Income taxes

The reported income taxes of € 20,691 k (previous year: € 27,848 k) comprised current tax expense of € 25,372 k (previous year: € 23,485 k) and deferred tax income due to differences in balance sheet items and changes in loss carryforwards of € 4,681 k (previous year: deferred tax expense of € 4,363 k).

The tax rate was 64.2 percent (previous year: 29.2 percent). Adjusted for the fraud case, the rate was slightly below the previous year's level at 28.8 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					
	2016			2015			2016			2015		
€ '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	(23,507)	4,712	(18,795)	(656)	(21)	(677)	(62,456)	13,501	(48,955)	5,658	(1,796)	3,862
Foreign currency translation adjustments	(3,300)	0	(3,300)	(23,899)	0	(23,899)	(29,501)	0	(29,501)	32,165	0	32,165
Changes in unrealised gains/ losses on cash flow hedges	4,918	(14)	4,904	(503)	487	(16)	3,139	(504)	2,635	(11)	542	531
Changes in the share of other comprehensive income accounted for by associates and joint ventures	(157)	0	(157)	0	0	0	(824)	0	(824)	0	0	0
Other comprehensive income	**(22,046)**	**4,698**	**(17,348)**	**(25,058)**	**466**	**(24,592)**	**(89,642)**	**12,997**	**(76,645)**	**37,812**	**(1,254)**	**36,558**

During the period under report, the decrease in the discount rate on pension obligations in the United Kingdom, Germany and Switzerland resulted in actuarial losses amounting to € 62,456 k (previous year: gains of € 5,658 k).

Other comprehensive income showed currency translation losses of € 29,501 k (previous year: gains of € 32,165 k) due to translation primarily of the Chinese renminbi and the British pound sterling into the euro reporting currency.

Taking deferred taxes into account, the overall result was other comprehensive income of negative € 76,645 k (previous year: positive € 36,558 k).

8 | Assets held for sale

One building at a facility of the Wiring Systems Division in Morocco that was held for sale was reclassified to non-current assets because the negotiations on the building's sale failed just before completion and there is presently no longer any intention to sell.

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 2016 and on 30 September 2015:

		Amounts recognised in balance sheet according to IAS 39					
€ '000	Category in accordance with IAS 39	**Carrying amount 30/09/2016**	Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss	**Fair value 30/09/2016**
Assets							
Cash and cash equivalents	LaR	**91,046**	91,046				**91,046**
Trade receivables	LaR	**606,382**	606,382				**606,382**
Long-term trade receivables from development contracts	LaR	**56,188**	56,188				**56,188**
Other financial receivables	LaR	**20,851**	20,851				**20,851**
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	**1,456**				1,456	**1,456**
Derivatives with a hedging relationship	n/a	**7,501**			5,447	2,054	**7,501**
Total equity and liabilities							
Trade payables	FLAC	**727,389**	727,389				**727,389**
Liabilities to banks	FLAC	**212,180**	212,180				**216,105**
Borrower's note loans	FLAC	**395,949**	395,949				**411,005**
Other financial liabilities	FLAC	**35,199**	35,199				**35,199**
Derivative financial liabilities							
Derivatives without a hedging relationship	FLHfT	**13,242**				13,242	**13,242**
Derivatives with a hedging relationship	n/a	**12,159**			12,159		**12,159**
Of which aggregated by categories in accordance with IAS 39:							
Loans and Receivables (LaR)	LaR	**774,467**	774,467				**774,467**
Available-for-Sale financial assets (AfS)	AfS	**1,065**		1,065			**1,065**
Financial Assets Held for Trading (FAHfT)	FAHfT	**1,456**				1,456	**1,456**
Financial Liabilities measured at Amortised Cost (FLAC)	FLAC	**1,370,717**	1,370,717				**1,389,698**
Financial Liabilities Held for Trading (FLHfT)	FLHfT	**13,242**				13,242	**13,242**

€ '000	Category in accordance with IAS 39	Carrying amount 30/09/2015	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 30/09/2015
Assets							
Cash and cash equivalents	LaR	**120,791**	120,791				**120,791**
Trade receivables	LaR	**645,460**	645,460				**645,460**
Long-term trade receivables from development contracts	LaR	**54,385**	54,385				**54,385**
Other financial receivables	LaR	**21,298**	21,298				**21,298**
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	**6,349**				6,349	**6,349**
Derivatives with a hedging relationship	n/a	**5,443**			3,396	2,047	**5,443**
Total equity and liabilities							
Trade payables	FLAC	**756,857**	756,857				**756,857**
Liabilities to banks	FLAC	**156,608**	156,608				**159,701**
Borrower's note loans	FLAC	**395,808**	395,808				**403,547**
Other financial liabilities	FLAC	**80,828**	80,828				**80,828**
Derivative financial liabilities							
Derivatives without a hedging relationship	FLHfT	**11,691**				11,691	**11,691**
Derivatives with a hedging relationship	n/a	**9,895**			9,895		**9,895**
Of which aggregated by categories in accordance with IAS 39:							
Loans and Receivables (LaR)	LaR	**841,934**	841,934				**841,934**
Available-for-Sale financial assets (AfS)	AfS	**1,065**		1,065			**1,065**
Financial Assets Held for Trading (FAHfT)	FAHfT	**6,349**				6,349	**6,349**
Financial Liabilities measured at Amortised Cost (FLAC)	FLAC	**1,390,101**	1,390,101				**1,400,933**
Financial Liabilities Held for Trading (FLHfT)	FLHfT	**11,691**				11,691	**11,691**

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 and the Group-specific margins. For this reason, the fair values are to be allocated to hierarchy level 3.

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

30/09/2016	*€ '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		145	1,311	0	**1,456**
Derivatives with a hedging relationship		0	7,501	0	**7,501**
Financial liabilities measured at fair value					
Derivative financial liabilities					
Derivatives without a hedging relationship		0	13,242	0	**13,242**
Derivatives with a hedging relationship		0	12,159	0	**12,159**

30/09/2015	*€ '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	6,349	0	**6,349**
Derivatives with a hedging relationship		0	5,443	0	**5,443**
Financial liabilities measured at fair value					
Derivative financial liabilities					
Derivatives without a hedging relationship		942	10,749	0	**11,691**
Derivatives with a hedging relationship		0	9,895	0	**9,895**

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

Other 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. During the period under report, the Company generated income of € 8,343 k (previous year: € 22 k) from sales and providing services to associates and joint ventures. These transactions resulted in receivables of € 3,179 k (previous year: € 2 k). The increase versus the previous year is attributable to business relationships with our joint venture in Langfang, China (cf. also Note 4 in this regard).

LEONI generated income of € 1,221 k (previous year: € 1,085 k) from the sale of products and services to members of the Supervisory Board and their companies and made purchases worth € 468 k (previous year: € 586 k) from them during the period under report. All supply and service transactions were concluded on standard market terms.

Provision for a settlement payment of € 896 k was made for the premature termination of Dr Frank Hiller's employment contract. A performance-related component, the size of which will be determined by the success of the 2016 financial year, will also be paid out in 2017.

11 | Management Board

The Supervisory Board appointed Karl Gadesmann as the new Chief Financial Officer effective 1 October 2016. His Management Board mandate initially expires on 31 December 2019.

The Supervisory Board also approved an agreement with Management Board member Dr Frank Hiller on his amicable departure from the Board effective 31 December 2016. A new Management Board member has already been appointed.

12 | Events occurring after the reporting period

As part of the new strategic alignment of its Wire & Cable Solutions Division, the Company signed an agreement on 3 November 2016 to sell its shares in LEONI Studer Hard GmbH to French-based Ionisos SAS.

Nuremberg, 8 November 2016

The Board of Directors

Key dates

Interim Report 1st – 3rd quarter 2016
16 November 2016

Preliminary Figures
February 2017

Press Conference on financial statements
23 March 2017

Analyst and Investor Meeting
23 March 2017

Interim Report 1st quarter 2017
10 May 2017

Annual General Meeting
11 May 2017

Contact Investor Relations

Frank Steinhart
Phone +49 911 2023-203
Fax +49 911 2023-10203

Jens von Seckendorff
Phone +49 911 2023-134
Fax +49 911 2023-10134

Denise Pfefferler
Phone +49 911 2023-489
Fax +49 911 2023-10489

E-mail invest@leoni.com

LEONI AG

Marienstrasse 7
90402 Nuremberg
Phone +49 911 2023-0
Fax +49 911 2023-455
E-mail info@leoni.com
www.leoni.com

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