

## Supervisory Board report

Dear Sir or Madam,

For LEONI AG, the main challenges of the past 2019 financial year were facing the tough market environment and addressing major entrepreneurial concerns, which led to a significant drop in earnings and a shortage of liquidity. In close coordination between the Board of Directors and the Supervisory Board, the VALUE 21 performance program, which was launched as early as 2018, was further advanced and further important measures were taken to stabilize the liquidity situation. The close cooperation with the Board of Directors in this special situation required an extraordinary number of meetings of the Supervisory Board and its committees.

The Supervisory Board of LEONI AG has diligently and dutifully fulfilled its tasks in accordance with statutory requirements, the provisions of the Company's Articles of Association, the German Corporate Governance Code and the rules of procedure, continuously advised the Board of Directors on its management of the Company and oversaw its work. The collaboration between the Supervisory Board and the Board of Directors was at all times constructive, open and defined by mutual trust. The Board of Directors informed us regularly, immediately and comprehensively, both in writing and verbally, about all matters pertinent to LEONI. In particular, this included the strategy, planning, operating performance as well as the Group's current situation including its risk situation. The Board of Directors explained in detail any deviation in business performance from the plans established and involved the Supervisory Board in decisions of material importance.

To the extent that this was required under the rules of procedure, the Supervisory Board's approval for certain measures was granted following extensive discussion and based on the reports and documents prepared by the Board of Directors in this regard.

The Board of Directors and the Supervisory Board also kept in close touch at all times outside their meetings. The chairmen of both boards consulted regularly on fixed dates, also at short notice and as required by specific circumstances, on any matters requiring agreement. In particular in light of the exceptional entrepreneurial challenges management faced, the number of discussions and fixed dates was raised significantly. The entire Supervisory Board was informed in detail of the content of these discussions during its next meeting at the latest.

### Main topics of discussion by the Supervisory Board

The Supervisory Board held eight regular Supervisory Board meetings during the 2019 financial year; specifically on 28 January, 28 February, 7 May, 16 May, 9 July, 25 July, 19 September and 12 December. In addition, it met in another regular Supervisory Board meeting to discuss matters without the members of the Board of Directors ("executive session") on 5 November 2019, and in eleven extraordinary Supervisory Board meetings as required by specific circumstances on 7 February, 15 March, 17 March, 28 March, 2 August, 9 September, 27 September, 2 October, 7 October, 11 November and 10 December.

The employee representatives held a preliminary discussion prior to each regular Supervisory Board meeting. The shareholder representatives also held preliminary discussions on 7 May, 1 July, 9 July and 18 October.

The Supervisory Board was quorate on each occasion. One of the members had been excused for their absence from three of the regular meetings. Apart from the executive session, all members of the Board of Directors attended each of the meetings to the extent that these did not cover topics requiring that they absent themselves. These topics included, among others, deliberations on a change in the composition of the Board of Directors and further clearing up the fraud case uncovered in 2016.

The 2019 financial year was characterized by several topics which each required intensive discussions within the Supervisory Board. In each meeting, we requested the Board of Directors to provide comprehensive reports on the current business situation and discussed in detail the figures presented in each case with the management team. In this context, we had the Board of Directors provide us with background information about the relevant current developments.

In several meetings, we dealt with the future strategy of LEONI AG, the earnings, asset and liquidity position and the financing situation of LEONI AG and its Group:

Subject matters of the deliberations were, in this context, in particular the consequences of the performance in terms of earnings and cash flow that fell significantly short of expectations from the fourth quarter of 2018 and in the first quarter of 2019, and the initiated countermeasures. Against this background, we had ourselves regularly informed about the strategy and performance programme ("VALUE 21") which had been initiated by the Board of Directors as early as in the 2018 financial year.

We have approved VALUE 21 in principle in the meeting on 28 February 2019. Upon that approval, the Board of Directors began preparing the specific sets of measures. Regrettably, the measures taken also included a reduction of the LEONI workforce. In the meetings on 7 May 2019, 19 September 2019 and 12 December 2019, the Board of Directors on each occasion reported on the concrete measures taken, the implementation status of VALUE 21 and the consequences of the measures that had already been taken.

As already reported last year, the transformation of LEONI AG aims at limiting growth in the Wiring Systems Division to a degree that is organisationally and financially attainable and at actively managing portfolios. In this context, we have considered various strategic options for LEONI AG and its Divisions. For the most part, we discussed these options and the respective preparation state and implementation status after having obtained corresponding reports by the Board of Directors in the meetings on 28 February 2019, 16 May 2019, 25 July 2019, 19 September 2019 and 12 December 2019 and in the extraordinary meeting on 27 September 2019.

A key milestone in the context of the strategic transformation of LEONI AG and of its Group was the meeting on 9 July 2019, in which we approved, after in-depth discussion of the advantages and disadvantages of various options, the separation of the Wire & Cable Solutions Division ("WCS") and the preparation of a partial or full disposal of the Division and of an IPO of the WCS.

We were given reports on the implementation status of this project in the subsequent Supervisory Board meetings, in particular, on 19 September 2019 and on 12 December 2019.

Moreover, we have examined in detail the asset and liquidity position of LEONI AG and of its Group. We dealt in depth, particularly in the first quarter of 2019, with the consequences of the difficult economic situation for accounting purposes. We deliberated on these subject matters, up and foremost, in the meetings on 7 May 2019, 9 July 2019, 25 July 2019, 19 September 2019 and 12 December 2019.

The deliberations on the current debt and financing situation, including the possible measures to be taken to secure the financing base in the long term, were closely linked to the asset and liquidity position of LEONI AG. We deliberated on this subject matter, in particular, in the meetings on 16 May 2019, 9 July 2019, 25 July 2019, 19 September 2019 and 12 December 2019. Based on detailed reports by the Board of Directors, we deliberated on the financing options elaborated by the Board of Directors, and the respective preparatory and implementation measures. In particular the meeting on 16 May 2019, held immediately after the Annual General Meeting of LEONI AG, focused almost exclusively on the Company's liquidity and debt management. The extraordinary meetings on 2 August 2019 and 10 December 2019 also dealt with the subject of the financial restructuring.

As part of the overall effort for the financial and operational restructuring of LEONI AG and its Group, the management team is supported by external expertise. The relevant selection of advisers and contracting was specifically addressed by the Supervisory Board in its meetings on 25 July 2019 and 19 September 2019 and in the extraordinary Supervisory Board meetings of 9 September 2019, 2 October 2019, 7 October 2019 and 11 November 2019. The advisers were selected by the Board of Directors in a structured process and the selection was closely followed and approved by the Personnel Committee and the entire Supervisory Board.

Apart from the topics mentioned above, we continuously dealt with two other issues:

On the one hand, we analysed the start-up problems that had arisen in the Mérida wiring systems plant in Mexico and the corresponding countermeasures. In this context, the Board of Directors reported to us in the meetings on 28 February 2019, 7 May 2019, 16 May 2019, 9 July 2019, 25 July 2019 and 19 September 2019.

On the other hand, further clearing up the fraud case in 2016 was the subject matter of several meetings, in particular on 28 January 2019, 28 February 2019, 7 May 2019 and 19 September 2019.

In addition to these main topics, we mainly dealt with the following topics in the regular Supervisory Board meetings:

In the meeting on 28 January 2019, we dealt with the current status of the planning for the 2019 financial year and the medium-term planning for the years as from 2020, including personnel planning. Furthermore, we approved the investment plan for 2019. We also discussed the compensation of the members of the Board of Directors for the 2019 financial year and obtained a report about corporate sustainability, including the implementation of diversity objectives, internal climate protection objectives and compliance measures in the 2018 financial year. In addition, regular preparatory work for the 2019 Annual General Meeting was on the agenda.

In the balance sheet meeting on 28 February 2019, after having thoroughly reviewed the documents and after the Audit Committee's prior inspection of the documents, we approved the financial statements, the consolidated financial statements and the management report of both LEONI AG and the Group. The auditor participated in the deliberations and reported on the key results of the audit. Furthermore, the Supervisory Board report to the Annual General Meeting for the 2018 financial year and the dividend proposal were approved. In addition, we approved the Supervisory Board's resolution proposals for the individual items on the agenda of the 2019 Annual General Meeting, including the resolution proposal regarding an amendment of the Articles of Association of LEONI AG. Besides these regular items, in the bal-

ance sheet meeting we also dealt with personnel-related matters at the first management level below the Board of Directors and, again, with the current status of the planning, in particular the medium-term planning. Another topic of the meeting was the Group's current risk situation.

In the meeting on 7 May 2019, we received a report on the preliminary results of the first quarter of 2019. The Board of Directors furthermore reported on its analysis of the unexpected deterioration of the financial situation in the fourth quarter of 2018 and in the first quarter of 2019. In addition, Ms. Jägering was appointed as Chief Financial Officer with effect as of 1 October 2019 and, in that context, the allocation of responsibilities was updated for the Board of Directors. The Supervisory Board also formed a Special Committee to advise and assist the Board of Directors and to monitor the liquidity and debt situation, including the monitoring of the measures initiated by the Board of Directors in that respect.

In the meeting on 9 July 2019, the Supervisory Board dealt with the current status of the multi-year planning.

In the meeting on 25 July 2019, we received an extensive report on the development and the background of the business figures. The Board of Directors further provided an extensive report on the current status of the multi-year planning of LEONI AG and of the Group. Furthermore, it was possible to appoint Ms Jägering as Chief Financial Officer already with effect as of 1 August 2019; the Board of Director's allocation of responsibilities was once again adjusted in this respect.

In the meeting on 19 September 2019, we received a report on numerous individual issues from the Divisions. Another topic addressed was the Group planning process.

The Supervisory Board used the meeting on 5 November 2019 (executive session) to discuss the basic principles of the Supervisory Board's work, the requirements profile and the competencies existing in the Supervisory Board. In addition, the Supervisory Board evaluated the composition of the committees, their duties and their cooperation with the entire Supervisory Board, and the flow of information between the Board of Directors and the Supervisory Board. Furthermore, the Supervisory Board dealt with the findings of the annual efficiency audit.

In addition to resolving on issuing the Declaration of Conformity pursuant to Section 161 AktG of the German Stock Corporation Act (AktG), in our meeting on 12 December 2019, we dealt with the status of the planning for 2020, the medium-term planning for the years as from 2021 and with the investment plan for 2020.

In addition to the topics of the extraordinary meetings already mentioned, it was necessary in the past financial year to hold extraordinary meetings also with regard to two other topics:

In the extraordinary Supervisory Board meeting on 7 February 2019, the Supervisory Board on the one hand dealt with the Board of Director's proposal regarding the dividend policy and allocation of profit, and on the other hand with the issue of the compensation for the members of the Board of Directors.

In the extraordinary meetings on 15 March 2019, 17 March 2019 and 28 March 2019, the Supervisory Board dealt with the extension of the contract of and the succession planning for Mr Gadesmann.

### Work of the committees

The Supervisory Board of LEONI AG formed an Audit Committee, a Personnel Committee, a Nomination Committee and a Strategy Committee. In May 2019, the Supervisory Board of LEONI AG furthermore formed an Ad-hoc committee, which was subsequently renamed into Special Committee. In addition, there is the Arbitration Committee in compliance with Section 27 (3) of the German Co-Determination Act (MitbestG).

These governance bodies prepare the topics to be addressed by the entire Supervisory Board and the resolutions on which the Board is to vote during its meetings. The composition of the committees is described in the section headed Supervisory Board and Board of Directors, while the Corporate Governance report provides information on the duties of the committees. Decision-making powers of the Supervisory Board are transferred to the committees to the extent permitted by law. The committee chairmen reported regularly on their work during the Supervisory Board meetings.

The **AUDIT COMMITTEE** convened for four regular meetings and two extraordinary meetings during the year under report. The members of the Audit Committee attended all meetings without

any exception. The Audit Committee dealt in depth with the 2018 financial statements and consolidated statements, the management and quarterly reports, the findings of the audit as well as the 2019 six-month report. It prepared the approval of the financial statements and of the audit, including the selection of the focal areas of the audit for the 2019 financial year. Other topics covered the status of the change of auditor for the past financial year, including the release of the report on the process of selecting the future auditors and the oversight and approval of permissible non-auditing services. Furthermore, the committee dealt with the current business situation and the development of liquidity, including the financing situation, with the implementation of the new General Data Protection Regulation and with the non-financial Group information statement. Further clearing up the fraud case uncovered in 2016 was also a subject matter of the Audit Committee's deliberations. Much attention in the meetings was also given to the effectiveness tests carried out in the past financial year pursuant to compliance standards. Furthermore, the committee dealt with the topics of Information Security/IT, Internal Control System, Risk Management, Accounting, Controlling, Treasury Management and Taxes as well as safety at work, health and environmental protection at LEONI.

In a total of nineteen meetings, the **SPECIAL COMMITTEE** dealt in detail with the financial restructuring process of LEONI AG and with the organisational and strategic measures connected to VALUE 21. The committee focussed on monitoring the liquidity and debt situation of LEONI AG and regularly obtained reports from the Board of Directors. It advised the Board of Directors on

the measures that were initiated and that are still to be initiated, in particular on the financing options, it monitored the implementation of the measures decided on and worked closely with the Board of Directors. Due to the frequency of the meetings, it was not possible for all members of the Special Committee to attend all meetings. A total of nine meetings were attended by all members. In two meetings, in each case, two members were unable to attend, one member was unable to attend three meetings, and another member of the committee was absent in one meeting. One member was unable to attend four meetings and another member was unable to attend six meetings.

The **PERSONNEL COMMITTEE** met on eleven occasions in 2019. Two members were excused for their absence in one meeting each; however, all other members of the Personnel Committee attended each meeting. The committee primarily dealt with the appointment of a new Chief Financial Officer.

The **STRATEGY COMMITTEE** held three meetings during the past financial year. The principal topic was the strategy of the Group and of the Divisions. Except for one meeting, for which one member was excused, all members of the committee attended all meetings. In the first two meetings, the committee dealt in detail with the Corporate Development Plan for 2019 and the VALUE 21 strategy project. Subject of the discussions was also, in particular, the arrangement and sustainability of the individual measures proposed in the context of VALUE 21, and the consequences, effects and costs associated therewith. In addition, the Strategy Committee dealt with the measures decided on in the context of

the transformation process, in particular with the separation of the WCS Division, with the further development of the strategy for the LEONI Group and with the implementation status of the VALUE 21 programme.

The **NOMINATION COMMITTEE** met on a total of three occasions. The members of the Nomination Committee attended all meetings; Ms Dr Ulrike Friese-Dormann did not attend the meeting on 26 October 2019, with Ms Dr Elisabetta Castiglioni attending in her place. In the past financial year, the Nomination Committee dealt with the search for a successor for Ms Dr Friese-Dormann.

There was no cause for convening the **ARBITRATION COMMITTEE** pursuant to Section 27 (3) MitbestG during the reporting period.

### Corporate Governance and Declaration of Conformity

The Board of Directors and the Supervisory Board resolved in December 2019 to issue a Declaration of Conformity pursuant to Section 161 AktG. The Declaration of Conformity of 13 December 2019 was made permanently accessible to the shareholders on the Company's website.

During the reporting period, a conflict of interest of a member of the Board of Directors or the Supervisory Board that must be disclosed to the Supervisory Board pursuant to sections 4.3.4 and 5.5.2 of the German Corporate Governance Code arose on one occasion. The Supervisory Board member affected, Prof. Dr Christian Rödl, informed of his potential conflict of interest even before the relevant agenda item was called, left the meeting and

did not participate in the decision-making process or the voting either. Moreover, it was ensured by way of a change to the authorisation concept that he was not able to access documents relating to the relevant agenda item in the electronic data room.

For more information on Corporate Governance, please refer to the Corporate Governance Report, which also includes the statement on Corporate Governance.

### Audit of the annual financial statements

Upon the proposal by the Supervisory Board, which followed the Audit Committee recommendation, the Annual General Meeting of LEONI AG's shareholders on 16 May 2019 appointed the auditing company Deloitte GmbH Wirtschaftsprüfungsgesellschaft of Munich as auditors for the 2019 financial year. The auditing company audited and granted an unqualified certificate for the 2019 financial statements of LEONI AG as well as the consolidated financial statements and the combined management report. The auditors responsible pursuant to Section 319a (1) sentence 4 of the German Commercial Code (HGB) were Sebastian Kieseewetter and Alexander Hofmann (both starting with the 2019 financial statements). Deloitte had confirmed to the Chairman of the Supervisory Board and to the Audit Committee, before the Supervisory Board proposed the company as auditors at the Annual General Meeting, that there are no circumstances that might compromise their independence or raise doubts about their independence. Deloitte also declared the extent to which, in the preceding financial year, services for the Company other than the audit were either performed or contractually agreed for the subsequent year.

The provisions of the German Commercial Code were applied to prepare the financial statements and the management report of LEONI AG. The International Financial Reporting Standards (IFRS) as they apply in the European Union and, additionally, the commercial law provisions under Section 315e (1) HGB were applied to prepare the consolidated financial statements. The audit was conducted in accordance with Section 317 HGB while observing the generally accepted German auditing standards for the audit of financial statements established by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). The auditors confirmed that the combined management report appropriately describes the situation of LEONI AG and of the Group as well as the opportunities and risks of its future development. The risk early-warning system, which the Board of Directors must establish in compliance with Section 91 (2) of the German Stock Corporation Act (AktG), was also assessed as part of the annual review by the auditors.

The annual financial statements of the Company and of the Group, the combined management report (including the non-financial Group information statement) and the audit reports were made available to all members of the Supervisory Board in good time. The Audit Committee pre-examined these documents during its meeting on 19 March 2020 and reported to the Supervisory Board in this regard during the latter's regular meeting on 23 March 2020. We subsequently discussed the financial statements and reports in depth. The auditing company's representatives took part in both meetings, provided information on the findings of their audits and were ready to provide additional information.

In particular, the findings of key audit matters for LEONI AG and the Group were presented: The main topic of discussion was the situation due to the material uncertainty with regard to the Group's ability to continue as a going concern caused by the tight liquidity situation. In addition, the results of the key audit matters for the LEONI AG and the Group were presented. The key audit matters for the audit of the 2019 group financial statements were (i) impairment testing of goodwill as well as and intangible and tangible assets as well as (ii) provisions for losses from onerous contracts and for the 2019 statutory financial statements valuation of shares in affiliated companies, loans to affiliated companies as well as receivables from affiliated companies.

The Supervisory Board approved the findings of the audit of the financial statements in an extraordinary meeting on 30 March 2020. The final result of the audits of the annual financial statements of the Group and of LEONI AG as well as the combined management report by the Audit Committee and the Supervisory Board did not give rise to any objections. The Supervisory Board approved the annual financial statements of LEONI AG and the consolidated financial statements for the 2019 financial year as prepared by the Board of Directors. The financial statements of LEONI AG have thus been duly adopted. The Supervisory Board supports the Board of Directors' suggestion to propose to the shareholders at the 2020 Annual General Meeting not to pay out a dividend from the distributable profit of LEONI AG for the 2019 financial year.

As part of its audit, the Supervisory Board has also examined the non-financial Group information statement, which had to be prepared pursuant to Section 315b HGB, and found that it meets the applicable requirements and does not give rise to any objections. Previously, an external review had confirmed that no matters have come to the auditors' attention that would cause them to believe that the non-financial Group information statement had not been prepared in all material aspects in accordance with Section 315c HGB.

#### Changes in personnel

On 17 March 2019, Karl Gadesmann, who has been the Chair Financial Officer of LEONI AG since 2016, resigned his mandate with immediate effect and by mutual agreement with the Company. We once again thank him for his work and his great commitment to the Company. Aldo Kamper, the CEO of LEONI AG, assumed the responsibilities of Karl Gadesmann on an interim basis. With effect from 1 August 2019, the Supervisory Board ultimately appointed Ingrid Jägering as new member to the Board of Directors, as Chief Financial Officer.

As was already reported in the past year, Janine Heide was appointed a member of the Supervisory Board as an employee representative by a resolution on 15 January 2019 to succeed Carmen Schwarz.

Another change in the composition of the Supervisory Board additionally occurred in the preceding financial year. With effect from 8 November 2019, Dr Ulrike Friese-Dormann resigned her mandate. Based on the proposal of the Nomination Committee and by resolution of 12 November 2019, Regine Stachelhaus was

appointed member of the Supervisory Board by the Court with immediate effect; in accordance with the requirements of the German Corporate Governance Code, initially on a temporary basis until the close of the 2020 Annual General Meeting. The Supervisory Board thanks Dr Ulrike Friese-Dormann for her commitment and her personal dedication as member of the Supervisory Board. At the same time, it wishes Regine Stachelhaus every success in her new job.

#### Thanks to the Board of Directors and staff

The Supervisory Board would like to express its special thanks to the entire Board of Directors, all managers and all employees for their commitment in the difficult 2019 financial year. The high degree of tension and the many measures and changes resulting from our strategy and performance programme VALUE 21 have presented all LEONI employees with major challenges. The year 2020 will not be any easier or less challenging in this respect either; therefore, the Supervisory Board wishes all members of our staff much strength and success in coping with the tasks ahead.

Nuremberg, 30 March 2020



Dr Klaus Probst,  
Chairman of the Supervisory Board