ANNUAL REPORT 2021

LEONI

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

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

LEONI supports its customers as an innovation partner and solution provider with distinctive development and system expertise on the way to increasingly sustainable and connected mobility concepts by developing the next generation of wiring systems.

/ OUR PROFILE

KEY FIGURES

Group key figures	Actual 2020 figures	Forecast as at March 2021[1]	Raised forecast, May 2021[1]	Raised forecast, July 2021[1]	Actual 2021 figures
Sales	€4.1 billion	Significant year-on-year growth in the low double-digit percentage range	Significant year-on-year growth	Significant year-on-year growth to at least €5 billion	€5.1 billion
EBIT before exceptional items as well as before VALUE 21 costs	€(59) million	Significant year-on-year improvement	Significant year-on-year improvement, minimum breakeven	Significant year-on-year growth to at least €100 million	€172 million
Free cash flow	€(74) million[2]	Significant year-on-year deterioration	Significant year-on-year deterioration	Significant year-on-year deterioration	€(12) million

1 Based on the scope of consolidation as at 31 December 2020, taking into account the WCS (partial) divestments implemented at that time
2 Prior-year figure adjusted due to reclassification of € 5 million in bank accounts pledged to factoring partners

Consolidated sales

5.1 € billion

about **101,000**

Employees

72

Subsidiaries

in **28** countries

ABOUT THIS REPORT

In its Annual Report 2021, LEONI publishes both financial and non-financial information. The report provides a comprehensive overview of our fiscal 2021 performance in financial, environmental and social terms.

PDF version of the Annual Report

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

Navigation tips

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

Indexes in the text:

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

Navigation symbols:

to the table of contents
back to previous page
one page down
one page up
Contact information

We recommend installing the latest version of Adobe®Acrobat®Reader from » www.adobe.com to facilitate faultless navigation.

/ CONTENTS

SHAREHOLDERS' LETTER

» Aldo Kamper, Chief Executive Officer

Dear shareholders,

We are currently watching the war in Ukraine with horror and great consternation. Our thoughts are with all Ukrainians and not least with our roughly 7,000 employees at both LEONI facilities in western Ukraine. The safety and lives of our colleagues are our absolute priority.

The flooding disaster in western Germany made a significant impact last year and we were shocked by the extent of the damage in the region. Enormous quantities of water washed over our facility in Stolberg, although luckily none of our colleagues came to any harm. Our empathy goes to those people who lost family members and friends or faced hardship through no fault of their own. This applies likewise to those who the Covid-19 pandemic once again took victim during the past year. Our thoughts are with all colleagues who fell seriously ill or died because of infection. In all these tough situations, the solidarity of LEONI staff worldwide was and is admirable, and we are supporting those affected in unbureaucratic ways. And just now this solidarity and readiness to help is evident yet again among the LEONI family in its manifold support for our colleagues in Ukraine.

Overall, too, LEONI looks back on a turbulent 2021 in which we nevertheless achieved a lot. Our business recovered considerably in the first half of the year, underpinned by a – in the wake of an initially waning Covid-19 pandemic – significant revival of demand in the automotive and industrial sector. Several wiring system projects, some of which complex, started on schedule. These included such prestigious projects as BMW i4, DAF XF and Mercedes-Benz' C-Class. Unfortunately, bottlenecks in the supply especially of semiconductors, but also such other materials as metals and plastics, thwarted this favourable trend. In the second half of the year, the supply crisis was so serious that production stoppages occurred in the automotive industry and uptake from LEONI consequently fluctuated heavily and diminished. New Covid-19 virus variants and infection waves, which again caused uncertainty as of the autumn, made the situation more difficult.

Despite these demanding conditions, both our divisions succeeded in expanding their business volume over the year as a whole, with consolidated sales consequently up by 24 percent to €5.1 billion in 2021. Thanks to these additional sales and successfully executed efficiency enhancement measures under our VALUE 21 programme, the LEONI Group's earnings also improved substantially: EBIT before exceptional items as well as before VALUE 21 costs was up from a loss of €59 million to earnings of €172 million. Free cash flow improved from negative €74 million to negative €12 million.

The reason for this favourable deviation from the 2021 forecast was strong business performance towards the end of the year, which was marked among other factors by better-than-expected customer demand. The impact of brief disruptions to the production of car manufacturers on our sales and earnings was less than anticipated. Alongside the sales growth, beneficial effects of our VALUE 21 performance and strategy programme also bolstered EBIT before exceptional items as well as before VALUE 21 costs. The better than previously assumed recovery of free cash flow in the fourth quarter was the result above all of our significantly stronger earnings as well as a substantial decrease in net working capital. We can be satisfied with these figures in light of the tough environment.

In 2021, we furthermore successfully completed our VALUE 21 performance and strategy programme launched at the end of 2018. Instead of the gross cost savings potential of €500 million targeted for the period from 2022, the programme yielded sustained, gross cost savings potential of more than €800 million per annum by the end of the past financial year. As this potential is based on the future sales performance projected when the programme was launched, the actual impact of the initiatives on the income statement will depend on the development of our business volume. Since the end of 2018, we have recognised more than €300 million in net savings in our Wiring System Division (WSD) alone thanks to VALUE 21. These savings more than offset such adverse effects on earnings as price cuts, salary inflation and Covid-19-related costs in the exceptionally challenging setting of the past three years. VALUE 21 thus made a crucial contribution to stabilising our Company as early as the implementation phase.

As part of the portfolio measures planned under VALUE 21, we made great progress during the year under report with, among other things, carving out our Wire & Cable Solutions Division. Large parts of the industrial business have meanwhile been sold even though the environment for corporate transactions was anything but easy because of the Covid crisis. As stated beforehand, and alongside appealing proceeds, we paid attention at all times to finding a buyer that offers the segment and its employees good prospects. In BizLink, a promising partner has taken over Business Group Industrial Solutions. BizLink has proven ever since buying the former LEONI Electrical Appliances Business Group in January 2017 and its subsequent further development that the company is very keen on taking its acquired businesses forward. More deals are being prepared. We furthermore phased out some low margin customer projects.

We also successfully completed VALUE 21's strategic components, especially so with our new organisational structure involving a leaner holding company and two standalone business divisions.

In our WSD, we are presently introducing a new organisational structure that is ideally tailored to our strategic focus on the wiring systems business.

Last but not least, we resolutely applied our VALUE-21 credo of 'cash, not growth': We are now more selective about the projects we take on and strive only for projects that fulfil a combination of criteria with respect to key financials, the cash flow profile of the projects, their technological fit with our skills profile and their feasibility within our infrastructure.

Building on the good experience gained with VALUE 21 we have – as an immediate successor – launched our permanently ongoing VALUEplus strategy and performance programme. The performance part of VALUE 21 is adapted to the new organisational structure and managed by using an annual measurement of success as a continuous improvement process. Moreover, the strategic fields of action defined in the new programme cover various aspects from the areas of purchasing and production along with technological development, portfolio optimisation, sustainability as well as human resources and organisation. Following the important stabilisation phase, we are thus entering a new one of setting ourselves up for ongoing success and thereby of laying the foundations for a strong, healthy LEONI.

The pandemic and its effects, including the sharp distortions due to the semiconductor crisis, on our staff once again imposed multifaceted strains on both private and working lives in the past year. The effort and dedication with which our employees contributed to the successful conclusion of VALUE 21 and thus to LEONI's concomitant stabilisation, implemented changes and ensured scheduled ramp-up of new projects must be rated all the more highly. On behalf of the Board of Directors, I thank the entire LEONI team sincerely for this hard work.

My particular thanks also go to my Board of Directors colleague Hans-Joachim Ziems, who was in principal charge of restructuring until the end of March 2021. He helped us decisively in stabilising our Company. His scheduled departure may be rated as a sign of the good progress we have made in restructuring. On 1 February 2002, Dr Ursula Biernert and Mr Ingo Spengler augmented our Board of Directors team as Chief Human Resources Officer and Chief Operations Officer, respectively. In addition, we managed to settle the succession to our CFO position early. Dr Harald Nippel was appointed Chief Financial Officer (CFO) effective 1 April 2022 and will succeed Ingrid Jägering. Harald Nippel already joined LEONI on 1 February to facilitate the best possible transition. I look forward to working together on the Board of Directors and am grateful for the confidence shown in me with the 5-year extension of my contract. Together we will devote all our efforts to the doubtless still demanding tasks that lie ahead of us.

This is because we expect, especially in the current financial year, LEONI to still be operating in a highly volatile environment. The crisis involving the supply of semiconductors and other materials, inflationary trends as well as uncertainty concerning the development of the Covid-19 pandemic are likely to persist. Moreover, the war that broke out between Russia and Ukraine at the end of February constitutes, with its consequences as a macroeconomic condition, an exceptionally great uncertainty for our future business performance. This uncertainty exists particularly in respect of how the military action progresses, the political consequences in the form, among other things, of sanctions policy vis-à-vis and by Russia as well as the ability of our two facilities in Ukraine to produce. The Board of Directors is thoroughly examining various measures for counteracting these effects in the best conceivable way and we are therefore in close touch with our customers and suppliers. Thanks to long-standing customer relationships, we are working together in a spirit of mutual trust and can demonstrate our capabilities during this crisis.

Due to the war in Ukraine and the associated economic effects, we anticipate less sales, lower EBIT before exceptional items and less free cash flow compared with our previous forecast issued on 17 February 2022. To compare: in our previous forecast for 2022 we projected sales of slightly above € 5 billion, EBIT before exceptional items in a positive mid eight-digit euro range and free cash flow to be positive in a low nine-digit euro range. It is presently impossible the reliably quantify the direct and indirect consequences of the war Ukraine on our 2022 financial year because of this great uncertainty and our ability to forecast is substantially compromised.

Our impending refinancing will furthermore be of foremost importance in 2022. The Board of Directors has started open talks in this respect, which are progressing constructively and on schedule.

We are confident that we will succeed with our new VALUEplus performance and strategy programme in absorbing the strains likely to stem from the Covid-19 pandemic, the global supply crises as well as the war between Russia and Ukraine. We will drive our strategic focus on the wiring systems business as organised within our WSD further forward. The objective is to further expand our leading position and to in future take even better advantage of the market opportunities in the car and commercial vehicle industry.

We, LEONI's Board of Directors and staff, are convinced that our Company will thereby have good prospects. We thank you, our esteemed shareholders, very much for your confidence.

Nuremberg, March 2022

Aldo Kamper
Chief Executive Officer

COMPANY INFORMATION

SUPERVISORY BOARD REPORT

Dear Shareholders,

The year 2021 was also characterised by the ongoing Covid-19 pandemic and its impact on society and the global economy. More than almost any other industry, the automotive supply industry was affected this financial year by the impact of the pandemic, disruption to the global supply chain and the resulting supply crisis. Nevertheless, LEONI has made large and important strides regarding transformation and restructuring, and the Supervisory Board has worked hand in hand with the Board of Directors here. Important decisions were taken on the future direction of the new LEONI, and its operating performance in the year of reporting was further steadied in comparison to the previous year, despite the adversities.

The focus of our work was the continuous monitoring of business operations, including progress in the VALUE 21 performance and strategy programme, which was regularly discussed by the Supervisory Board. In addition to operational development, we focused on the overall transformation of the Company. An essential part of this transformation was and is the sale of parts of the Company in the industrial business area and focusing on the automotive wiring systems business. Therefore, we regularly and comprehensively dealt with the divestment process, including approving the sale of LEONI Schweiz AG, parts of LEONI Kerpen GmbH, substantial parts of our fiber optics activities and Adaptricity AG. Finally, an important step in the gradual separation from the WCS division (Wire and Cable Solutions) was the sale of a large part of the Business Group Industrial Solutions, which was agreed in 2021 and completed in January 2022. This streamlining, together with the strategic focus on the Wiring Systems Division, will continue in 2022, representing a key milestone on the road to reducing LEONI AG's debt.

A further important element for the Group's sustainable operational recovery was, on the one hand, ensuring continuity with the appointment of the CEO role and, on the other, expanding the Board of Directors to include other important functions. In March 2021, we were already able to announce the contract extension of our CEO Aldo Kamper to 31 December 2026. At the same time, we announced that Hans-Joachim Ziems would be leaving the Board of Directors as planned on 31 March 2021 after one year of service and that the position of Chief Restructuring Officer would no longer exist at Board of Directors level.

Within the context of an in-depth discussion, the Supervisory Board decided after thorough consideration that for a group of LEONI's size and complexity, it made sense and was necessary to establish a four-member Board of Directors team.

Given the huge strategic significance of LEONI's transformation, we decided to expand the Board of Directors team to include a Human Resources department and an Operations department. On 8 December 2021, we were thus able to announce that we will be filling the position of Chief Human Resources Officer (CHRO) and Labour Director with Dr Ursula Biernert and the position of Chief Operations Officer (COO) with Ingo Spengler at Board of Directors level as of 1 February 2022.

To our great regret, our Chief Financial Officer (CFO) and Labour Director Ingrid Jägering announced in July 2021 that she would not extend her Board of Directors mandate beyond 31 December 2022. As a result, we immediately started looking for a successor, concluding this search successfully in January 2022. Dr Harald Nippel will succeed Ingrid Jägering on 1 April 2022.

We are convinced that the future Board of Directors team will play a decisive role in creating the new LEONI.

Regarding the effectiveness and efficiency of our own work at Supervisory Board level, we have looked at the best possible focus of our work and the organisation of our processes and meetings as part of an externally supported self-assessment process. The measures and improvements derived from this process will be progressively introduced and reviewed.

Coorperation between the Executive and the Supervisory Board

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

Furthermore, the Supervisory Board dealt intensively with corporate control processes, and regular reports were submitted on compliance within the LEONI Group, as well as on the further development of these control processes. Further topics of discussion included major projects of particular relevance to LEONI Group, risks and the mitigation thereof, sustainability issues and non-financial reporting. Where the Rules of Procedure required the approval of the Supervisory Board, this was given after in- depth discussion on the basis of reports and documents prepared by the Board of Directors. Resolutions on matters needing settlement between ordinary meetings were passed at extraordinary meetings or via circular resolutions. In the 2021 financial year, the main focus was on monitoring the restructuring and refinancing measures that were already underway and on dealing in detail with the voluntary public partial purchase offer from Pierer Industrie AG.

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

The Board of Directors and Supervisory Board were also in regular contact outside of meetings. In my role as Chairman of the Supervisory Board, I was in close contact in particular with the Chairman of the Board of Directors, the Chairman of the Audit Committee along with the Chief Financial Officer and the Auditor, and the Chairman of the Special Committee with the Chief Financial Officer and the Chief Restructuring Officer (and following the latter's departure with the Restructuring Monitor). We consulted each other during regular fixed meetings, as well as at short notice and on an ad hoc basis when necessary. Particularly in view of the large number of business challenges, we kept the large number of Supervisory Board meetings, including those of its Committees and discussions, at last year's level.

Supervisory Board procedures

Attendance

The Supervisory Board held a total of twenty meetings in the 2021 financial year, of which eight were ordinary Supervisory Board meetings and twelve were extraordinary Supervisory Board meetings for specific occasions. Supervisory Board Committees met for a total of 33 times. Due to the occasionally high incidence of Covid-19, the majority of meetings held in 2021 took place as video conferences or in hybrid form. Circular resolutions were also passed in rare cases.

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

1 The individual participation rate for each member of the Supervisory Board refers to the respective mandate period and the meetings to which the member was actually invited.

A detailed presentation of the meetings of the Supervisory Board and its Committees is shown in the following table. An attendance rate of 96 percent was achieved at plenary and committee meetings, maintaining its very high level (last year 96 percent).

A detailed overview of Supervisory Board members participation in plenary and committee meetings can be found below[1]:

Financial Year 2021	Plenary	Nomination Committee	Personnel Committee	Audit Committee	Special Committee	Strategy Committee	Ad-hoc Committee	TOTAL
Number of meetings								
Ordinary	8	2	3	4	12	3	2	34
Extraordinary	12	0	6	1	0	0	0	19
Total	**10**	**2**	**9**	**5**	**12**	**3**	**2**	**53**
Type of meeting								
In-person	1	0	6	1	1	0	0	9
Hybrid	2	0	0	1	3	1	0	7
Virtual	17	2	3	3	8	2	2	**37**
Total	**20**	2	9	5	12	3	2	**53**
Participation rate								
Dr Klaus Probst (Chairman)	100%	100%	100%		100%	100%	100%	100%
Franz Spieß (Vice Chairman)	95%		100%	100%	83%		100%	94%
Dr Elisabetta Castiglioni	95%	100%				100%		96%
Wolfgang Dehen	100%		100%		100%	100%	100%	100%
Mark Dischner	90%		100%		83%			90%
Janine Heide	100%							100%
Dirk Kaliebe (until 19th May 2021)	100%			100%	100%			100%
Karl-Heinz Lach	95%					67%	100%	92%
Richard Paglia	100%			100%	92%	100%		98%
Klaus Rinnerberger (since 19th May 2021)	100%			100%	100%			100%
Prof. Dr Christian Rödl	85%			100%				88%
Regine Stachelhaus	95%	100%						95%
Inge Zellermaier	100%					100%	100%	100%
Total	**96%**	**100%**	**100%**	**100%**	**93%**	**94%**	**100%**	**96%**

With the exception of confidential Personnel and Nomination Committee meetings, all Supervisory Board members were able to attend committee meetings as guests at any time and to view the documents and minutes of these meetings. This opportunity was taken regularly and extensively, especially in the Special and Strategy Committees. In addition to reports from the Board of Directors, further executives also reported to the Supervisory Board, by which means we received a comprehensive picture of the Company development at all times and got to know members of the executive level.

Training for the Supervisory Board

The Supervisory Board members were responsible for identifying the training and further educational measures required for their tasks and were supported here by the Company. Specific training was provided in capital market law, the German Act to Strengthen Financial Market Integrity *(Gesetz zur Stärkung der Finanzmarktintegrität, „FISG")*, the German Second Leadership Positions Act *(Führungspositionengesetz, „FüPoG II")* and other current corporate governance topics. A structured onboarding process has been established by the Corporate Office for new Supervisory Board members, familiarising them with business activities, a detailed overview of Group structure, the Company's corporate governance and the procedural methods of LEONI AG's Supervisory Board.

Conflicts of interest

As Supervisory Board member Klaus Rinnerberger was also a member of the Board of Directors of Pierer Industrie AG at the time of the announcement of the voluntary public purchase offer in the form of a partial offer by Pierer Industrie AG to the shareholders of LEONI AG on 30 July 2021, Mr Rinnerberger, as a precautionary measure, refrained from participating in Supervisory Board resolutions pertaining to the purchase offer to avoid any potential conflicts of interest. He was only permitted to participate passively in Board meetings relating to this matter. Supervisory Board member Klaus Rinnerberger was in no way involved in the deliberations and resolutions of the Ad hoc Purchase Offer Committee. No other (potential) conflicts of interest pertaining to Executive or Supervisory Board members occurred in the reporting period.

Reports at Supervisory Board meetings

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

Main focus of meetings

The focus of the **meeting on 2 February 2021** was, among other things, dealing in depth with individual aspects of the planning for the 2021 financial year already discussed in December 2020. Further items included status reports on the various sales processes of the WCS units, reports on major projects and regular reporting on the further development of the corporate control systems, i.e. in particular on the status of the early risk detection system. In addition, we dealt with the strategic organisational development of the WSD division.

At our **extraordinary meeting on 25 February 2021**, the budget for 2021 and the mid-term planning for 2022-2025 were approved. In addition, as the Supervisory Board, we gave our approval to the sale of LEONI Schweiz AG and received further status reports on various sales processes and major projects. Another key aspect of this meeting was the approval of the agreed targets for 2021 and a review of targets achieved in 2020 for members of the Board of Directors in accordance with our system of remuneration for Board of Directors members. We also dealt with the Board of Directors' distribution-of-business plan, among other things.

At the **meeting on 15 March 2021**, we primarily discussed the annual and the consolidated financial statements for the financial year 2020, as well as the combined management report for LEONI AG and the Group, including the non-financial Group statement. Based on the recommendation of the Audit Committee and after discussion with the auditor, Deloitte GmbH Wirtschaftsprüfungsgesellschaft GmbH, Munich, ("Deloitte") we approved the annual and consolidated financial reports for the 2020 financial year and thus adopted the annual financial statements. We passed a resolution regarding the convening and holding of the Annual General Meeting on 19 May 2021, which was held virtually due to the Covid-19-pandemic. In doing so, we agreed, as specifically recommended by the Audit Committee, to propose at the Annual General Meeting that Deloitte be selected as auditors of the financial reports and consolidated financial reports for the financial year 2021 and for the audit review of the half-year financial report as of 30 June 2021. We also proposed Klaus Rinnerberger as Shareholder Representative for election to the Supervisory Board at the 2021 Annual General Meeting in accordance with the recommendation from the Nomination Committee. Furthermore, we also approved the report of the Supervisory Board for the 2020 financial year and the Corporate Governance Declaration, which also includes the declaration of conformity with the DCGK. At this meeting, corporate control processes, especially regarding risk management and the early detection of risks were also addressed.

At the **extraordinary meeting of the Supervisory Board on 7 April 2021**, we dealt intensively with the sale of the business units of LEONI Kerpen GmbH and approved the sale of the company.

On 23 April 2021, the Supervisory Board met in an extraordinary session to, have a training on current topics of corporate governance, among other things.

On 20 May 2021, the following topics were the primary focus of the meeting: a review of the Annual General Meeting on 19 May 2021, a discussion about the capital market, a report on the current business situation (incl. VALUE 21) and reporting on the first quarter of 2021, including an outlook on the expected business development. In addition to developments in turnover and earnings, changes in raw material prices, the development of Free Cash Flow and progress in the VALUE 21 programme, the expected further business and liquidity developments and planning were intensively discussed. A further important focus of the meeting was the design of the CSR component in Board of Directors compensation and its implementation. The Super-visory Board also dealt with the topic of cyber security, measures to reduce cyber risks in general and other important topics in the IT area. As usual, reports were given on the development of sales processes and various major projects. Following the departure of Dirk Kaliebe and the election of Klaus Rinnerberger, we dealt with the future composition of the Committees and passed resolutions on this. We also devoted part of the meeting to the future composition of the Board of Directors.

At our **annual strategy meeting on 22 June 2021**, which took place in Kitzingen, the Supervisory Board dealt in particular with questions relating to the business model, the market, competitive and customer situations, technology, initiatives in the operational and as issues regarding IT, HR and sustainability. In Kitzingen, we also had the opportunity to tour the Development departments and had a presentation on future wiring systems architecture.

In an **extraordinary meeting on 25 June 2021**, the Supervisory Board dealt with the announcement to be made on 30 July 2021 regarding their decision to proceed with Pierer Industrie AG's voluntary public offer and passed a resolution to create a temporary Ad hoc Purchase Offer Committee. Mr Rinnerberger did not participate in the meetings or the deliberations of the Committee voluntarily due to his position on the Board of Directors of Pierer Industrie AG in order to avoid any semblance of a potential conflict of interest.

On 27 July 2021, the Supervisory Board met for another ordinary meeting. The meeting focused on business performance in the second quarter of 2021, as well as the prospects for 2021 in general. Other topics included cyber security at LEONI as well as its ongoing development, updates on various projects of particular relevance to the Supervisory Board, routine reports from the main plants, discussion of Pierer Industrie AG's purchase offer and status reports on current sales processes. The Supervisory Board also dealt thoroughly with its own tasks, including the competency profile, planning for the Supervisory Board's self-assessment in 2021, and future Board composition.

In an **extraordinary meeting on 5 August 2021**, the Supervisory Board addressed the topic of Pierer Industrie AG's public purchase offer issued 30 July 2021. In the extraordinary meeting on 13 August 2021, it passed a resolution on the reasoned statement from the Executive and Supervisory Board in accordance with Section 27 (1) of the German Securities Acquisition and Takeover Act *(Wertpapiererwerbs- und Übernahmegesetz, „WpÜG")* on the voluntary public purchase offer in the form of a partial offer by Pierer Industrie AG, Wels, Austria to the shareholders of LEONI AG of 30 July 2021, which was also published on 13 August 2021.

During an **extraordinary meeting on 18 August 2021**, the Supervisory Board dealt with Ingrid Jägering's departure on 31 December 2022 with the expiration of her contract, the proper process to fill her position, and the future composition of the entire Board of Directors.

The **ordinary meeting on 16 September 2021** was focused on reports regarding current sales processes. After a detailed presentation and discussion of the planned sale of LEONI Industrial Solutions (BG IN Group), including its impact on the financial position of LEONI AG, the Supervisory Board passed a resolution on the planned sale to the BizLink Group. Another focal point was the assessment of the quality of the audit of the financial reports, which was closely monitored by the Audit Committee and also dealt with in the plenary meeting of the Supervisory Board due to its considerable relevance. The result of the externally conducted assessment was positive as regards the quality of the audit in general, which even exceeded requirements. In addition, we addressed the effectiveness of the internal audit system, the focal points of the audits, various topics in the area of the Supervisory Board's personnel responsibility and, in particular, the appointment processes at Board of Directors level. In addition, the Rules of Procedure for the Executive and Supervisory Boards regarding personnel matters needing approval were updated.

Our **extraordinary meeting on 27 September 2021** also focused on a number of Board of Directors matters. Following the recommendation of the Personnel Committee, it was decided to appoint Dr Ursula Bienert as the new member of the Board of Directors responsible for Human Resources (CHRO) and at the same time the Labour Director according to Section 33 of the German Co-Determination Act *(Mitbestimmungsgesetz, "MitbestG")*. An external press release regarding her appointment was made on 8 December 2021.

The **extraordinary meeting of the Supervisory Board on 2 November 2021** was marked by further divestments and the streamlining of the whole Group. The sale of Adaptricity to Secure Meters Ltd and the sale of the multimedia business to MediKabel GmbH were approved. In addition, we discussed the current status of further sales processes.

In our **annual Executive Session on 11 November 2021**, we focused on the work of the Supervisory Board without the participation of the Board of Directors. Among other things, we critically examined our role as a supervisory board, the requirements profile of the Board, the expertise of Supervisory Board members and the measures necessary for the further development of our work. The meeting focused on the presentation of the results from the Supervisory Board's self-assessment conducted in 2021, which was supported by an external consultancy. The overall result of the evaluation confirmed the positive level of governance maturity in our work as the Supervisory Board and its Committees, as well as in our cooperation with the Board of Directors. The focus here was also on the various extraneous factors that influenced Board work in 2021, especially the restructuring of the LEONI Group, including the various divestments, the ongoing supervision of the liquidity and debt situation and the upcoming refinancing. We defined a number of measures essential for continued development, enhancing the effectiveness and efficiency of our work, and also discussed strategic focal points for the Board's work in 2022. Another part of our discussion was the target for the future composition of the Board of Directors team with a CEO, CFO, CHRO and COO, as well as the appointment of our new COO and Board of Directors member, Ingo Spengler, as of 1 February 2022. Furthermore, in connection with the Supervisory Board's requirements for further training, there was an external presentation on the impact of the German Act to Strengthen Financial Market Integrity *(Gesetz zur Stärkung der Finanzmarktintegrität „FISG")* and the German Second Leadership Positions Act *(Führungspositionengesetz, „FüPoG II")* on LEONI AG and our work on the Supervisory Board.

In our **meeting on 7 December 2021**, we addressed the current business development, the 3rd quarter review and the forecast for 2022 as a whole. The Supervisory Board was informed about the current sales processes and passed a resolution on the sale of the Fiber Optics business unit (without j-fiber GmbH) to Weinert Industries AG. Also on the agenda were reports from the Operations Division and an ongoing IT project to improve business management processes. The declaration of conformity with the DCGK for 2021 is of particular note. Once again, this year we are able to fully comply with the recommendations of the German Corporate Governance Code 2020. In addition, we dealt with the distribution-of-business plan after the expansion of the Board of Directors as of 1 February 2022, succession planning for the Finance department and the new elections for the Supervisory Board for the next Annual General Meeting.

In the **extraordinary meeting on 13 December 2021**, we dealt with the preliminary draft of the 2022 budget and the mid-term planning for 2023 – 2026.

The focus of the **extraordinary meeting on 28 December 2021** was a report on the current status regarding the replacement process for Ingrid Jägering and a vote on the next steps in the process.

Work of the Committees

The Supervisory Board of LEONI AG sets up Supervisory Board committees to promote the effectiveness and efficiency of its work. Accordingly, there is an Audit Committee, a Personnel Committee, a Nomination Committee, a Strategy Committee and a Special Committee. In addition, there is also the Mediation Committee in accordance with Section 27 (3) MitBestG. In the 2021 financial year, a temporary Ad hoc Committee on the purchase offer was also set up but has since been dissolved by resolution on 1 February 2022.

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

The **AUDIT COMMITTEE** met for a total of four ordinary meetings and one extraordinary meeting in the reported year. The Audit Committee discussed the annual and consolidated financial statements for the financial year 2020, the combined management report for LEONI AG and the Group for the financial year 2020 and, among other things, drew up recommendations for resolutions for the Supervisory Board – for example, for the election of the auditor for 2021 and for the non-financial Group statement. The auditors from the auditing company Deloitte attended the financial statements meeting, explained the focus of the audit and were available to answer questions from the Audit Committee. The Audit Committee also dealt with the half-year financial report from 30 June 2021 and the quarterly reports from 31 March and 30 September 2021. The half-year financial statements, which were also reviewed by the auditor in accordance with IDW PS 900, were also discussed together with the auditor. The Audit Committee approved a limited number of non-audit services by the auditor. In addition, it issued the audit mandate for the 2021 financial year to the auditor elected by the Annual General Meeting.

The Chairman of the Audit Committee also maintained regular contact with the auditor outside of meetings and reported regularly to the Committee. Moreover, in compliance with the new FISG legislation, an exchange between the Audit Committee and the auditor also took place without the participation of the Board of Directors during the reporting year, which was specifically used to go into more detail on individual key points. In accordance with Recommendation D.11 of the DCGK 2020 and as required by the FISG, the Audit Committee dealt intensively with quality of the audit and independence of the auditor in the financial year. For the first time, the quality of the audit was independently evaluated by external consultants. The views of the Finance department, the members of the Audit Committee and the auditor were included in the evaluation, and Audit Quality Indicators were collected as objectively assessable indicators of the quality of the audit. As a result, the quality of the audit was assessed as positive and the requirements placed on it were considered to have been exceeded.

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

In addition, the Audit Committee dealt extensively with the general Corporate Social Responsibility (CSR) reporting, including the non-financial Group declaration, which was externally audited by the auditing firm EY. Other topics addressed included regulatory issues (including the Supply Chain Due Diligence Act *(Lieferkettensorgfaltspflichtengesetz, „LkSG")* and the FISG, taxes, IT, cyber security/information security and data protection.

In accordance with the requirements of Section 107 (4) in conjunction with Section 100 (5) AktG, which was effective from 1 July 2021, both the Chairman of the Audit Committee, Prof. Dr Christian Rödl, and Klaus Rinnerberger, as a Committee member, have expertise in both the areas of accounting and auditing.

The **SPECIAL COMMITTEE** met twelve times and dealt intensively with LEONI Group's financial situation. The focus was, on the one hand, on the constant monitoring of LEONI Group's liquidity and debt situation, and on the other, on LEONI AG's equity situation as well as advising the Board of Directors on the upcoming refinancing. The Committee discussed the impact of the Covid-19 pandemic and the supply chain challenges, particularly with regard to LEONI AG's liquidity planning in detail. It advised the Board of Directors on the steps taken and still to be taken, followed up on the implementation of the agreed measures and was always in close communication with both the Board of Directors and the full Supervisory Board.

The **PERSONNEL COMMITTEE** met a total of nine times in the year of reporting. It was focused primarily on the future composition of the Board of Directors team, preparing the contract extension of the Chief Executive Officer (CEO) as well as the appointment of the Chief Human Resources Officer (CHRO) and the Chief Operations Officer (COO). The Committee also dealt with the departure of

Hans-Joachim Ziems (CRO), the departure of Ingrid Jägering (CFO) and the search for a successor for her. Further topics included contractual and remunerational issues regarding the Board of Directors and personnel matters relating to senior management level, as well as the Board of Directors' 2020 target achievement and the 2021 target agreement.

The **STRATEGY COMMITTEE** held three meetings in the past financial year. The Committee members discussed in close consultation with the Board of Directors and specific managers the business model of LEONI Bordnetze, the changes in the industry and the general market situation in particular. Issues relating to technology, manufacturing, IT, automation and digitization were also discussed, and the Supervisory Board's strategy meeting was prepared and subsequently followed up on. Other topics of discussion were the development of selected projects in the areas of sustainability and human resources and the further development of the VALUE 21 programme.

The **NOMINATION COMMITTEE** met twice in the financial year. The Nomination Committee prepared the replacement of Dirk Kaliebe on the Supervisory Board with Klaus Rinnerberger. In addition, the Committee dealt with the competency profile of the Supervisory Board in another meeting, as well as with the election proposals at the 2022 Annual General Meeting regarding the future composition of the Supervisory Board.

The temporary **AD-HOC PURCHASE OFFER COMMITTEE** met a total of two times with the aim of preparing a joint reasoned statement from the Executive and the Supervisory Board on the purchase offer for the Supervisory Board, as well as to draft a recommended resolution.

The **MEDIATION COMMITTEE** did not meet in the financial year of 2021.

Declaration of Conformity & Corporate Governance

In 2021, the Supervisory Board once again devoted itself to the topic of corporate governance and to the continued professionalisation of its own supervisory work.

On 7 December 2021, the Executive and Supervisory Board confirmed in their statement regarding the Corporate Governance Code under Section 161 AktG that LEONI complies with all recommendations of the Code and will continue to do so. The Corporate Governance Declaration contains further information on the Company's corporate governance.

Audit of annual and consolidated financial statements 2021

On 19 May 2021, the Annual General Meeting of LEONI AG elected Deloitte as the auditor for both the 2021 financial year and the half-year financial statement as of 30 June 2021 at the recommendation of the Supervisory Board and in line with the recommendation of the Audit Committee. Deloitte audited the half-year statement, the annual financial statements of LEONI AG, the consolidated financial statements and the combined management report for the 2021 financial year and issued an unqualified auditor's opinion in each case.

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

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

LEONI AG's annual and consolidated financial statements and the combined management report (including the non-financial Group declaration) along with the auditor's reports were all made available to the Supervisory Board in good time. The Audit Committee conducted a preliminary review of these documents at its meeting on 17 March 2022 and reported them to the Supervisory Board at the ordinary Supervisory Board meeting on 21 March 2022. The financial statements and reports were discussed in detail. The auditor was represented at both meetings, providing information on the results of its audit and answering our questions. Specifically, the results pertaining to the Key Audit Matters for LEONI AG and the Group for the 2021 financial year were presented. The Key Audit Matters regarding the audit of the consolidated financial statements were i) the valuation of goodwill, other intangible assets and fixed assets as well as ii) the recognition and valuation of impending losses from onerous customer contracts and, for the audit of the annual financial statements, the valuation of shares in affiliated companies, loans to affiliated companies and receivables from affiliated companies. In addition, the risks to the Company as a going concern and the Board of Directors' assessment of LEONI AG and the Group in the matter of continuing as a going concern were discussed. There were no objections to the audit.

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

In line with the recommendation of the Audit Committee, the Supervisory Board approved the results of the audit. The Supervisory Board approved the financial statements of LEONI AG and the consolidated financial statements for 2021 prepared by the Board of Directors. The annual financial statements of LEONI AG have been ratified.

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

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

Changes in personnel

The past financial year saw a change in the Supervisory Board. Dirk Kaliebe, who had been appointed by court as a member of the Supervisory Board with immediate effect from 15 August 2020, resigned from the Supervisory Board at the end of the 2021 Annual General Meeting on 19 May 2021. Klaus Rinnerberger was then elected as a new member of the Supervisory Board at the Annual General Meeting.

Thanks to the Board of Directors and employees

On behalf of the entire Supervisory Board, I would like to thank the members of the Board of Directors as well as our employees for their efforts and achievements in the 2021 financial year. In 2022, LEONI AG will continue to operate in a demanding environment and face further challenges in the ongoing transformation. We wish both the Board of Directors and every employee plenty of success in the tasks ahead.

Nuremberg, 21 March 2022

Dr Klaus Probst
Chairman of the Supervisory Board

SUPERVISORY BOARD

Members of the Supervisory Board	Memberships of other statutory supervisory boards in Germany and of comparable domestic and foreign corporate governance bodies of economic entities
Chairman of the Supervisory Board **Dr-Ing Klaus Probst** | born 1953 | Heroldsberg former President & CEO of LEONI AG, retired	Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Deputy Chairman of the Advisory Board of DIEHL Stiftung & Co.KG, Nuremberg (not listed) • Chairman of the Advisory Board of Richard Bergner Holding GmbH & Co.KG, Schwabach (not listed) • Member of the Advisory Board of Lux-Haus GmbH & Co.KG, Georgensgmünd (not listed)
First Deputy Chairman of the Supervisory Board **Franz Spieß**[1] | born 1957 | Büchenbach First senior authorised signatory of the IG Metall trade union's office, Schwabach	—
Dr Elisabetta Castiglioni | born 1964 | London, UK CEO of the A1 Digital International GmbH & A1 Digital Deutschland GmbH, Vienna/Austria, Munich	Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Member of the Supervisory Board of A1 Telekom Austria AG, Austria (not listed)
Wolfgang Dehen | born 1954 | Donaustauf former CEO of Osram Licht AG, retired	Memberships of other statutory supervisory boards in Germany • Member of the Supervisory Board of TÜV SÜD AG, Munich (not listed) • Chairman of the Supervisory Board of Apleona GmbH, Neu-Isenburg (not listed) Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Member of the Supervisory Board of Bridgestone Europe (EMIA) NV/SA, Belgium (not listed) • Member of the Advisory Board of Huf KG, Velbert (not listed)
Mark Dischner[1] | born 1973 | Greding Chairman of the General Works Council of LEONI AG	Memberships of other statutory supervisory boards in Germany • Member of the Administrative Board of Sparkasse Mittelfranken-Süd (not listed)
Janine Heide[1] | born 1983 | Bad Camberg Secretary of the IG Metall trade union, Offenbach office	—
until 19/05/2021 **Dirk Kaliebe** | born 1966 | Berlin Consultant; former CFO of Heidelberger Druckmaschinen AG	—
Karl-Heinz Lach[1] | born 1958 | Eschweiler Workforce council chairman at LEONI Kerpen GmbH, Stolberg	—
Richard Paglia[1] | born 1966 | Allersberg Senior Vice President Global Purchasing Wire & Cable Solutions Division, LEONI Kabel GmbH	—
since 19/05/2021 **Klaus Rinnerberger** | born 1964| Gießhübl/Austria Member of the Board of Directors, Pierer Industrie AG, Vienna/Austria (Mandates marked with an asterisk (*) are mandates for companies within the Pierer Industrie AG group.)	Memberships of other statutory supervisory boards in Germany • Chairman of the Supervisory Board of SHW AG, Aalen, Germany (listed until 31/12/2021)* • Chairman of the Supervisory Board of Schwäbische Hüttenwerke Automotive GmbH, Aalen, Germany (not listed)* Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Member of the Supervisory Board of Pierer Mobility AG, Wels, Austria (listed)* • Deputy chairman of the Supervisory Board of Pankl AG, Kapfenberg, Austria (not listed)* • Member of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg, Austria (not listed)* • Chairman of the Advisory Board of Gartner KG, Edt bei Lambach, Austria (not listed)
Prof. Dr Christian Rödl | born 1969 | Nuremberg Lawyer, tax consultant Managing partner at Rödl & Partner, Nuremberg	Memberships of other statutory supervisory boards in Germany • Member of the Supervisory Board of Concentro Management AG, Nuremberg (not listed) Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Chairman of the Board of Shareholders of UVEX Winter Holding GmbH & Co. KG, Fürth, Germany (not listed) • Member of the Advisory Board of Deutsche Bank AG, Bavaria (listed)
Regine Stachelhaus | born 1955 | Herrenberg Lawyer, independent entrepreneur	Memberships of other statutory supervisory boards in Germany • Member of the Supervisory Board of CECONOMY AG, Düsseldorf (listed) • Member of the Supervisory Board of COVESTRO AG and COVESTRO Deutschland AG, Leverkusen (listed) • Member of the Supervisory Board of SPIE Deutschland & Zentraleuropa GmbH, Ratingen (not listed) Memberships of comparable domestic and foreign corporate governance bodies of economic entities • Member of the Supervisory Board of SPIE SA, France (listed)
Inge Zellermaier[1] | born 1963 | Allersberg Paramedic, LEONI Kabel GmbH	—

1 Employee representative

SUPERVISORY BOARD

Committees of the Supervisory Board

Arbitration Committee pursuant to Article 27 (3) MitbestG	Dr Klaus Probst (Chairman), Franz Spieß, Regine Stachelhaus, Inge Zellermaier
Personnel Committee	Dr Klaus Probst (Chairman), Wolfgang Dehen, Mark Dischner, Franz Spieß
Audit Committee	Prof. Dr Christian Rödl (Chairman), Richard Paglia, Klaus Rinnerberger, Franz Spieß
Nomination Committee	Dr Klaus Probst (Chairman), Dr Elisabetta Castiglioni, Regine Stachelhaus
Strategy Committee	Wolfgang Dehen (Chairman), Dr Elisabetta Castiglioni, Karl-Heinz Lach, Richard Paglia, Dr Klaus Probst, Inge Zellermaier
Ad-hoc Purchase Offer Committee	Wolfgang Dehen (Chairman) Mark Dischner, Richard Paglia, Dr Klaus Probst, Klaus Rinnerberger, Franz Spieß

BOARD OF DIRECTORS

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

Dr Ursula Biernert (52) spent key periods of her career at Volkswagen and Porsche in international settings as well as in the senior management of the Thales Group. Most recently, she was Labour Director and Management Board member responsible for human resources at DB Cargo AG as well as CEO of DB Cargo Vermögensverwaltungs-AG. As CHRO at LEONI, she has been responsible since February 2022 for all processes involving management and development of the workforce.

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

After studying mechanical engineering, Ingo Spengler (49) worked at Volkswagen, Faurecia and Magna, among others. He moved to LEONI in January 2021 and took charge of the Operations department of the Wiring Systems Division (WSD) until his appointment to the Board of Directors. As LEONI AG's COO, he has since February 2022 been working on standardising and digitalising processes further in our worldwide production network, among other things.

Ingrid Jägering
Chief Financial Officer (CFO); a member of the Board of Directors since 1 August 2019

Ingrid Jägering (55) started her career in 1988 at Siemens. For Siemens, BenQ Mobile and Brose she held various senior positions in and outside Germany; most recently as Executive Vice President and CFO of Siemens Wind Power in Denmark until 2012. Thereafter she worked as Managing Director and CFO at MAN Diesel & Turbo and OSRAM Opto Semiconductors. She has been with LEONI AG as CFO since 1 August 2019 and announced in August 2021 that she would not be extending her contract that was to expire at the end of 2022. She will hand over her office to her successor, Dr Harald Nippel, on 1 April 2022.

Aldo Kamper
Chief Executive Officer (CEO); a member of the Board of Directors since 1 September 2018

Aldo Kamper (51) studied business administration in Germany, the Netherlands and the United States. He joined OSRAM as Controller in 1994. Various positions at OSRAM Opto Semiconductors followed, among others as Vice President & General Manager of the LED and Specialty Lighting divisions. In 2010, he was appointed CEO at OSRAM Opto Semiconductors. He has been LEONI AG's CEO since 2018.

ANNUAL REVIEW

Wiring system production for e-vehicles from VW

Extensive ramp-up of production of wiring systems for vehicles based on the Volkswagen Group's modular electric drive matrix (MEB) picked up pace at several LEONI facilities. LEONI AG is thereby strengthening its position in the growing future market of alternative drives.

Reorganisation of Wiring Systems Division

Implementation of a comprehensive organisational change to the Wiring Systems Division started in February 2021. It was accompanied by changes to business processes, governance and the control concept, as well as realignment of corporate and management culture.

Agreement on the sale of parts of LEONI Kerpen

LEONI reached another milestone in gradually carving out its Wire & Cable Solutions Division: the Data Communication and Compound business units belonging to LEONI Kerpen GmbH in Stolberg were sold via a management buy-out. This move secured about 160 jobs at the location.

Aldo Kamper extends his CEO contract early

LEONI AG's Supervisory Board prematurely reappointed Aldo Kamper, who has been LEONI AG's CEO since September 2018, for a further five years. This extended his contract, which originally expired at the end of 2021, to 31 December 2026. Hans-Joachim Ziems, responsible for implementing our Company's restructuring plan as Chief Restructuring Officer since 1 April 2020, left the Board of Directors as planned upon expiry of his one-year mandate on 31 March 2021.

LEONI Schweiz AG sold

By selling Studer AG and the LEONI Schweiz AG umbrella company, LEONI took a major step towards focusing on the wiring systems business. This Switzerland-based unit of the Wire & Cable Solutions Division, which specialises in high-quality cables and conductors for complex applications in the industrial and infrastructure sectors, was taken over by a consortium of buyers led by former LEONI AG director Bruno Fankhauser and involving Helvetica Capital.

Sales and earnings forecasts for 2021 raised

LEONI raised its full-year guidance based on first-quarter key figures showing performance exceeding market expectations. Despite the still existing, multifaceted challenges later in the year, stemming especially from the persisting Covid-19 pandemic and the ongoing bottlenecks in global supply chains, the Board of Directors now projected a significant increase in consolidated sales for 2021. Consolidated EBIT before exceptional items as well as before VALUE 21 costs was forecast to improve substantially and to at least reach the break-even point.

Virtual Annual General Meeting: presentation of trailblazing e-mobility projects

At our second virtual Annual General Meeting, CEO Aldo Kamper reported not only on considerable progress made in stabilising business performance, but also on several production starts in the forward-looking e-mobility segment. Thanks to our good position in the alternative drive sector, many premium brands count on wiring systems made by LEONI: among others, we supply products for the Audi Q4 e-tron and the Mercedes EQS.

LEONI starts Covid-19 vaccinations in Germany

With valuable experience having already been gained in other countries, LEONI now also offered Covid-19 vaccinations to staff in Germany as soon as company doctors were permitted to support the national vaccination campaign. Our Roth location was first to start. The option was in the subsequent days and weeks also expanded to other locations in Germany and met with a great response.

LEPS: Technical training tailored for electric vehicle manufacturers

Given the growing production of electric vehicles, LEONI Engineering Products & Services (LEPS) for the first time offered training sessions specifically tailored to this segment – for such areas as robotics, machine imaging and industrial data handling for automating processes. These schemes, which are individually adapted to the manufacturers' requirements, are geared mainly towards experts in production and maintenance engineering. The aim is to enable them to maintain their automation systems themselves.

JULY

Full-year forecast raised further

Against the backdrop of business performance again exceeding expectations in the second quarter, the Board of Directors once more lifted its guidance for fiscal 2021 and on this basis projected a significant sales increase to at least €5 billion and a clear improvement in EBIT before exceptional items as well as before VALUE 21 costs to at least €100 million. The drivers behind this good performance were the ongoing recovery of demand in the automotive and industrial sectors, volume and product mix-related factors and benefit from our VALUE 21 programme and restructuring plan.

PACCAR commends LEONI as best-performing supplier

The US-based truck manufacturer PACCAR bestowed LEONI with its Leader Level Award, its accolade for its best-performing supplier in North America. With it, PACCAR, a world-leading producer of light, medium and heavy commercial vehicles under the DAF, Kenworth and Peterbilt brands, appreciated our sharp focus on the customer. The consistently high quality and delivery reliability of LEONI's plants in Arad, Romania as well as Durango and Hermosillo in Mexico made a key contribution in this respect.

LEONI wins prestigious auto award

The Center of Automotive Management (CAM) and PwC consulting firm commended LEONI with the AutomotiveINNOVATIONS Award 2021. LEONI won this prestigious award in the 'Interior and Interface' category for an ACC cable that facilitates super-fast data transfer in a high bandwidth.

SEPTEMBER

Collaboration with Valeo on zone control

Together with Valeo, the world market leader in driver assistance systems, LEONI is developing an innovative solution for zone control units, a key element for future wiring system architectures. To meet the demands of autonomous, electric and connected mobility, vehicles increasingly require sensors, connectivity, electronics and software. Zone controllers are the nerve centres of these new vehicle architectures. Valeo and LEONI's solution enables integration of more intelligence, functionality and capacity and simultaneously reduces complexity, as well as the quantity of cabling.

New plant opened in Serbia

LEONI demonstrated a strong commitment by, in the presence of Aleksandar Vučić, President of the Republic of Serbia, officially opening a new plant in Kraljevo: the plant is our now fourth production facility in Serbia and advances LEONI to being the country's largest private-sector industrial employer. The Kraljevo location, where up to 500 jobs will be created, strengthens LEONI's position as an effective supplier to the international motor vehicle industry.

Sale of key parts of our industrial business agreed

LEONI sold Business Group Industrial Solutions, which belonged to its Wire & Cable Solutions Division, to BizLink, an international provider of high-end solutions for cable connections and connectivity services. LEONI thereby marked the next important milestone on its way towards sustained stabilisation and drove the intended focus on the wiring systems business further forward. The sale comprised about 20 facilities in ten countries, which also included the Healthcare, Robotics and Automation units.

Dr Ursula Biernert and Ingo Spengler augment the Board of Directors

LEONI AG's Supervisory Board newly appointed experienced senior executives Dr Ursula Biernert and Ingo Spengler to the Board of Directors as Chief Human Resources Officer and Chief Operations Officer, respectively, effective 1 February 2022. Alongside stabilising the Company further and concentrating on the automotive business, the newly constituted Board of Directors will forge ahead with developing LEONI into a systems partner to its customers for the wiring systems of the future.

Agreement on the disposal of the fiber optics business

LEONI continued its strategic focus on the wiring systems business by agreeing to sell the LEONI Fiber Optics companies and j-plasma GmbH. These subsidiaries, which produce special fibers for optical metrology and industrial data transmission, among other things, were taken over by Weinert Industries AG as part of a management buy-out.

CORPORATE GOVERNANCE DECLARATION

The Corporate Governance Declaration pursuant to Sections 289f and 315d of the German Commercial Code *(Handelsgesetzbuch, "HGB")* is the key instrument for reporting on corporate governance (principle 22 of the German Corporate Governance Code in its version of 16 December 2019, "DCGK 2020"). It is part of the combined management report. Pursuant to Section 317 (2) sentence 6 HGB, the auditor must limit its audit of the information provided pursuant to Sections 289f (2) and (5) and Section 315d HGB to considering only whether or not the information has been provided.

I. Declaration of conformity pursuant to Section 161 AktG

On 7 December 2021, the Board of Directors and the Supervisory Board of LEONI AG issued the declaration regarding the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act shown below:

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

Since submitting the last Declaration of Conformity on 10 December 2020, LEONI AG has complied with all of the recommendations of the German Corporate Governance Code in its version of 16 December 2019 as published by the German Federal Ministry of Justice and Consumer Protection in the official part of the Federal Gazette (Bundesanzeiger) on 20 March 2020 and will continue to comply.

Nuremberg, 7 December 2021

LEONI AG

For the Board of Directors	**For the Supervisory Board**
Aldo Kamper	Dr.-Ing. Klaus Probst

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

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

The compensation report on the last financial year and the auditor's report pursuant to Section 162 of the German Stock Corporation Act *(Aktiengesetz, "AktG")* will be on the agenda of the Annual General Meeting on 24 May 2022 for approval. The compensation report, including the auditor's report, will be published at » www.leoni.com/en/investor-relations/corporate-governance/board-of-directors and » www.leoni.com/en/investor-relations/corporate-governance/supervisory-board; immediately after the Annual General Meeting, the relevant resolution of the Annual General Meeting will also be made available on the website and will remain publicly available in accordance with the legal requirements.

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

III. Other relevant corporate governance practices

1. Suggestions of the Code

On a voluntary basis, LEONI AG also follows the suggestions of the DCGK 2020 and complies with them with the following exceptions:

The Board of Directors has not taken an advance decision as to whether, in the event of a takeover offer, it should convene an extraordinary general meeting at which shareholders will discuss the takeover offer and may decide on corporate actions (suggestion A.5). The Board of Directors would take such a decision on a case-by-case basis depending on the terms of a potential takeover offer and the specific need for discussions and decisions and taking into account the amount of work and resources that an extraordinary general meeting would require.

According to suggestion D.8 sentence 2 DCGK, attending the meetings of the Supervisory Board and its committees by telephone and video conference should not be the rule. Therefore, these meetings may only be attended by telephone in exceptional cases. During the financial year 2021, due to the restrictions associated with the Covid-19 pandemic, 44 of the total of 53 ordinary and extraordinary meetings of the Supervisory Board and its committees were held as virtual meetings or hybrid meetings with the option of attending in person or virtually.

2. External standards and internal sets of rules

Beyond the statutory regulations and the DCGK 2020, the corporate governance of LEONI AG is aligned with recognised external standards and various internal sets of rules. These include the UN Global Compact, the LEONI Social Charter and and Diversity Charter, as well as internal guidelines, such as the LEONI Code of Conduct and the occupational health, safety and environmental protection policy for LEONI's company divisions that had been transferred to the divisional level in 2019. Further details are provided in the non-financial Group information statement pursuant to Section 315b HGB and can be viewed on the website of LEONI AG at » www.leoni.com/en/compliance and » www.leoni.com/en/code-of-conduct.

IV. Description of the procedures of the Board of Directors and the Supervisory Board and of the composition and procedures of the Supervisory Board Committees

In the financial year 2021, the Board of Directors and the Supervisory Board of LEONI AG collaborated closely and with mutual trust for the benefit of the Company. The Supervisory Board actively assists and monitors the Board of Directors' work. At the Supervisory Board meetings, the Board of Directors and the Supervisory Board members discuss all key strategic decisions and transactions requiring consent thoroughly, openly and in strict confidentiality.

1. Composition and procedures of the Board of Directors

a) Composition of the Board of Directors

As provided for by LEONI AG's Articles of Association, the Board of Directors of the Company has at least two members. As at 31 December 2021, the Board of Directors had two members, namely Aldo Kamper as Chief Executive Officer (CEO) and Ingrid Jägering as Chief Financial Officer (CFO). On 31 March 2021, Hans-Joachim Ziems, who, as a member of the Board of Directors, was entrusted with the Company's financial and operational restructuring, left the Board of Directors as planned due to the fixed term of his appointment.

In the financial year 2021, the Board of Directors was thus composed as follows:

Ingrid Maria Jägering, industrial business management assistant *(Industriekauffrau)*, 55

First appointed: 1 August 2019	Appointed until: 31 December 2022
Areas of responsibility:	Chief Financial Officer (CFO) and Labour Director; also head of the following departments: Corporate Accounting, Corporate Controlling, Corporate Ethics, Risk & Compliance, Corporate Finance & Treasury, Corporate Human Resources (including the labour management *(Arbeitsdirektion)*), Corporate Information Technology, Corporate Internal Audit and Corporate Taxes (including Customs Compliance); furthermore, head of Human Resources and head of Purchasing & Facility Management of LEONI AG in Nuremberg, i.e. at holding level; additionally CFO of the Wiring Systems Division

Aldo Kamper, MBA, 51

First appointed: 1 September 2018	Appointed until: 31 December 2026
Areas of responsibility:	Chief Executive Officer (CEO); also head of the following departments: Corporate Communications & Investor Relations, Corporate Legal, Corporate Strategy; furthermore, head of Senior/Executive Management & Development; also responsible for the operational management of the Wiring Systems Division (Division CEO) and Wire & Cable Solutions Division

Hans-Joachim Ziems, degree in business administration *(Diplom-Kaufmann)*, 68

First appointed: 1 April 2020	Appointed until: 31 March 2021
Areas of responsibility:	Chief Restructuring Officer (CRO); also CRO of the Wiring Systems Division, CRO of the Wire & Cable Solutions Division and head of the Financial & Operational Restructuring and Liquidity Management departments of LEONI AG

b) Leadership and management

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

The law and the rules of procedure govern the collaboration and the allocation of duties among the members of the Board of Directors. The rules of procedure and the related schedule of responsibilities are regularly reviewed by the Supervisory Board for the need of updating. The rules of procedure for the Board of Directors as amended from time to time are available on the website of LEONI AG at » www.leoni.com/en/investor-relations/corporate-governance/.

In the past financial year, the Board of Directors' work focused on managing the bottlenecks in global supply chains as a consequence of the semiconductor shortage and the lasting effects of the Covid-19 pandemic on the Company. This included short-term fluctuations in demand and increased commodity prices, but also the protection of our employees. In addition to taking extensive hygiene measures, LEONI offered vaccination to its employees worldwide at an early stage, thus relieved the burden on public infrastructures and contributing to increasing vaccination rates, also in emerging markets. Furthermore, the agreed restructuring concept, inter alia as part of the VALUE 21 performance and strategy programme, and the Company's strategic focus on the wiring systems business were implemented consistently. Against this background, several units of the Wire & Cable Solutions Division (WCS) were sold. The "NextGen WSD" (Wiring Systems Division) transformation programme has been successfully implemented and a new Environmental, Social and Governance (ESG) programme ("Rewire") was developed. Preparatory measures have been taken for the upcoming refinancing in the financial year 2022, with LEONI AG continuing to attach great importance to ensuring transparency and communication with stakeholders.

c) Compliance

As part of the compliance management during the year under report, the Board of Directors dealt with the organisation and the further development of all compliance matters and ensured the implementation of the necessary measures. Recommendations for actions that resulted from the external audit of two subsections of the Compliance Management System were translated into improvement projects, and the Company continued to implement the recommendations in the year under report. The conclusions drawn from the findings of the external effectiveness test, from the compliance activities that were carried out and from the measures taken with regard to compliance monitoring, will be included in the assessment of the effectiveness of the compliance programme and therefore in the compliance risk analysis and assessment. The compliance risk assessment is included in the risk evaluation of the Group as part of the risk management system and also forms the basis for planning the compliance activities in the following year.

d) Communication and transparency

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

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

The CEO's speech at the Annual General Meeting of LEONI AG and a presentation shown during that speech can be followed online. This presentation will be available until the next Annual General Meeting at » **www.leoni.com/fileadmin/corporate/investors/events/2021/annual_general_meeting/leoni-hv-rede-ceo-praesentation-2021.pdf** *(only in German)*.

e) Sharing information with the Supervisory Board

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

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

a) Composition of the Supervisory Board

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

In the financial year 2021, Dr Klaus Probst continued to hold office as the Chairman of the Supervisory Board; Franz Spieß was the First Deputy Chairman of the Supervisory Board during the entire financial year. The position of Second Deputy Chairman remains vacant. In accordance with the requirements of Section 100 (5) AktG, which entered into force on 1 July 2021, both Prof. Dr Christian Rödl and the Supervisory Board member Klaus Rinnerberger have expert knowledge in the fields of accounting and auditing respectively.

All members of the Supervisory Board comply with the limitation of the total number of supervisory board mandates they may accept in accordance with the recommendations in the DCGK 2020.

During the financial year 2021, the following changes occurred regarding the Supervisory Board: The member of the Supervisory Board Dirk Kaliebe, who was appointed by court resolution of 15 August 2020, left the Supervisory Board upon the close of the Annual General Meeting of 19 May 2021. The Annual General Meeting of 19 May 2021 newly elected Klaus Rinnerberger as a shareholder representative.

In the financial year 2021, the Supervisory Board was composed as follows:

Dr Klaus Probst, Chairman of the Supervisory Board

Former CEO of LEONI AG, retired, 68

Supervisory Board member since: 2017

Appointed until: 2022

Committee memberships

- Mediation Committee pursuant to Section 27 (3) MitbestG (Chairman)
- Personnel Committee (Chairman)
- Nomination Committee (Chairman)
- Strategy Committee
- Special Committee
- Purchase Offer Ad hoc Committee (Chairman)

Memberships of other statutory supervisory boards in Germany

None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

- Deputy Chairman of the Advisory Board of DIEHL Stiftung & Co. KG, Nuremberg (not listed)
- Chairman of the Advisory Board of Richard Bergner Holding GmbH & Co. KG, Schwabach (not listed)
- Member of the Advisory Board of Lux-Haus GmbH & Co. KG, Georgensgmünd (not listed)

In the opinion of the Supervisory Board, the Supervisory Board member is independent from the Company and its Board of Directors. The member has no personal or business relationship with the Company or its Board of Directors that may cause a substantial – and not merely temporary – conflict of interest. LEONI AG does not have a controlling shareholder.

Franz Spieß, Deputy Chairman of the Supervisory Board

First senior authorised signatory of the IG Metall trade union in Schwabach, 65

Supervisory Board member since: 2006

Appointed until: 2022

Committee memberships

- Mediation Committee pursuant to Section 27 (3) MitbestG
- Personnel Committee
- Audit Committee
- Special Committee
- Purchase Offer Ad hoc Committee

Memberships of other statutory supervisory boards in Germany

None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

None

Employee representative

Dr Elisabetta Castiglioni

CEO of A1 Digital International GmbH & A1 Digital Deutschland GmbH, Vienna/Munich, 57

Supervisory Board member since: 2017

Appointed until: 2022

Committee memberships

- Nomination Committee
- Strategy Committee

Memberships of other statutory supervisory boards in Germany

None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

- Member of the Supervisory Board of A1 Telekom Austria AG, Austria (not listed)

In the opinion of the Supervisory Board, the Supervisory Board member is independent from the Company and its Board of Directors. The member has no personal or business relationship with the Company or its Board of Directors that may cause a substantial – and not merely temporary – conflict of interest. LEONI AG does not have a controlling shareholder.

Wolfgang Dehen

Former CEO of Osram Licht AG, retired, 68

Supervisory Board member since: 2017

Appointed until: 2022

Committee memberships

- Personnel Committee
- Strategy Committee (Chairman)
- Special Committee (Chairman)
- Purchase Offer Ad hoc Committee

Memberships of other statutory supervisory boards in Germany

- Member of the Supervisory Board of TÜV SÜD AG, Munich (not listed)
- Chairman of the Supervisory Board of Apleona GmbH, Neu-Isenburg (not listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

- Member of the Supervisory Board of Bridgestone Europe (EMIA) NV/SA, Belgium (not listed)
- Member of the Advisory Board of Huf KG, Velbert (not listed)

In the opinion of the Supervisory Board, the Supervisory Board member is independent from the Company and its Board of Directors. The member has no personal or business relationship with the Company or its Board of Directors that may cause a substantial – and not merely temporary – conflict of interest. LEONI AG does not have a controlling shareholder.

Continuation of the Supervisory Board composition:

Mark Dischner

Chairman of the General Works Council of LEONI AG , 48

Supervisory Board member since: 2017

Appointed until: 2022

Committee memberships

- Personnel Committee
- Special Committee

Memberships of other statutory supervisory boards in Germany

- Member of the Administrative Board of Sparkasse Mittelfranken-Süd (not listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

None

Employee representative

Janine Heide

Secretary of the IG Metall trade union, Offenbach office, 38

Supervisory Board member since: 2019

Appointed until: 2022

Committee memberships

None

Memberships of other statutory supervisory boards in Germany

- Until 13 April 2021: Deputy Chairwoman of the Supervisory Board of Caverion Deutschland GmbH, Munich (not listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

None

Employee representative

Dirk Kaliebe

Adviser; former CFO of Heidelberger Druckmaschinen AG, 55

Supervisory Board member since: 2020

Left the Supervisory Board upon the close of the Annual General Meeting on: 19 May 2021

Committee memberships

- Audit Committee
- Special Committee

Memberships of other statutory supervisory boards in Germany

None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

None

In the opinion of the Supervisory Board, the Supervisory Board member is independent from the Company and its Board of Directors. The member has no personal or business relationship with the Company or its Board of Directors that may cause a substantial – and not merely temporary – conflict of interest. LEONI AG does not have a controlling shareholder.

Karl-Heinz Lach

Works council chairman at LEONI Kerpen GmbH, Stolberg, 63

Supervisory Board member since: 2007

Appointed until: 2022

Committee memberships

- Strategy Committee
- Purchase Offer Ad hoc Committee

Memberships of other statutory supervisory boards in Germany

None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

None

Employee representative

Richard Paglia

Senior Vice President of Global Purchasing, Wire & Cable Solutions Division, 55

Supervisory Board member since: 2012

Appointed until: 2022

Committee memberships

- Audit Committee
- Strategy Committee
- Special Committee

Memberships of other statutory supervisory boards in Germany

None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

None

Employee representative

Continuation of the Supervisory Board composition:

Klaus Rinnerberger

Member of the Board of Directors of Pierer Industrie AG, Wels/Austria, 58

Supervisory Board member since: 19 May 2021

Appointed until: 2022

Committee memberships

- Audit Committee
- Special Committee

Memberships of other statutory supervisory boards in Germany

- Chairman of the Supervisory Board of SHW AG, Aalen (listed until 31 December 2021)*
- Chairman of the Supervisory Board of Schwäbische Hüttenwerke Automotive GmbH, Aalen (not listed)*

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

- Member of the Supervisory Board of Pierer Mobility AG, Wels, Austria (listed)*
- Deputy Chairman of the Supervisory Board of Pankl AG, Kapfenberg, Austria (not listed)*
- Member of the Supervisory Board of Pankl Racing Systems AG, Kapfenberg, Austria (not listed)*
- Chairman of the Advisory Board of Gartner KG, Edt bei Lambach, Austria (not listed)

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

In accordance with recommendation C.13 DCGK 2020, it is pointed out that Mr Rinnerberger is a member of the Board of Directors of Pierer Industrie AG. In its announcement of 15 September 2021 pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz, "WpÜG"*), Pierer Industrie AG reported that as at 10 September 2021, approximately 15.49% of the LEONI voting rights were held by it and the persons acting jointly with it. Pierer Industrie AG is therefore a key shareholder of LEONI AG within the meaning of the recommendation C.13 DCGK 2020. In the opinion of the Supervisory Board, Mr Rinnerberger has no other personal or business relationship with the Company or the LEONI Group or the Company's corporate bodies that would require disclosure pursuant to recommendation C.13 DCGK 2020. In the opinion of the Supervisory Board, Mr Rinnerberger is independent from the Company and its Board of Directors. LEONI AG does not have a controlling shareholder.

Prof. Dr Christian Rödl

Lawyer, tax consultant, Managing Partner at Rödl & Partner, 53

Supervisory Board member since: 2015

Appointed until: 2022

Committee memberships

- Audit Committee (Chairman)

Memberships of other statutory supervisory boards in Germany

- Member of the Supervisory Board of Concentro Management AG, Nuremberg (not listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

- Chairman of the Board of Shareholders of UVEX Winter Holding GmbH & Co. KG, Fürth (not listed)
- Member of the Advisory Board of Deutsche Bank AG, Bavaria (listed)

In the opinion of the Supervisory Board, the Supervisory Board member is independent from the Company and its Board of Directors. He has no personal or business relationship with the Company or its Board of Directors that may cause a substantial – and not merely temporary – conflict of interest. LEONI AG does not have a controlling shareholder.

Regine Stachelhaus

Independent entrepreneur, 66

Supervisory Board member since: 2019

Appointed until: 2022

Committee memberships

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

Memberships of other statutory supervisory boards in Germany

- Member of the Supervisory Board of Ceconomy AG, Dusseldorf (listed)
- Member of the Supervisory Boards of COVESTRO AG and COVESTRO Deutschland AG, Leverkusen (listed)
- Member of the Supervisory Board of SPIE Deutschland & Zentraleuropa GmbH, Ratingen (not listed)

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

- Member of the Supervisory Board of SPIE SA, France (listed)

In the opinion of the Supervisory Board, the Supervisory Board member is independent from the Company and its Board of Directors. The member has no personal or business relationship with the Company or its Board of Directors that may cause a substantial – and not merely temporary – conflict of interest. LEONI AG does not have a controlling shareholder.

Inge Zellermaier

Paramedic, 58

Supervisory Board member since: 2017

Appointed until: 2022

Committee memberships

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

Memberships of other statutory supervisory boards in Germany

None

Memberships of comparable domestic and foreign corporate governance bodies of business enterprises

None

Employee representative

b) Responsibilities and procedures of the Supervisory Board

The Supervisory Board of LEONI AG monitors and advises the Board of Directors on the management of the Company. Its work is governed by applicable law, the Articles of Association, the DCGK 2020 and the rules of procedure. The rules of procedure for the Supervisory Board as amended from time to time are available on the website of LEONI AG at » www.leoni.com/en/investor-relations/corporate-governance. The change to the rules of procedure for the Supervisory Board made on 16 September 2021 is explained in the Supervisory Board report.

The Supervisory Board regularly reviews the efficiency of its work. In the financial year 2021, the Supervisory Board held an executive session on 11 November 2021. At that meeting – without the Board of Directors being present – the Supervisory Board also discussed the findings of the efficiency audit, which had been conducted in the form of a self-evaluation by questionnaire and one-on-one interviews. The outcome for the Supervisory Board was that it will continue to attach importance to its constant ongoing training and, in light of the challenging market environment, will focus more on LEONI's long-term corporate strategy.

The objective to hold at least one Supervisory Board meeting per year at a production facility of LEONI AG was met – in light of the current hygiene requirements due to the Covid-19 pandemic – by holding a one-day Supervisory Board meeting at one of our sites in September 2021. The other Supervisory Board meetings in 2021 were for the most part held as virtual meetings due to the Covid-19 pandemic. More details on the Supervisory Board's work under the impact of the Covid-19 pandemic and, in particular, on the number of meetings and the key issues discussed are set out in the Supervisory Board report.

The Supervisory Board also critically reflected on its competence profile and, as a consequence, partly amended it. The competence profile of the Supervisory Board includes the criterion of the independence of Supervisory Board members that is aimed at avoiding conflicts of interest » www.leoni.com/en/investor-relations/corporate-governance. More details can be found in the section "Diversity concept" below. A description of the conflicts of interest that arose in the financial year 2021 and how they were handled is contained in the Supervisory Board report.

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

c) Supervisory Board Committees

To increase the efficiency of the Supervisory Board's work, the following Committees are in place, all of which, except for the Nomination Committee, the Mediation Committee and the Purchase Offer Ad Hoc Committee, met regularly during the year under report: the Audit Committee, the Personnel Committee, the Nomination Committee, the Mediation Committee, the Special Committee, the Strategy Committee and the Purchase Offer Ad hoc Committee. The respective Committee chairpersons report on the Committees' work during the Supervisory Board meetings.

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

The Audit Committee meets at least four times a year. In the reporting year 2021, the Audit Committee convened for four ordinary meetings and one extraordinary meeting. The Audit Committee consists of four members – two shareholder representatives and two employee representatives – to be elected by the Supervisory Board, one of whom the Supervisory Board appoints as chair. As at 31 December 2021, the members of the Audit Committee are Prof. Dr Christian Rödl (Chairman), Richard Paglia, Klaus Rinnerberger and Franz Spieß.

The Audit Committee's Chairman, Prof. Dr Christian Rödl, is independent, is not also the Chairman of the Supervisory Board and has at no point in time been a member of the Board of Directors of LEONI AG. Prof. Dr Christian Rödl, the Chairman of the Audit Committee, has expert knowledge in the fields of accounting and auditing, and Klaus Rinnerberger also has expert knowledge in the fields of accounting and auditing (two independent financial experts) in accordance with the requirements of Section 107 (4) AktG, which entered into force on 1 July 2021. Further information on the content of the meetings can be found in the Supervisory Board report.

The **PERSONNEL COMMITTEE**'s main tasks are to advise on the appointment and removal of the members of the Board of Directors, the compensation system for the members of the Board of Directors and the principal elements of the service contracts of the members of the Board of Directors, as well as to approve contracts with Supervisory Board members in accordance with Section 114 AktG. The Committee meets at least twice a year. In 2021, the year under report, the Personnel Committee convened for a total of nine meetings.

Alongside the chair of the Supervisory Board as Committee chair, the Personnel Committee comprises the deputy of the Supervisory Board's chair and one Supervisory Board member, each to be elected on the proposal of the shareholder representatives and the employee representatives. As at 31 December 2021, the members of the Personnel Committee are Dr Klaus Probst (Chairman), Wolfgang Dehen, Mark Dischner and Franz Spieß. Further information on the content of the meetings can be found in the Supervisory Board report.

It is the **NOMINATION COMMITTEE**'s task to make recommendations to the Supervisory Board for its proposals to the shareholders at the Annual General Meeting of suitable candidates to be elected to the Supervisory Board to represent the shareholders. The suitability of a candidate is judged based on the competence profile prepared by the entire Supervisory Board, the targets concerning the Board's composition (taking into account the applicable statutory requirements), the diversity concept and a questionnaire. In 2021, the year under report, the Nomination Committee convened for a total of two meetings.

In addition to the Supervisory Board Chairman, who also chairs the Committee, the Nomination Committee has two further members, who are elected by the shareholder representatives. When appointing members to the Committee, the Supervisory Board furthermore ensures a well-balanced representation of both women and men. As at 31 December 2021, the members of the Nomination Committee are Dr Klaus Probst (Chairman), Dr Elisabetta Castiglioni and Regine Stachelhaus. Further information on the content of the two meetings held in 2021, the year under report, can be found in the Supervisory Board report.

To perform the duties set out in Section 31 (3) sentence 1 MitbestG, the Supervisory Board has formed a **MEDIATION COMMITTEE** pursuant to Section 27 (3) MitbestG, which consists of the chair of the Supervisory Board as Committee chair, his deputy and one member, each elected by the members representing the employees and the members representing the shareholders by a majority of the votes cast. The Mediation Committee did not meet in the reporting year. As at 31 December 2021, the members of the Mediation Committee are Dr Klaus Probst (Chairman), Franz Spieß, Regine Stachelhaus and Inge Zellermaier.

The **STRATEGY COMMITTEE** deals in an advisory and preparatory capacity with the corporate strategy. Its principal tasks comprise advising the Board of Directors on the Company's strategic development, matters involving the corporate strategy and projects of strategic relevance, as well as preparing strategy meetings and decisions of the Supervisory Board on matters requiring consent concerning acquisitions, capital expenditure, organisational changes and restructuring. The Committee convenes at least twice each calendar year, in addition to the Supervisory Board's annual strategy meeting. In 2021, the year under report, the Strategy Committee convened for a total of three meetings.

The Strategy Committee comprises three members each of the shareholder representatives and the employee representatives, all of whom are to be elected by the Supervisory Board. As at 31 December 2021, the members of the Strategy Committee are Wolfgang Dehen (Chairman), Dr Elisabetta Castiglioni, Karl-Heinz Lach, Richard Paglia, Dr Klaus Probst and Inge Zellermaier. The Chairman of the Committee, Wolfgang Dehen, has – as a former managing board member of an internationally active group of companies – the necessary expertise in the field of strategic decisions. Further information on the content of the meetings can be found in the Supervisory Board report.

The **SPECIAL COMMITTEE**'s task is to advise the Board of Directors with regard to the ongoing work in connection with the refinancing of LEONI AG and of its Group and to monitor the asset and liquidity situation, including monitoring the measures initiated by the Board of Directors in that respect. The Special Committee works closely with the Board of Directors. The Board of Directors reports regularly to the Special Committee on the current financial, asset and liquidity situation and on current issues in connection with the Covid-19 pandemic. In the year under report, the Special Committee's twelve meetings were held once a month together with the members of the Board of Directors.

The Special Committee is subject to the principle of equal representation and consists of six members. As at 31 December 2021, the members of the Special Committee are Wolfgang Dehen (Chairman), Mark Dischner, Richard Paglia, Dr Klaus Probst, Klaus Rinnerberger and Franz Spieß. The Chairman of the Committee, Wolfgang Dehen, was appointed based on his many years of operational experience and expertise. Further information on the content of the meetings can be found in the Supervisory Board report.

Additionally, on 25 June 2021, the **PURCHASE OFFER AD HOC COMMITTEE** was set up to deal with upcoming takeover offers. In the financial year 2021, the Committee convened for two meetings. The Purchase Offer Ad hoc Committee was subject to the principle of equal representation and consisted of four members. The members of the Ad hoc Committee were Dr Klaus Probst (Chairman), Wolfgang Dehen, Karl-Heinz Lach and Franz Spieß. The Purchase Offer Ad hoc Committee was formally dissolved by resolution on 1 February 2022.

Further information on the focal points of the Committees' work in the financial year 2021 are set out in the Supervisory Board report.

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

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

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

1. Representation of both sexes on the Board of Directors

In accordance with Section 111 (5) sentence 1 AktG, the Supervisory Board set the objective of appointing a number of women to the Board of Directors of LEONI AG that equals a percentage of 15 percent and determined that this objective is to be reached by 30 June 2022. As at 31 December 2021, this targeted minimum percentage has been reached, as was the case in the previous financial year, when the Board of Directors had one female and one male member, which equals a percentage of 50 percent.

According to the German Stock Corporation Act in its version of the German Second Leadership Positions Act *(Zweites Führungspositionen-Gesetz, "FüPoG II")* in force since 12 August 2021, at least one woman and at least one man must be members of the Board of Directors (minimum participation requirement), Section 76 (3a) AktG, if the Board of Directors consists of more than three members. Therefore, the minimum participation requirement did not apply to LEONI AG in the financial year 2021.

2. Stipulations regarding the two management levels below the Board of Directors

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

For the next two management levels below the Board of Directors, the Board of Directors has set the target minimum percentages to be met by 30 June 2022 at 15 percent for both levels.

Pursuant to the current definition of the higher management levels of LEONI AG, two women were employed on the first management level below the Board of Directors as at 31 December 2020. In the financial year 2021, one woman was newly appointed to a position on that level, thereby increasing the percentage of women to 23 percent. The target value has therefore been reached as at 31 December 2021.

On the second management level, the percentage of women is 32 percent (as at 31 December 2021). Compared to the previous year (31 percent), the minimum percentage has risen by 1 percentage point. The target minimum percentage of female employees working on the second management level below the Board of Directors has thereby also been exceeded.

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

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

In the financial year 2021, four of the Supervisory Board members were female: two among the shareholder representatives and two among the employee representatives. The minimum percentage requirement pursuant to Section 96 (2) sentence 1 AktG is thus fulfilled.

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

LEONI AG considers diversity a key factor of success for the Company's future viability. Living diversity is a strategic factor of success. Different career and educational backgrounds facilitate the fulfilment of duties and obligations in accordance with statutory requirements, the provisions of the Company's Articles of Association and the rules of procedure. Increasing internationalisation requires LEONI AG to lead teams reflecting diversity. Without this capability and experience, it is not possible to take appropriate account of different cultural backgrounds within the Group. Maintaining a balanced age structure ensures a regular introduction of leadership talent and simultaneously ensures that knowledge, as well as work and life experience, are retained for as long as possible in the Company's best interest. Gender diversity, in turn, is reflected in the consistent continuation of the initiatives launched by the Board of Directors to increase the number of women in management positions. The activities of LEONI AG aim at raising awareness of gender diversity, in particular among managers, but also among the staff by way of mentoring programmes, e-learning courses and targeted training activities.

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

a) Competence profile and diversity concept

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

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

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

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

The Board of Directors reports regularly during Supervisory Board meetings on diversity issues and on the development and the potential of the managers within the Group. One main focus in the year under report was on the "NextGen WSD" programme, on the introduction of which the Board of Directors informed the Supervisory Board in detail and involved it accordingly. The aforementioned criteria are furthermore taken into account by the Personnel Committee and the Supervisory Board when making decisions regarding internal or external candidates to be appointed to the Board of Directors. In addition, when filling positions on the first management level below the Board of Directors, which is subject to the Personnel Committee's consent, both the Board of Directors and the Supervisory Board take care to comply with the aforementioned criteria.

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

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

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

2. Diversity concept for the composition of the Supervisory Board

a) Diversity criteria integrated into the competence profile

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

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

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

- management/leadership
- human resources/new work/transformation
- business development and corporate organisation/M&A transactions
- industry and sector knowledge in the LEONI business areas
- new technologies, products and services (including mobility of the future, electrification)

- operations and operative excellence
- transformation of processes (including automation, process optimisation and redesign)
- legal/compliance/corporate governance
- accounting
- auditing
- (re-)financing/liquidity/capital market
- restructuring and crisis competence
- digitalisation/IT/software
- ESG/sustainability

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

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

The aim of the diversity criteria integrated into the competence profile is to have a sufficient degree of diversity on the Supervisory Board, in addition to the Supervisory Board members being highly qualified in terms of expertise, in order to be able to successfully perform tasks in an international setting and in mixed-gender teams. These criteria are also intended to serve as a guiding principle for the Company as a whole. The consideration of consistency and renewal with respect to (impending) appointments should contribute to sustainability and add new impulses. Diversity criteria include the following:

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

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

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

- All shareholder representatives shall be independent within the meaning of the DCGK 2020. In particular, they are not to have any personal or business relation with LEONI AG, its corporate bodies, any controlling shareholders or companies affiliated with the latter that may cause a substantial and not merely temporary conflict of interest.
- Conflicts of interest shall be avoided, for example, by ensuring that no directorships or similar positions are held or advisory tasks exercised for key competitors of LEONI AG.
- The Supervisory Board shall not include more than two former members of the Board of Directors of LEONI AG.

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

In elections of new members of the Supervisory Board to act as shareholder representatives, the Nomination Committee takes the competence profile into account in its work. The election of the employee representatives in accordance with the provisions of the German Co-Determination Act *(Mitbestimmungsgesetz, "MitbestG")* also contributes to having a diversity of career backgrounds.

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

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

The Supervisory Board performs regular evaluations of its work by using a questionnaire that has been created specifically for this evaluation and by discussing the findings at its executive sessions. One aspect of this evaluation is to detect any areas where the Supervisory Board members feel there are shortcomings in the composition of the Supervisory Board and, if necessary, to amend the competence profile accordingly. The evaluation performed in the year under report showed that the Supervisory Board members considered some adjustments to the existing competence profile to be necessary. More details on the findings of the evaluation in the financial year 2021 are set out under "Responsibilities and procedures of the Supervisory Board" above.

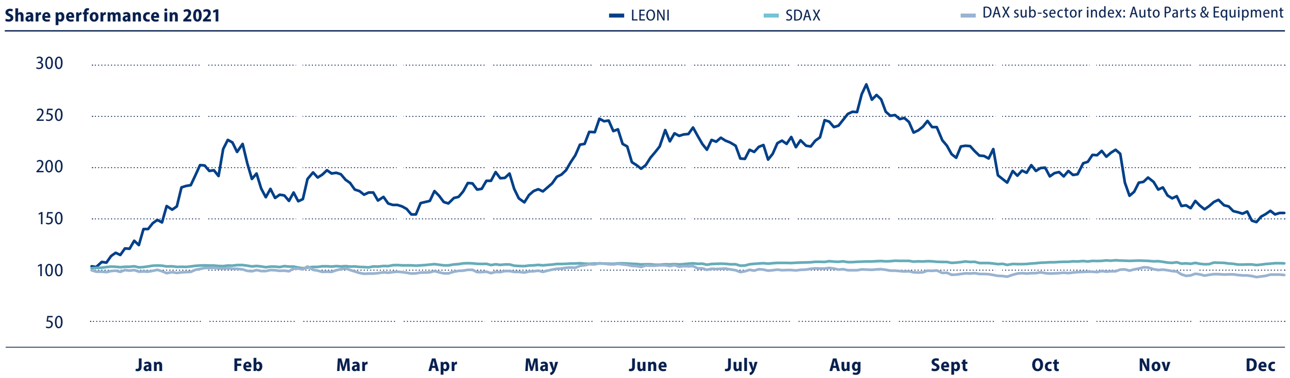
Currently, the Supervisory Board of LEONI AG consists of members who fulfil the requirements as set out in the competence profile. The Supervisory Board members are collectively familiar with the sector in which LEONI AG operates. The degree of diversity deemed to be sufficient under the targets set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

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

There was no controlling shareholder within the meaning of recommendation C.9 DCGK 2020 in the year under report. The Supervisory Board is of the opinion that all shareholder representatives are independent within the meaning of the DCGK 2020, so that the Supervisory Board also has an appropriate number of independent members. In particular, these members have no personal or business relations with LEONI AG, its corporate bodies, any controlling shareholders or companies affiliated with the latter that may cause a substantial and not merely temporary conflict of interest. Nor do the Supervisory Board members hold directorships or similar positions or perform advisory tasks for important competitors of the LEONI Group. Additionally, reference is made to the information provided in the section "Composition of the Supervisory Board".

THE LEONI SHARE

Share performance in 2021



Indexed at 30 December 2020

Overview of key LEONI share data

First listed on	1 January 1923
Ticker symbol	LEO
ISIN	DE0005408884
WKN	540888
Class of shares	Ordinary bearer shares with no-par value
Market segment	Regulated market, Prime Standard
Indices	CDAX, Prime All Share, Classic All Share (SDAX from 22/3/2021 until 21/6/2021)
Share capital	€32,669,000
Number of shares	32,669,000
Free float	About 85 percent

Multi-year overview of key LEONI share figures

		2021	2020	2019	2018	2017
Number of shares at yearend	in millions	32.669	32.669	32.669	32.669	32.669
Earnings	€/share	(1.46)	(10.10)	(13.30)	2.31	4.44
Equity	€/share	7.02	8.14	19.47	33.10	31.33
Dividend	€/share	0[1]	0	0	0	1.40
Total payout	€ million	0[1]	0	0	0	45.7
Payout ratio	%	0[1]	0	0	0	32
High for the year[2]	€/share	18.38	12.48	34.43	65.54	63.40
Low for the year[2]	€/share	6.62	4.47	8.49	25.59	34.95
Yearend closing price[2]	€/share	9.92	6.65	10.35	30.28	62.39
Price/earnings ratio[3]		neg.	neg.	neg.	13.1	14.1
Dividend yield[3]	%	0[1]	0	0	0	2.2
Market capitalisation on 31 Dec	€ million	324	217	338	989	2,038
Average daily trading volume	no. of shares	252,004	266,438	315,110	225,880	208,997

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

Equity markets on an uptrend

Sentiment on the markets around the world was generally upbeat in 2021. In the first half of the year, equities benefitted from hopes that the Covid-19 pandemic would be successfully combatted by vaccinations, as well as from the prospect of an extensive fiscal stimulus package in the United States, among other things. Various factors put the brakes to this upswing in the second half of the year. Alongside new Covid-19 variants and vaccination progress falling short of expectations, these included particularly the high rate of inflation, worldwide raw material shortages and especially problems in the supply of semiconductors. Over the year as a whole, key indices nevertheless plotted a significant upward trajectory: above all, the US-based S&P 500, which picked up by 27 percent over the year. The Euro Stoxx 50 appreciated by 21 percent, the leading German DAX index gained nearly 16 percent, while the MDAX rose by 14 percent and the SDAX by 11 percent. Performance in the automotive segment varied: whereas the DAX Automobile sector index rose by nearly 28 percent year on year, the sub-index for the automotive component suppliers dipped by 8 percent.

LEONI share gains almost 150 percent

The price of LEONI's share rose considerably in 2021. Against the backdrop of this good performance, which enabled us to twice raise our guidance, the price of our share rose steadily over the first eight months and, starting from a low of €6.62 (4 January 2021), reached a peak for the year at €18.38 on 25 August 2021.
As prospects for the sector became gloomier due to the persisting and aggravating semiconductor and supply chain crisis, the price ebbed perceptibly again as of September. At the end of the reporting year, the LEONI share was priced at €9.92, which equated to a 149 percent increase versus the 2020 closing price.

The market capitalisation of the roughly 32.7 million LEONI shares amounted to €324 million on 31 December 2021, up from €217 million one year earlier.

Trading in LEONI shares

A total of 1.18 million LEONI shares were traded on the Frankfurt Stock Exchange in 2021 (previous year: 1.28 million). The volume traded via the XETRA electronic system amounted to 64.27 million shares, as opposed to 67.7 million in the previous year.

Shareholder structure and voting rights announcements

In its final communication on its bid to partially acquire LEONI in July 2021, Pierer Industrie AG stated that its direct stake in LEONI AG upon the deadline of its partial takeover bid on 10 September 2021 stood at about 12 percent. Furthermore, approximately an additional 3.5 percent of the voting rights were consequently assigned to Pierer. With a total of 15.5 percent of the voting rights, Pierer Industrie AG is presently the largest single holder of shares in our Company. All other shares are in free float. In regional terms, 60 percent or more of LEONI shareholders are based in Germany and a further 30 percent or more are located in other European countries.

Voting rights announcements received during the 2021 financial year, as well as earlier disclosures, can be viewed on our website » www.leoni.com.

Dividend

LEONI significantly improved both its sales and earnings in fiscal 2021. Consolidated sales increased to €5.1 billion, while EBIT before exceptional items and VALUE 21 costs improved to €172 million. Free cash flow, by contrast, was again negative at €(12) million. Performance was therefore in line with the analyst consensus. The overall economic situation still does not constitute any appropriate basis for paying out a dividend. To ensure its full financing, LEONI has furthermore committed itself, among other things, not to pay out any dividend until two of its loans maturing at the end of 2022 are repaid.

Ratings of the LEONI share

Seven banks and investment firms (previous year: thirteen) currently monitor our Company and issue ratings of the LEONI share (dated January 2022).

Analyst ratings as at 28 February 2022

Analyst	Institution	Rating	Date
Raab	Kepler Cheuvreux	Reduce	21 February 2022
Ringel	ODDO BHF	Underperform	18 February 2022
Asumendi	JP Morgan Cazenove	Neutral	18 February 2022
Tonn	Warburg Research	Hold	10 January 2022
Laskawi	Deutsche Bank	Hold	01 October 2021
Kukalj	Quirin Bank	Sell	11 August 2021

Intensive investor relations work

LEONI considers transparency and an ongoing dialogue with all shareholders and stakeholders to be key elements of good corporate governance. We therefore inform shareholders, financial market professionals, the media and the interested public promptly, thoroughly and equally on the Company's performance, strategic decisions and other important matters.

As part of our investor relations (IR) work, we regularly communicate with institutional investors and the business press. Roadshows and capital market conferences with the Board of Directors were once again in 2021 exclusively held virtually. On each occasion, we presented our 2020 financial statements and quarterly figures in separate conference calls for financial analysts and the business press. In addition, we held one-on-one discussions with representatives of the media and the capital market.

Given the Covid-19 pandemic, our 2021 Annual General Meeting once again took place virtually. This online event recorded significantly greater attendance than in the previous year. People who do not have any shares in LEONI were also able to follow the CEO's speech live on the internet. To protect everyone involved, we plan to hold our Annual General Meeting in 2022 virtually as well. As in the previous year, our shareholders can register to receive their invitation to the Annual General Meeting electronically prior to the event via this link: » https://www.leoni.com/en/agm2022.

Press and analyst conferences can be followed live and in full on the internet via our » website and can be replayed there afterwards, too. On our website, we furthermore provide all relevant publications, as well as comprehensive data and background material about the Company and the LEONI share.

COMBINED MANAGEMENT REPORT

1. PRINCIPLES OF THE GROUP

Combined Management Report:

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

1.1. Business model

LEONI is a global automotive supplier providing products, solutions and services for energy and data management in the automotive sector and – to diminishing extent – other industries. Our business is organised into two business areas (or segments or divisions): Wiring Systems (WSD) and Wire & Cable Solutions (WCS). They are structured differently and operate in differing market environments. In 2019, a decision was made for the divisions to be able to develop independently so they can fully unleash their potential. LEONI is focusing on the Wiring Systems Division and is gradually carving out the WCS segment. Further progress was made in the WCS carve-out process during the year under report.

The **Wiring Systems Division** (WSD) in 2021 was composed of various subsidiaries that manufacture primarily cables and cable systems, wires and strands and provide the associated services for the automotive and other industries. They include in particular the capital goods, medical devices, telecommunications, energy and infrastructure sectors. The disposal of various WCS subsegments was completed or agreed during the year under report. The sale of LEONI Schweiz AG including its subsidiaries LEONI Studer AG and Adaptricity AG and of the Data Communication and Compound business units belonging to LEONI Kerpen GmbH has already been completed. In addition, agreements were reached on the disposal of key parts of the Business Group Industrial Solutions with activities in areas including medical technology, robotics and automation, and of a large portion of the Fiber Optics business. In future, the WCS product range will essentially comprise standard, special and charging cables for the automotive industry as well as wires and strands. The transaction to sell key parts of Business Group Industrial Solutions was completed on 20 January 2022. Details of these disposals are contained in the › Reports by division/ Segment report and › Supplementary report. Further disposals are planned in 2022.

1.2. Organisational structure

The LEONI Group comprises **LEONI AG** and the two divisions. LEONI AG acts as a group holding company and is focussed on financing, governance and capital market-related tasks. Other functions were transferred to the divisions.

In the **Wiring Systems Division,** the organisational structure was realigned with a strictly functional focus in 2021 as part of the NextGenWSD programme in order to achieve more standardisation benefits and efficiency enhancements through clear process responsibility to raise competitiveness. To this end, we allocated all corporate functions to the CEO and CFO and to the areas of Development, Sales, Operations and Personnel & Organisation. Divisional management is composed of the heads of these areas.

The worldwide production network of the Wiring Systems Division comprises production facilities in numerous countries, chiefly in Eastern Europe, North Africa, Mexico and China. The locations are chosen based on cost advantages and logistical requirements, and they are situated in the nearest possible regional proximity to our customers. As part of the realignment in 2021, all production facilities were pooled into nine country organisations.

To prepare for the partial disposals, the organisational structure of the **Wire & Cable Solutions Division** was realigned in 2020 and 2021 into the business areas of 'automotive' (Business Group Automotive) and 'industry' (Business Group Industrial Solutions), as well as further smaller units, including the Business Group Products & Solutions (wires and strands). Following the disposals completed and agreed during the reporting year, essentially the automotive business will remain, in addition to small parts of the industrial business and the BG Products and Solutions. The production facilities are located in Western and Eastern Europe, the Americas and Asia. They are situated in strategically favourable proximity to our customers and in key growth regions of the core markets being cultivated.

1.3. Principal facilities and changes in the scope of consolidation

At the end of 2021, LEONI was, with 72 subsidiaries (previous year: 72) in 28 countries (previous year: 30), located in Asia, the Americas and EMEA (Europe, Middle East and Africa). The Wiring Systems Division comprised 3 domestic and 30 foreign companies, 6 of which were located in Asia, 7 in the Americas and 17 in the EMEA region. The Wire & Cable Solutions Division accounted for 14 domestic and 19 foreign companies, of which 4 were in Asia, 6 in the Americas and 9 in the EMEA region. There are furthermore 6 subsidiaries operating for both divisions. In addition, there is LEONI AG as the holding company.

The realignment and disposal of WCS subsegments led to changes in the scope of consolidation. Their impact on the Group's financial position and performance is described in the sections headed › **Reports by division/Segment report** and › **Supplementary report**.

1.4. Customers and markets

The LEONI Group's customers principally include motor vehicle manufacturers and their suppliers. This customer group provided about 84 percent of LEONI's total sales in 2021 (previous year: 80 percent). With sales to the five largest customers and their suppliers, we generated a business volume of approx. €2.1 billion during the period under report (previous year: €1.6 billion), which equated to about 41 percent of consolidated sales (previous year: 39 percent).

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

The customer base of the **Wire & Cable Solutions Division** essentially comprises wiring system manufacturers that operate worldwide and many other automotive component suppliers (Tier 1 and Tier 2) following the disposals completed and agreed in 2021. We maintain long-standing and close relationships with our customers and are in faithful contact with them, especially via our sales and development departments.

In regional terms, the European, American and Asian markets are of greatest significance to LEONI. Europe – including the Middle East and Africa (EMEA) – is currently LEONI's most important market, with a share of some 68 percent (previous year: 69 percent) of sales. The Americas account for approximately 17 percent (previous year: 16 percent) and Asia for about 15 percent (previous year: 15 percent) of consolidated sales.

1.5. Competitive situation and advantages

The **Wiring Systems Division** is a leading provider of cable harnesses and wiring systems in Europe. Worldwide, we are among the five largest companies in this segment, disproportionately strongly so in Europe. Our most significant competitors are Aptiv, Sumitomo, Yazaki and Dräxlmaier. Alongside our good, internationally competitive position also in the electromobility segments, our success in the market is based on great power of innovation, comprehensive logistics and system expertise, as well as development centres in proximity to customers. Another key factor involves our global production network with standardised processes as well as the fact that a high proportion of our production is at locations with favourable wage costs. Our broad international positioning and the variety of vehicle manufacturers and brands we supply also diminish our exposure to regional or customer-specific market cycles.

The **Wire & Cable Solutions Division**, which will feature the Automotive business as its essential part following the disposals completed and agreed in the 2021 financial year, is a leading provider of vehicle cables in Europe. In some product segments, such as data and special cables for the car industry, we regard ourselves as global market leaders. Our good competitive position is principally based on a vertically integrated value chain, such core skills developed over decades as a broad understanding of raw materials and know-how concerning input materials, engineering and applications, as well as command of technologically sophisticated manufacturing processes. Our international footprint provides additional advantages.

1.6. Strategy and VALUE 21

The LEONI Group's strategy essentially aims to focus systematically on the Wiring Systems Division and to divest the activities of the Wire & Cable Solutions Division. We aim to harness the future market potential in the automotive and commercial vehicle industries from a strengthened position, which has stabilised further, and to focus on consolidating our leading position as a supplier and service provider of wiring systems for cars and commercial vehicles, for example in the growing business with alternative drives.

Wiring Systems Division as systems supplier and development partner

With its focus on the wiring systems segment, LEONI can concentrate its resources on developing the Group into a global provider of solutions for the European automotive sector as well as for the international component supply business and the commercial vehicle market. We are thus well on our way to in future not only selling products, but further enhancing our own range of components and services in the fields of energy and data management. In the electromobility sector, we regard ourselves as well set-up both technologically and in terms of market position to benefit from the progressing switch to electric and hybrid vehicles. The potential market for the WSD continues to grow particularly with the increase in electrification.

Using the functional realignment of the WSD as a starting point, sub-strategies were developed in the areas of technology, production and sales in 2021; the technology strategy has a focus on the key areas of low-voltage and high-voltage wiring systems and supplementary products and solutions. We also support our customers actively in the context of advanced development projects for product innovations and system design. Information on the progress made in 2021 is presented in the section headed › Research & Development.

Our production strategy has an evolutionary and a revolutionary approach. Evolutionary stands for the stepped-up introduction of a uniform production system in all direct and indirect production areas of the WSD. Revolutionary includes pushing ahead with digitalisation and reaching an optimum degree of automation in production. Both approaches are thus geared towards creation of a standardised production landscape able to respond to product and market developments with greater flexibility. In 2021, the scope of the production system was comprehensively defined and communicated across the company, creating a detailed project landscape to achieve the approaches with which we can track progress.

The sales strategy provides for material decisions to be taken on the basis of a continuous analysis of the market and the competition. Building on this, we assess our customer and project portfolios and project acquisitions on a continuous basis to identify the success factors and the elements to be improved. In 2021, significant progress was recorded across all areas. Not only did we complete a reassessment of the customer portfolio, we also improved the mechanisms and approval processes for the acquisition of new businesses.

Moreover, we aim to give greater priority to market opportunities and to be focused on earnings quality and cash flow, in particular when choosing new projects. In the long term, organic growth of the WSD is to be restricted to the level of market growth. To this end, we shall concentrate more strongly on strategic customer relationships. The principal factors crucial to accepting new orders are thus profitability and the utilisation of existing capacity. Just like the optimisation and cost reduction measures, focused growth is to contribute to improving cash flow and the EBIT margin.

Disposal of WCS subsegments

Carve-out of the WCS segment will proceed via partial disposals and additional portfolio measures. It has been shown that various investors tend to be interested in individual areas due to the variety of skills and customers served by the segment. A premise of divestments is that a fair price can be secured and that the buyer is able to present a viable plan for the future. Under their new owners, the individual units of the WCS Division will, we hope, develop into leading providers of specialised cables and connectivity solutions with long-term growth potential to an even greater extent and realise their full potential more quickly in their different key areas. With their broad, differentiated product and service portfolios, the WCS units serve a wide range of future-oriented end markets, have grown in important market segments over recent years and have established strong competitive positions as providers of highly sophisticated technological cable solutions and services. Substantial parts of WCS were already sold in 2021. The completed and agreed transactions are included in the › Reports by division/Segment report and › Supplementary report.

VALUE 21 and follow-up programme VALUEplus

The key points of the LEONI strategy were further developed and specified by our VALUE 21 performance and strategy programme. VALUE 21 was launched in 2018 to improve the basis for healthy growth, profitability and cash generation. The programme seeks to ensure more efficient organisation and optimisation of the portfolio, including the disposal of the Wire & Cable Solutions Division, a focus on earnings quality and cash flows in the WSD, and a general increase in performance. It has been implemented systematically since 2019, and the measures have now largely been completed: the efficiency of the organisational structure has been improved through the separation of the two business areas and the realignment of the WSD as part of the NextGenWSD programme. We have optimised our portfolio through the sale of WCS subsegments and the focus on key customers in the WSD. By selecting new wiring system projects to a greater extent on the basis of profitability and utilisation of our capacity, we are laying the foundations for long-term improvements in the cash flows and earnings quality of this segment.

Over the past three years, more than 5,000 initiatives have been realised with a view to enhancing performance. These initiatives related primarily to optimisation of direct and indirect purchasing, to an increase in efficiency in production, logistics and development to price negotiations with customers and to the reduction of selling and administrative costs. From 2022, this was expected to yield sustained, gross cost savings potential of at least €500 million per year compared with 2018. The action to realise this potential was already taken by the end of the third quarter of 2020. By the end of 2021, the programme generated sustained gross cost savings of more than €800 million per year. The actual impact of the initiatives on the income statement is, however, dependent on the development of our business volume. The gross cost savings potential was determined based on the trend of sales projected when the programme was launched in 2018. A greater volume of sales than achieved in 2021 will be needed to fully realise the savings potential. Since the Covid-19 pandemic and the resultant material shortages put a brake on sales performance, we launched a continuous series of new measures during the reporting year to safeguard the full effectiveness of the programme and to improve performance and efficiency further.

At the same time, during the year under report we began work on developing a strategy and performance programme following up on VALUE 21, VALUEplus. In the context of VALUEplus, we seek to streamline the business model of the Wiring Systems Division to expand our leading position and to take even better advantage of the market opportunities provided by the automotive and commercial vehicle sectors going forward. The performance part of VALUE 21 is adjusted to the new organisational structure and managed by VALUEplus using an annual measurement of success as a continuous improvement process. Moreover, the strategic fields of action defined in the new programme cover various aspects from the areas of purchasing and production along with technological development, portfolio optimisation, sustainability and human resources, and organisation.

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

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

1.8. Governance of the operating business

The key financial performance indicators for the LEONI Group during the reporting year were sales, EBIT before exceptional items as well as before VALUE 21 costs, and free cash flow. Governance of the two divisions was guided by sales and EBIT before exceptional items as well as before VALUE 21 costs. The key figure of EBIT before exceptional items as well as before VALUE 21 costs represents an adjustment of the result for extraordinary, non-recurring factors to facilitate easier comparability between the periods and better interpretation of operating profitability. Exceptional items comprised material impairments of goodwill, intangible assets, property, plant and equipment and other assets, material; expenses for contingent losses on customer contracts; costs in preparation for carving out the Wire & Cable Solutions Division (excl. internal costs); refinancing costs (incl. consultant, bank and solicitor fees, apart from the costs that are attributed to interest expenses); other non-recurring charges incurred by strategic decisions; and external additional expenses in connection with the Covid-19 pandemic (for example, additional coach transfers, protective clothing, masks and disinfectants). Costs for the VALUE 21 programme comprised all the related restructuring and severance costs as well as external consultant fees. Specific information on performance in terms of these indicators in the past financial year is contained in the section headed › **Overview of LEONI's performance**. In the sections hereafter, additionally presented key figures and performance indicators serve to provide better understanding and more explanation of the trend of business as well as the asset, financial and earnings situation.

With the completion of the VALUE 21 programme and the progress made in the strategic alignment and carve-out of the WCS Division, the key figure EBIT before exceptional items as well as before VALUE 21 costs will be replaced by a new performance indicator, EBIT before exceptional items. To take the changed underlying conditions into account while still supporting a transparent interpretation of operating profitability, earnings will be adjusted for extraordinary, non-recurring factors. Starting from the 2022 financial year, effects stemming from the Group's refinancing, restructuring measures, M&A transactions as well as extraordinary costs related to the Ukraine war will be classified as exceptional items. Effects from the Group's refinancing will include the costs incurred in the context of the upcoming refinancing including consultant, bank and solicitor fees, apart from the costs that are attributed to interest expenses. Restructuring costs include the accompanying impairment charges on assets and the setting aside / reversal of restructuring provisions, so far as they were incurred in connection with the restructuring programme or the closure of sites. M&A transactions comprise effects resulting from the preparation and implementation of acquisitions and disposals of entire business units. Extraordinary costs related to the Ukraine war comprise particularly the resulting impairment charges and costs of duplicating production. Expenses for contingent losses on customer contracts and in connection with the Covid-19 pandemic and the follow-up programme to VALUE 21, VALUEplus, will no longer be adjusted as exceptional items. No impairment charges stemming from the causes described here are otherwise considered in exceptional items any longer. The › **Forecast** already uses this key figure.

2. BUSINESS AND UNDERLYING CONDITIONS

2.1. Macroeconomic setting

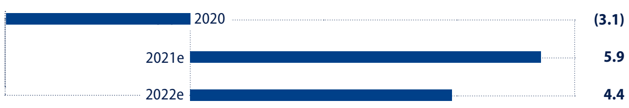
The global economy staged a substantial recovery in 2021, as expected. Following the coronavirus-related slump in 2020, declining numbers of infections and progress with vaccinations led to a global upturn in the first half of the year. The momentum of the uptrend declined substantially in the second half of the year, however. Persistent supply bottlenecks and price increases for many raw materials and input products caused by the simultaneous recovery in multiple industrial sectors and regions, reinforced by strict quarantine measures imposed in China on the emergence of fresh infections, hampered the economic development. On top of this, we saw new Covid-19 virus mutations and growing inflation. All told, according to estimates by the International Monetary Fund (IMF), the global economy grew by 5.9 percent, following a decline of 3.1 percent in the crisis year 2020.

In the industrialised nations, growth according to the IMF came to 5.0 percent (previous year: a drop of 4.5 percent in 2021). The United States economy grew by 5.6 percent. Gross domestic product in the eurozone improved by 5.2 percent although the performance showed a great disparity, with countries such as France and Italy, which suffered major losses in 2020, expanding by more than 6 percent while Germany, which recorded a less pronounced decline, reported GDP growth of only 2.7 percent.

For the developing and emerging countries, the IMF's provisional growth projection was 6.5 percent in 2021 (previous year: 2.0 percent drop), mainly on account of high rates of increase in Asia and Latin America. Although the Chinese economy lost considerable momentum in the fourth quarter, it nevertheless grew by 8.1 percent.

Global economic growth 2020 to 2022

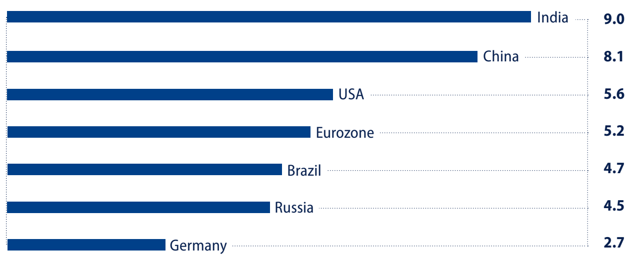
in %



Source: IMF World Economic Outlook, January 2022

2021 economic growth in selected regions

in %



Source: IMF, World Economic Outlook, January 2022, estimate

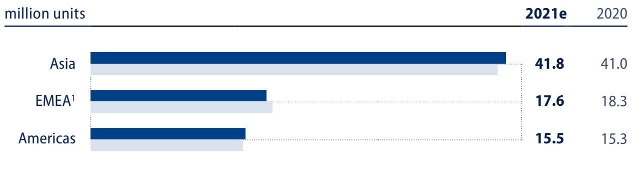
2.2. Business by sector

In 2021, the international **automotive industry** staged only a partial recovery from the coronavirus-related slump of the previous year. The sector reported a rise in demand, as a result of which substantial increases were recorded in some cases in the first half of the year compared with the previous year's low statistical base and thanks to catch-up effects. In the second half of the year, however, manufacturers were weighed down by supply bottlenecks, forcing many businesses to halt their production for a time. Alongside the semiconductor shortage, other input products and raw materials were also in short supply and prices for energy and logistics rose.

According to the market research institute IHS, **vehicle production** in 2021 was only slightly above the previous year's level with 75 million cars and light commercial vehicles produced worldwide due to the supply crisis. The performance varied by region: whereas around 2 percent more cars each rolled off the line in Asia and the Americas, the EMEA region saw a decline of around 4 percent. By contrast, global production of vehicles with alternative drive technologies posted a sharp increase of almost 88 percent. Fuel cell and electric cars reported the highest growth rates.

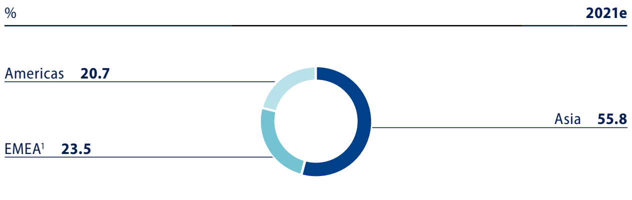
Consequently, the major **automotive markets** also showed a disparate performance. According to the German Association of the Automotive Industry (VDA), sales of cars and light commercial vehicles in the United States and in China were up 3 percent and 7 percent, respectively, in the year as a whole. By contrast, about 2 percent fewer new vehicles were registered in Europe than in the previous year.

Output of cars and light commercial vehicles by region



1 Europe, Middle East and Africa
Source: IHS Light Vehicle Production Forecast, November 2021

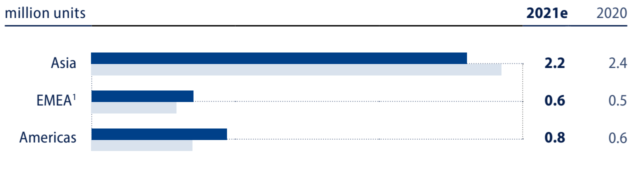
Output of cars and light commercial vehicles by region



1 Europe, Middle East and Africa
Source: IHS Light Vehicle Production Forecast, November 2021

The **commercial vehicle industry** expanded slightly in 2021. According to IHS, 3.6 million medium and heavy commercial vehicles were manufactured globally in the past year, equivalent to just under 3 percent more than in 2020. Regional developments varied considerably: while the sector staged a significant recovery in the Americas and EMEA regions with growth rates of a good 31 percent and around 15 percent, respectively, output was reduced by around 7 percent in Asia.

Output of heavy commercial vehicles by region



1 Europe, Middle East and Africa
Source: IHS MHCV Production Quarterly Volumes, Q4 2021

The other customer industries of importance for LEONI reported a favourable development in 2021 all told, but also faced a shortage of materials and supply bottlenecks. According to projections of the German Electrical and Electronic Manufacturers' Association (ZVEI; July 2021), the worldwide **electrical goods industry** grew by 9 percent in 2021 compared to the coronavirus-impacted previous year. This sector is likely to have recovered by 7 percent in the industrialised nations and by 10 percent in the emerging countries.

The electrical goods industry posted the strongest expansion in Asia with growth of 10 percent, followed by the Americas (up 9 percent) and Europe (up 7 percent). The **mechanical engineering sector** also recorded an uptrend in the past year: in its December 2021 forecast (base scenario), the VDMA (German Engineering Federation) expected global sales growth of 13 percent in the industry for the year as a whole.

2.3. Other factors

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

The **prices of commodities** (› Procurement), especially of copper, exert an appreciable influence on our sales. We largely pass on the fluctuations in the copper price to our customers through contractual agreements, albeit usually with a time lag. On the balance sheet, there may – depending on the price of copper – be write-downs on partial quantities of inventory or provisions to cover contingent losses. The same applies to the raw material of silver, which is used primarily in the refining of wire products. Another potential determinant involves the increased risk since 2020 with respect to the availability of critical components, such as semiconductors, in the automotive sector. The pricing of plastics and components also affects our sales and cost structure.

Personnel costs are a further highly significant influencing factor in the countries in which we produce. They are considered in decisions on choices of location, as are reliable legal and political conditions as well as favourable transport options.

We keep a very close eye on the **political situation** in the countries of importance to us: countries where we produce and sell. The › Risk and opportunity report contains corresponding information.

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

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

3. BUSINESS REPORT

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

Overview of business performance

The LEONI Group's performance in 2021 improved considerably year on year despite a highly volatile setting. In the first two quarters and as the Covid-19 pandemic waned, we initially registered a significant recovery of demand in both the automotive and industrial segments. Comprehensive and in some cases complex wiring system projects started as scheduled and made initial contributions to sales. In the third quarter, the persisting and aggravating supply crises, especially in the semiconductor market, increasingly cast gloom over business conditions. The supplybottlenecks caused disruptions of production among our customers in the automotive sector and thus led to fluctuating and less than budgeted uptake as well as major logistical challenges and substantial additional cost to LEONI. Furthermore, towards the end of the year, uncertainty about the further course of the pandemic intensified again as another wave of the pandemic emerged and the Omicron variant of the virus spread across the globe. The business performance was also marked by the development of the copper price and the completed and agreed divestments and other portfolio measures in the WCS.

All told, LEONI's **consolidated sales** nevertheless rose by 24 percent to €5.1 billion in 2021 (previous year: €4.1 billion). Both business divisions contributed to this result: the Wiring Systems Division increased its sales by 25 percent to €3.2 billion (previous year: €2.5 billion), while sales in the Wire & Cable Solutions segment were up 21 percent to €1.9 billion (previous year: €1.6 billion).

The operating profit of the LEONI Group improved substantially, supported by the sales growth and positive effects resulting from the VALUE 21 programme, among other factors. At the same time, the good performance was weakened by the additional costs incurred in connection with the global supply crises. Alongside the bottlenecks in the supply of input materials, the volatility of customer call-forwards led to production inefficiencies and additional expense resulting from the short-term fluctuations in call-forwards. The Company furthermore incurred various exceptional charges and costs related to the VALUE 21 performance and strategy programme.

Consolidated EBIT before exceptional items as well as before VALUE 21 costs [1, 2]

€ million	2021	2020
EBIT before exceptional items as well as before VALUE 21 costs	**172**	**(59)**
Exceptional items	(63)	(196)
VALUE 21 costs	(17)	(24)
EBIT	**91**	**(280)**

1 Definition › Governance of the operating business
2 Reconciliations for the divisions are contained in the › Reports by division / Segment report.

Before exceptional items and VALUE 21 costs, consolidated EBIT came to €172 million (previous year: a loss of €59 million). In the Wiring Systems Division, the figure was €25 million (previous year: a loss of €92 million), while the WCS Division generated earnings of €146 million (previous year: earnings of €34 million). Including expenses for VALUE 21 in the amount of €17 million and exceptional charges of €63 million, the Company reported EBIT of €91 million (previous year: a loss of €280 million), of which the Wiring Systems Division accounted for a loss of €33 million (previous year: a loss of €210 million) and the Wire & Cable Solutions Division for €125 million (previous year: a loss of €69 million).

Free cash flow improved across the Group from negative €74million[1] to negative €12 million. This was attributable to the positive earnings trend, which more than offset the additional funds tied up in working capital.

1 Prior-year figure adjusted due to reclassification of € 5 million in bank accounts pledged to factoring partners

Comparison with the forecast

Group key figures	Actual 2020 figures	Forecast as at March 2021[1]	Raised forecast, May 2021[1]	Raised forecast, July 2021[1]	Actual 2021 figures	Evaluation
Sales	€4.1 billion	Significant year-on-year growth in the low double-digit percentage range	Significant year-on-year growth	Significant year-on-year growth to at least €5 billion	€5.1 billion	Forecast matched
EBIT before exceptional items as well as before VALUE 21 costs	€(59) million	Significant year-on-year improvement	Significant year-on-year improvement, minimum breakeven	Significant year-on-year growth to at least €100 million	€172 million	Minimum forecast significantly exceeded
Free cash flow	€(74) million[2]	Significant year-on-year deterioration	Significant year-on-year deterioration	Significant year-on-year deterioration	€(12) million	Forecast significantly exceeded

1 Based on the scope of consolidation as at 31 December 2020, taking into account the WCS (partial) divestments implemented at that time
2 Prior-year figure adjusted due to reclassification of € 5 million in bank accounts pledged to factoring partners

In its March 2021 forecast, the Board of Directors projected a significant rise in consolidated sales in the low double-digit percentage range for the year as a whole when compared with the previous year, a significant improvement in consolidated EBIT before exceptional items as well as before VALUE 21 costs, and a significant deterioration in free cash flow. The Board of Directors increased the sales and earnings forecasts in both May 2021 and July 2021 because the business performance in the first and second quarters proved better than expected. In both cases, this news was immediately shared publicly in an ad hoc announcement. For consolidated sales, in May the Board of Directors announced a significant increase, removing the restriction to the lower double-digit percentage range. In July, it specified its forecast, quoting a figure of at least €5 billion. This forecast was met. The Board of Directors specified the forecast for consolidated EBIT before exceptional items as well as before VALUE 21 costs in May, anticipating that it would at least reach breakeven. In July, this forecast was raised to a figure of at least €100 million. This minimum figure was significantly exceeded. The reason for the favourable deviation was a strong business performance towards the end of the year, marked among other factors by better-than-expected customer demand. The impact of brief disruptions to the production of car manufacturers on sales and earnings was less than anticipated in the last forecast. The trend in the price of copper, currency factors and operational improvements underpinned performance. The free cash flow forecast, which remained unchanged over the year, was also significantly exceeded. The forecast was exceeded on account of a better than previously assumed recovery of free cash flow in the fourth quarter of 2021, primarily owing to significantly stronger earnings as well as a substantial decrease in working capital due among other things to larger factoring volumes.

3.2. Group sales and earnings

Consolidated sales up 24 percent to € 5.1 billion

LEONI's consolidated sales in 2021 rose by 24 percent to €5,119 million. Due to the recovery of demand in the automotive and industrial setting, business volume in both divisions increased when compared with the prior-year figures, which were weak for coronavirus-related reasons. The start and ramp-up of new wiring system projects also contributed to the sales growth. Most growth was generated in the first six months of the financial year. In the first half of the year, the uptrend was curbed by supply bottlenecks, particularly in the semiconductor segment, which led to production standstills in the automotive sector and thus to reduced call-forwards at LEONI.

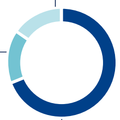
Alongside organic growth, the increase in the copper price compared to the previous year had a positive effect on sales. At the same time, negative effects resulted from the smaller scope of consolidation due to the sale of LEONI Schweiz AG and the partial sale of LEONI Kerpen GmbH.

Growth was generated across all regions: in the EMEA area, sales rose by 23 percent to €3,494 million, in the Americas by 30 percent to € 859 million and in Asia by 23 percent to €766 million.

Sales growth LEONI Group in 2021

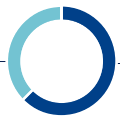
	€ million	%
2020 sales	**4,134**	
Organic change	816	19.7
Effects of changes in the scope of consolidation	(126)	(3.0)
Currency translation effects	(7)	(0.2)
Copper price effects	302	7.3
2021 sales	**5,119**	23.8

Consolidated sales by region



%	**2021**	2020
EMEA total	**68.2**	69.0
– Germany	**27.1**	23.5
– Rest of Europe	**24.8**	29.0
– Eastern Europe	**14.6**	15.3
– Africa	**1.7**	1.1
– Rest of EMEA	**0.1**	0.1
Americas	**16.8**	16.0
Asia	**15.0**	15.1

Consolidated sales by division



%	**2021**	2020
Wire & Cable Solutions	**37.7**	38.5
Wiring Systems	**62.3**	61.5

The EBIT-level result before exceptional items as well as before VALUE 21 costs improved to a profit of €172 million
The earnings situation of the LEONI Group improved significantly in 2021. Volume and mix effects together with positive effects from the measures of the VALUE 21 programme by far offset the additional costs resulting from supply bottlenecks of input goods and the burden the semiconductor crisis has put on earnings.

However, EBIT was weighed down by exceptional items totalling negative €63 million (previous year: €196 million) and costs of €17 million (previous year: €24 million) for the VALUE 21 programme.

Major negative exceptional items of €35 million resulted primarily from impairment charges incurred in the WCS which were, among other things, connected with the portfolio measures at LEONI Kerpen GmbH and the flood damage at the site, including insurance compensation. On top of this, external additional expenses of €23 million were incurred in connection with Covid-19 together with costs to prepare the WCS carve-out (€16 million) and the Group's refinancing (€12 million). Positive exceptional items of €20 million resulting from strategic decisions were also included. They essentially comprised gain of €31 million on the disposal of LEONI Schweiz AG, primarily from realising accrued exchange gains, opposed by negative effects from portfolio measures.

Another positive exceptional item of €1 million was connected with contingent losses on customer contracts in the Wiring Systems Division which were deducted from inventories where available, the remainder being recognised as provisions. The development of contingent losses is influenced by successful negotiations with our customers and opposed by commodity price trends, among other things. Exceptional items in the previous year primarily included asset impairments, expenses incurred in connection with the setting aside of provisions for contingent losses and restructuring provisions, refinancing costs, and external additional expenses related to Covid-19.

The VALUE 21 cost comprised mainly consulting fees and continued to decline as expected.

Consolidated EBIT before exceptional items as well as before VALUE 21 costs[1]

€ million	2021	2020
EBIT before exceptional items as well as before VALUE 21 costs	**172**	**(59)**
Exceptional items	(63)	(196)
of which impairment charges	(35)	(63)
of which provisions for contingent losses	3	(50)
of which refinancing costs	(12)	(24)
of which costs to prepare for WCS carve-out	(16)	(5)
of which non-recurring charges due to strategic decisions	20	(32)
of which additional external Covid-19-related costs	(23)	(22)
VALUE 21 costs	(17)	(24)
of which consulting fees	(14)	(11)
of which restructuring expenses	0	(10)
of which other expenses	(4)	(3)
EBIT	**91**	**(280)**

1 Definition › Governance of the operating business

The **cost of sales** increased by 17 percent to €4,379 million during the reporting period, due mainly to higher material costs and personnel expenditure. In addition, the cost of sales includes expenditure such as the impairment of assets incurred in connection with the flood damage at the Stolberg site of LEONI Kerpen GmbH. The disproportionately slow rise in the cost of sales when compared with sales growth is attributable to lower impairment charges when compared with the previous year and lower expenses for contingent losses on customer contracts and positive effects from the VALUE 21 programme. As a result, gross profit improved from €379 million to €740 million. **Selling expenses** decreased by 4 percent to €233 million. The decline was mainly attributable to lower restructuring costs and lower impairment charges when compared with the previous year. On the other hand, supply bottlenecks of input materials led to additional freight costs. **General administrative costs** grew by 12 percent to €349 million, particularly as a result of higher personnel and IT costs. At €128 million, **spending on research and development** was roughly at the previous year's level.

As in the previous year, **other operating income** comprised income from government grants. While the prior-year figure also included proceeds from sale-and-leaseback transactions totalling around €10 million, the item included €31 million in income from the disposal of LEONI Schweiz AG, primarily due to the realisation of accrued exchange gains, together with €6 million in insurance payouts from the flood damage suffered by LEONI Kerpen GmbH. All told, this led to an increase from €39 million to €53 million. **Other operating expenses** were down from €54 million to €31 million. In the previous year this figure included, among other things, impairments of assets amount-ing to around €28 million in connection with the disposal of LEONI Schweiz AG that was planned at that time. **Income from associated companies and joint ventures**, which stemmed principally from our joint venture in Langfang, China, came to €39 million, down from €40 million in the previous year.

Overall, there was an improvement in **consolidated EBIT** in 2021 to €172 million (previous year: a loss of €59 million) before non-recurring items as well as VALUE 21 costs and to €91 million (previous year: a loss of €280 million) after exceptional items as well as VALUE 21 costs.

Considering the financial result, which also includes an increase in finance costs from € 59 million to €72 million due to the larger debt, the Company reported **earnings before taxes** of €21 million (previous year: a loss of €337 million). Income taxes of €69 million were incurred in the period under report (previous year: income of €7 million). They were caused by the improved result but also by the fact that valuation allowances on deferred tax assets were taken into account, due to the management team's assumptions and assessments about the future business performance of group companies based in the United States. The **consolidated net loss** came to €48 million as opposed to a loss of €330 million in the previous year.

3.3. Financial situation

Financial and liquidity management

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

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

Group subsidiaries are financed mostly in their functional currency. The principal financial liabilities in 2021 were denominated in euros, US dollars, Indian rupees, South Korean won, Romanian lei and British pounds sterling.

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

Progress made in stabilising the financial situation and financing measures

In 2021, LEONI made major progress stabilising its financial situation. A working capital facility running until the end of 2022, 90 percent of which is guaranteed by the German government and federal states (RCF III), ensured the additional funding required because of the Covid-19 pandemic. During the term of the facility, LEONI has generally speaking committed itself to reinvesting its annual net income and thus in fact to a suspension of dividend payments. Out of the total volume of €330 million, €240 million was drawn in 2020. The second tranche amounting to €90 million was available from 1 March 2021 and was utilised in full by the end of the second quarter of 2021. In addition, the volumes within existing factoring lines were expanded considerably and the factoring lines as a whole were further extended.

At the end of 2021, factoring reduced trade receivables by €371 million (previous year: €221 million). Of the current financial liabilities, €41 million (previous year: € 21 million) was due to the receipt of payment for receivables that were sold within factoring agreements. Moreover, reverse factoring transactions are used for supplier financing in connection with copper procurement. As at 31 December 2021, trade liabilities amounting to €142 million (previous year: €161 million) were transferred to factoring companies in the context of signed reverse factoring agreements.

The gradual carving out of subsegments of the Wire & Cable Solutions Division also contributes to a further stabilisation of the financial situation. The sale of LEONI Schweiz AG, Adaptricity AG and of the Data Communication and Compound business units belonging to LEONI Kerpen GmbH was completed during the year under report, providing the LEONI Group with net liquidity of €9 million. Furthermore, an agreement was signed on the disposal of the Business Group Industrial Solutions, which was completed in early 2022. The sale of fiber optics companies was also agreed and is due to be completed in the first quarter of 2022. Details of these divestments are contained in the › Reports by division / Segment report and › Supplementary report.

On top of this, various measures were taken, including as part of the VALUE 21 programme, such as shortening the payment terms in relation to customers, the systematic collection of payments overdue and the optimisation of purchasing volumes and inventories.

Financial situation and net financial debt

At the end of 2021 the LEONI Group had credit lines totalling €1,327 million (previous year: €1,253 million). Alongside the €330 million operating line of credit with a term until the end of 2022 they include a €750 million syndicated loan that matures in June 2023 (RCF I) and firmly committed bilateral credit lines of €248 million (RCF II) maturing at the end of 2022. LEONI has committed itself to not pay out a dividend until the repayment of RCF II and RCF III. There are furthermore various borrower's note loans, maturing in the years 2022 to 2028, in a total amount of nearly €400 million. Information concerning risks related to refinancing and liquidity and other undertakings and covenants is contained in the section headed 'Liquidity rate and financing risks' of the › **Risk and opportunity report**.

The LEONI Group's freely available liquidity[1] amounted to €412 million at end of 2021 (previous year: €498 million)[2], of which €172 million was in cash (previous year: €191 million)[2] and €240 million in available credit lines (previous year: €307 million).

As at the balance sheet date, guarantees amounting to €54 million (previous year: €80 million) have already been deducted.

Net financial liabilities[1] rose by 8 percent, from €1,429 million[2] as at the previous year's reporting date to €1,540 million in 2021. Gearing[3] (net financial liabilities as a percentage of equity) rose from 537 percent[4] to 671 percent.

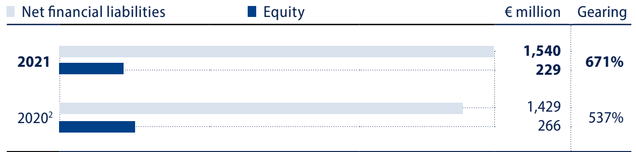
Calculation of net financial liabilities

€ million	2021	2020[1]	Change
Cash and cash equivalents	165	182	(17)
Current financial liabilities	(580)	(50)	(530)
Long-term financial debts	(1,019)	(1,543)	524
Net financial liabilities	(1,434)	(1,411)	(23)
Cash and cash equivalents contained in 'assets held for sale'	7	8	(1)
Financial debt contained in 'liabilities held for sale'	(113)	(26)	(87)
Net financial liabilities including items contained in 'assets/liabilities held for sale'	(1,540)	(1,429)	(111)

1 Prior-year figure adjusted due to reclassification of €5 million in bank accounts pledged to factoring partners

1 Including items contained in 'assets / liabilities held for sale'
2 Prior-year figure adjusted due to reclassification of €5 million in bank accounts pledged to factoring partners
3 Net financial liabilities including items contained in 'assets / liabilities held for sale'
4 Prior-year figure adjusted due to reclassification of €5 million in bank accounts pledged to factoring partners

Equity and net financial liabilities / Gearing[1]



1 Net financial liabilities including items contained in 'assets / liabilities held for sale'
2 Prior-year figure adjusted due to reclassification of €5 million in bank accounts pledged to factoring partners

Free cash flow of the LEONI Group improved to negative €12 million

Cash flow from operating activities increased from to €150 million in the 2021 financial year (previous year: €50 million). The reason for this was the significant improvement in the earnings situation. In working capital, the development of liabilities and the business and copper price-related rise in receivables and inventories led to an additional volume of funds tied up, which in turn was attenuated by higher factoring volumes.

Cash outflow for investments amounted to negative €162 million (previous year: negative €124 million). The reduction in payouts for spending on property, plant and equipment from €197 million to €175 million was partly offset by inflows from the sale of WCS subsegments totalling €9 million. In the previous year, the spending was offset by inflows of €74 million, essentially from sale-and-leaseback transactions. Free cash flow improved from negative €74 million[1] to negative €12 million.

Investing involved a cash outflow of €16 million (previous year: inflow of €124 million). The inflows from taking on debt of €113 million, essentially from the drawing of the second tranche of RCF III, were offset by €63 million in outflows from repayments of debt, primarily lease liabilities, and €67 million in interest payments. The prior year was characterised by refinancing measures leading to inflows from taking out €672 million in debt as part of RCF I, RCF II and RCF III. The cash outflows from principal repayments of debt totalling €499 million in the previous year consisted in the capital repayment of tranches of the RCF I and II facilities, the scheduled repayment of borrower's note loans due and the principal repayment of lease liabilities. Interest payments in the prior year came to €49 million. No dividend was paid in 2021.

After taking exchange rate-related changes into account, the LEONI Group's cash and cash equivalents decreased to €172 million at the end of 2021 (previous year: €191 million[1]), of which €7 million (previous year: €8 million) was included in the balance sheet item 'assets held for sale'.

1 Prior-year figure adjusted due to reclassification of €5 million in bank accounts pledged to factoring partners

Free cash flow € million

1 Prior-year figure adjusted due to reclassification of €5 million in bank accounts pledged to factoring partners

Consolidated statement of cash flows (abridged version) **/ Calculation of free cash flow**

€ million	2021	2020[3]
Cash flows from operating activities	150	50
Cash flows from capital investment activities	(162)	(124)
Free cash flow	**(12)**	**(74)**
Cash flows from financing activities	(16)	124
Change in cash and cash equivalents[1]	(19)	47
Cash and cash equivalents on 31 December[2]	172	191

1 Including exchange rate-related change
2 Including cash and cash equivalents contained in 'assets held for sale'
3 Prior-year figure adjusted due to reclassification of €5 million in bank accounts pledged to factoring partners

Group-wide capital investment of €231 million

The LEONI Group's capital investment in property, plant and equipment as well as intangible assets was reduced from €327 million to €231 million in the year under report. The Wiring Systems Division invested €149 million of this total (previous year: €248 million) and the Wire & Cable Solutions Division accounted for €80 million (previous year: €78 million). More information is contained in the › **Reports by division / Segment report**.

Of the Group's total capital expenditure, €50 million (previous year: €145 million) was accounted for by the addition of rights of use under IFRS 16 resulting primarily from the signing of new leases. The prior-year figure was impacted by factors including sale-and-leaseback transactions. Without the addition of rights of use, capital expenditure at €181 million remained roughly at the prior-year figure (previous year: €182 million).

LEONI Group capital expenditure[1]

€ million	2021	2020
Addition excluding rights of use (IFRS 16)	181	182
Addition of rights of use (IFRS 16)	50	145
Capital expenditure (addition of property, plant and equipment as well as intangible assets)	**231**	**327**

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

3.4. Asset situation

The LEONI Group's balance sheet as at 31 December 2021 was reduced by 1 percent year on year to €3,449 million. On the **asset side**, there was an overall decrease in **non-current assets** of 11 percent to €1,655 million. In particular, this reflected the reclassification of the assets of material held-for-sale elements of the Business Group Industrial Solutions and of most of the fiber optics companies into the current balance sheet item of 'assets held for sale'. As a result of this and other factors, the item covering property, plant and equipment contracted by 8 percent to €1,271 million, goodwill was down by 47 percent to €69 million and intangible assets decreased by 31 percent to €38 million. Furthermore, non-current contract assets declined by 14 percent to €69 million and other non-current assets by 9 percent to €85 million. The decreases were offset by an increase in the share of associated companies and joint ventures by 7 percent to €53 million owing to the performance of the joint venture in Langfang, China.

Overall, **current assets** increased by 10 percent to €1,794 million. This increase was mainly attributable to the reclassification of non-current assets into the item 'assets held for sale' mentioned above, which grew to a total of €415 million (previous year: €89 million). Various current assets also decreased, among other things due to reclassifications into this item. Despite the expansion of business, trade receivables declined by 24 percent to €393 million, primarily due to the increase in factoring volume and the reclassification into the item 'assets held for sale'. Inventories decreased by 6 percent to €470 million, even though the volatile market environment made a further considerable inventory build-up necessary. Moreover, other current assets fell by 20 percent to €134 million, while cash and cash equivalents were reduced by 10 percent to €165 million. By contrast, contract assets rose by 19 percent to €112 million, primarily because of the higher volume of customer-specific inventories. Other current financial assets increased by 50 percent to €91 million due to factors including the higher security retainers resulting from the higher factoring volume.

On the liabilities side of the balance sheet, **non-current liabilities** declined by a total of 33 percent to €1,272 million. This drop was primarily the result of the decline in non-current financial liabilities of 34 percent to €1,019 million, which was mainly attributable to the reclassification of loans and borrower's note loans due for repayment into current financial liabilities and the reclassification of lease payment obligations into the item 'liabilities held for sale'. The increase in the RCF III credit line amounting to €90 million had the opposite effect. Moreover, the other provisions declined from €122 million to €76 million, essentially due to the development of provisions for contingent losses. This was primarily attributable to reversals, among other things following successful negotiations with our customers, use, and with the opposite effect the setting aside of provisions, influenced among other things by commodity price trends. Pension provisions declined by 34 percent to €123 million; alongside the increase in market interest rates this was also due to the impact of reclassifications into the item 'liabilities held for sale'. Deferred taxes remained largely unchanged at €28 million (previous year: €27 million).

Overall, **current liabilities** increased by 47 percent to €1,948 million. This included a rise in current financial liabilities including the short-term proportion of long-term loans from €50 million to €580 million due mainly to the reclassification of maturing loans and borrower's note loans. In addition, a total of €261 million of current and non-current liabilities was reclassified to the item 'liabilities held for sale' (previous year: €80 million) in connection with the planned disposal of material elements of the Business Group Industrial Solutions and a large part of the fiber optics companies. Partly as a result of this, trade liabilities were reduced by 10 percent to €740 million despite the business recovery. Provisions fell from €92 million to €67 million, in particular owing to the payout of severance payments and the reclassification into the item 'liabilities held for sale'. By contrast, other current liabilities rose by 9 percent to €207 million.

2021 saw a year-on-year reduction in **equity** from €266 million to €229 million. The reduction in retained earnings to a negative figure of €5 million (previous year: earnings of €42 million) was mostly attributable to the consolidated net loss for 2021, but this result contrasted with an improvement in accumulated net income from a negative figure of €101 million to a negative one of €90 million, primarily as a result of actuarial gains. As at the end of December 2021, the equity ratio stood at 6.7 percent (previous year: 7.6 percent).

3.5. General statement on economic growth

The Board of Directors takes a generally positive view of the development of the LEONI Group in the context of the challenges presented by the 2021 financial year. Due to the recovery in demand and higher copper price, sales in both business divisions increased significantly. In the Wiring Systems Division, several scheduled project starts also led to higher sales. The increased volume of business and successful implementation of performance-enhancing measures in the context of the VALUE 21 programme also led to a significant improvement in EBIT before exceptional items as well as before VALUE 21 costs. The performance in the second half was, however, hampered by global material shortages and the semiconductor supply crisis. At LEONI, the resultant disruptions to the production in the automotive sector led to pronounced fluctuations in demand and reduced customer update. In addition, the supply bottlenecks prompted considerable additional cost in the supply of our customers. The volume-dependent VALUE 21 measures were therefore unable to unfold their full effect and were partly offset by the additional cost. In light of these challenging underlying conditions, the Board of Directors views the sales and earnings trend as satisfactory.

Further progress was made with stabilising the financial situation although it, along with the asset situation, remains challenging. Free cash flow in 2021 reported a substantial improvement to a slightly negative figure. Net financial liabilities saw an increase. Sufficient funding of the operating business was ensured at all times, thanks to the existing credit lines. The financial situation gradually improved in the wake of the disposal of subsegments of the WCS. The sale of LEONI Schweiz AG in 2021 made a particular contribution in this regard. A material positive effect will furthermore result from the disposal of the Business Group Industrial Solutions in January 2022 (› Supplementary report). The further divestments planned for 2022 will additionally strengthen the liquidity situation from today's perspective. The Board of Directors is holding initial negotiations for the refinancing that is upcoming this year and is confident of bringing them to a successful conclusion. There is still scope to improve the equity ratio, which saw a year-on-year decline in 2021.

3.6. LEONI AG (abridged version pursuant to HGB)

The individual financial statements of LEONI AG are prepared according to the HGB and the German Stock Corporation Act (Aktiengesetz, "AktG").

LEONI AG acts as a group holding company with a focus on financing, governance and capital market-related tasks. Other functions were transferred to the divisions. The structure of the two divisions is guided by their respective customer groups and markets, subdivided into business groups and business units. This involves LEONI AG holding the shares in the operational units of the Wire & Cable Solutions (WCS) Division and the Wiring Systems Division (WSD) as well as LEONI Industry Holding GmbH.

Given its function as a holding company, the business situation and performance of LEONI AG is determined by the profit contributions of its segments, namely the Wire & Cable Solutions Division and the Wiring Systems Division. Therefore, no meaningful financial performance indicator is defined for LEONI AG. The business performance of LEONI AG is essentially subject to the same risks and opportunities as those of the LEONI Group (› Risk and opportunity report). Risks to LEONI AG continue to stem primarily from the recoverability of investments and financial instruments. The performance of the Group has a major impact on LEONI AG's earnings because of the profit and loss transfer agreements that are in place. Considering the profit transfers, the Board of Directors budgeted for a significantly better result year on year in LEONI AG's financial statements for fiscal 2021. The annual result for fiscal 2021 considering profit transfers decreased to a loss of €28 million (previous year: income of €142 million), meaning the forecast was not matched. The profit transfers turned out to be smaller because, among other reasons, measures to bolster equity were applied to a lesser extent. Considering profit transfers, the Board of Directors has budgeted for LEONI AG's fiscal 2022 result to be significantly poorer previous year's. This assessment comprises neither equity-boosting measures nor M&A transactions. This assumption is based on the business planning of the Group companies that are associated with LEONI AG via profit and loss transfer agreements.

As an underlying macroeconomic condition, the military conflict that has been ongoing between Russia and Ukraine since the end of February presents an exceptionally high degree of uncertainty with respect to future business performance, which is why especially the financial fallout on the 2022 financial year cannot be reliably quantified. This uncertainty exists particularly in respect of how the military action will continue, the political consequences in the form, among other things, of sanctions policy vis-à-vis and by Russia, LEONI's ability to produce in both of its subsidiaries as well as the response by LEONI to these uncertainties. LEONI is in close touch with its customers and suppliers in order to respond to the Ukraine war. Performance, as expressed by LEONI AG's annual result, and as the financial year continues will depend substantially on how these uncertainties develop. The ability to forecast is materially compromised for this reason. This uncertainty, which goes beyond the previously described assessment, is therefore presented in the forecast on a comparative basis only. It is consequently assumed that LEONI AG's annual result will be lower than in the previously described estimate. The Board of Directors will continuously reassess the situation. We refer to explanations in the (› Risk and opportunity report) concerning the uncertainties ahead in this financial year.

In the financial statements of LEONI AG there were, as at the balance sheet date, loans to and receivables from LEONI companies in Ukraine and Russia totalling €29 million. Furthermore, LEONI Bordnetzsysteme GmbH, associated with LEONI AG via the profit and loss transfer agreement, holds shares in the subsidiaries in Russia and Ukraine in a total amount of €37 million. These could consequently be least partially impaired and thus exert adverse impact on the financial, asset and earnings situation in the financial statements and consolidated financial statements of LEONI AG.

Earnings of LEONI AG

LEONI AG – income statement (HGB) € million	2021	2020
1. Sales	151	163
2. Other own work capitalised	1	1
3. Other operating income	140	114
4. Cost of materials Cost of purchased services	(95)	(104)
5. Personnel expenditure:		
a) wages and salaries	(32)	(27)
b) social security contributions and expenditure for retirement benefits and support payments	(4)	(4)
6. Amortisation of intangible investment assets and depreciation of property, plant and equipment	(8)	(10)
7. Other operating expenses	(84)	(61)
8. Income from profit transfer agreements	8	220
9. Income from financial loans	25	13
10. Other interest and similar income	11	12
11. Write-downs on investments	(78)	(103)
12. Expenses due to loss assumption	(20)	(33)
13. Interest and similar expenses	(40)	(38)
14. Income taxes	(3)	(2)
15. Earnings after taxes	(28)	142
16. Net los / income	(28)	142
17. Loss carried forward from the previous year	(19)	(161)
18. Retained loss	(47)	(19)

LEONI AG presents sales revenues stemming principally from onward charging for corporate IT services, management consulting and insurance policies as a single item. Compared with the previous year, sales revenues were down to €151 million (2020: €163 million) due to less passing on of costs. This is primarily attributable to lower legal and consulting fees. Other operating income is composed among other items of income unrelated to the accounting period from reversals of provisions in the amount of €1 million (previous year: €3 million) and gains on currency translation amounting to €25 million (previous year: €31 million). This also includes reversal of valuation allowances formed on receivables from and loans to associated companies with effect on the income statement in the amount of €20 million (previous year: €47 million) and income from the write-up of the shareholding in LEONI Kabel GmbH totalling €80 million. The reversal was the result of an unexpectedly improved business performance in the Business Group Automotive (BG AM) in 2021, which is expected to continue. The cost of materials of €95 million (previous year: €104 million) represents spending on purchased services and comprises legal and consulting fees in the amount of €29 million (previous year: €45 million), fees for consulting on data processing of €25 million (previous year: €24 million) as well as maintenance charges and licensing fees in the amount of €36 million (previous year: €32 million). The legal and consulting fees essentially include €10 million in expenses relating to the refinancing (previous year: €6 million), exceptional costs on preparing the carve-out of the Wire & Cable Solutions Division in the amount of €12 million (previous year: €5 million) and €2 million in expenses relating to the VALUE 21 measures (previous year: €12 million). Personnel expenditure in the financial year increased by €5 million to €36 million, essentially on the back of bonus payments and severance payments. Other operating expenses of €84 million (previous year: €61 million) chiefly comprise losses on foreign currency valuation of €34 million (previous year: €26 million), €14 million in expenses for a looming drawdown from the guarantee of LEONI AG as guarantor from working capital loans (RCF II) granted directly to the associated company due to the decision to close down this associated company, and expenses due to valuation allowances for receivables from associated companies in the amount of €17 million (previous year: €13 million). Income from financial loans rose by €12 million to €25 million in the financial year (previous year: €13 million). This rise is essentially the result of loan agreements signed in December 2020 which are fully reflected in income in the financial year. The write-downs on investments totalling €78 million result from the write-down of the holding in LEONI Industry Holding GmbH, which is essentially attributable to the sale of the Business Group Industrial Solutions (BG IN) agreed during the financial year and completed in 2022. The write-downs on investments of €103 million in the previous year principally included the write-down of LEONI Kabel GmbH totalling €80 million due to the sale of LEONI Studer AG, implemented in 2021 and planned in 2020, and other restructuring measures already initiated. Furthermore, the previous year included valuation allowances for loans to associated companies in the amount of €23 million. The interest income of €11 million (previous year: €12 million) involves, as was also the case in the previous year, mostly matters relating to associated companies. Interest expenses of €40 million (previous year: €38 million) mainly comprise interest related to the syndicated loan and long-term operating loans of €27 million (previous year: €24 million).

The balance of the profit and loss transfer agreements signed with subsidiaries incurred a loss of €12 million in fiscal 2021 (previous year: a gain of €187 million), of which LEONI Bordnetz-Systeme GmbH accounted for a gain of € 8 million (previous year: a loss of €33 million) and LEONI Kabel GmbH for a loss of €20 million (previous year: a gain of €220 million).

In 2021, this resulted in a net loss of €28 million, which essentially stemmed from the loss transfers of €20 million from LEONI Kabel GmbH. The profit from profit transfers of €8 million from LEONI Bordnetz-Systeme GmbH had the opposite effect. Furthermore, write-downs of receivables from affiliated companies and equity holdings amounting to €95 million had a negative effect on earnings. On the other hand, write-ups of receivables from affiliated companies and equity holdings came to €100 million. A looming drawdown from the guarantee pertaining to the working capital loan in the amount of €14 million constitutes another negative effect. Compared with the previous year, the net result decreased by €170 million. The previous year's result was principally due to the gain from profit transfers of LEONI Kabel GmbH. The gain from profit transfers reported in the previous year is attributable principally to LEONI AG's measures to bolster equity and the income of approx. €600 million from associated LEONI companies in Germany under their profit and loss transfer agreements with LEONI AG. Inter-Group selling of investments as well as levying of a special dividend are notable factors in this respect. By contrast, adverse effects stemmed from impairment of financial assets.

Assets and financial position of LEONI AG

LEONI AG – balance sheet (HGB) € million	2021	2020
Aktiva		
Assets		
Intangible assets	15	22
Tangible assets	1	1
Shares in associated companies	816	408
Loans to associated companies	592	659
Investments	1,408	1,067
Fixed assets	1,424	1,091
Accounts receivable and other assets	471	557
Cash and bank balances	31	72
Current assets	502	629
Prepaid expenses	8	9
Total assets	**1,935**	**1,728**
Liabilities		
Equity (contingent capital € 6 million)	267	296
Pension plans and similar obligations	23	21
Other provisions	47	22
Provisions	70	43
Financial debt	1,200	1,102
Other liabilities	397	287
Total equity and liabilities	**1,935**	**1,728**

Intangible assets were down by €7 million year on year. The change is due principally to scheduled amortisation.

The key asset items on LEONI AG's balance sheet are shares in associated companies (€816 million) and loan receivables from associated companies (€592 million). As part of a management buyout of LEONI Fiber Optics companies to Weinert Industries AG agreed in the fourth quarter of 2021, a loan receivable of LEONI AG from an associated company (j-fiber GmbH) totalling €13 million was contributed and recognised under equity. This led to a corresponding increase in the book value of the investment. The management buyout transaction is scheduled for completion in the first quarter of 2022. A write-up of the share in LEONI Kabel GmbH totalling €80 million was also performed on account of an unexpected improvement in the business performance of the Business Group Automotive (BG AM) in 2021. In accordance with the resolution of the Board of Directors dated 22 January 2021, a cash contribution of €392 million was paid into the capital reserve of LEONI Industry Holding GmbH. This led to a correspon-ding increase in the book value of the investment. The equity increase at LEONI Industry Holding GmbH was used to finance the inter-Group selling of investments that took place in the previous year in preparation for the WCS carve-out. Loans to associated companies were down by €67 million year on year. This is attributable, in particular, to repayment of the €70 million loan to LEONI Kabel Holding GmbH. Write-ups on loans to associated companies amounting to €16 million made during the financial year have an opposing effect. Receivables from associated companies were down by €87 million, which was due mainly to the receivable of profit transfer from LEONI Kabel GmbH as reported in the previous year.

Compared with the previous quarter, bank deposits decreased from €72 to €31 million.

Equity diminished by €29 million year on year to a figure of €267 million. The change in equity is attributable to the 2021 net income / loss. Equity accounts for 13.8 percent of the balance sheet total, resulting in a retained loss of €47 million.

Provisions rose by €27 million to €70 million in the financial year (previous year: €43 million). They include pension provisions of €23 million (previous year: €21 million) and other provisions of €47 million (previous year: €22 million). Other provisions essentially comprise provisions for valuation units of €11 million (previous year: €0 million), personnel provisions of €10 million (previous year: €6 million), provisions for outstanding invoices of €8 million (previous year: €11 million) and provisions for a looming drawdown from the guarantee of €14 million (previous year: €0). Personnel provisions essentially comprise provisions from variable compensation of €7 million (previous year: €3 million).

The increase in variable compensation was attributable to an improved result for the Group and to activities in the context of the WCS carve-out. The provisions for a looming drawdown from the guarantee include commitments of LEONI AG as guarantor for the working capital loan (RCF II) granted directly to the associated company in the total amount of €14 million due to the decision to close down this associated company.

Liabilities to banks were up by €98 million year on year. The principal factor in this respect is the drawing of the operating loans in the amount of €90 million (RCF III).

The balance is net financial liabilities of €1,169 million (previous year €1,030 million). The principal reason for the increase is the further drawing of the operating loans in the amount of €90 million (RCF III).

LEONI AG – net debt (HGB) € million	**2021**	**2020**
Financial debt	1,200	1,102
less cash and cash equivalents	31	72
Net financial debt	1,169	1,030

Other liabilities to associated companies rose by €110 million in total, due to increased liabilities to associated companies from the profit and loss transfer of LEONI Kabel GmbH amounting to €20 million and the increase in cash pooling liabilities of €98 million. On the other hand, trade liabilities were reduced by €8 million.

4. REPORTS BY DIVISION / SEGMENT REPORT

4.1. Wiring Systems Division

Key events 2021

Successful start of complex customer projects
2021 saw the start and ramp-up of several, in some cases very comprehensive, projects in the Wiring Systems Division. These wiring system projects were for various vehicle models and e-mobility platforms such as the new Mercedes C-Class, which is being supplied by four facilities, and the Audi Q4 e-tron and Mercedes EQS models. The complex ramp-ups were mastered well and the projects are already making initial contributions to sales.

Global supply bottlenecks
During the reporting period the business recovery of the Wiring Systems Division was increasingly hampered by global supply crises. Due to the restricted availability of various materials on the market, both we and our customers experienced bottlenecks in the supply of some sourced input products. This led not only to major logistical challenges and additional costs at LEONI: in particular, the semiconductor shortage led to production stoppages at carmakers and thus to reduced uptake from our customers.

Performance in 2021

Key figures: Wiring Systems		2021	2020	Change (%)
External sales	€ million	3,191	2,543	25
EBIT before exceptional items as well as before VALUE 21 costs[1]	€ million	25	(92)	> 100

1 Definition › Governance of the operating business

Sales and EBIT before exceptional items as well as before VALUE 21 costs of the Wiring Systems Division showed a significant improvement in the 2021 financial year. The performance was in line with expectations in March 2021, when a significant improvement in both key financials was assumed.

Sales grow by 25 percent
External sales of the Wiring Systems Division rose by 25 percent to €3,191 million when compared with the prior-year figure, which was marked by the Covid-19 pandemic. The perceptible recovery in demand in the global automotive sector and the planned start and ramp-ups of various wiring system projects led to sharp organic growth of 23 percent despite the fact that call-forwards by our customers were adversely affected by the semiconductor crisis, particularly in the second half of 2021. The higher copper price contributed 2 percent to the rise in sales.

Sales growth in 2021 was spread across all regions: in the EMEA area, business volume increased by 28 percent to €2,439 million, in the Americas by 26 percent to €411 million and in Asia by 11 percent to €341 million.

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

Wiring Systems, sales performance	€ million	%
2019 sales	**2,543**	
Organic change	589	23.2
Currency translation effects	(2)	(0.1)
Copper price effects	61	2.4
2020 sales	**3,191**	25.5

Earnings before exceptional items as well as before VALUE 21 costs substantially improved

EBIT before exceptional items as well as before VALUE 21 costs of the Wiring Systems Division showed a significant improvement in 2021, from a loss figure of € 92 million to an earnings figure of €25 million. Here, the volume growth and positive effects in the operating business, among other things due to the implementation of VALUE 21 measures, made themselves felt. They include, for example, successful negotiations with customers about retroactive price adjustments and efficiency enhancements in production through process optimisation. Effects of currency translation also had a positive impact. They contrasted, among other things, with additional costs in connection with supply bottlenecks of input materials and the burden the semiconductor crisis put on earnings, among other things due to the strong fluctuation in customer uptake. Further costs were also incurred for the VALUE 21 programme during the reporting year, although these costs decreased from €22 million to €17 million. Exceptional items amounted to expense of €42 million (previous year: expense of €96 million) and essentially included external additional expenses to protect employees in connection with Covid-19, pro rata costs for the Group's refinancing and carve-out costs. A positive item was connected with contingent losses on customer contracts, which was both taken into account in inventories and recognised as provisions. The development of contingent losses is influenced by successful negotiations with our customers and opposed by commodity price trends, among other things. In the previous year, exceptional items resulted mainly from the setting aside of provisions for contingent losses, pandemic-related external additional expenses to protect employees, pro rata costs for refinancing and asset impairments. Reported EBIT improved from a negative figure of €210 million to a negative one of €33 million.

Wiring Systems EBIT before exceptional items as well as before VALUE 21 costs

€ million	2021	2020
EBIT before exceptional items as well as before VALUE 21 costs	25	(92)
Exceptional items	(42)	(96)
VALUE 21 costs	(17)	(22)
EBIT	(33)	(210)

Lower investment

The Wiring Systems Division spent €149 million during the reporting period on property, plant and equipment as well as intangible assets, as opposed to €248 million in the previous year. Of this total, addition of rights of use accounted for €35 million (previous year: €122 million), which were primarily the result of new leases. The previous year's addition was the result of the signing of new leases in connection with sale-and-leaseback transactions, among other things. Other capital investment came to €114 million (previous year: €126 million) and related in particular to the expansion of plants for upcoming customer projects, particularly in North Africa as well as eastern and south-eastern Europe.

Positive trend of order situation

The Wiring Systems Division booked new orders with an expected project volume of €3.3 billion in 2021 (previous year: €1.4 billion), of which e-mobility projects accounted for about 43 percent (previous year: 14 percent). We continued to select new orders by cash flow and earnings criteria, with the aim of limiting our organic growth to the level of market growth as well as of concentrating on making full use of our existing capacity and on strategic customer relationships. The Wiring Systems Division's expected project volume covering the entire term of the projects came to €21.0 billion at the end of 2021 (previous year: €21.2 billion), of which cable harnesses for electric and hybrid vehicles accounted for 33 percent (previous year: 28 percent). The exact scope and timing of deliveries will be determined by the actual uptake from our customers.

4.2. Wire & Cable Solutions Division

Key events 2021

Further progress made with carve-out process
As planned, several subsegments of the WCS were sold during the year under report. Effective 30 March 2021, we sold LEONI Schweiz AG including its subsidiary LEONI Studer AG, i.e. the business involving energy technology and infrastructure, to a consortium of buyers led by former LEONI AG director Bruno Fankhauser and involving Helvetica Capital. Adaptricity AG, which also belonged to LEONI Schweiz AG, initially remained with LEONI before being taken over by Secure Meters, a company with international operations, in the fourth quarter.

On 30 June 2021, the data communication and compounds business units of LEONI Kerpen GmbH based in Stolberg were sold to a consortium of buyers led by David Schlenter, a member of the management of this subsidiary. The operations focused on the oil and gas industry at the Stolberg location, which were initially to be shut down by the end of 2021 because of the prevailing heavy price and competitive pressure, were already terminated in mid-July after flood damage at Stolberg forced cessation of production. The flooding disaster led to drain on earnings of around €4 million, which are included in exceptional items.

In the third quarter, we signed an agreement on the sale of key parts of the Business Group Industrial Solutions, which accounts for a large portion of the WCS industrial business, to BizLink, an international supplier of high-quality solutions for cable connections and connectivity services. The transaction comprised around 20 sites in 10 countries with activities in areas including healthcare, robotics and automation and was completed on 20 January 2022 (› Supplementary report).

In the fourth quarter of 2021, the sale of the LEONI Fiber Optics companies and of j plasma GmbH was agreed in the context of a management buy-out to Weinert Industries AG. The portfolio of these subsidiaries includes special fibres for optical metrology and industrial data transmission. The transaction is scheduled for completion in the first quarter of 2022.

Performance in 2021

Key figures: Wire & Cable Solutions		2021	2020	Change (%)
External sales	€ million	1,928	1,591	21
EBIT before exceptional items as well as before VALUE 21 costs1	€ million	146	34	>100

1 Definition › Governance of the operating business

The Wire & Cable Solutions Division significantly increased its sales and EBIT before exceptional items as well as before VALUE 21 costs in 2021. This performance exceeded the original forecast[1] issued in March 2021, which projected moderate sales growth together with virtually unchanged earnings before exceptional items as well as before VALUE 21 costs. This was attributable to higher demand in the automotive and industrial businesses and to a significant rise in the price of copper.

Sales rise by 21 percent
The external sales of the Wire & Cable Solutions Division rose by 21 percent year on year to €1,928 million in 2021. Most of the increase resulted from organic growth in the automotive as well as industrial businesses and the higher copper price. An opposing effect resulted from the smaller scope of consolidation due to the sale of LEONI Schweiz AG and the partial sale of LEONI Kerpen GmbH.

The division's business volume rose across all regions: in the EMEA area, the most important in terms business volume, sales were up by 12 percent to €1,055 million, in the Americas by 34 percent to €448 million and in Asia by 35 percent to €425 million.

Wire & Cable Solutions, sales performance	€ million	%
2020 sales	**1,591**	
Organic change	227	14.3
Effects of changes in the scope of consolidation	(126)	(7.9)
Currency translation effects	(5)	(0.3)
Copper price effects	241	15.1
2021 sales	**1,928**	21.2

1 Based on the scope of consolidation as at 31 December 2020 taking into account the (partial) WCS disposals completed at the respective time

In the automotive industry we recorded strong growth particularly in the first half of the year, based primarily on the gains in sales of such special cables as data, sensor and charging cables. By contrast, in the second half we felt the effects of semiconductor shortages that led to production stoppages among some of our customers. Sales with wires and strands of the Business Group Products & Solutions and in the industrial business also saw significant growth, especially in the telecommunications, factory automation, robotics, transportation and medical technology segments.

Earnings before exceptional items as well as before VALUE 21 costs significantly improved

The EBIT before exceptional items as well as before VALUE 21 costs of the WCS Division showed a significant improvement in 2021, from €34 million to €146 million. This was attributable mainly to volume and mix effects. Positive effects in conjunction with adjusted cost structures in response to the Covid-19 pandemic and as a result of the implementation of portfolio and VALUE 21 measures contrasted with increases in the cost of materials, especially plastics. On balance, exceptional items amounted to expense of €20 million (previous year: expense of €100 million), including positive exceptional items of €20 million owing to strategic decisions. They consisted of €31 million in income from the completion of the sale of LEONI Schweiz AG that stemmed primarily from the realisation of accrued exchange gains and opposing effects in connection with portfolio measures. This contrasted primarily with asset impairments of €28 million. The figure included expenses incurred in connection with the flooding disaster at the Stolberg site of LEONI Kerpen GmbH that were partly offset by insurance payouts, as well as the impairment in connection with the agreed and already completed disposal of WCS subsegments and other portfolio measures. Further negative exceptional items worth mentioning included expenses for the carve-out and pro-rata refinancing costs. In the previous year the extraordinary items primarily included asset impairments and restructuring provisions due to strategic decisions. No major costs were incurred for the VALUE 21 programme during the reporting period (previous year: €2 million). Reported EBIT improved from a loss of €69 million to earnings of €125 million.

Wire & Cable Solutions EBIT before exceptional items as well as before VALUE 21 costs

€ million	2021	2020
EBIT before exceptional items as well as before VALUE 21 costs	146	34
Exceptional items	(20)	(100)
VALUE 21 costs	0	(2)
EBIT	125	(69)

Investment in new capacity

The Wire & Cable Solutions Division's capital expenditure on property, plant and equipment as well as intangible assets amounted to €80 million in 2021 (previous year: €78 million), of which €14 million (previous year: €23 million) resulted from the addition of rights of use, principally in connection with the signing of new leases. Other capital investment, which related mainly to the expansion of the production of automotive special cables and charging cables in China and Mexico, came to €66 million (previous year: €55 million).

New orders worth about € 2.1 billion

The Wire & Cable Solutions Division recorded an increase in new orders booked from €1,649 million to € 2,085 million, which works out to a book-to-bill ratio of more than 1.

5. OTHER INDICATORS (INCL. NON-FINANCIAL GROUP INFORMATION STATEMENT)

5.1. Procurement

Materials procurement is of major importance to the LEONI Group. Metals, plastics and components are among the most important elements we require for our products. Group-wide, the cost of materials amounted to €3,005 million in fiscal 2021 (previous year: €2,413 million), which works out to a ratio to sales of 59 percent (previous year: 58 percent).

The Wiring Systems Division's cost of materials came to €1,807 million in the year under report (previous year: €1,450 million), which equated to 57 percent of the division's sales (previous year: 57 percent). The most important group of materials comprises such active plastic components as connectors with a 30 percent share, followed by cables and assembled cables with 22 percent and metal components with 20 percent. Passive plastic components accounted for 11 percent of the volume of direct production material procured, while adhesive tape products and fixings equated to 10 percent and electronic components to 7 percent. The categorisation of material groups was changed in 2021 as part of our NextGenWSD programme.

The Wiring Systems Division sources the cables and conductors for the manufacture of wiring systems mostly from the Wire & Cable Solutions Division, but also from outside LEONI. Such components as connectors and fixings are largely procured from other suppliers. This frequently involves suppliers that are stipulated by customers in the automotive industry as part of being awarded the contract.

Material shortages and bottlenecks involving a large number of key suppliers characterised the Wiring Systems Division's procurement activity throughout the year, which severely compromised supply for our OEM projects. The causes were various supply crises affecting especially semiconductors, metals and plastics, but also disruptions in transportation and because of the Covid-19 pandemic. In some cases we were able to compensate for the bottlenecks by using alternative materials.

In the second half of the year, furthermore, we were faced with huge price adjustment demands from suppliers because of higher raw material, transport, energy and other costs. As prices initially still remained within already concluded agreements, the first surcharges did not appear until the fourth quarter. From today's perspective, there will be further fallout from the persisting supply bottlenecks in 2022.

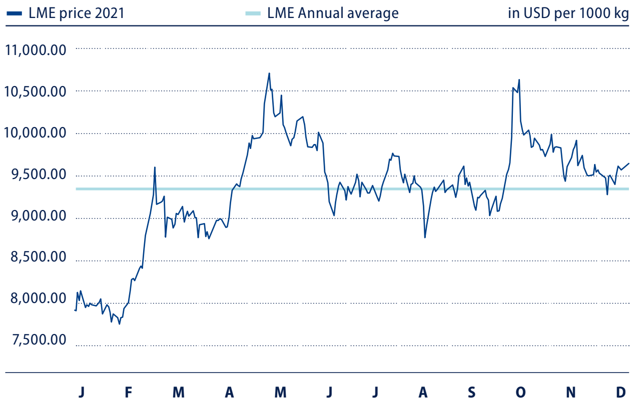
The major challenges due to the materials shortage notwithstanding, we successfully implemented various measures to raise efficiency under our VALUE 21 programme during the year under report. One of the focal areas, for example, was agreeing the procurement terms for our major projects as early as possible. We furthermore anticipate positive impetus from a Purchasing Excellence initiative launched during the year under report and that aims, among other things, to safeguard our competitiveness and supply.

The cost of materials in the Wire & Cable Solutions Division amounted to €1,449 million in 2021 (previous year: €1,119 million) or 67 percent of the segment's sales (previous year: 64 percent).

Materials bottlenecks and disruptions in the supply chains because of the Covid-19 pandemic affected day-to-day business in this division, too. It was a matter not only of managing limited availability versus significantly increased demand, but also of keeping an eye on the aggravating situation in transport logistics. Thanks to the strategic supplier partnerships it has successfully established, our WCS division was however able to largely maintain its supply of materials worldwide during the period under report. The division also successfully continued the initiatives under our VALUE 21 programme despite major stresses.

Although our annual volume of copper, which continues to be our most important raw material that we procure from major, strategic suppliers, rose again in 2021 after the considerable decrease in the previous year, it was again significantly below 140,000 tons (previous year: significantly below 140,000 tons). The price of copper picked up substantially during the year. As the German DEL-Notiz e.V. protective association ceased reporting its DEL price effective 14 February 2022, the details below concerning the trajectory of the copper price refer to quotes of the London Metal Exchange (LME) and are thus dollar values. The low was quoted at USD 7,755.50 per ton on 2 February 2021; the high was USD 10,724.50 per ton on 10 May 2021. On average, copper cost USD 9,317.49 per ton in the reporting period and thus about 51 percent more than the previous year's average of USD 6,180.63 per ton.

Copper price in 2021 (LME)



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

The prices of such other metals as nickel, silver and tin, of which we procured larger quantities again compared with the previous year, also rose considerably: The annual average price of nickel was up by 30 percent, the cost of silver increased by 20 percent and that of tin even by 85 percent.

Insulation materials account for the WCS division's second-largest share of material costs. The demand for PVC and PE, thermoplastic elastomers as well as polyurethane, fluoropolymers, silicones etc. increased substantially compared with the pre-year period. Overall, we once again reached a level of significantly more than 50,000 tons (previous year: well below 50,000 tons), of which PVC compounds alone accounted for 44,000 tons during the reporting period.

The persisting shortage led to significantly increased prices not only for metals, but across all materials. For instance, prices for plastics rose by up to 100 percent.

From today's perspective, these price trends and the pressure on supply will persist over the upcoming months. Our principal focus in 2022 will continue to be on stabilising the supply to our production facilities and further broadening of our global network of suppliers.

5.2. Employees

101,372 employees in the LEONI Group
At the end of 2021, the LEONI Group's core workforces totalled 101,372 employees and thus 365 more than one year earlier (previous year: 101,007). Year on year, the number of employees in the LEONI Group thus remained roughly stable.

LEONI employed the vast majority of people, i.e. 97,049 or 96 percent, outside Germany in the reporting period (previous year: 96,420 people or 95 percent). In Germany, we had 4,323 employees (previous year 4,587). Group-wide, 7 percent of staff (previous year: 7 percent) worked in high wage countries and 93 percent (previous year: 93 percent) worked in low-wage countries.

In the Wiring Systems Division the number of employees rose to 93,705 people (previous year 92,662). There was recruitment because of starting customer projects and larger order volumes mainly at facilities in Bulgaria, Portugal, Serbia and Ukraine. By contrast, the workforce in Morocco and Romania had to be reduced as a consequence of the global supply bottlenecks and fallout from the Covid-19 pandemic. In addition, there was some shifting between individual plants because of relocations or order adjustments.

The number of employees in the Wire & Cable Solutions Division decreased by 663 year on year to 7,457 people (previous year: 8,120), with 48 percent of the reduction affecting commercial staff and 52 percent non-commercial jobs. The principal reasons were the carve-out action so far taken (› Segment report), portfolio streamlining and, to a lesser extent, effects of the Covid-19 pandemic.

The Group's LEONI AG holding company employed 210 people on 31 December 2021 (previous year: 225).

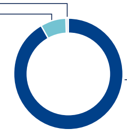
In addition, LEONI had 31,844 people Group-wide working on temporary employment contracts at the end of 2021 (previous year: 26,926) and a further 3,612 people (previous year: 3,634) working on contracts with manpower agencies, thereby enabling quick response to fluctuating demand, among other things.

In Germany and on average, LEONI's workforce in 2021 was aged 43 years (previous year: 43 years) and with the Company for 13 years (previous year: 12). During the period under report, 40 employees at facilities in Germany celebrated their 25th anniversary with the Company (previous year: 69). The ratio of people with disabilities stood at about 3 percent (previous year: 3 percent). 369 people (previous year: 375) worked part-time and a further 144 were in semi-retirement (previous year: 158).

Collaboration with the employee representatives was once again very constructive.

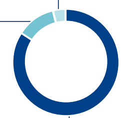
Employees by division — as of 31 December

%	2021	2020
LEONI AG	**0.2**	0.2
Wire & Cable Solutions	**7.4**	8.0
Wiring Systems	**92.4**	91.7

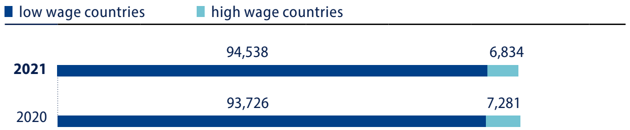


Employees by region — as of 31 December

%	2021	2020
Asia	**3.9**	3.7
Americas	**11.7**	12.1
EMEA total	**84.4**	84.1
– Eastern Europe	**36.5**	34.9
– Africa	**41.7**	42.5
– Germany	**4.3**	4.5
– Rest of EMEA	**2.0**	2.2



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



5.3. Research & Development

The LEONI Group's extensive research and development (R&D) work is aimed at realising new products and solutions to further enhance its good competitive position. Against the backdrop of gradually carving out subsegments of the Wire & Cable Solutions Division, we are in the process focussing increasingly on forward-looking solutions for energy and data transmission for the motor vehicle sector in our Wiring Systems Division (WSD).

Focal areas of development and projects

The direction of our Wiring Systems Division's R&D has been adjusted and refocussed in the wake of its realignment under the NextGenWSD programme. The main focus is now on positioning as concept development partner to the carmakers and sharpening the corresponding skills. Electromobility, new architecture concepts for vehicles of the future (connected, highly automated through to autonomous and electric) and optimisation of its product portfolio as well as alignment to future requirements also continued to be at the heart of R&D work.

The priorities of the Wiring Systems Division's development in 2021 again concerned key wiring system areas. In the field of conventional 12-volt wiring systems, the division further improved its skills and products with respect to electronic power distribution. We succeeded in taking a major step here by agreeing to collaborate with Valeo Schalter und Sensoren GmbH in Germany (› Development projects and committee work). We are furthermore working hard on zonal architectures as well as further development of existing cable harness components like electromechanical power distributors, alternative conductor concepts and new materials. In the high-voltage area, i.e., the part of the wiring system that is essential to (fully) electric driving, we stepped up our efforts towards expanding our portfolio for corresponding batteries. In addition, we continually improved and further developed our products in the fields of charging, traction and ancillary cable harnesses.

Expanding our range of products and services for electromobility and autonomous driving as well as for building the corresponding infrastructure continued to be an R&D focal area in our Wire & Cable Solutions Division, too. In the field of charging cables, for example, we worked on the optimum layout of the cables, which must be made with larger cross sections because of the mounting demands in terms of range and charging times. To do so, we make use of a simulation tool and can, with the help of a 'digital twin', draw important conclusions for the cable's design without costly sample production and testing. In the field of high-voltage cables for electric vehicles, we continued to work on high temperature-resistant solutions. In the area of data and sensor cables, the focus was on sensor cables in the axle wiring for redundant systems – an important safety aspect to autonomous driving. Other subjects involved the development of cables for differential data transfer to meet the demands in the connectivity market as well as high-performance coaxial cables for autonomous driving.

In the industrial segment, we are working on, among other things, developing new products for data centre applications. We also made significant progress in the field of medical technology: here we took ready-to-install sub-systems for endoscopy applications to the marketability stage, for example.

R&D spending of €128 million in 2021

The LEONI Group's 2021 R&D spending was, with a figure of €128 million, at roughly the previous year's level (previous year: €129 million), which equated to a 3 percent proportion of consolidated sales (previous year: 3 percent). Assets furthermore included an amount of about €1 million in capitalised development costs (previous year: €2 million), which are of minor significance to the LEONI Group.

In the Wiring Systems Division, R&D expense amounted to €110 million (previous year: €102 million) or 3 percent of segment sales (previous year: 4 percent). The Wire & Cable Solutions Division incurred development costs totalling €16 million (previous year: €24 million), which equated to 1 percent of the segment's sales (previous year: 1 percent).

The number of people employed Group-wide in R&D was down as opposed to the previous year to 1,770 by the end of 2021 (previous year: 1,842) or 2 percent of the Group workforce (previous year: 2 percent). Of that number, 1,584 employees (previous year: 1,550) worked in the Wiring Systems Division and 184 (previous year: 292) in the Wire & Cable Solutions Division.

In 2021, we again completed various customer-oriented development projects and took innovative products to the marketability stage. The number of newly registered proprietary rights came to 22 patents and utility models (previous year: 35), of which 16 from the Wiring Systems Division (previous year 21) and six from the Wire & Cable Solutions Division (previous year 14).

Development collaborations and committee work
LEONI again participated in various development and collaboration projects in 2021. For instance, the Wiring Systems Division agreed to collaborate with Valeo Schalter und Sensoren GmbH of Germany in 2021 to develop innovative solutions for zone controllers. These form a core element for future wiring system architectures that must fulfil the increasing requirements of autonomous, electric and connected mobility.

As a member of various initiatives and trade bodies, we continually exchange ideas with other companies and the scientific community on the latest technological trends. Among other schemes, the Wiring Systems Division is engaged in the Cluster Automotive of Bayern Innovativ GmbH, the eNOVA Strategy Board for the Automotive Future and the NAV-Alliance platform, but also in working groups of the German Association of the Automotive Industry (VDA) on functional safety.

The companies of the Wire & Cable Solutions Division furthermore belong to several national and international trade association committees. Overall, we are represented in a large number of working groups and committees and thereby contribute our expert knowledge worldwide to preparing and revising standards, testing methods and standardisation initiatives in the automotive industry, among others.

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

Hereinafter we report in accordance with Sections 315b and 315c of the German Commercial Code (HGB), the German CSR Directive Implementation Act (CSR-RUG), and the corresponding requirements of German Accounting Standard 20 on principal, non-financial aspects of LEONI AG. They comprise environmental, social and employee matters as well as respect of human rights and combating corruption as well as bribery. Unless stated otherwise, the contents of this reporting applies to the LEONI Group (hereinafter described as 'LEONI'). For the purpose of disclosing energy consumption, all principal units, i.e. research, engineering and administrative locations with more than 50 employees as well as all producing facilities (as at 31 October 2021), were included.

LEONI understands sustainability to mean both long-term as well as profit-oriented business growth and assumption of social as well as ecological responsibility. The objective is to bring the resulting demands into balance. The basis for this includes the

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

LEONI Social Charter and the LEONI Code of Conduct, which apply Group-wide, as well as the Safety, Health & Environment policy of both divisions.

We follow the principles of the German Sustainability Code as well as the ten key principles of the UN Global Compact in reporting our non-financial information. Our materiality analysis was based on the CSR-RUG and GRI standards. For the purpose of recording energy consumption, we follow the Greenhouse Gas Protocol and use the energy conversion factors of the German Federal Office of Economic and Export Control.

Complementing the non-financial information statement for the first time this year are disclosures on activity pursuant to Art. 8 (2) of the EU Taxonomy Regulation. For the 2021 financial year, we have stated only some of the taxonomy-eligible and some of the non-taxonomy-eligible business activities relative to sales, capital expenditure (CAPEX) and operating expenses (OPEX).

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

Non-financial risks

Risks at LEONI are generally identified systematically and early as well as analysed and assessed with respect to the probability of occurrence and effects by applying our multi-stage risk management system. Risk owners and risk coordinators are responsible in this respect for reviewing risks on a monthly basis and entering them in the risk management tool. The risks stemming from non-financial aspects are, in line with the CSR-RUG, assessed from two angles: first, with respect to possible impact on LEONI and, second, for possible effect on environmental, social and employee matters. To make the assessment, the reported non-financial risks in operations are analysed together with the abstract risks as defined by a team of experts. Abstract risks are events that could potentially occur. These risks are managed centrally at Group and division level provided there is no obligation on the operating risk owners to report. The identified abstract risks will have been recorded in our risk management system and integrated in the risk process. No highly probable risks within the meaning of the CSR-RUG with serious, adverse impact on the aforementioned matters were identified in 2021.

Materiality analysis

Process and findings of the materiality analysis

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

To prioritise the matters, the project group consisting of the sustainability team and representatives of specialist departments made a quantitative evaluation in which the dimensions of 'relevance to stakeholders', 'impact on the environment and society' and 'influence on LEONI's business activity' were assessed. The findings were recorded in a matrix, checked for content in a workshop and finally re-sharpened by Corporate Sustainability and by outside sustainability consultants. The Board of Directors confirmed the findings.

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

In the overview below, we have allocated the CSR-RUG matters to our principal issues and the content of the report.

CSR-RUG matters	**Material matters pursuant to CSR-RUG**	**Report sections and subsections**
Employee matters	'Reputable and attractive employer'	**Employee matters** • Fair dealing with employees • Diversity
Environmental matters	'Energy efficiency and renewable energy' 'Environmentally friendly transport'	**Umweltbelange** • Energy efficiency and renewable energy • Environmentally friendly transport
Respect of human rights	'Reputable and attractive employer' 'Ecological and social standards in the supply chain'	**Ecological and social standards in the supply chain** • Internal standards • Ecological and social standards among business partners
Combating corruption and bribery	*Not identified as a material issue*	
Social matters	*Not identified as a material issue*	

Sustainability organisation, involvement of the Board of Directors and data collection

The sustainability-related tasks are performed by the Corporate Ethics, Risk and Compliance department as part of a Sustainability Management System. During the year under report, the CFO bore overall responsibility for the matter; since 1 February 2022 it has been the responsibility of the Chief Human Resources Officer (CHRO). The head of the Corporate Ethics, Risk and Compliance department regularly informs the CFO and also the whole Board of Directors on the latest developments of all relevant sustainability aspects and they are involved in key decisions. There are normally also meetings of the Sustainability Steering Committee with the various departments under the responsibility of the Board member, during which current non-financial matters at LEONI are continually processed. It is the Sustainability Steering Committee's task to determine the Company's strategic sustainability orientation and to draft proposals for corresponding long-term, sustainability-related decisions. During the year under report, the duties of the Sustainability Steering Committees were transferred to the Sustainability Project Steering Committee and the heads of division who are working on a comprehensive sustainability project with realignment of the sustainability strategy and with corresponding decisions. In addition to the Board of Directors, the Audit Committee of the Supervisory Board and the Supervisory Board itself are regularly given reports on sustainability matters and, in the year under report, especially on the Sustainability Project.

Our CSR Orientation 2030 has been in force since 2019. The programme constitutes a framework for further development of non-financial matters at LEONI.

During the year under report and as part of a project, LEONI revised its perception of sustainability, developed a guiding principle, determined the areas for action of 'climate protection', resource efficiency' and 'decent work' and updated its materiality analysis. In addition to identifying the key matters, the materiality analysis was used work out the strategic relevance of the individual issues for LEONI's overall strategy.

Sustainability-related information and data, e.g. energy and water consumption, is collected once a year by Corporate Sustainability, which consolidates the information and forms a key basis for reviewing the development and future strategic direction of sustainability management. Since 2020, LEONI has been using a digital collection system for this purpose. By means of electronic questionnaires, quantitative and qualitative sustainability data was collected in 2021 from relevant units and facilities.[1] The questionnaire for collecting sustainability data was revised and broadened during the year under report. Newly introduced in 2021 was the requirement that senior management in the

1 The sustainability data of LEONI Kerpen GmbH was not recorded in 2021. Key operational units of this company no longer belonged to the LEONI Group in the second half of the year. Flooding in Stolberg on 15 July 2021 destroyed much of the plant, meaning that it was impossible to collect data for the first half of the year.

respective countries must approve the data with the intention of embedding responsibility for data quality also among the operating units. Corporate Human Resources (HR) collects data on employee numbers.

Employee matters

The HR department is responsible for organisational fostering of employee concerns. The head of this department reported to the CFO in the reporting period and, since 1 February 2022, has been reporting to the CHRO.

About 4 percent of LEONI employees work in Germany, while the vast majority of our colleagues work at locations outside Germany. Local responsibility for employees rests with the management of the facilities in those countries. Those responsible for regional and division-overarching HR are in charge of recruiting and keeping staff as well as for implementing our HR governance rules and requirements.

Alongside adhering to regulatory requirements, LEONI strives to provide its staff with interesting jobs that involve a high degree of personal responsibility in a motivating, encouraging and constructive work environment in order, as an attractive employer, to find skilled and committed employees as well as to retain them within the Company.

To match the aspiration of being an attractive and decent employer, we consider fair dealing with staff and promotion of diversity to be important factors.

Fair dealing with colleagues

LEONI strives to provide a working environment for all its employees worldwide that provides good working conditions and is free of discrimination in both recruitment and during employment, as well as safeguards the freedom of association and the right to collective bargaining. A blanket ban on discrimination is embedded in our LEONI Code of Conduct and in the LEONI Social Charter, among other places. The Social Charter furthermore prescribes support for employees in gaining qualifications and demands that, at a minimum, the respective national, legal requirements with respect to compensation and minimum wages, safety at work and health protection as well as working and holiday times are observed. To realise this aspiration, LEONI has formulated a comprehensive programme to establish a matching corporate culture by defining LEONI's basic values and equivalent principles of conduct that will be rolled out next year and embedded via corresponding management training sessions. In particular during the year under report, we developed and published our new corporate values. The management in the respective countries is responsible for adherence to present and future requirements.

Due to the Covid-19 pandemic, the employee satisfaction survey scheduled for 2021 was postponed for another year.

Diversity

We regard diversity – with respect to gender, age, cultural background, ethnic as well as career backgrounds and mindset – as key to being able to master an increasingly complex set of tasks and challenges within heterogeneous teams.

Especially against the backdrop of our labour-intensive facilities outside Germany, it is LEONI's aspiration to establish a corporate culture that observes and fosters mutual respect in international collaboration. This was embedded accordingly in LEONI's basic values described above.

As part of our CSR Strategy 2030, we have set ourselves the goal of raising the proportion of women on the top two management tiers (Mercer Level 1-2, excl. senior executive level) to about 20 percent by 2030 and to maintain the already existing, balanced ratio in the overall workforce. No specific measures towards this goal were applied during the year under report.

In 2021, women held 8.6 percent (previous year: 6.3 percent) of the positions on the top two management levels within the LEONI Group worldwide. LEONI's Board of Directors has included one woman since 1 August 2019. Worldwide, about 52 percent of LEONI's total workforce was female (previous year: 55 percent).

International experience and stints in foreign countries are an important element in our management training. The specialist and intercultural skills thereby promoted qualify employees for positions on management levels. Again in the past year, staff and managers were assigned to other countries to perform management duties or work on key projects (e.g. facility set-up, project ramp-ups or similar).

Environmental matters

Environmental protection at LEONI is to be underpinned by a preventive approach in line with the UN Global Compact. Environmental protection is embedded as a key matter in our LEONI Code of Conduct.

Both divisions, the Wiring System Division (WSD) and the Wire & Cable Solution Division (WCS), have an environmental management system aimed at keeping the impact of our production processes on the environment as minimal as possible. In particular, we strive to achieve reduction in energy consumption and the associated CO_2 emissions as our contribution to climate protection. There is centralised responsibility for managing SHE (Safety, Health, Environment) matters for both divisions. At our production facilities outside Germany, local SHE managers bear responsibility for adherence to corporate and the respectively national SHE requirements.

At our facilities, we run environmental management systems in line with such internationally recognised standards as ISO 14001, EMAS III (Eco-Management and Audit Scheme) as well as energy management systems in line with ISO 50001.

Energy efficiency and renewable energy

It is our objective in general terms to reduce the energy consumed at our production facilities. Accordingly, our plants define, while considering the differing set-ups and peculiarities in terms of infrastructure, suitable energy efficiency projects and apply these.

As part of our CSR Orientation 2030 and using 2016 as the base year, we are striving to reduce the LEONI Group's relative energy consumption (MWh / €1 million in sales) by approx. 15 percent per €1 million in sales by 2030. Based on this aspiration, reduction targets were determined in our Wiring Systems Division (WSD) for each of its production facilities, which are to be met in 2023.

In the WSD, for example, the lighting at production facilities in Mexico was converted to LED as an energy-saving measure during the year under report. In addition, the plan is to fit solar equipment at these locations.

As a consequence of the increased political and societal importance as well as the greater demands of our customers, we are currently also working on an emissions reduction target in the Wiring Systems Division that is to be published in 2022. It will be necessary to use renewable energy to meet such a target. To determine the proportion of renewable energy already sourced, we launched a survey in 2021 that is aimed at providing a more precise overview of the energy sources used.

In the WCS Division, too, there are qualitative targets (e.g. energy efficiency measures as well as further environmental certifications) in accordance with our ongoing improvement process, which are being continuously pursued.

We determine annual consumption to check whether energy efficiency measures are making an impact on the entire energy consumption of the Group.

After the coronavirus pandemic partly curtailed production in 2020, energy consumption rose again[1] in fiscal 2021 to 500,549 MWh (previous year: 484,030 MWh). Energy consumption per €1 million in sales came to 97.8 MWh and therefore dropped

1 Use of the following energy sources was recorded to compute total energy consumption: electricity, diesel, bioethanol, oil (heating oil and unspecified oils), gas, (CNG, LNG, LPG, natural gas and unspecified gases) and wood pellets.

versus the preceding years (2020: 117.1 MWh per €1 million in sales; 2019: 106.8 MWh per €1 million in sales). Energy consumption was down also when compared with the base year of 2016 (111.5 MWh per €1 million in sales).

Environmentally friendly transport
There is no specific plan yet concerning the subject of 'environmentally friendly transport', but LEONI is working on the following matters that can contribute to reducing the CO_2 emissions that stem from transport operations connected with our business activity. Given the distances between LEONI production facilities and customers, long transport routes (inbound / outbound) must in some cases be covered, which entail corresponding emissions. LEONI is working on optimising its transport network to consolidate shipments as well as raise utilisation of the means of transport. LEONI is furthermore endeavouring to switch shipments to rail. The precondition for this is, on the one hand, that expedient rail connections exist, e.g. with respect to transit times and departure frequency and, on the other hand, that it is economic in terms of TCO (total cost of ownership).

As for packaging, we have for some years been deploying reusable packaging that is good for several years, and which is in circulation between LEONI plants and customers. Reusable packaging may consist of either plastic or wood. While plastics are mostly used as containers for small shipments, we have for years been using containers made of wood as a renewable raw material for large shipment containers. Purchasing is working on increasing the degree of localisation of our suppliers. These measures will enable us to reduce CO_2 emissions in the 'transport' category.

Ecological and social standards in the supply chain

Internal standards
Among the principal social standards that the LEONI Group intends to uphold are internationally recognised human rights. The LEONI Code of Conduct, Social Charter as well as our general terms and conditions call upon our management and all staff to prevent modern slavery and human trafficking in the context of our activities. In our statement on respecting human rights, we likewise explain that we do not tolerate any human rights abuses, with violations being unequivocally sanctioned.

In the context of the Human Rights project, we commenced an analysis of present and future legal requirements and reporting obligations concerning human rights, especially with respect to the German Supply Chain Due Diligence Act. We furthermore decided, in a first step, to focus on internal risk concerning human rights and, in a second step, to analyse the risks within our supply chain.

LEONI meets other ecological and social standards with certification of its production facilities. At the end of 2021, 49 WSD facilities (previous year: 49) and 24 WCS facilities (previous year: 31 locations) were ISO 14001 certified[1]. Furthermore, 30 WSD facilities were ISO 45001 certified.

Ecological and social standards among business partners in the supply chain
LEONI expects its business partners to act sustainably and to observe human rights. To this end, we published our LEONI Code of Conduct for Business Partners in 2019 and broadened it in 2021 with respect to various sustainability-related issues and the German Supply Chain Due Diligence Act as well as to include specific expectations concerning protection of the environment and climate.

Potential suppliers are subjected to a supplier qualification process before LEONI enters into a business partnership with them. It is presently stipulated in our general terms and conditions that we expect our business partners to observe the LEONI Social Charter and / or the principles of the UN Global Compact. In both our divisions, a new supplier will only be approved under our supplier qualification process if they agree to these principles.

1 The smaller number in 2021 was due to the sale during the year of several WCS companies.

Under the divisions' approval process, suppliers must furthermore complete a self-assessment that enquires not only about delivery conditions and commercial matters, but also such measures relating to environmental protection as certifications (e.g. ISO 14001).

In the WSD, we presently impose these requirements only on suppliers of production materials for whom a corporate supplier qualification process as well as corporate approval is prescribed. In the case of directed part suppliers that are predetermined by the customer as sub-contractors these requirements are presently followed up by LEONI or demanded as a stringent requirement for a business relationship.

An explicit assessment of the suppliers according to sustainability criteria is not made at present. However, an in-house Service Team checks the validity of environmental certificates and requests them afresh if needed.

The Wiring Systems Division decided in the year under report to introduce purchasing software in 2022 that can systematically map the supplier onboarding process and document this in the supplier assessment. The concept for qualifying suppliers also provides for sustainability criteria. In addition, the LEONI Code of Conduct for Business Partners is in 2022 to be linked with the purchasing conditions of our standard contracts so that each newly commissioned supplier must acknowledge the code of business conduct.

For the WCS Division, the sustainability criteria will be adopted in the supplier self-audit of 2021. This self-audit was included in the purchasing conditions as a further measure of implementing the Code of Conduct for Business Partners. LEONI is entitled to terminate the business relationship immediately when any serious and repeated breaches of the principles stipulated therein come to light.

There were no confirmed case of human rights abuses or breaches of social or ecological standards during the year under report.

EU taxonomy disclosures

EU taxonomy objective

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

For first-time reporting for the 2021 financial year, Art. 10 of the Delegated Act with respect to Art. 8 of the Taxonomy Regulation provides easement rules for publication of non-financial information. A determination must be made for this financial year which business activities can be rated as taxonomy-eligible with respect to the first two environmental targets ('climate protection' and 'adaptation to climate change') and the proportion of sales, capital expenditure (CAPEX) and operating expenditure (OPEX) of the respective total Group figure that is related to these activities.

In a second step as of 2022, LEONI must examine the extent to which taxonomy-eligible activities contribute to one of the environmental targets and meanwhile do not significantly harm any of the other six environmental targets (DNSH), including observing the minimum social standards.

Procedure for establishing relevant activities based on an impact assessment
To establish the taxonomy-eligible economic activities for LEONI, all the business activities of the WCS and WSD segments were scrutinised in accordance with the activity descriptions in Annex 1 and 2. This also involved focusing on research and development as well as non-sales-generating activities in the areas of real estate, vehicle fleet and energy efficiency measures. The identified business activities were subsequently reconciled with the NACE codes stated in the annexes. We drew on the expertise of the pertinent specialist departments fur this purpose because, among other things, NACE codes must be considered for certain certifications, allowing the environment sector to make a rough assessment (test) of relevant activities.

As particularly the WCS Division makes products for differing applications and the manner of its production is more multifaceted that in the WSD, a more detailed assessment of activities is relevant in its case.

As purely a component manufacturer, LEONI did not identify any taxonomy-eligible activities pursuant to Annex 1 and 2 for the WCS Division. For the Wiring Systems Division, only its production of high-voltage cable harnesses falls under taxonomy-eligible activities as these are fitted directly to electric vehicles. Electric cars provide more emission-friendly mobility than the hitherto prevalent vehicles with combustion engines. High-voltage wiring systems that are made and fitted for connecting the electric drive thus contribute directly and materially as an enabler to this low CO_2 drive technology. Our other components, such as low-voltage wiring systems for on-board computers, are made for both e-cars and combustion-engine vehicles and are therefore not a key component for low CO_2 technologies.

Identified taxonomy-eligible activities
The following taxonomy-eligible activities pursuant to Annex 1 were identified at LEONI

- 3.6 'Manufacture of other low carbon technologies': Production of high-voltage cables for electric vehicles (WSD) and related sales, CAPEX and OPEX.

- 7.3, 'Installation, maintenance and repair of energy efficiency equipment', and 7.6, 'Installation, maintenance and repair of renewable energy technologies': Capital expenditure (WSD).

All other activities listed in Annex 1 of the EU taxonomy are unrelated to LEONI's business model or are activities to which LEONI makes no significant contribution or in which it invests any significant amounts. No taxonomy-eligible activities were identified for Annex 2.

The EU taxonomy calls for establishing the relevant activities and the thus making related disclosures concerning sales, CAPEX and OPEX. For CAPEX on buildings pursuant to 7.3 and 7.6 we estimated that the taxonomy-eligible proportion of such capital expenditure accounts for just 0.8% of Group CAPEX. In keeping with the principle of materiality, these estimated figures were not included in the key figure.

Taxonomy key figures
The EU taxonomy requires reporting entities to present the sales, CAPEX and OPEX of their taxonomy-eligible activities in relation to their overall activities. The key figures derived therefore comprise the following:

For the KPI of sales we used as the basic parameter (denominator) the sales computed in the consolidated financial statements pursuant to IFRS. The taxonomy-eligible proportion (numerator) is computed based on the sales revenues that are generated from the sale of high-voltage wiring systems and are accounted for via EMO profit centers.

For the KPI of CAPEX we used as the basic parameter (denominator) the CAPEX costs computed in the consolidated financial statements pursuant to IFRS. The taxonomy-eligible proportion (numerator) refers to the capital expenditure on production of high-voltage wiring systems and is likewise allocated as CAPEX to the EMO profit centers.

For the KPI of OPEX we used as the basic parameter (denominator) the R&D costs as well as service and maintenance costs computed in the consolidated financial statements pursuant to IFRS. The taxonomy-eligible proportion (numerator) is computed based on the R&D costs incurred by research into high-voltage wiring systems and is likewise allocated to the EMO profit centers.

Taxonomy key figures[1]

€ million	Taxonomy-eligible proportion	Group total	KPI: relative proportion of total figures
Sales	237	5,119	4.6%
CAPEX	12	181	6.8%
OPEX	7	128	5.3%

1 Naming of the EMO profit centers and the definition of the taxonomy-eligible proportion of electric vehicles differs from the definition of e-mobility otherwise used by LEONI. LEONI understands the otherwise accepted description of e-mobility to mean the manufacture of all components for electric cars and hybrids including cables for connecting the power battery (high voltage) and including wiring systems for cabin electronics, on-board computers etc. (low voltage)

The public statement of the European Securities and Markets Authority (ESMA) dated 29 October 2021 points out that the EU taxonomy is of a dynamic nature. LEONI's disclosures under the EU taxonomy therefore correspond to the current status of interpretation. LEONI will continue to follow interpretations of the EU taxonomy and make adjustments if needed.

6. RISK AND OPPORTUNITY REPORT

6.1. Risk policy

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

6.2. Risk management system

LEONI has a multi-stage risk management system that is rounded off with other, supporting control systems. The Risk Management and Internal Control System department performs the corporate monitoring and coordinating of the risk management process. It also determines and describes the Group's overall risk situation. LEONI's risk management system is based on the Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Risk Management and Internal Control System department is part of the Ethics, Risk & Compliance corporate function, which reported directly to LEONI AG's CFO in the year under report; effective 1 February 2022, the Ethics, Risk & Compliance function has been assigned to the remit of the Chief Human Resources Officer. Furthermore, decentralised Business Partner Risk & Opportunity (BRO) officers, Controlling and the operational managers of all relevant business areas as well as the WSD Central Project Audit unit are tied into the system. During the financial year, activity to improve the effectiveness and efficiency of governance, risk and compliance within the Company was successfully driven further forward. These improvements include regular analysis of risk-bearing capacity, broadened, Group-wide identification of developments that constitute an existential risk as well as their interplay with other risks and systematic following up of measures necessary to safeguard the Company's continued existence. The assessment whether there is a threat to continued existence with respect to the asset, financial and earnings situation is predicated on ascertaining the Company-wide risk-bearing capacity relative to overall risk exposure. LEONI's overall risk exposure is determined based on considering the relative significance of net individual risks with the help of a risk aggregation. The methodology of Monte Carlo simulation is applied for this purpose. The process considers combination effects of risks to assess any threat to the Company's existence. The Board of Directors regularly monitors the findings of analysis of risk-bearing capacity. This analysis of risk-bearing capacity did not lead to any adjustment or find any absence of capacity.

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

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

RISK IDENTIFICATION AND ASSESSMENT – Our risk analysis involves promptly and systematically identifying risks and opportunities as well as analysing and assessing the significant risks and opportunities with respect to the probability of occurrence and quantitative effects.

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

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

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

The aim of risk aggregation is to ascertain the LEONI Group's overall risk exposure based on considering the relative significance of individual risks. The methodology of Monte Carlo simulation is applied for this purpose. Monte Carlo simulation is a stochastic method that, based on the law of large numbers, runs a very large number of similar random experiments. The process considers combination effects of the aggregation of risks to assess any threat to the Company's existence and thereby to meet the requirements of Section 92 (2) of the German Stock Corporation Act. The individual risks (net) reported Group-wide form the basis for risk simulation at LEONI.

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

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

PROCESS IMPROVEMENT – As part of our risk assessments conducted on a regular basis, all risk owners report on the entire stock of risks and opportunities within their areas of responsibility and thereupon review the completeness and plausibility of their risks and opportunities as well as the corresponding action. To improve the risk management process, the forum of risk workshops is used to inform all risk owners worldwide on pending measures and their implementation plan. The effectiveness of the risk management system is reviewed by the Audit Committee as well as by the Internal Audit department. The risk early-warning system is assessed as part of the annual review by the auditors as well.

The external audit of the risk management system's effectiveness pursuant to IDW Audit Standard 981 begun in 2020 for the core areas of treasury and project risks was completed in the first quarter of 2021. The findings of this audit were adopted into an improvement project. A major proportion of the measures defined therein were already processed during the year under report; the members of the Board of Directors are regularly updated on the status of this improvement project.

6.3. Internal Control System

Within the Group, the management of the subsidiaries is responsible as operating management for the design and functioning of the Internal Control System – as the first line of defence. The Internal Control System (ICS) is, as a corporate function, assigned to the second line of defence and is structured in line with the general concept published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, which is recognised worldwide. This corporate subsection of the ICS is responsible for the strategic direction and growth based on systematic and global, organisational rules; it advises the operational management of the legal entities with expert knowledge and helps in monitoring the operating effectiveness of the internal control system on all levels of the Company.

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

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

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

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

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

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

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

6.4. Compliance Management System

LEONI has a comprehensive Compliance Management System (CMS) to ensure and check responsible, rule-compliant conduct. The CMS is integrated in the Risk Management and Internal Control System. During the financial year, activity to improve the effectiveness and efficiency of governance, risk and compliance within the company was driven further forward and the Compliance Management System, just as the Risk Management and Internal Control System, were consolidated into a new Ethics, Risk & Compliance department. The CMS breaks down by prevent, detect and react, and comprises the seven key elements of a contemporary and proper CMS in accordance with the IDW (German Institute of Public Auditors) auditing standard PS 980. A third-party test of our CMS' effectiveness concerning the principal aspects of antitrust law and corruption for selected Group companies was carried out in the 2020 financial year. Alongside risk analysis and the measures to identify adverse developments early, especially the monitoring of and adherence to the compliance processes and controls (known as Compliance Quality Reviews), the guidelines and training of staff are key elements of the CMS. Using a digital whistleblower system and other communication channels, staff and third parties can report cases of suspected compliance infringement, which will subsequently be investigated in-house. Any confirmed infringements of compliance will be penalised accordingly.

6.5. Opportunity and risk situation

The opportunity and risk situation reports on the material opportunities and risks according to the matrix below. The underlying observation horizon for opportunities and risks in LEONI's risk management system is in principle a rolling one-year period.

	Loss potential (net risk)		
Probability of occurrence	**< € 10 million**	**€ 10 to 100 million**	**> € 100 million**
> 50 %			
> 10 % to 50 %	- Project and performance risks - Forex development - Bad debt	- Liquidity and financing risks - Compliance risks - Sales fluctuations (economic cycle / Covid) - Copper price fluctuations - Availability of materials and price development - Personnel (fluctuation / days lost)	- Cyber risks
up to 10 %	- Impairment - Location / country risks	- Loss of a customer - Product liability / recall	

low risk · medium risk · high risk

Matrix based on status as at 31 December 2021 prior to fallout from the Ukraine war

Compared with the previous year, there were the following changes to the above matrix: The probabilities of occurrence for project and performance-related risks have diminished because of our improved project management, ongoing auditing of customer projects and resolute following up of findings. The probability of occurrence and also the damage potential for materials availability and the trend in prices in the wake of the Covid-19 pandemic have intensified and thus risen. The liquidity rate and financial risks as well as risks due to the Covid-19 pandemic remain at the same high level.

Additional effects of the Ukraine war

The war that broke out between Russia and Ukraine at the end of February 2022 affects LEONI with the production of its WSD in both countries and could lead to major supply disruption on the procurement side, longer-term production outages due for instance to non-availability of staff or because of outage of IT and/or ERP systems, raw material shortage as well as disruptions in the supply chain to customers. There is risk of losses of sales due to less uptake from customers, of claims for compensation as well as of higher costs, especially for energy and raw materials as well as for such emergency measures as duplicating production. Furthermore, LEONI assets could be destroyed, which are not insured for war. LEONI has established a task force and is in close touch with customers and suppliers in order to respond to the war.

Furthermore, our business activity in Russia could be adversely affected due to sanctions with respect to procurement and international payments.

Combined sales of less than €300 million were previously budgeted for the output of both plants in Ukraine for the 2022 financial year. Sales of less than €100 million were estimated for the LEONI Group's Russian operations. Key assets of the companies in both countries comprise property, plant and equipment as well as inventory (amounting to about €125 million on the balance sheet date) that could be partially impaired. In the financial statements of LEONI AG there were, as at the balance sheet date, loans to and receivables from LEONI companies in Ukraine and Russia totalling €29 million. Furthermore, LEONI Bordnetzsysteme GmbH, associated with LEONI AG via the profit and loss transfer agreement, holds shares in the subsidiaries in Russia and Ukraine in a total amount of €37 million. These could consequently likewise be least partially impaired and thus exert adverse impact on the financial, asset and earnings situation in the financial statements and consolidated financial statements of LEONI AG. Given the ongoing military conflict between Russia and Ukraine, the question how the war develops entails major uncertainties for LEONI.

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

Strategic and market-related risk and opportunities

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

RISKS AND OPPORTUNITIES DUE TO SALES FLUCTUATION (ECONOMIC CYCLE / CORONAVIRUS) – Customers in the automotive industry and among its suppliers account for the bulk of LEONI's consolidated sales. The current trend in this sector's market therefore has great influence on LEONI's business volume and consolidated result.

The persisting Covid-19 pandemic and the related disruptions to ordinary business (e.g. disruptions to supply chains including customer plant closures triggered by the still persisting semiconductor shortage as a consequence of the pandemic) are exerting major effect on the LEONI Group and therefore constitute an event that goes beyond the general risk to business. In summary, the Covid-19 pandemic could lead to unplanned losses of sales and unexpected impact on earnings.

With respect to the supply chain – especially so far as semiconductors are concerned – curtailment of production in the automotive industry continues to be likely. The Board of Directors believes that the fallout from the semiconductor crisis will probably affect the uptake from our customers beyond 2022. There could likewise continue to be bottlenecks in the supply of input materials for our own production. To minimise the effects, LEONI is in constant touch with its customers and suppliers to manage ongoing production as well as the flow of goods and inventories. Both factors could consequently exert adverse effect on LEONI's earnings.

The extent and duration of the Covid-19 pandemic continue to be difficult to estimate. The measures required to contain the Covid-19 virus or possible further waves of infection due to ever more new virus mutations could delay or impede economic recovery. Even so, there are initial signs that the pandemic situation could develop into becoming an endemic situation and that the possible negative effects could weaken.

Worldwide, there continues to be the risk at production facilities that, depending on the local vaccination rates and the availability of vaccines, disruption of production could happen because of outbreaks in the area. It is conceivable in this connection that authorities might apply such measures as conditions for production or temporary shutdowns until infection rates are back under control. However, given the young average age of our workforce, any illness is more likely to be shorter-lived and less severe, meaning that any disruptions or delays would probably be rather shorter.

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

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

RISKS DUE TO COPPER PRICE FLUCTUATION – LEONI uses copper as a key input material in both of its business divisions. The global market price of this raw material, which is subject to significant fluctuation, therefore exerts a major influence on the cost of materials in the Group, which is why such copper price fluctuation is regarded as a separate risk, but also as a separate opportunity.

If the price of copper rises for a protracted period, the lag in passing this cost on to our customers can exert an adverse effect on liquidity and earnings on the reporting date. Any substantial drop in demand could, if there is a simultaneous dip in the price of copper, lead to us having to sell at lower prices some of our copper inventory bought forward at higher prices. This would likewise exert an adverse effect on earnings. We purchase copper forward only with a corresponding hedged item to safeguard the invoicing plan agreed with our customers. If the price has fallen sharply up to the reporting date, copper inventories may be exposed to the risk of devaluation. A shortage of copper stocks could lead to supply bottlenecks and higher copper prices. LEONI prefers long-term and direct supply relationships with copper suppliers to avoid supply bottlenecks.

RISKS AND OPPORTUNITIES DUE TO FLUCTUATION IN THE COST OF MATERIALS (EXCLUDING COPPER) – Persisting material shortages due to less production capacity could cause further increases in the cost of our most important raw materials. This can result in demands for higher prices and therefore in increased procurement costs for the corresponding components, and it can furthermore also entail supply bottlenecks in the event of shortages. Hitherto, we have been able to largely avoid material cost increases through the international competition among our suppliers as well as applied countermeasures of strategic procurement in collaboration with adjoining departments. Even so, there is the risk in this connection that cost increases cannot be passed on to customers to the same extent. Contact systems, which consist of plastic casings and metal contacts, are made mostly with tools stemming from a single source due either to customer requirements or economic considerations.

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

RISKS AND OPPORTUNITIES DUE TO DIGITALIZATION – Digitalisation (Internet of Things, Industry 4.0) entails risks that could lead to new competitors or substitution of existing solutions.

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

Operational risks and opportunities

PROJECT AND PERFORMANCE-RELATED RISKS – Apart from the project-overarching risks, such as the location / country risks and fluctuation in personnel costs, there are also project-specific cost risks. These can, due to special measures to safeguard our customers' production starts during the ramp-up phase or, for example, miscalculation, impact on the whole term of a project. Failure to ensure that the many annual production starts are on schedule and according to the requirements of our customers could have serious consequences for future business. We strive to minimise this risk by means of risk aggregation based on the principal fluctuation margins for major, new customer projects prior to accepting a project, and an early warning system based on the risks and opportunities relative to the project's term. If a project were to be delayed on the customer's part, this could lead to losses of sales that might be partially or entirely compensated through negotiations only after a time lag. Alongside the improved project management, risks related to customer projects in the WSD continue to be minimised by having set up a divisional audit department that reports directly to the WSD's CEO. It is exclusively engaged in independently reviewing major customer projects to identify any deviation from the project planning at an early stage and thereby to enable this to be counteracted immediately. The findings based on this auditing work are furthermore regularly made transparent in the context of a project-overarching meeting and the implementation of measures is systematically followed up. Furthermore, the Controlling department regularly and thoroughly reviews the principal customer projects and, so far as necessary, recognises contingent losses on individual projects or adjusts project plans. Project and performance-related risks have thereby decreased in the risk assessment period of the twelve months following the financial year.

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

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

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

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

PERSONNEL-RELATED RISKS – Changes in the availability of staff – temporarily also due to the coronavirus – in high wage and low-wage countries (e.g. due to an aggravating shortage of skilled people) as well as a related increase in wage and salary costs at labour-intensive production locations in Eastern Europe, North Africa and Asia present human resource management with challenges. Given the large extent of our production in countries with low wage levels, increases in minimum wages could impact significantly on personnel costs. To maintain the ability to recruit and retain staff by being an attractive employer, effort is being stepped up in countries where we have new projects starting with respect to recruitment, staff retention and promotion – for example with in-house schemes to provide employees with qualifications and aimed at integration as well as additional social benefits. The imponderables with respect to the course ahead of the Covid-19 pandemic (especially with regard to possible mutations of the Covid-19 viruses) could exert negative effects on staff availability in 2022, too. To prevent and counteract this, LEONI has applied risk-mitigating measures since 2020 to protect staff against infection and thereby to safeguard the stability of production, and will keep this going in 2022.

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

Financial

LIQUIDITY AND FINANCIAL RISKS – Given the economic downturn in 2019 and the negative effects of the Covid-19 pandemic on our 2020 and 2021 sales, income and financial situation, liquidity-related risk has presented a material risk to LEONI's ability to continue its business activity.

The (partial) disposals of the WCS segment we have completed are contributing to significantly improving LEONI's financial stability. In particular, the sale of key parts of the WCS industrial business, pooled in Business Group Industrial Solutions, at the end of January 2022 has strengthened LEONI's liquidity.

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

In 2021, we applied more measures to ensure liquidity (among others, milestones of the expert opinion on restructuring in line with the IDW S6 auditing standard), which also form the basis for minimising future risks. With respect to the details of these measures and their implementation status, we refer to the section headed › Financial situation. The Board of Directors continuously reviews the implementation progress of the restructuring measures. In addition, the external consultant on restructuring regularly checks and confirms implementation of the milestones set by the expert opinion in line with the IDW S6 auditing standard.

The newly adopted budget and medium-term planning for 2022 – 2026, includes the latest assessments on the supply situation in the automotive industry and the projections for the market derived from this as well as the opposing, positive effects of the planned (partial) disposals of WCS. The external consultant on restructuring is drafting the new restructuring plan in line with the IDW S6 auditing standard based on this budget and medium-term planning. This draft was available at the time these consolidated financial statements were prepared. The budget and medium-term planning was also verified for plausibility in this connection. The drafted restructuring plan assumes that LEONI will be fully financed with overwhelming probability provided refinancing is successful. Falling short of the planned sales and earnings could impact negatively on liquidity or raise the risk to it. Such deviation could stem especially from further unforeseen developments, particularly in relation to the imponderables of the Covid-19 pandemic (incl. greater threats from virus mutations and tighter lockdown measures), the semiconductor crisis and the macroeconomic conditions as changed by the pandemic and the Ukraine war. The incalculable effects of the Covid-19 pandemic and the Ukraine war mean major uncertainty with respect to operating performance. At the same time, these negative effects could, if they go far beyond the planning assumptions or other adverse effects on liquidity simultaneously occur, lead to a risk to LEONI's ability to continue as a going concern. The (partial) disposals of WCS that we have either completed, already agreed or planned are counteracting this and also contributing to reducing these liquidity risks, provided the transactions can be closed within the planned time frame. This applies regardless of the sequence of the (partial) disposals of WCS and of the planning assumption that all such disposals are actually realised. The risk-minimising effect correlates with the rate at which the (partial) disposals of WCS are realised as well as the timing and outcome of realisation compared with our planning. Considering the latest developments and its assessments concerning the fallout from the Ukraine war, the Board of Directors currently expects that there will not, with overwhelming probability, be any gaps in liquidity.

Over the past three years, more than 5,000 initiatives have been realised in the context our VALUE 21 performance and strategy programme with a view to boosting performance. These initiatives related primarily to optimisation of direct and indirect purchasing, to an increase in efficiency in production, logistics and development, price negotiations with customers and the reduction of selling and administrative costs. From 2022, this was expected to yield sustained, gross cost savings potential of at least €500 million per year compared with 2018. The action to realise this potential was already taken by the end of the third quarter of 2020. By the end of 2021 the programme generated sustained, gross cost savings of more than €800 million per year before opposing effects. However, the actual effect of these initiatives on the income statement depends on the development of our business volume. The gross cost savings potential was determined based on the trend of sales projected when the programme was launched in 2018. A greater volume of sales than achieved in 2021 will be needed to fully realise the savings potential. As the Covid-19 pandemic and the Ukraine war will probably present opposing factors and uncertainties in the future, too, we will continually be launching new measures in a successor programme to continue to realise all possible cost savings for LEONI as well as to further improve performance and efficiency. As part of an ongoing improvement programme structure, we intend to continue to initiate and resolutely implement potential for savings and thus for operational and process-related improvement.

The new RCF II and RCF III loan agreements newly signed in 2020 have fixed terms to the end of 2022. Another syndicated loan agreement has a term to June 2023 and several borrower's note loans mature between 2022 and 2028. The existing reverse factoring line was furthermore firmly committed until the end of 2022 as part of agreeing RCF II, which depended on (partly) selling WCS. Much of the existing factoring lines are likewise firmly committed to the end of 2022.

Given the maturity of major loan agreements under RCF II and RCF III, there will be a need to refinance by the end of 2022 at the latest. If LEONI does not reach a contractual solution together with its financial creditors within the next few months that extends these loan agreements that are due in the short term, there would be an existence-threatening financing risk to LEONI's ability to remain a going concern as defined by Section 322 (2) sentence 3 of the German Commercial Code (HGB). The Board of Directors has, alongside the operational measures aimed at improving profitability and liquidity, initiated measures particularly with the (partial) disposals of WCS that have either been completed, already agreed or planned, which are intended to improve liquidity and establish probable ability to refinance in the short and medium term. In the short term, the Board of Directors rates the prospects of the talks that have begun on a contractual solution with respect to refinancing being successful as overwhelmingly likely based on information currently available. This would in turn and with overwhelming probability establish the Company as being fully financed.

In conjunction with the loan agreements signed in 2020 there is the risk that the undertakings and covenants agreed therein are broken, thereby being exposed to incurring penalties or the agreements being prematurely terminated. RCF II and RCF III contain certain undertakings and financial covenants for the borrower of RCF III and for the borrowers and guarantors under RCF II, respectively. These undertakings and covenants encompass mainly an obligation to maintain a certain minimum liquidity at Group level (applies only to RCF II), certain obligations to provide information and to report as well as regularly share financial information with lenders, restrictions concerning the disposal of assets and obligations to perform mandatory unscheduled repayment in the event of carrying out certain (disposal) measures. To ensure its full financing, LEONI furthermore committed itself, among other things, not to pay out any dividend until its restructured credit lines are repaid. All undertakings and covenants under RCF II and RCF III were fulfilled during the year under report, and, from today's perspective, nor is any risk anticipated in 2022 of these covenants not being observed or of corresponding measures to ensure observance of the covenants, or waivers are considered to be overwhelmingly probable.

RISKS DUE TO BAD DEBT – The loss of receivables from a major customer presents a risk. As a precaution, all customers with whom the LEONI Group intends to conclude business on a credit basis are subject to credit screening. Regular analysis of receivables and the structure of the receivables facilitates ongoing monitoring of the risk. For selected customers true sale factoring serves as a further tool to reduce the risk of default. Moreover, some entities have, from the aspect of weighing risk and economic efficiency, taken out a trade credit insurance policy to protect against bad debt. The year under report has shown with respect to both factoring and the trade credit insurance policy for own receivables that trade credit insurers are still being restrained in granting new credit lines against the backdrop of the Covid-19 pandemic and a consequently increased risk of business insolvencies and bad debt. On the one hand, this increases the risk that receivables cannot be sold to the factoring partner to the planned extent and, on the other hand, the risk of defaults on own receivables from customers that we could not insure. Both could adversely impact on the Group's result and its liquidity. The protective shield for trade credit insurers that the German federal government established in the previous year expired as scheduled on 30 June 2021. There have so far not been any significant effects from this on LEONI's ability to sell or insure receivables.

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

RISKS DUE TO PENSION OBLIGATIONS – The phase of low interest rates could also impact on LEONI's pension funds by causing an increased outflow of funds to reduce any shortfall as prescribed by local regulations.

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

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

Compliance

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

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

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

As already reported in the previous year, several civil proceedings in the form of class action lawsuits and other legal action were initiated against LEONI and other wiring systems manufacturers in the United States and Canada since October 2011 based on alleged breaches of antitrust law. These proceedings have been concluded since 2017 by way of dismissal or settlement without any acceptance of liability. Previously there were three proceedings involving individual claimants in the United States as well as one in a Canadian province. In the United States, LEONI managed to conclude all outstanding proceedings apart from one by dismissal of action or a small, insignificant settlement payment and expects to be able to terminate the last proceedings in the near future in a similar way. The remaining proceedings in Canada have been suspended since 2014. Based on the assessment of its local lawyers, LEONI expects these proceedings to have been concluded by the settlement in other provinces. A corresponding ruling is still pending, however.

In January 2022, searches were also conducted at facilities of the LEONI Group as part of investigations by the German Federal Cartel Office (BKartA) against various cable manufacturers and other sector-related companies. The reason for these investigations is the suspicion that cable manufacturers colluded on computing customary metal surcharges in Germany. LEONI is cooperating with the authorities and immediately launched an internal investigation of the allegations. There is as yet insufficient evidence of any violations that would make sentence to a fine appear probable. In particular, there is presently no evidence of any collusion / coordination in the past five years. At the same time, there are indications that defence against the presently known allegations of the Federal Cartel Office has good prospects. As the Cartel Office proceedings are still at a very early stage, it is not yet possible to issue any statement on their possible outcome.

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

The measures applied may be summarised as follows:

- **Investigations and asset tracing:** The investigations by the authorities in one of the countries concerned are still ongoing, while the authorities in another country have discontinued their investigations due to insufficient prospects of success. LEONI continues to support the authorities in finding and clarifying the facts. The measures to recover the assets were not continued in the year under report because of the lack of leads and prospects of success.

- **Assertion of claims for damages:** Based on a legal opinion, the Board of Directors decided to assert further claims for compensation for the loss LEONI AG incurred and reported the fraud case to LEONI AG's D&O insurers. The assertion and enforcement of claims against employees are ongoing. During the year under report, LEONI won a first-instance ruling in Romania against a former managing director, with the court finding him liable for a major part of the loss incurred by the fraud case. An appeal has been lodged against this verdict. It is not yet possible to comment on progress and prospects of success.

- **Insurance payouts:** LEONI obtained a payout of € 5 million from its existing fidelity insurance policy. The Board of Directors has submitted farther-reaching claims for compensation to the fidelity insurance provider. Examination and assertion of the claims is ongoing. It is not yet possible to comment on progress and prospects of success.

RISKS DUE TO EXPORT CONTROL AND DUTIES – Political and regulatory changes involving, for example, export control regulations, embargoes or customs regulations, could affect our business activity and compromise our financial position and performance. Any infringements could entail penalties, sanctions as well as loss of reputation. We make sure of resolutely observing the corresponding regulations. A Group Guideline therefore stipulates the responsibilities and processes with respect to observing export control regulations and embargoes, and export control coordinators for monitoring the processes in these countries have been appointed; they are trained regularly.

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

As a global supplier to the automotive and industrial sectors, LEONI is exposed to substantial risks related to the performance of the global economy and the conditions underlying free trade.

For this reason, we continually analyse the underlying statutory conditions and the resulting opportunities and risks for LEONI.

RISKS DUE TO CORPORATE GOVERNANCE VIOLATIONS – In general, there is the risk that corporate governance bodies and / or staff infringe laws, internal guidelines or the standards of good corporate governance recognised by LEONI.

Sustainability

RISKS AND OPPORTUNITIES DUE TO SUSTAINABILITY TRENDS – The topic of sustainability has high priority at LEONI. To remain competitive, we must increasingly meet sustainability standards just as also the related legal and customer-specific requirements with a view to employee matters, environmental matters and respect of human rights.

LEONI's existing business model is being reviewed and adapted with respect to climate-related impacts, with the focus on meeting sustainability targets. We include in this raising energy efficiency and partly switching to renewable energy. To this end, we will improve our data and evidence base to thereby establish comprehensive transparency and in turn make the outcomes of our action measurable and verifiable, and to realise identified potential for optimisation. Changes that will thereby be necessary could in future incur additional costs and present challenges for LEONI. This refers, among other things, to the introduction of sustainability assessments among our suppliers as well as the switch to lower CO_2 production processes (e.g. the partial switch to renewable energy and further improvements of energy management). With respect to the broadening of regulatory requirements, LEONI could incur additional capital expenditure on the development of new technologies to thereby meet the climate-related demands of our customers. Climate-related risks could also affect the recoverability of the Group's assets. In particular, this includes natural disasters and as a consequence, for instance their damage to production plant and material. LEONI addresses these risks by signing corresponding insurance policies.

On the other hand, LEONI can exert positive influence on global CO_2 emissions by developing new technologies for example in the area of energy and data management for the progressing switch to electromobility. This presents LEONI with the opportunity to further establish itself as a preferred partner of customers in the electromobility sector. Targeted measures can furthermore provide LEONI with the opportunity to proactively contribute and thereby to lower the worldwide consumption of natural resources and to cut harmful emissions.

The Board of Directors' assessment of the opportunity and risk situation

Based on the expectation that the LEONI Group was overwhelmingly likely to successfully restructure, the LEONI Group in 2020 received a positive endorsement of its restructuring pursuant to the S6 standard of the German Institute of Public Auditors (IDW S6). The updated draft by the external consultant on restructuring of the restructuring plan expects LEONI, provided it successfully refinances in 2022, to continue to be fully financed and capable of restructuring as well as to have a positive survival and continuation forecast. The mitigating measures to ensure medium-term liquidity have been applied as planned since 2020; further action to stabilise liquidity was taken during the year under report.

The budget and medium-term planning for 2022-2026 that the Board of Directors and the Supervisory Board have newly adopted includes the latest, more conservative assessments on the supply situation in the automotive industry and the projections for the market derived from this as well as the opposing, positive effects of the planned (partial) disposals of WCS. The new restructuring plan in line with the IDW S6 auditing standard, which is already available in draft form, was based on this budget and medium-term planning, among other factors. The budget and medium-term planning was also verified for plausibility in this connection.

The Board of Directors is aware that unforeseen developments, particularly in connection with the imponderables of the Covid-19 pandemic and the macroeconomic conditions changed by the pandemic (semiconductor crisis, increased raw material, energy and transport costs) and the Ukraine war, could lead to falling short of the budget and medium-term planning. The business and liquidity risks related to the Covid-19 pandemic, the semiconductor crisis as well as the Ukraine war could present an existence-threatening liquidity risk as defined by Section 322 (2) sentence 3 of the German Commercial Code (HGB) especially if they go far beyond the planning assumptions or other negative effects on liquidity simultaneously occur. The (partial) WCS disposals are pertinent to ensured full financing and LEONI's ability to continue as a going concern. They can in addition counteract the imponderable risks stemming from the Covid-19 pandemic, the semiconductor crisis as well as the Ukraine war and reduce the liquidity risks if the agreed and planned deals are signed. The Board of Directors has furthermore applied corresponding measures that cushion the impact of the Covid-19 pandemic on production and the supply chain. We are in close touch with customers and suppliers with respect to further measures, such as duplicating production, to contain the effects of the Ukraine war.

Given the maturity of major loans, there will be a need to refinance by the end of 2022 at the latest. If LEONI does not reach a contractual solution together with its financial creditors within the next few months that extends these loan agreements that are due in the short term, there would be an existence-threatening financing risk to LEONI's ability to remain a going concern as defined by Section 322 (2) sentence 3 of the German Commercial Code (HGB). The Board of Directors has, alongside the operational measures aimed at improving profitability and liquidity, initiated measures particularly with the (partial) WCS disposals that establish the Company's ability to refinance.

The next most significant risk to the entire Company continues to be a break in the supply chain to a customer due to IT / cyber risks. In the opinion of the Board of Directors, the risk situation generally and for the LEONI Group has aggravated further in the area of IT / cyber risk. The next most significant opportunity after completion of VALUE 21 lies in development of the subsequent VALUEplus strategy and performance programme. The performance-related part of VALUE 21 will be adopted in operations as an ongoing improvement process. Beyond performance-related part, the VALUEplus action areas cover, among others, Purchasing and Production, technology development, portfolio optimisation, sustainability as well as human resources and organisation.

In summary, the Board of Directors rates the prospects of success of measures launched and planned, especially to overcome the fallout from the Covid-19 pandemic, the semiconductor crisis, the Ukraine war, the increased raw material, energy and transport costs, the transaction risks involving the (partial) WCS disposals and the refinancing risk at the end of 2022, based on information currently available and considering the uncertainty of the Covid-19 pandemic for business performance, LEONI's liquidity situation as well as continuation of its business activity, as given with overwhelming probability.

7. SUPPLEMENTARY REPORT

In January 2022, searches were also conducted at facilities of the LEONI Group as part of investigations by the German Federal Cartel Office (BKartA) against various cable manufacturers and other sector-related companies. The reason for these investigations is the suspicion that cable manufacturers colluded on computing customary metal surcharges in Germany. LEONI is cooperating with the authorities and immediately launched an internal investigation of the allegations. There is as yet insufficient evidence of any violations that would make sentence to a fine appear probable. In particular, there is presently no evidence of any collusion / coordination in the past five years. At the same time, there are indications that defence against the presently known allegations of the Federal Cartel Office has good prospects. As the Cartel Office proceedings are still at a very early stage, it is not yet possible to issue any statement on their possible outcome.

The sale of key parts of the industrial business pooled in Business Group Industrial Solutions of the Wire & Cable Solutions Division to BizLink Holding Inc. was closed on 20 January 2022. The deal agreed in October 2021 was still subject to various closing conditions, which have meanwhile been met. The operations sold were measured at an enterprise value of about €450 million. The cash inflow realised upon completion after deducting financial liabilities and pension charges, among other things, exceeds €300 million and will be used to boost liquidity. The generated gain of about €200 million will be presented under reported fiscal 2022 consolidated EBIT.

LEONI AG augmented its Board of Directors effective 1 February 2022: Dr Ursula Biernert and Mr Ingo Spengler joined the Board as Chief Human Resources Officer (CHRO) as well as Labour Director and Chief Operations Officer (COO), respectively. On 27 January, it was also announced that Dr Harald Nippel was appointed Chief Financial Officer (CFO) effective 1 April 2022. A graduate industrial engineer, he already joined LEONI on 1 February to facilitate the best possible transition. Alongside stabilising the Company further and focussing on the automotive business, the newly constituted Board of Directors will forge ahead with developing LEONI into a systems partner to its customers for the wiring system of the future.

On 21 February 2022, Pierer Industrie AG disclosed that it has, effective on the same date, exceeded the threshold of 20 percent of the voting rights in LEONI AG by commanding 20.00003673207 percent of the voting rights through a purchase of shares.

The war that broke out between Russia and Ukraine at the end of February 2022 concerns the production of WSD companies in both countries and could lead to losses of deliveries, production and sales. There is the risk of higher costs, loss of assets due to destruction and impairment due to sanctions or concerning international payments. This could adversely affect our financial, asset and earnings situation. The direct and indirect fallout will be heavily dependent on how the war develops and therefore entails major uncertainties. Given the whole situation's dynamic development, neither the specific extent nor the duration of adverse effects can at present be reliably determined. The actual impact depends crucially on what is ahead in terms of the Ukraine war, which the Board of Directors is monitoring continuously to nevertheless successfully keep the started restructuring process on track. We otherwise refer to the statements in the › **Risk and opportunity report**.

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

8. FORECAST

8.1. Business and underlying conditions

Macroeconomic setting

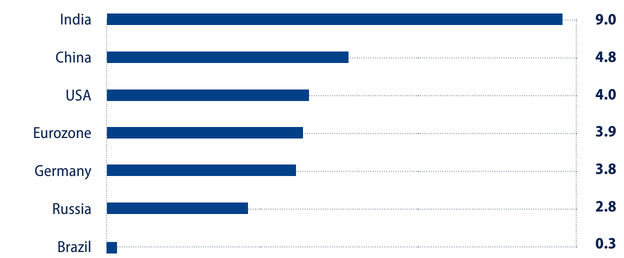
The global economy made a weaker start into 2022 than the International Monetary Fund (IMF) had most recently projected in its World Economic Outlook (WEO) of October 2021. Renewed restrictions on mobility due to the Covid-19 omicron variant, rising energy prices and supply bottlenecks, the inflation that is persisting in many countries, the relatively weak economy in China as well as the Ukraine war have cast gloom over growth prospects. In its WEO update of January 2022, the IMF furthermore identifies numerous risks to future growth: The appearance of new Covid-19 variants could extend the pandemic and lead to further economic disruptions. The resulting breaks in global supply chains, ongoing bottlenecks in raw material as well as input products, volatile energy prices and the mounting inflationary pressure are additionally increasing the uncertainty. In addition, there are geopolitical tensions, especially the war between Russia and Ukraine that broke out at the end of February as well as the mounting threat of natural disasters due to climate change.

The IMF therefore estimates a slower worldwide growth rate for 2022 than in the previous year, namely one of 4.4 percent. In the industrialised countries, gross domestic product is forecast to expand by 3.9 percent. The USA and eurozone are likely to make similarly sized contributions. For Germany, the IMF projects a growth rate of 3.8 percent. Developing and emerging countries are expected to record a gain of 4.8 percent, underpinned above all by India and the smaller Asian countries. Growth in China is likely to slow down considerably with a growth rate of similarly 4.8 percent. This does not consider the fallout from the Ukraine war.

Global economic growth 2021 to 2023 %

Source: IMF World Economic Outlook, January 2022

2022 economic growth in selected regions %

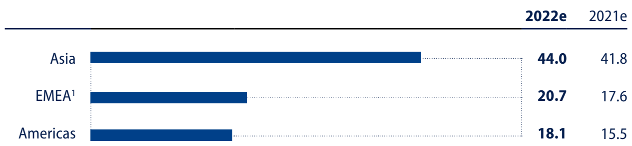


Source: IMF, World Economic Outlook, January 2022, estimate

Business by sector

The international automotive industry is once again likely to be subject to sharp fluctuation because of the probably persisting supply bottlenecks and the uncertain further development of the Covid-19 pandemic. The Ukraine war further aggravates this situation. Although a rapid recovery in the sector would be possible given large order backlogs, this depends above all on whether and how quickly the acute shortage of semiconductors can be cleared and how military conflict between Russia and Ukraine develops. The IHS Automotive market research institute is confident that worldwide output of passenger cars and light commercial vehicles will increase by 10.5 percent to 82.8 million units in 2022, although neither this estimate nor the projection below for the commercial vehicle industry yet considers the consequences of the Ukraine war. The situation is predicted to ease especially in the EMEA region and the Americas: IHS expects about 17 percent more cars to be produced here than in 2021. In Asia, only about 5 percent more cars and light commercial vehicles are likely to roll off production lines. The output of vehicles with alternative drive systems is again expected to be well above average: for this segment IHS projects an increase of nearly 43 percent in the current year, with this growth likely being driven mainly by hybrid and electric vehicles.

Output of cars and light commercial vehicles by region million units



1 Europe, Middle East and Africa

Source: IHS Light Vehicle Production Forecast, November 2021

IHS Automotive rates the prospects for the **heavy commercial vehicle industry** as less favourable. Its forecast says that 3.4 million medium and heavy commercial vehicles will roll out of factories in 2022, and thus almost 5 percent fewer than in the previous year. The drop will be due to a significant decline in Asia, which is likely to be one of 13 percent or more. In the Americas, by contrast, we can expect to see an increase in production of about 13 percent. A rise is also predicted for the EMEA area, which will probably exceed a rate of 5 percent.

Output of heavy commercial vehicles by region million units

	2022e	2021e
Asia	**1.9**	2.2
EMEA[1]	**0.7**	0.6
Americas	**0.9**	0.8

1 Europe, Middle East and Africa

Source: IHS MHCV Model Production Quarterly Volumes, Q4 2021

8.2. Business performance and future direction

LEONI Group

Alongside the underlying economic conditions described above, our budget and medium-term planning for the years 2022 through 2026 forms the basis for our forecasting below. Generally speaking, the Board of Directors expects that the LEONI Group will once again be operating in a highly volatile environment in 2022 because of the persisting supply crisis involving semiconductors and other materials, stronger inflationary tendencies as well as the still major uncertainties with respect, among other factors, to development of the Covid-19 pandemic. Copper prices remaining consistently high is another premise. The war that broke out between Russia and Ukraine at the end of February and its ramifications has not been considered in our planning to date and constitutes a risk that goes beyond. We otherwise refer to the statements in the › Risk and opportunity report.

The following table provides a summary overview of the performance indicators. The new key figure of EBIT before exceptional items comprises effects stemming from refinancing, from restructuring measures, from M&A transactions as well as extraordinary costs related to the Ukraine war. This key figure is precisely defined under the heading › Governance of the operating business.

As an underlying macroeconomic condition, the military conflict that has been ongoing between Russia and Ukraine since the end of February presents an exceptionally high degree of uncertainty with respect to future business performance, which is why especially the financial fallout on the 2022 financial year cannot be reliably quantified. This uncertainty exists particularly in respect of how the military action will continue, the political consequences in the form, among other things, of sanctions policy vis-à-vis and by Russia, LEONI's ability to produce in both of its subsidiaries as well as the response by LEONI to these uncertainties. LEONI is in close touch with its customers and suppliers in order to respond to the Ukraine war. The further course of this financial year, as expressed by LEONI's performance indicators, will depend substantially on how these uncertainties develop. The ability to forecast is materially compromised for this reason. This uncertainty, which goes beyond our planning to date, is therefore presented in the forecast on a comparative basis only. The Board of Directors will continuously reassess the situation. We refer to explanations in the › Risk and opportunity report concerning the uncertainties ahead in this financial year.

Combined sales of less than €300 million were previously budgeted for the output of both plants in Ukraine for the 2022 financial year. Sales of less than €100 million were estimated for the LEONI Group's Russian operations. Key assets of the companies in both countries comprise property, plant and equipment as well as inventory (amounting to about €125 million on the balance sheet date) that could be partially impaired.

LEONI Group forecast[1]

		Actual 2021 figures	**Planning dated 17/02/2022**	**Forecast for 2022**
Consolidated sales	€ billion	5.1	Slightly above € 5 billion	Decrease versus planning to date
EBIT before exceptional items	€ million	130[2]	Positive mid-eight-digit € range	Decrease versus planning to date
Free cash flow	€ million	(12)	Positive low-nine-digit € range[3]	Decrease versus planning to date

1 Based on the scope of consolidation as at 31 December 2021, however excluding Business Group Industrial Solutions from the time its sale was closed on 20 January 2022

2 In line with the new definition for the key figure of 'EBIT before exceptional items' the comparable figure for the 2021 financial year stands at € 130 million

3 Including the cash inflow provided by the sale of Business Group Industrial Solutions; without this sale we would have expected negative free cash flow

With the exception of Business Group Industrial Solutions of the Wire & Cable Solutions Division, the presented planning to date is based on the scope of consolidation as at 31 December 2021. LEONI had signed an agreement to sell this business group back in October 2021. The transaction was closed on 20 January 2022 (› Supplementary report). The effects of any other possible divestments and acquisitions on the key figures presented in the table are not considered in the forecast.

In its planning to date, the Board of Directors projects **consolidated sales** of slightly above €5 billion for 2022 (2021: €5.1 billion). This therefore anticipates compensation in full for the sales of the Wire & Cable Solutions Division's businesses already sold thanks to further recovery of demand especially in the automotive business and a consistently high price of copper. Fiscal 2022 sales could turn out to be less due to the planned disposals of further WCS units, which are not considered in the forecast. Given the assessment concerning the Ukraine war as set out above, we furthermore expect consolidated sales to fall short of our planning to date.

Consolidated **EBIT before exceptional items** according to our planning to date (2021: €130 million, computed according to our new definition, cf. also › Governance of the operating business) is expected to be in a positive mid-eight-digit € range. This assumes in some cases significantly higher raw material, energy and logistics costs as well as increases in personnel expenses versus 2021. Particularly the absence of the operating profit contributions from the sold WCS units is furthermore reflected. Key exceptional factors in the 2022 financial year are likely to involve especially expenses related to the planned disposals as well as related to refinancing. The Ukraine war, however, now causes us to anticipate EBIT before exceptional items falling short of our planning to date.

The Board of Directors expects **free cash flow** to be positive in a low nine-digit € range (2021: negative €12 million). In particular, this reflects the cash inflow provided by the sale of Business Group Industrial Solutions that was closed in January. Negative free cash flow would have been expected when disregarding this sale. Further disposals of WCS subsegments that are planned but not included in the forecast could, moreover, lead to a better outcome. In line with the fallout from the Ukraine war on EBIT, we also expect free cash flow to be adversely affected and now anticipate a lower figure than in our planning to date.

Performance of the Wiring Systems Division

Based on planning to date, the Wiring Systems Division is expected to generate a significant sales increase in fiscal 2022 versus the previous year (2021: €3.2 million). Such growth is based on both further recovery of demand and a consistently high price of copper. EBIT before exceptional items is likely, despite the benefits of the VALUE 21 programme and a larger volume of sales, to be down significantly year on year (2021: EBIT before exceptional items of negative €10 million) because of the strains of in some cases significantly higher raw material, energy and logistics costs as well as increases in personnel expenses. Given the assessment concerning the Ukraine war as set out above, we now expect the division's sales and EBIT before exceptional items to fall short of our planning to date.

The Board of Directors sees potential for the future development of WSD primarily through its concentration on strategically important customers, especially from the European car as well as international component supply and commercial vehicle industries, and the continuing highly disciplined assessment of potential new orders with regard to their profitability. As one of the leading wiring systems suppliers in Europe, LEONI wants to develop into a systems and development partner for its customers, in both the low and high voltage segments, and further improve its cost position by focusing on added value and profitability. In the electromobility segment, the Company considers itself to be well-positioned, both in technological terms and with regard to its market position, to benefit from the ongoing changeover to electric and hybrid vehicles.

Performance of the Wire & Cable Solutions Division
Based on our planning to date and because of the disposals already completed, especially the sale of Business Group Industrial Solutions closed in January 2022, the Wire & Cable Solutions Division is expected to report significantly lower sales for the 2022 financial year (2021: €1.9 billion). Thanks to increased volumes in the automotive sector and the price of copper, the remaining subsegments are expected to show a rise in sales. From today's perspective, EBIT before exceptional items will be down significantly compared with the previous year. The principal reasons for this are the absence of the earnings contribution from Business Group Industrial Solutions after its sale was closed in January 2022 and furthermore the in some cases significantly higher raw material, energy and logistics costs (2021: EBIT before exceptional items of €140 million). Given also the assessment concerning the Ukraine war as set out above, we expect both sales and EBIT before exceptional items to fall short of our planning to date.

Generally speaking, the divestment of various WCS units being targeted and again resolutely pursued in 2022 will have an impact on the Group's performance indicators.

General statement on future growth
Based on business planning to date, the Board of Directors anticipates a fiscal 2022 sales increase in the Wiring Systems Division as well as a sales decrease in the Wire & Cable Solutions Division because of the sale of Business Group Industrial Solutions in January 2022, putting the projected Group-level sales figure at slightly above €5 billion. The losses of sales due to the portfolio measures executed by January 2022 would thus be fully compensated. EBIT before exceptional items is projected to be in a positive mid-eight-digit € range. Free cash flow including the cash inflow provided by the sale of Business Group Industrial Solutions is estimated to be positive in a low nine-digit € range. Negative free cash flow would have been likely without the benefit of this disposal. The effects of the targeted, further portfolio measures as well as the war between Russia and Ukraine that began at the end of February are not considered in this forecast.

These projections consider the detrimental effects on business performance that are presently discernible for the Board of Directors stemming from problems in the supply chain particularly for the automotive industry as a principal LEONI customer group, due especially to the restricted availability of semiconductors. The foreseeable strains because of in some cases significantly higher raw material, energy and logistics costs, the probable trend in personnel expenses as well as the foreseeable costs directly related to the Covid-19 pandemic are also incorporated in the forecast. Against the backdrop of a strong, worldwide inflationary trend there are, however, increased uncertainties.

From today's perspective and depending on upcoming developments in connection with the Ukraine war, there will on the whole be negative deviation from our planning to date. Given the whole situation's dynamic development, neither the specific extent nor the duration of adverse effects can at present be reliably determined. The actual impact depends crucially on what is ahead in terms of the Ukraine war, which the Board of Directors is monitoring continuously to nevertheless successfully keep the started restructuring process on track.

We also refer to the › Supplementary report and the › Risk and opportunity report in this regard.

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

9. ADDITIONAL DISCLOSURES AND EXPLANATIONS PURSUANT TO SECTIONS 289A AND 315A OF THE GERMAN COMMERCIAL CODE (HGB)

COMPOSITION OF THE ISSUED CAPITAL: As at 31 December 2021, the Company's share capital amounted to €32,669,000.00 (previous year: €32,669,000.00). It is divided into 32,669,000 registered no-par value shares. The shares are fully paid in. The shareholder's right to the issuance of share certificates representing its respective shares is excluded pursuant to Article 4 (2) of the Articles of Association of LEONI AG, unless such issuance is required in accordance with the rules applicable at a stock exchange where the shares are admitted to trading. Only shareholders that are registered as such in the Company's share register will be deemed shareholders of LEONI AG within the meaning of Section 67 (2) sentence 1 of the German Stock Corporation Act (*Aktiengesetz, "AktG")*.

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

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

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

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

DIRECT OR INDIRECT HOLDINGS IN THE COMPANY'S CAPITAL EXCEEDING 10 PERCENT OF THE VOTING RIGHTS: Pierer Industrie AG, Wels, Austria, recently reported by way of Pierer Industrie AG's 15 September 2021 Announcement pursuant to Section 23 (1) sentence 1 no. 2 of the German Securities Acquisition and Takeover Act *(Wertpapiererwerbs- und Übernahmegesetz, "WpÜG")* and announcement of the occurrence of all closing conditions that a total of 5,059,312 voting rights belong or are attributed to it. With regard to the share capital of LEONI AG, which is divided into 32,669,000 shares, this constitutes a stake of directly or indirectly held voting rights of 15.49 percent.[1] Of these values, 1,133,363 voting rights and hence a stake of 3.47 percent of all voting rights have been attributed to Pierer AG.

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

According to Pierer Industrie AG's 15 September 2021 Announcement pursuant to Section 23 (1) sentence 1 no. 2 of the WpÜG and announcement of the occurrence of all closing conditions, the voting rights held by Pierer Industrie AG are attributed indirectly to Pierer Konzerngesellschaft mbH, Wels, Austria, and Dipl.-Ing. Stefan Pierer, each of whom hence indirectly holds 5,059,312 voting rights and an indirect stake of 15.49 percent of all voting rights.

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

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

There are no **SHARES WITH SPECIAL RIGHTS THAT CONFER POWERS OF CONTROL.**

EXERCISE OF VOTING RIGHTS CONTROL IF EMPLOYEES HAVE SHAREHOLDINGS IN THE CAPITAL AND DO NOT EXERCISE THEIR CONTROL RIGHTS DIRECTLY: Where employees have shareholdings in the capital, they may exercise the control rights to which they are entitled thereunder directly – subject to the Articles of Association and the applicable legal provisions.

PROVISIONS UNDER APPLICABLE LAW AND THE ARTICLES OF ASSOCIATION GOVERNING THE APPOINTMENT AND REMOVAL OF MEMBERS OF THE BOARD OF DIRECTORS AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF LEONI AG: The provisions governing the appointment and removal of members of the Board of Directors are set forth in Sections 84 and 85 of the AktG and Section 31 of the German Co-Determination Act (*Mitbestimmungsgesetz, "MitBestG"*). Pursuant to Article 5 (1) of the Articles of Association of LEONI AG, the Board of Directors has at least two members. Moreover, pursuant to Article 5 (2) sentence 1 of the Articles of Association of LEONI AG, the Supervisory Board appoints the members of the Board of Directors and determines the number of members. It may appoint deputy members of the Board of Directors and a chairman and deputy chairman of the Board of Directors (Article 5 (2) sentences 2 and 3 of the Articles of Association of LEONI AG).

Pursuant to Section 119 (1) no. 6 and Section 179 (1) sentence 1 of the AktG, amendments of the Articles of Association require a resolution of the General Meeting. Pursuant to Section 179 (1) sentence 2 of the AktG and Article 19 of the Articles of Association of LEONI AG, the Supervisory Board is authorised to resolve on modifications and amendments of the Articles of Association that only relate to their wording. Furthermore, pursuant to Article 4 (5) of the Articles of Association of LEONI AG, the Supervisory Board is authorised to amend the wording of the Articles of Association after the implementation of an increase in the share capital, either in full or in part, by using the Authorised Capital 2017 and following expiry of the term of authorisation. Furthermore, the Board was authorised by a shareholder resolution at the Annual General Meeting on 23 July 2020 to amend the Articles of Association in line with the respective utilisation of Contingent Capital 2020 and after expiry of the term of authorisation.

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

POWERS OF THE BOARD OF DIRECTORS TO ISSUE OR BUY BACK SHARES: **Acquisition of treasury shares** – The Board of Directors is authorised to buy back treasury shares and to sell repurchased shares in the cases stipulated in Section 71 of the AktG. By resolution of the Annual General Meeting of 23 July 2020, the Board of Directors of LEONI AG was authorised until 22 July 2025, pursuant to

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

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

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

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

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

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

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

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

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

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

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

This authorisation has not been used yet. As was the case on 31 December 2020, the Company does not hold any treasury shares as at 31 December 2021.

Authorised capital – Pursuant to Article 4 (5) of the Articles of Association of LEONI AG, the Board of Directors of LEONI AG is authorised until 10 May 2022 to increase, with the consent of the Supervisory Board, the Company's share capital by a total amount of up to €16,334,500.00 by issuing (once or several times) a total of up to 16,334,500 new registered no-par value shares with a proportionate interest in the share capital of €1.00 each against contribution in cash and/or in kind (Authorised Capital 2017). In this context, the new shares must be offered to the shareholders for subscription as a rule. Pursuant to Article 4 (5) sub-paragraph 3 of the Articles of Association of LEONI AG, the Board of Directors is authorised, however, with the consent of the Supervisory Board, to exclude the shareholders' subscription right:

1. in the event of a capital increase against contribution in cash if the issue price of the new shares – which is to be determined as close to the placement date of the new no-par value shares as possible – is not significantly (within the meaning of Section 203 (1) and (2), Section 186 (3) sentence 4 of the AktG) below the stock exchange price of listed shares of the Company of the same class carrying the same rights (Aktien gleicher Gattung und Ausstattung) at the time of the final determination of the issue price. This exclusion of the subscription right must not exceed in total the equivalent of 10 percent of the Company's existing share capital, with the lowest amount of the Company's share capital existing at the following three moments in time being decisive: on 11 May 2017, at the time this authorisation becomes effective or at the time it is exercised. Further details can be found in Article 4 (5) sub-paragraph 3 (first indent) of the Articles of Association of LEONI AG;

2. in the event of a capital increase against contributions in kind, in particular in order to be able to offer the new shares to third parties in the context of business combinations and also for the purpose of acquiring (also indirectly) businesses, operations, parts of businesses or shares in businesses, or other assets or rights to acquire assets, including receivables from the Company or its group companies;

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

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

The proportional amount of the share capital attributable to shares issued subject to exclusion of the shareholders' subscription right must not, in aggregate, exceed 10 percent of the share capital of the Company existing at the time when the General Meeting passes the resolution. Further details can be found in Article 4 (5) sub-paragraph 3 of the Articles of Association of LEONI AG.

This authorisation has not been used yet.

Contingent capital – Furthermore, the Board of Directors has been authorised by resolution of the Annual General Meeting of 23 July 2020 and based on Article 4 (6) of the Articles of Association of LEONI AG to issue, with the consent of the Supervisory Board, bonds with warrants and/or convertible bonds, profit participation rights and/or participating bonds (or combinations of these instruments) (collectively referred to as the "Notes") with a total nominal amount of up to €500,000,000 on one or more occasions on or before 22 July 2025. The authorisation includes the permission to grant option or conversion rights regarding registered Company shares with an aggregate proportionate interest in the share capital of up to €6,533,800.00 to the holders of the respective notes, which rank pari passu with each other, as set out in more detail in the terms and conditions of the bonds with warrants or convertible bonds. Further details can be found in the authorising resolution.

The statutory right to subscribe for the Notes is granted to the shareholders in such a way that the Notes are underwritten by a credit institution, members of a syndicate of credit institutions or companies equivalent to credit institutions pursuant to Section 186 (5) sentence 1 of the AktG with the obligation to offer the Notes to the Company's shareholders for subscription. However, the Board of Director is authorised, with the consent of the Supervisory Board, to exclude the shareholders' subscription right to the Notes:

- in order to exclude any fractional amounts resulting from the subscription ratio from the shareholders' subscription right and
- if and to the extent necessary to be able to grant holders of Notes issued earlier with option and/or conversion rights or option and/or conversion obligations subscription rights in the scope to which they would be entitled as shareholders after having exercised their option and/or conversion rights or after having fulfilled their option and/or conversion obligations;
- to the extent that the Notes are issued against contributions in kind, in particular in order to be able to offer the Notes to third parties in the context of business combinations or for the purpose of acquiring (also indirectly) businesses, parts of businesses or shares in businesses, or other assets or rights to acquire assets, including receivables from the Company or its group companies within the meaning of Section 18 of the AktG;
- if the Board of Directors, upon due review, determines that the issue price of the Notes is not materially below the theoretical market value of the Notes as computed in accordance with generally accepted methods, in particular, methods of financial mathematics.

The Company's share capital has been conditionally increased by up to €6,533,800.00, divided into up to 6,533,800 registered shares (no-par value shares) (Conditional Capital 2020). The conditional capital increase is only implemented to the extent that the holders of option and/or conversion rights and/or the persons obliged to exercise the options or to convert their bonds under bonds with warrants or convertible bonds, profit participation rights or participating bonds (or combinations of these instruments) issued by the Company or a group company of the Company within the meaning of Section 18 of the AktG in which the Company directly or indirectly holds an interest of at least 90 percent of the voting rights and of the capital, against contributions in cash based on the authorisation resolved by the Annual General Meeting of 23 July 2020, exercise their option or conversion rights or, to the extent they are subject to the obligation to exercise the options or to convert their bonds, comply with such obligation to exercise the options or to convert their bonds, or to the extent that the Company exercises its right under these instruments to grant shares of the Company in lieu of payment of the amount due in cash (in full or in part), in each case unless other fulfilment possibilities are used.

As at 31 December 2021, LEONI AG had not made use of the option to issue Notes under this authorisation.

MATERIAL AGREEMENTS TO WHICH THE COMPANY IS A PARTY AND THAT ARE SUBJECT TO A CHANGE OF CONTROL CLAUSE TRIGGERED BY A TAKE-OVER OFFER: If a change of control occurs as a result of a takeover offer, the borrower's note loans issued in 2012, 2013 and 2015 that still existed with a total volume of €65.7 million as at 31 December 2021 may be called with immediate effect. Likewise, if a change of control occurs, the lenders under the borrower's note loans issued in 2018 with a total volume of €331 million may demand repayment of their respective share in the loan within ten days after notification by the lender or, upon request by the Company, only within ten days after a negotiation period of up to 60 days has elapsed.

Under the 2018 syndicated loan agreement providing for a revolving credit facility in the total amount of €750 million (as amended by the amendment agreement of 28 May 2020), a change of control event entitles each lender to terminate the loan and to demand repayment of that lender's share in the outstanding loans as at the end of the relevant interest period together with any accrued interest and any other amounts payable under or in connection with the relevant finance documents. As is the case regarding the borrower's note loans issued in 2018, this termination right can be exercised within ten days after notification by the lender or, if the Company first requests to negotiate with the lender, only within ten days after a period of up to 60 days has elapsed.

Under both the borrower's note loans and the syndicated loan agreement, the right to terminate the relevant loans and to demand repayment is afforded to each lender individually for their respective share of the loan or facility. Under the syndicated loan agreement, each lender is furthermore separately entitled, following a change of control, to refuse to disburse any further loan amounts (with the exception of cashless rollover loans).

Under the syndicated loan agreement of 13 March 2020 and under the syndicated loan agreement of 22 April 2020, which are secured by a joint guarantee of the German Federal and State Governments *(Bund-Länder-Großbürgschaft)* in the amount of €330 million, the lenders are also entitled to terminate the loan and to demand immediate repayment. These rights are also afforded to each lender individually for its respective share of the loan or facility and must be exercised, also as regards the syndicated loan agreement secured by the joint guarantee of the German Federal and State Governments, upon a request to that effect from the Federal or relevant State Government. The individual right to terminate the loan and to demand immediate repayment lapses if the relevant lender fails to notify the agent under the relevant syndicated loan agreement of its intent to terminate the loan within ten days (as regards the syndicated loan agreement of 13 March 2020) or within 30 days (syndicated loan agreement of 22 April 2020) after having been informed of the change of control event. Furthermore, in the event of a change of control, some major customers, suppliers and other joint venture partners also have the right to terminate contractual agreements with the Company prematurely.

COMPENSATION AGREEMENTS CONCLUDED BETWEEN THE COMPANY AND MEMBERS OF THE BOARD OF DIRECTORS OR EMPLOYEES COVERING THE EVENTUALITY OF A TAKEOVER OFFER no longer exist.

Nuremberg, 16 March 2021

The Board of Directors

Aldo Kamper

Dr Ursula Biernert

Ingrid Jägering

Ingo Spengler

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

€ '000 01/01 to 31/12		Notes	2021	2020
Sales		[6]	5,118,923	4,133,538
Cost of sales			(4,379,223)	(3,754,411)
Gross profit on sales			**739,700**	**379,127**
Selling expenses			(232,645)	(242,987)
General and administration expenses			(348,936)	(311,766)
Research and development expenses			(127,982)	(128,709)
Other operating income		[7] [8]	52,967	39,137
Other operating expenses		[7]	(31,184)	(54,302)
Result from associated companies and joint ventures		[19]	39,223	39,844
EBIT			**91,143**	**(279,656)**
Finance revenue		[9]	1,160	1,482
Finance costs		[9]	(71,767)	(58,793)
Other income from share investments			105	65
Income before taxes			**20,641**	**(336,902)**
Income taxes		[10]	(68,500)	6,766
Consolidated net loss			**(47,859)**	**(330,136)**
attributable to:	Equity holders of the parent company		(47,722)	(329,903)
	Non-controlling interests		(137)	(233)
Earnings per share (basic and diluted) in euros		[31]	(1.46)	(10.10)
Weighted average shares outstanding (basic and diluted)		[31]	32,669,000	32,669,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ '000 01/01 to 31/12		2021		2020
Consolidated net loss		**(47,859)**		**(330,136)**
Other comprehensive income				
Items that cannot be reclassified to the income statement:				
Actuarial gains or losses on defined benefit plans		32,161		(22,265)
Income taxes applying to items of other comprehensive income that are not reclassified		171		(7,646)
Share of the actuarial gains and losses that pertain to associates and joint ventures		(53)		0
Items that can be reclassified to the income statement:				
Cumulative translation adjustments				
Losses and gains arising during the period	16,943		(9,403)	
Less reclassification adjustments included in the income statement	(37,329)		(2,214)	
Total cumulative translation adjustments		(20,386)		(11,617)
Cash flow hedges				
Gains and losses arising during the period	4,562		(5,576)	
Less reclassification adjustments included in the income statement	(10,161)		7,984	
Total cash flow hedges		(5,599)		2,408
Parts of the items that can be reclassified to the income statement, which pertain to associates and joint ventures		3,265		(427)
Income taxes applying to items of other comprehensive income that are reclassified		1,822		(490)
Other comprehensive income (after taxes)		**11,381**		**(40,037)**
Total comprehensive income		**(36,478)**		**(370,173)**
attributable to: Equity holders of the parent company		(36,457)		(369,967)
Non-controlling interests		(21)		(206)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets € '000	**Notes**	**31/12/2021**	**31/12/2020**
Cash and cash equivalents		164,635	182,440[1]
Trade accounts receivable	[11]	392,718	518,388
Other current financial assets	[12]	91,073	60,833[1]
Other current assets	[13]	133,757	166,978
Receivables from income taxes		15,458	18,947
Inventories	[14]	470,015	499,612
Contract assets	[6]	111,636	94,052
Assets held for sale	[4]	415,043	88,836
Total current assets		**1,794,335**	**1,630,086**
Property, plant and equipment	[15]	1,271,416	1,382,962
Intangible assets	[16]	38,147	55,224
Goodwill	[18]	68,722	129,380
Shares in associated companies and joint ventures	[19]	53,416	49,908
Contract assets	[6]	69,485	81,193
Other non-current financial assets		13,595	9,532
Deferred taxes	[10]	54,515	64,616
Other long-term assets		85,479	94,112
Total non-current assets		**1,654,775**	**1,866,927**
Total assets		**3,449,110**	**3,497,013**

1 Prior-year figure adjusted due to reclassification of €5,049 k in bank accounts pledged to factoring partners

Equity and liabilities € '000	**Notes**	**31/12/2021**	**31/12/2020**
Current financial debts and current proportion of long-term financial debts	[21]	579,679	50,142
Trade accounts payable	[22]	739,919	824,552
Other financial liabilities	[23]	67,934	64,755
Income taxes payable		24,691	19,912
Other current liabilities	[24]	207,498	190,675
Provisions	[25]	67,326	91,971
Liabilities held for sale	[4]	260,761	80,263
Total current liabilities		**1,947,808**	**1,322,270**
Long-term financial debts	[21]	1,018,837	1,542,873
Long-term financial liabilities		9,396	18,572
Other non-current liabilities		15,774	13,020
Pension provisions	[26]	123,223	185,597
Other provisions	[25]	76,305	121,513
Deferred taxes	[10]	28,355	27,203
Total non-current liabilities		**1,271,890**	**1,908,778**
Share capital	[27]	32,669	32,669
Contingent capital: € 6,534 k (previous year: € 6,534 k)			
Additional paid-in capital	[27]	290,887	290,887
Retained earnings	[27]	(5,430)	42,292
Accumulated other comprehensive income		(90,150)	(101,415)
Equity holders of the parent company		227,976	264,433
Non-controlling interests		1,436	1,532
Total equity	[27]	**229,412**	**265,965**
Total equity and liabilities		**3,449,110**	**3,497,013**

CONSOLIDATED STATEMENT OF CASH FLOWS

€ '000 01/01 to 31/12	2021	2020
Consolidated net loss/income	**(47,859)**	**(330,136)**
Adjustments to reconcile cash provided by operating activities:		
Income taxes	68,500	(6,766)
Net interest	69,527	54,709
Dividend income	(105)	(65)
Depreciation and amortisation	204,268	221,739
Impairment of non-current assets and assets held for sale	20,510	60,333
Non-cash result from associated companies and joint ventures	(39,223)	(39,844)
Result of asset disposals	2,454	(9,739)
Effect of deconsolidation	(21,344)	0
Change in operating assets and liabilities		
Change in receivables and other financial assets	37,305	7,038[1]
Change in inventories	(109,653)	(4,781)
Change in other assets	14,389	52,465
Change in restructuring provisions	(27,821)	1,210
Change in other provisions	(30,440)	(9,340)
Change in liabilities	6,313	33,443
Income taxes paid	(37,884)	(13,868)
Dividends received	41,367	33,460
Cash flows from operating activities	**150,304**	**49,858[1]**
Capital expenditures for intangible assets	(12,207)	(10,537)
Capital expenditures for property, plant and equipment	(162,592)	(186,067)
Capital expenditure on other financial assets	0	(1,125)
Cash receipts from disposals of intangible assets	184	51
Cash receipts from disposals of fixed assets	3,364	74,007
Cash receipts from disposal of other financial assets	101	71
Income from the disposal of a business operation/subsidiaries less cash and cash equivalents paid	9,305	0
thereof: Disposal proceeds € 0 k (previous year: € 4,181 k)		
Cash and cash equivalents paid € 0 k (previous year: € 879 k)		
Cash flows from capital investment activities	**(161,845)**	**(123,600)**
Cash receipts from acceptance of financial debts	112,881	671,673
Cash repayments of financial debts	(63,021)	(499,002)
Interest paid	(66,787)	(49,257)
Interest received	859	624
Cash flows from financing activities	**(16,068)**	**124,038**
Change of cash and cash equivalents	(27,609)	50,296[1]
Currency adjustment	8,628	(3,616)
Cash and cash equivalents at beginning of period	190,893	144,213
of which included in the balance sheet in the item "Assets held for sale"	8,453	0
of which included in the balance sheet in the item "Cash and cash equivalents"	182,440	144,213
Cash and cash equivalents at end of period	171,912	190,893[1]
of which included in the balance sheet in the item „Assets held for sale"	7,277	8,453
of which included in the balance sheet in the item „Cash and cash equivalents"	164,635	182,440[1]

1 Prior-year figure adjusted due to reclassification of €5,049 k in bank accounts pledged to factoring partners

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ '000)	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income: Cumulative translation adjustments	Accumulated other comprehensive income: Cash flow hedges	Accumulated other comprehensive income: Actuarial gains and losses	Equity holders of the parent company	Non-controlling interests	Total
1 January 2020	**32,669**	**290,887**	**42,292**	**46,955**	**3,014**	**(151,384)**	**264,433**	**1,532**	**265,965**
Net loss			(47,722)				(47,722)	(137)	(47,859)
Other comprehensive income				(17,237)	(3,777)	32,279	(11,265)	116	11,381
Total comprehensive income							(36,457)	(21)	(36,478)
Disposal of non-controlling interests								(75)	(75)
31 December 2020	**32,669**	**290,887**	**(5,430)**	**(29,718)**	**(763)**	**(119,105)**	**(227,976)**	**1,436**	**229,412**
1 January 2021	**32,669**	**290,887**	**372,195**	**59,026**	**1,096**	**(121,473)**	**634,400**	**1,738**	**636,138**
Net loss			(329,903)				(329,903)	(233)	(330,136)
Other comprehensive income				(12,071)	1,918	(29,911)	(40,064)	27	(40,037)
Total comprehensive income							(369,967)	(206)	(370,173)
31 December 2021	**32,669**	**290,887**	**42,292**	**46,955**	**3,014**	**(151,384)**	**264,433**	**1,532**	**265,965**

CONSOLIDATED FINANCIAL STATEMENTS
PRINCIPLES

LEONI AG ('Company') was founded in Germany under the name of Leonische Werke Roth-Nürnberg, Aktiengesellschaft by an agreement dated 23 April 1917 and was entered in the commercial register on 2 February 1918. LEONI AG is registered with the District Court of Nuremberg under number HRB 202. The Company is based in Nuremberg, at Marienstrasse 7. The principal activities of the LEONI Group ('LEONI' or 'Group') are described in › Note 5.

These consolidated financial statements of LEONI AG have been prepared based on Section 315e, sentence 1 of the German Commercial Code (Handelsgesetzbuch, "HGB" – 'Consolidated Financial Statements pursuant to the International Financial Reporting Standards') in accordance with the International Financial Reporting Standards (IFRS) and the associated interpretations (SIC/IFRIC interpretations) as obliged to by Directive (EU) no. 1606/2002 of the European Parliament and of the Council concerning the adoption of international accounting standards in the European Union. The term IFRS also covers the still valid International Accounting Standards (IAS).

LEONI AG's consolidated financial statements on 31 December 2021 were compiled in euros ('€ k'). Except where stated otherwise, all amounts are presented in thousands of euros ("€ k"). The balance sheet is structured by term, while the income statement is prepared using the function of expense method. The statement of comprehensive income is issued in two related presentations. Where the balance sheet and income statement items are summarised to improve clarity of presentation, they are shown separately in the Notes.

The accounting and valuation methods applied in the consolidated financial statements on 31 December 2021 are in line with those of the previous year, with the exception of the new IFRS requirements applied for the first time in the 2021 financial year. These are explained under › Note 2.

Due to the economic downturn in 2019 and the negative effects of the Covid-19 pandemic and the semiconductor crisis on our 2020 and 2021 sales, income and financial situation, liquidity-related risk has presented a material risk to LEONI's ability to continue its business activity. The (partial) disposals of the WCS segment we have completed are contributing to significantly improving LEONI's financial stability. In particular, the sale of key parts of the WCS industrial business, pooled in Business Group Industrial Solutions, at the end of January 2022 has strengthened LEONI's liquidity. Falling short of the planned sales and earnings could impact negatively on liquidity or raise the risk to it. Such deviation could stem especially from further unforeseen developments, particularly in relation to the imponderables of the Covid-19 pandemic (incl. greater threats from virus mutations and tighter lockdown measures) and the macroeconomic conditions as changed by the pandemic and the Ukraine war. The incalculable effects of the Covid-19 pandemic and the Ukraine war mean major uncertainty with respect to operating performance. At the same time, these negative effects could, if they go far beyond the planning assumptions or other adverse effects on liquidity simultaneously occur, lead to a risk to LEONI's ability to continue as a going concern.

Given the maturity of major loan agreements under RCF II and RCF III, there will be a need to refinance by the end of 2022 at the latest. If LEONI does not reach a contractual solution together with its financial creditors within the next few months that extends these loan agreements that are due in the short term, there would be an existence-threatening financing risk to LEONI's ability to remain a going concern as defined by Section 322 (2) sentence 3 of the German Commercial Code (HGB).

The Board of Directors has, alongside the operational measures aimed at improving profitability and liquidity, initiated measures particularly with the (partial) disposals of WCS that have either been completed, already agreed or planned, which are intended to improve liquidity and establish probable ability to refinance in the short and medium term. In the short term, the Board of Directors rates the prospects of the talks that have begun on a contractual solution with respect to refinancing being successful as overwhelmingly likely based on information currently available. This would with overwhelming probability establish the Company as being financing fully financed.

In summary, the Board of Directors rates the prospects of success of measures launched and planned, especially to overcome the fallout from the Covid-19 pandemic, the semiconductor crisis, the Ukraine war, the increased raw material, energy and transport costs, the transaction risks involving the (partial) WCS disposals and the refinancing risk at the end of 2022, based on information currently available and considering the uncertainty of the Covid-19 pandemic for business performance, LEONI's liquidity situation as well as continuation of its business activity, as given with overwhelming probability.

For further explanations we refer to sub-sections 'Liquidity and financial risks' as well as 'The Board of Directors' assessment of the opportunity and risk situation' of Section › 6.5 Opportunity and risk situation in the Combined Management Report.

The Management Board on 16 March 2021 authorised the presented consolidated financial statements for the year ended 31 December 2021 for submission to the Supervisory Board.

The consolidated financial statements will be disclosed in the Federal Gazette (Bundesanzeiger).

1 | Principles of consolidation as well as summary of key accounting and valuation methods

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and financial assets in the form of debt and equity instruments as well as contingent considerations, which are measured at fair value.

Principles of consolidation
The consolidated financial statements include the accounts of LEONI AG and of all subsidiaries that are either directly or indirectly controlled by LEONI AG. The Group controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and can affect those returns through its power over the investee. In particular, the Group controls an investee if, and only if, it has all the following elements:

- power over the investee, i.e. the Group has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect the amount of the investor's returns

If facts or circumstances indicate that one or more of the three elements of control have changed, the Group must reassess whether it controls an investee.

Subsidiaries are fully consolidated from the time of acquisition, meaning from the time when the Group has acquired control over the subsidiary and are thus also included in the capital consolidation. Inclusion in the consolidated financial statements ends as soon as LEONI no longer has control. A change in the ownership share of a subsidiary is, without loss of control, accounted for as an equity transaction. Losses are allocated to the non-controlling interests even when this results in a negative balance.

The financial statements of the subsidiaries are prepared using uniform accounting policies on the same balance sheet date as the financial statements of the parent company. All intercompany balances, income, expenses, unrealised profits, losses and dividends from intercompany transactions are eliminated in full.

All business combinations are accounted for using the acquisition method based on applying the requirements of IFRS 3. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of a contingent consideration which is deemed to be an asset or liability will, in cases where they do not occur within 12 months of the business acquisition, be recognised in accordance with IFRS 9 either in profit or loss or in other comprehensive income. They otherwise entail an adjustment to the acquisition costs as at the time of purchase. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill arises and is upon initial consolidation measured at cost if the consideration transferred and the amount recognised for non-controlling interest exceed the fair value of the net identifiable assets acquired and liabilities assumed. If this transferred consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After goodwill is first accounted for, it is tested for impairment according to IAS 36 at least once a year, which may lead to an impairment loss (impairment-only approach).

Shares in associated companies and joint ventures

It is an associated business when LEONI can exert significant influence over its operating and financial policies but does not control or jointly control the decision-making processes. This is in principle the case when between 20 and 50 percent of the voting rights are held.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations to determine significant influence or joint control are comparable with those to determine control of subsidiaries.

Shares in associated companies and in joint venture companies are accounted for under the equity method. The shares are valued with their purchase price on the acquisition date, and the purchase price is increased or reduced respectively in the subsequent periods for any changes in net assets of the company, such as the proportionate share of net income or loss and by received dividends. The proportionate net income or loss is determined using the accounting policies described in this Note. In line with the treatment of fully consolidated subsidiaries, the goodwill included in the carrying amount of companies accounted for under the equity method is no longer amortised either. Instead of a test for impairment of equity method goodwill, the whole investment accounted for under the equity method is reviewed for impairment according to IAS 36, provided there are indications according to IFRS 9 of additional impairment loss. The Group determines on each balance sheet date whether there are objectively discernible indications that the investment in an associated company or joint venture might be impaired. If this is the case, the difference between the fair value of the investment and the carrying amount is expensed as an impairment loss. The result from associated companies and joint ventures is presented in operating income in line with the accounting and valuation principles of the consolidated financial statements.

The financial statements of the associates and of the joint ventures are prepared using uniform accounting policies on the same balance sheet date as the financial statements of the parent company.

Foreign currency translation

These consolidated financial statements are prepared in the presentation currency, the euro, which is the functional currency of the group parent company, LEONI AG. The financial statements of the foreign subsidiaries included in the consolidated financial statements with a functional currency other than the euro are, under IAS 21, translated into the Group currency, the euro, according to the functional currency concept. The functional currency of the individual subsidiaries is the currency of the primary economic environment in which the company operates. The financial statements prepared in the respective functional currency of the subsidiary are translated using the closing rate method, i.e. the assets and liabilities are translated from the functional currency to the presentation currency at the closing exchange rate on the balance sheet date, while the statements of income are translated using annual average exchange rates on a monthly basis. Any differences arising from the translation of assets and liabilities compared with the previous year's translation, as well as translation differences between the income statement and the statement of financial position are recorded in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences in the other comprehensive income relating to that foreign operation is recognised in the income statement when the gain or loss on disposal is recognised.

A foreign currency transaction, i.e. a transaction entered into by a consolidated company in a currency other than its functional currency, is recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. In the subsequent periods, monetary assets and liabilities are revalued using the closing rate at each balance sheet date. The resulting currency differences are recorded in the income statement. Non-monetary items are still carried at the transaction rate or, if they are measured at fair value in a foreign currency, are translated using the exchange rates at the date when the fair value was determined. Exchange gains or losses that are directly related to an operating transaction are allocated to operating income (EBIT) and presented under other operation expenses or other operating income.

The exchange rates of the companies material to the consolidated financial statements have changed as follows:

Average exchange rate at balance sheet date — 1 euro in foreign currency units

Country	Currency	ISO Code	31/12/2021	31/12/2020
Brazil	Real	BRL	6.36010	6.39065
China	Renminbi yuan	CNY	7.19470	8.00210
United Kingdom	Pound	GBP	0.84150	0.90280
Korea	Won	KRW	1,343.90500	1,339.23000
Mexico	Peso	MXN	23.35600	24.45210
Poland	Zloty	PLN	4.59945	4.58185
Romania	Leu	RON	4.95100	4.86850
Russian Federation	Ruble	RUB	84.28080	91.43380
Switzerland	Swiss franc	CHF	1.03755	1.08435
USA	Dollar	USD	1.13110	1.23040

Annual average exchange rate — 1 euro in foreign currency units

Country	Currency	ISO Code	2021	2020
Brazil	Real	BRL	6.38077	5.87449
China	Renminbi yuan	CNY	7.64621	7.89072
United Kingdom	Pound	GBP	0.86190	0.88668
Korea	Won	KRW	1,353.69346	1,346.35269
Mexico	Peso	MXN	24.10730	24.45809
Poland	Zloty	PLN	4.57985	4.45486
Romania	Leu	RON	4.92072	4.83738
Russian Federation	Ruble	RUB	87.60249	82.92904
Switzerland	Swiss franc	CHF	1.08072	1.07221
USA	Dollar	USD	1.18544	1.14489

Measurement of fair value

The Group measures various assets at their fair value on each balance sheet date. Fair value is the price that an entity would receive to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value, it is assumed that the business transaction takes place either on the principal market or, if there is no principal market, on the most advantageous market for the asset or the liability. The Group must have access to the principal market or the most advantageous market.

The fair value of an asset or a liability is measured on the assumptions on which market participants would base their pricing of the asset or the liability. This assumes that the market participants act in their best business interest.

A fair value measurement of a non-financial asset takes account of the market participant's ability, through the asset's highest and best use or through its sale to another market participant who finds the asset's highest and best use, to generate economic benefit. The Group applies valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is ascertained or presented in the financial statements are categorised into the fair value hierarchies described hereinafter, based on the lowest level input that is significant to the entire measurement of fair value:

Level 1:
(Non-adjusted) prices quoted in active markets for identical assets or liabilities

Level 2:
A valuation technique whereby the lowest level input that is significant to the entire measurement of fair value is directly or indirectly observable on the market

Level 3:
A valuation technique whereby the lowest level input that is significant to the entire measurement of fair value is not observable on the market.

In the case of assets and liabilities that are recognised in the financial statements on a recurring basis, the Group ascertains whether any reclassification of the hierarchy levels has taken place by, at the end of each reporting period, reviewing the classification based on the lowest level input that is significant to the entire measurement of fair value.

The services of outside appraisers are used in some individual cases to value significant assets as well as such significant liabilities as contingent considerations. The Group analyses as at each reporting date the value of assets and liabilities that must, in accordance with the Group's accounting policies, be remeasured or reassessed. This analysis involves a review of the significant inputs that were applied to the previous valuation.

Revenue recognition
LEONI generates revenues with products and services for energy and data management in the automotive sector and other industries. Income from contracts with customers is recognised when control of the goods or services is transferred to the customer. Such sales revenues are, as a matter of principle, recognised in the amount of the consideration to which the Group expects to be entitled in exchange for those goods or services.

Income from the sales of goods in the Wire & Cable Solutions Division is recognised at the time when control is transferred to the customer. This is generally the case upon delivery of the products.

The granted payment terms are normally 30 to 90 days from the date of delivery.

In the Wiring Systems Division, sales revenues are generated particularly from development work performed prior to supplying customers in the car and commercial vehicle industry and subsequent series production and supply, each of which represent separate performance obligations.

The development services performed by the Wiring Systems Division prior to series supply are provided over a period of time as the customer receives the benefit from the Group's service and simultaneously makes use of it. To determine progress versus complete fulfilment of its performance obligation, the Group applies an input-based cost-to-cost method together with presentation under contract assets. The estimate of variable compensation for development services in the form of partial or full amortisation via the parts price of the series is limited to the total of costs without margin due to the immanent project risks.

The products supplied by the Wiring Systems Division are mostly customised, i.e. made to order within master agreement arrangements, without any option for alternative use. The master agreement covers the period of series production (approx. 5-7 years), but a binding commitment in the sense of an enforceable right to supply a specific quantity is not created until the customer places an order. Together with the respective order, the master agreement represents the contract within the meaning of IFRS 15.9.

Without contractual minimum order quantities, there is only one transaction price for the respective current order.

When determining the transaction price, the Group considers the impact of variable considerations in the form of discounts and possibly considerations to be paid to a customer in the form of nomination fees.

Nomination fees that have a direct, causal link with obtaining of the contract and represent an anticipated discount for future business volume are capitalised and presented under other assets. The capitalised amount is recognised based on the ratio of the unit numbers accepted versus the unit numbers planned over the term of the series to reduce revenue.

With of the majority of its customers, LEONI has an enforceable right to payment for the series-supply performance completed to date. The conditions for revenue recognition over a period of time in the Wiring Systems Division are thereby met. Revenue for these customised products is consequently recognised over a period of time, together with presentation under contract assets.

If LEONI does not have an enforceable right to payment for the performance completed to date, the sales revenues are recognised at the time when control is transferred to the customer. This is generally the case upon delivery of the products. The payment terms granted within the framework of series supply are normally 30 to 120 days from the date of delivery.

The existing warranty obligations qualify as assurance type warranties and therefore do not constitute separate performance obligations. They are therefore accounted for according to the rules for other provisions.

Interest and dividend income

Interest income is recognised as interest accrues. By using the effective interest rate method this means that the interest income recognised is the amount produced by using the effective interest rate. This is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset. Interest income from financial assets that are held for the purposes of liquidity management is presented under finance revenues.

Dividend income is recognised when the shareholder's right to receive payment is established.

Research and development costs

Research costs are expensed as incurred.

Development costs are expensed as incurred unless they relate to customer-specific development contracts accounted for pursuant to IFRS 15 or they meet the criteria of IAS 38 for capitalisation as an intangible asset.

Government grants

A government grant is recognised when there is sufficient assurance that the grant will be received and that the enterprise will comply with the conditions attaching to it. Expense-related grants are recognised as income on a systematic basis over the periods necessary to match them with the associated costs. Performance-related grants that cannot be directly offset with the expenses incurred are recognised in other operating income. Grants for an asset are deducted from the cost of the asset. Given the tight liquidity situation due to the Covid-19 pandemic, LEONI also received government assistance as defined by IAS 20 in the 2020 financial year. Such assistance is action by government designed to provide an economic benefit that is specific to an entity or range of entities qualifying under certain criteria, which was again available in the 2021 financial year. We refer to › Note 8 for the disclosures according to this standard.

Factoring

Some trade receivables, mainly from carmakers and their suppliers, are sold to factoring companies to realise cash receipts early. The receivables concerned are derecognised at the time of sale because all opportunities and risks associated with ownership of the receivables are transferred to the purchaser. The security deposit assessed by the factor is recognised in current other financial assets in accordance with the general requirements of IFRS 9. The liabilities from cash receipts for sold receivables are reported under other financial liabilities.

Reverse-factoring

Reverse factoring transactions are used to finance suppliers in connection with copper procurement. Under these agreements, greater use of the existing payment terms can also be made. There is no effect, however, either in terms of recognition or under civil law that would entail reclassification of the trade liabilities to another type of liability on the balance sheet.

Inventories

Inventories encompass raw materials, production supplies and goods purchased, as well as work in progress and finished goods. They are stated at the lower of cost and the net realisable value. Raw materials, production supplies and goods purchased are evaluated at cost using the weighted average cost formula or at the lower net realisable value on the balance sheet date. The net realisable value is computed based on the estimated selling price in the normal course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs of conversion of work in progress and finished products comprise, alongside the direct costs of production material and production wages, proportionate material and production overhead costs based on standard capacity.

Non-current assets held for sale

A non-current asset, or a disposal group, is classified as held for sale and presented separately in the statement of financial position if the related carrying amount is realised mainly by a sale transaction and not by continued use and if the criteria pursuant to IFRS 5 in this regard are met. To qualify, the asset must be available for immediate sale in present condition on usual terms (saleable condition), and such a disposal must be highly probable. This is the case if management is committed to a plan to sell and an active programme to locate a buyer has been initiated. IFRS 5 also covers discontinued operations. These are components of an entity that are classified as held for sale and represent either a separate major line of business or a geographical area of operation. There was no case of discontinued operations during the financial year. If non-current assets or a disposal group are classified as held for sale, they are no longer depreciated and are measured at the lower of carrying amount and fair value less costs to sell. If the fair value of the assets held for sale or the disposal group, less the selling costs, is less than the net carrying amount of the assets, a write-down is made on the fair value, less the selling costs. If the disposal plan changes and the criteria pursuant to IFRS 5 for an asset or disposal group that were classified as held for sale are no longer met, they are no longer presented separately but reclassified to the balance sheet item where they were originally recorded. They are valued at the lower of the carrying amount before the asset or disposal group was classified as held for sale (as adjusted for any subsequent depreciation, amortisation or revaluation that would have been recorded without classification as held for sale) and their recoverable amount at the date of the decision not to sell.

Property, plant and equipment

Property, plant and equipment – except for rights of use under lease – is, upon initial recognition, valued at cost. Attributable borrowing costs are capitalised as part of the cost of a qualifying asset pursuant to IAS 23. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. Government grants for capital investments reduce the cost of those assets for which the grant was awarded. In the subsequent periods, property, plant and equipment is carried at cost less accumulated depreciation. It is depreciated over its probable economic life. Immovable assets are mostly depreciated on a straight-line basis and movable assets are, depending on their type of use, depreciated using either the straight-line method or, if so required by their actual use, the declining method. When carrying out larger-scale maintenance, the costs are recognised in the carrying amount of the item of property, plant or equipment, provided that recognition criteria are met.

The following useful lives are assumed for depreciation:

Buildings and facilities	max. 50 years
Machinery and equipment	max. 15 years
Factory and office equipment	max. 10 years
Computer hardware	3 – 5 years

Lessee installations are depreciated on a straight-line basis over the respective shorter period of the term of the lease or the estimated ordinary useful life.

A property, plant or equipment is derecognised either when it is disposed of or when no further economic benefit is to be expected from either the use or disposal of the asset. The gains or losses resulting from derecognition are determined as the difference between the net disposal proceeds and the carrying amount and are, in the period in which the asset is derecognised, recorded in the income statement.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of the financial year and if necessary adjusted. We refer to the comments regarding IAS 36 below.

Contract assets

A contract asset is the entitlement to consideration in exchange for goods or services that were transferred to a customer. If LEONI fulfils its contractual obligations by transferring goods or services to a customer before the customer pays the consideration or before the payment is due, a contract asset is recognised for the contingent entitlement to consideration.

Leases

LEONI assesses at the inception of a contract whether it establishes or involves a lease. This is the case when the contract grants the right to control the use of an identified asset for a certain time against payment of a fee.

On the date of provision, LEONI recognises an asset for the granted right of use as well as a leasing liability on its balance sheet.

The rights of use are at first measured based on the amount at which the lease liability is initially measured, adjusted for lease payments made upon or before provision plus possibly incurred initial direct costs, less any included lease incentives. Subsequent measurement is at cost less accumulated depreciation and impairment.

Rights of use refer mainly to land, leasehold rights and buildings, machinery, factory and office equipment and are depreciated on a straight-line basis over the shorter of the two periods of the term and the expected useful life of the lease as follows:

Land, leasehold rights and buildings	1 – 50 years
Machinery, factory and office equipment	1 – 15 years

This also applies to cases where a lease transfers ownership of the leased property or where the Group rates exercise of a purchase option agreed under the lease as sufficiently assured and the exercise price has thereby already been considered in the costs of the right of use accordingly. If ownership of the underlying asset is transferred or it is sufficiently assured that the purchase option will be exercised, the corresponding right of use must be depreciated over the useful life of the underlying asset.

LEONI applies IAS 36 to determine whether a right of use is impaired and recognises the identified impairment expense accordingly.

The rights of use are presented under property, plant and equipment on the consolidated balance sheet and thereunder the items concerned.

The lease liability is initially measured at the present value of the lease payments, discounted by the interest rate underlying the lease. As the interest rate underlying the lease cannot be determined, LEONI uses the incremental borrowing rate according to the term of the underlying lease as prescribed in the Standard.

Measurement of the lease includes the following payments:

- fixed lease payments (including de facto fixed payment), less incentive payments to be received
- variable lease payments that are based on an index or interest rate, initially measured by the index or interest rate at the time the lease starts
- payments expected from the lessee due to residual value guarantees
- exercise prices of purchase options if the lessee is sufficiently sure of exercising these
- penalty payments for premature termination of the lease if exercise of the termination right is according to the term of the lease.

Variable lease payments that do not depend on an index or interest rate are not included in measurement of the lease liability and the right of use. These payments are expensed in the period in which the triggering event or the triggering condition occurs and recognised under other operating expenses in the income statement.

The lease liability is subsequently measured by an increase in the carrying amount to account for the interest expense for the lease liability (using the effective interest rate method), and by reducing the carrying amount to account for lease payments made. Lease liabilities are recognised within financial debt.

The Group re-measures the lease liabilities and accordingly adjusts the corresponding rights of use in the following cases:

- The term of the lease has changed or there are material events or material change in circumstances that lead to a changed assessment with respect to exercising a purchase option. In such a case, the lease liability is remeasured by discounting the adjusted lease payments with an updated interest rate. This involves the right of use being adjusted for the amount resulting from remeasurement of the lease liability, down to a carrying amount of as little as nil. Any adjustments beyond that must be recognised through profit or loss.
- Lease payments will change due to index or interest rate changes or due to a change in the payment expected to be made based on a residual value guarantee. In such cases, the lease liability is remeasured by discounting the adjusted lease payments with an unchanged discount rate (unless the change in lease payments is attributable to a change in a variable rate of interest, in which case an updated interest rate must be used).
- A lease is changed, and the change to the lease is not recognised as a separate lease. In that case, the lease liability is remeasured based on the term of the changed lease by discounting the changed lease payments using an updated interest rate at the time the change becomes effective. The right of use is adjusted accordingly.

IFRS 16 permits the lessee to dispense with separating between leasing and non-leasing components and to account for leases with associated non-leasing components as a single contract pursuant to IFRS 16. The Group has not used this exemption provision. In the case of leases that contain a leasing component and one or several additional leasing and non-leasing components, the Group allocates the consideration in the contract to each contract component based on the relative stand-alone selling price of the leasing component and the aggregated stand-alone selling prices of the non-leasing components.

LEONI has exercised the option of not recognising rights of use and lease liabilities for short-term leases (with a term of 12 months or less) and for leases of low value (new value of the assets being lower than €5,000). The corresponding lease payments are expensed in the functional areas of the income statement.

Intangible assets

Intangible assets comprise patents, software, licences and similar rights, as well as customer relationships, brands, technology and production know-how acquired in the context of business combinations. An intangible asset that results from development expenditure is capitalised if a newly developed product or process can be clearly defined, is technically feasible and is intended for either own use or for sale. Capitalisation also assumes that the development expenses can with a sufficient degree of likelihood be covered with future inflow of cash and cash equivalents and the other IAS 38.57 criteria are met.

Intangible assets acquired separately are, upon initial recognition, valued at cost. The costs of intangible assets acquired as part of business combinations equal their fair values as at the date of acquisition. In the subsequent periods, intangible assets are carried at their cost less any accumulated depreciation and any accumulated impairment losses. Measurement in the subsequent periods should differentiate between intangible assets with a finite useful life and with an indefinite useful life.

According to IAS 38, intangible assets with a finite useful life must be amortised over their useful life. The Company, therefore, in accordance with these requirements, amortises development costs capitalised as assets on a straight-line basis and amortises other intangible assets with a finite useful life on a straight-line basis over their useful lives to their estimated residual values, which is normally nil. Other intangible assets with a finite useful life are mainly software licences with an estimated useful life of three to seven years, customer relationships with useful lives of two to 23 years as well as technology and production know-how with a useful life of two to 15 years, in both cases acquired in the context of business combinations. The amortisation method and the amortisation period for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Any changes to the amortisation method and the amortisation period due to revision of the expected useful life or the expected use of the asset's future economic benefit are treated as changes in estimates.

According to IAS 38, intangible assets with an indefinite useful life have no longer been amortised; instead such intangible assets must, according to IAS 36, be reviewed for impairment at least annually and written down to their lower recoverable amount. As in the case of goodwill, the review is carried out as at 31 December of each year and according to the same principles. The remarks below therefore apply accordingly. Intangible assets with an indefinite useful life are reviewed once a year to determine whether the estimate of assessment of an indefinite useful life is still justified. If this is not the case, the assessment is prospectively changed from an indefinite to a definite useful life.

Intangible assets are derecognised when they are disposed of or when no further economic benefit is to be expected from either their use or disposal.

Goodwill

Goodwill from a business combination is, upon initial recognition, measured at cost, calculated as the excess of the transferred consideration over the identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at the acquisition cost less any accumulated impairment losses.

Goodwill is not amortised; instead it is in line with the requirements of IAS 36 reviewed for impairment at least once a year. The Group reviews the goodwill for impairment annually as at 31 December. A review also takes place if events or circumstances indicate that there might be an impairment loss. For the purpose of the impairment test, goodwill acquired in the context of a business combination is, from the acquisition date, to be allocated to the LEONI Group's cash-generating units or groups of cash-generating units expected to benefit from the synergies of the business combination. This applies regardless of whether other assets or liabilities of the acquired business are allocated to these cash-generating units. Goodwill is tested at the level of the cash-generating unit to which it is allocated by comparing the carrying amount of the cash-generating unit or units with the recoverable amount. Impairment has occurred if the carrying amount exceeds the recoverable amount, requiring a write-down to the recoverable amount. The recoverable amount corresponds to the higher of the two amounts from the fair value less cost to sell and value in use. The value in use of a cash-generating unit is defined as the present value of projected cash flows to the Company from the cash-generating unit. To determine the value in use, the projected cash flows are discounted to their present value based on a discount rate before tax that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit. An appropriate valuation model is applied to determine the fair value less cost to sell. This is based on valuation multiples, discounted cash-flow valuation models, stock market prices and other available indicators of the fair value. The key assumptions on which determination of fair value less cost to sell and value in use is based include estimated growth rates as well as weighted average cost of capital (WACC). The discount rates are determined based on a risk-free interest rate and a market risk premium. They reflect the present market assessment of the specific risks of each individual cash-generating unit. The underlying estimates as well as the associated method can exert major influence on the respective values and ultimately on the size of possible goodwill impairment.

Later reversal for a goodwill impairment recorded in previous financial years or interim reporting periods is not permitted.

Detailed explanations of the impairment tests in the financial year are included in ›Note 18.

Impairment testing of intangible assets and of property, plant and equipment

An assessment is made at each balance sheet date whether there are any indications that an impairment loss may have occurred. If there are such indications, the recoverable amount of the asset is determined and compared with its carrying amount. The system for and effects of this review are in line with the test of goodwill (see comments on goodwill above).

If specific cash inflows generated largely independently from other assets or groups of assets cannot be allocated to the individual assets, they are tested for impairment based on the smallest overriding cash-generating unit of assets.

If the reasons for applying the impairment charge have disappeared, the write-down on the asset is reversed. Such reversal is limited to the amount that would have resulted when taking amortisation or impairment into account.

Regardless of whether there is evidence of impairment, a corresponding test for impairment is applied once a year to both intangible assets that are not yet ready for use and intangible assets with an indefinite useful life.

Detailed explanations of the impairment tests carried out during the financial year are included in ›Note 17.

Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial instruments recorded as either financial assets or financial liabilities are as a matter of principle presented separately. They are reported on a net basis only where a right of set-off with respect to the amounts exists at the present time and it is intended to settle net.

Financial instruments are recognised as soon as LEONI becomes a contracting party to the financial instrument. In the case of regular way purchases or sales in the context of a contract whose conditions provide for the asset to be delivered within a period of time that is normally determined by the rules or conventions of the respective market, the settlement date, i.e. the date on which the asset is supplied to or by LEONI, is pertinent to initial recognition as well as derecognition.

Financial assets comprise particularly cash and cash equivalents, trade receivables, other originated loans and receivables, investments and both primary and derivative financial assets held for trading purposes.

Financial liabilities normally provide a claim for return in cash or another financial asset. These comprise particularly bonds and other securitised liabilities, trade liabilities, liabilities to banks, liabilities under finance leases, borrower's note loans and derivative financial liabilities.

Financial assets are derecognised when one of the three following conditions is met:

- The contractual rights to receive the cash flows from a financial asset are extinguished.
- Although the Group retains the rights to receive the cash flows from financial assets, it assumes a contractual obligation to immediately pay the cash flows to a third party in the context of an agreement that meets the requirements of IFRS 9.3.2.5 ("pass-through arrangement").
- The Group has transferred its contractual rights to receive the cash flows from a financial asset and substantially, all the risks and rewards incident to ownership of the financial asset have thereby been transferred, or alternatively when control of the financial asset has been transferred.

Cash receipts from the sale of receivables that were not yet passed on to the buyer of the receivables on the balance sheet date are reported under other financial liabilities.

Financial liabilities are derecognised when the obligation underlying the liability has been met, terminated or extinguished.

Financial instruments are initially recognised at their fair value. The assumption or issue of directly attributable transaction costs is considered when determining the carrying amount if the financial instruments are not measured at fair value through profit or loss.

For measurement subsequent to initial recognition the financial instruments are allocated to one of the measurement categories listed in IFRS 9 to which they are designated at the time of their initial recognition.

Financial assets

Financial assets are classified according to IFRS 9 based on the Group's business model for managing financial assets and the properties of the contractual cash flows of the financial assets.

Financial assets are divided into the following categories according to IFRS 9:

- **Financial assets remeasured to fair value through profit or loss (FVTPL)**
  This category comprises financial assets held for trading and financial assets that were, upon initial recognition, designated as financial assets at fair value through profit or loss, or financial assets that must be measured at fair value. Financial assets are classified as held for trading if they are acquired and held with a view to disposal in the near future. Derivatives, including embedded derivatives recognised separately, are also classified as held for trading, except for such derivatives that were designated as a hedging instrument and are effective as such. Trade receivables that are to be sold through factoring and are accordingly accounted for by the "Sell" business model also fall into this category. Financial assets with cash flows that do not exclusively represent repayments and interest are, regardless of business model, classified as at fair value through profit or loss and measured accordingly. Gains or losses on financial assets of this category are recognised in the income statement.

Trade receivables categorised by the "Sell" business model were classified as held for trading purposes. No other non-derivative financial assets were allocated to this category. No use was made of the option to designate financial assets at fair value through profit or loss upon their initial recognition.

According to IFRS 9, all equity instruments are measured at fair value. The gains or losses resulting from measurement at fair value are recognised through profit or loss in the income statement. The Group currently does not make any use of the option to classify equity instruments at fair value through profit or loss for those equity instruments it has elected to present in other comprehensive income.

Financial assets at amortised cost (AC)
Financial assets in the "at amortised cost" category involve especially cash and cash equivalents, trade receivables (excl. factoring) and other receivables.

The Group measures financial assets (debt instruments) at amortised cost when the following conditions are fulfilled:

– the financial asset is held in the context of a business model that intends to hold financial assets to collect contractual cash flows and
– the contract terms of the financial assets lead to cash flows at fixed points in time and which exclusively represent repayments and interest on theprincipal amount outstanding.

Gains or losses are recognised in the income statement when the asset is derecognised, modified or impaired.

Cash and cash equialents
Cash and cash equivalents comprise cash in hand, cheques and immediately disposable bank deposits with an original maturity of three months or less. Cash is recognised at par value.

Impairment of financial assets
The Group applies the simplified approach under IFRS 9 to impairment of trade receivables and contract assets and recognises the expected losses over the full lifetime. The Group therefore does not follow up changes in the credit risk, instead recognising a risk provision based on the expected credit loss on each reporting date. The expected losses are determined using an impairment matrix by grouping the principal types of receivables according to their risk ratings, which represent the ability of customers to settle amounts due as contracted. The allocations to the default risk categories are made principally based on external ratings of the key customers that consider forward-looking estimates. The data on the external rating and the probabilities of default are updated quarterly and annually on the respective reporting dates. Also factored into calculation of impairment is a 20-percent recovery rate, i.e. the proportion of receivables already written off that can still be recovered. Based on this approach, no distinction is made between allocation to Level 1 and Level 2 of the impairment method according to IFRS 9 for these financial Instruments. The risks pertaining to all other customers were included using an across-the-board approach to determine the risk rating. Calculation of expected losses is based on the probability of default in line with the default risk category, which is categorised in a range from 'low risk' to 'receivables in default'.

Where there are objective indications of an impairment, the financial instruments are transferred to Level 3 of the impairment method according to IFRS 9. In the process, the Group assumes a default on a financial asset when contractual payments are substantially overdue. In certain cases, it may also assume a default on a financial asset when internal or external information indicates it is unlikely that the Group will receive the outstanding contractual amount before all the credit protection it holds is considered. A financial asset is derecognised when there is no reasonable expectation that the contractual cash flows will be realised.

The general impairment method of IFRS 9 must be applied to bank deposits as well as other financial assets subject to the impairment requirements. The Group therefore monitors the creditworthiness of its business partners to detect any significant increase in the risk of default. Upon initial recognition, such financial instruments are allocated to Level 1. The expected loss corresponds to the value that could arise from potential default events within the next 12 months after the reporting date. The potential impairment expense identified was insignificant, however.

Financial liabilities

Financial liabilities are divided into the following categories according to IFRS 9:

- **Financial liabilities at fair value through profit or loss (FVTPL)**
  Financial liabilities that fall into this category are also carried at fair value in the subsequent periods with the resulting gains or losses recognised in the income statement.

  This category comprises financial liabilities held for trading as well as liabilities that were, upon initial recognition, designated as financial liabilities at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired and held with a view to disposal in the near future. Derivatives, including embedded derivatives recognised separately, are also classified as held for trading, except for such derivatives that were designated as a hedging instrument and are effective as such.

  As in the previous year, the Company did not classify any primary financial liabilities as held for trading in the 2021 financial year, nor did it make use of the option to designate financial liabilities at fair value through profit or loss upon their initial recognition.

- **Financial liabilities at amortised cost (AC)**
  All financial liabilities that do not fall into the above-mentioned category and are not derivative financial instruments are measured at amortised cost using the effective interest rate method. In the case of current liabilities, the amortised cost corresponds to either their repayment or settlement value. Gains or losses are recognised in the income statement when the liabilities are derecognised or amortised.

Derivative financial instruments and hedging activities

Derivative financial instruments entered into by the LEONI Group are recorded at their fair value on the balance sheet date. Depending on their maturity, derivatives with a positive fair value are reported as current or non-current other financial assets, and derivatives with a negative fair value are reported as current or non-current other financial liabilities. In general, the Group recognises the changes in fair value of derivative financial instruments in the income statement. However, the Group records changes in fair value of derivatives used to hedge anticipated cash flows on firm commitments and forecast transactions in accumulated other comprehensive income until the hedged item is recognised in the income statement when the requirements of the standard to apply cash flow hedge accounting are met. The ineffective portions of the fair value changes of those derivatives are recognised in earnings immediately. The amounts recognised in other comprehensive income are subsequently recognised in the same period as the hedged transaction takes place and have effect on net income.

Where interest-rate derivative contracts are concluded to hedge the fair value of a hedged item measured at amortised cost, the hedging instrument is also measured at the fair value, and any changes in the fair value of both the hedging derivative and the hedged item, so far as these result from the hedged risk, are recognised in the income statement under either finance costs or finance revenue.

Commodity future transactions that are settled in cash are recognised as derivatives, changes in the fair value of which are recognised in the cost of sales.

Contracts entered into for the purpose of receipt or supply of non-financial items according to the Group's expected purchase, sale or usage requirements and held as such (own use contracts) are reported not as derivative financial instruments but as pending transactions.

If hybrid contracts contain embedded derivatives with a financial or non-financial liability as host contract, such derivatives are reported separately from the host contract when the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, when a separate instrument with the same terms as the embedded derivative were to fulfil the definition of a derivative and when the hybrid contract is not measured at fair value through profit or loss. The review whether a contract contains an embedded derivative that must be reported separately from the host contract is made at the time when the Company becomes a contracting party. A reassessment is made only when there are major changes to the terms of the contract that result in a significant change to the cash flows.

Pension plans and similar obligations

The valuation of defined-benefit pension obligations is based upon actuarial computations using the projected unit credit method in accordance with IAS 19. Changes due to the actuarial assumptions or differences between the actual development and the original assumptions, as well as gains or losses on the pension plan or plan assets (actuarial gains or losses) as a difference between the return on plan assets recorded in net interest expenses and the actual return, are recognised in other comprehensive income. Past service cost is recognised in the income statement at the time of the change to the plan.

The amount recognised as a defined benefit asset or liability comprises the present value of the defined benefit obligation, less the fair value of plan assets out of which the obligations are to be settled directly. The value of a defined benefit asset is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The interest costs relating to the net obligation are presented under finance costs.

Other provisions

Other provisions are recorded when a present legal or constructive obligation to a third party has been incurred from past events, the payment is probable, and the amount can be reasonably estimated. So far as the Group expects repayment for an accrued provision at least in part, for example, from an insurance policy, such repayment is recognised as a separate asset, provided the inflow of the repayment is virtually certain. The provisions are valued according to IAS 37 with the best estimate of the amount of the obligation. Where provisions do not become due until after one year and a reliable estimate of the payment amounts and dates is possible, the present value for the non-current proportion is determined on a discounted basis. The unwinding of discount on provisions is recognised under interest expenses.

Obligations to dispose of an asset and to recultivate its site or similar obligations must be recognised as a component of acquisition and production costs and simultaneously recognised as a provision. In the subsequent periods, this amount added to the asset is to be depreciated over its residual useful life. The best possible estimate of the payment obligation or provision is accreted to its present value at the end of each period.

Restructuring provisions are recognised when the constructive obligation has arisen according to the criteria under IAS 37.72. Accruals are not reported under provisions, but rather under liabilities.

Present obligations that arise in connection with onerous contracts are recognised as provision. The existence of an onerous contract is assumed when the Group is party to a contract under which the unavoidable costs to fulfil the contract are expected to exceed the economic benefit stemming from this contract. The unavoidable costs represent the lower of the costs to fulfil the contract and any indemnity or penalty payments resulting from non-fulfilment.

Income taxes

The current tax assets and tax liabilities for the current and prior periods are measured at the amount expected to be recovered from the taxation authority or paid to the taxation authority. Calculation of the amount is based on the tax rates and tax laws that are applicable to the corresponding period. Current uncertain income tax items for tax years not yet finally assessed are, according to the requirements under IFRIC 23 and based on experience, considered at the best possible estimate.

Deferred tax is, pursuant to IAS 12, formed according to the balance sheet liability method. This provides that tax assets and liabilities for all temporary differences, apart from the exceptions under IAS 12.15, IAS 12.24, IAS 12.39 and IAS 12.44, between the carrying amount in the statement of financial position and the amount for tax purposes as well as for tax loss carryforwards are recognised (temporary concept). Deferred taxes are measured using the currently enacted tax rates in effect during the periods in which the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax law is recognised in the period that the law is enacted. Deferred tax assets are applied only to the extent that it is more likely than not that the tax benefit will be realised. If there is a history of losses, a deferred tax asset is recognised for an unused tax loss carry-forward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carryforward can be utilised. The legally independent entities are, on each balance sheet date, assessed individually in this respect, with any history of loss included in the assessment. Further details are presented in ›Note 10.

Deferred tax assets and liabilities are offset if they relate to income taxes levied by the same taxation authority and the Group has a legally enforceable right to set off current tax assets against current tax liabilities.

Income taxes referring to items that are recognised in other comprehensive income are also recognised in other comprehensive income and not in the income statement.

Earnings per share

Earnings per share are computed in accordance with IAS 33, Earnings per Share. The basic earnings per share are computed by dividing consolidated net income attributable to the LEONI shareholders by the weighted average of the number of ordinary shares outstanding during the relevant period. The diluted earnings per share are computed by dividing consolidated net income attributable to the LEONI shareholders by the total of the weighted average number of ordinary shares outstanding plus the weighted average number of securities that can be converted into ordinary shares. There was no dilution in the reporting periods presented.

Statement of cash flows

The statement of cash flows is classified by operating, investing and financing activities in accordance with IAS 7. This involves cash flows from operating activities being determined by the indirect method whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Cash inflows and outflows due to factoring and reverse factoring are attributed to operating activity. Interest payments are presented accordingly under financing activity. Undistributed income from entities valued under the equity method and exchange gains or losses reclassified from other comprehensive income to the income statement is principally reported under 'Non-cash result relating to associated companies and joint ventures'. Interest paid and received is classified as cash flow from financing activities. Paid dividends are presented in cash flows from financing activities.

The cash holdings comprise cash and cash equivalents. These include cash in hand, cheques and immediately disposable bank deposits with an original maturity of up to three months. The effect of exchange rate-related changes in value on cash and cash equivalents is presented separately so that the cash and equivalents at the beginning and end of the period can be reconciled with the balance sheet disclosure.

Segment information

Segment reporting is based on the accounting standard IFRS 8, Operating Segments, following the management approach contained therein, which provides for reporting based on the internal organisational and reporting structure as well as what management uses internally for evaluating segment performance. The segment reporting and designation therefore follows the internal organisational and reporting structure of the Group. The Group is organised into business units by products and services for the purpose of Corporate Governance. The Group therefore has two segments subject to reporting: Wire & Cable Solutions and Wiring Systems. The measures presented in the Management Report concerning the organisational structure implemented for the Wiring Systems Division that align it to functions, as well as the reconfigured organisational structure to prepare for the partial disposals in line with the business areas of automotive (Business Group Automotive), Industry (Business Group Industrial Solutions) and other, smaller units of the Wire & Cable Solutions Division, did not lead to any change in segmentation. Management monitors the earnings before interest and taxes (EBIT), before exceptional items and before VALUE 21 costs separately to take decisions on allocation of resources and to determine the profitability of the segments. EBIT before exceptional items as well as before VALUE 21 costs adjusts earnings for such non-recurring factors as impairments, major expenses for contingent losses on customer contracts, costs in preparation for carving out the Wire & Cable Solutions Division, refinancing costs and other once-off expenses incurred based on strategic decisions, as well as additional external expenses related to the Covid-19 pandemic to allow a better comparison between periods and better interpretation of the operating profitability. The principles for measuring the gain or loss of the segments as well as the assets and liabilities are ascertained in line with the accounting and valuation principles of the consolidated financial statements.

Key judgements, estimates and assumptions

When preparing the consolidated financial statements, management makes judgements, estimates and assumptions that influence the amounts of assets, liabilities and contingent liabilities, as well as the expense and income reported on the balance sheet date. All estimates and assumptions are based on the conditions and assessments on the balance sheet date. The uncertainty that these assumptions and estimates involve can, however, despite diligent appraisal in future periods cause outcomes that result in major adjustment to the carrying amounts of the assets and liabilities concerned. Estimates and judgements based on the Covid-19 pandemic as well as the still persisting semiconductor crisis are subject to the currently unforeseeable worldwide consequences of increased uncertainty.

The war that broke out between Russia and Ukraine at the end of February 2022 constitutes a material event after the balance sheet date and its impact on the consolidated financial statements has not been considered apart from the assessment on continuing as a going concern (cf. section headed Principles). The explanations below to that extent refer to conditions as at the balance sheet date, excluding the negative effects of the Ukraine war on the asset, financial and earnings situation that must be expected.

The LEONI Group's performance in 2021 improved considerably year-on-year despite a highly volatile setting. In the first two quarters and as the Covid-19 pandemic waned, LEONI initially registered a significant recovery of demand in both the automotive and industrial segments. From the third quarter, the persisting and aggravating supply crises, especially in the semiconductor market, increasingly cast gloom over business conditions. The supply bottlenecks caused disruptions of production among our customers and thus fluctuating and less than budgeted uptake as well as major logistical challenges and substantial additional cost to LEONI. In addition, new Covid-19 virus variants and pandemic waves followed in the fourth quarter.

The appearance of new Covid-19 variants could extend the pandemic and lead to further economic disruptions. The resulting breaks in global supply chains and ongoing bottlenecks in raw materials and input products as well as the consequent significant increase in raw material prices, the volatile energy prices and the mounting inflationary pressure, additionally increased the uncertainty.

The persisting Covid-19 pandemic and the related disruptions to ordinary business are eexerting a major effect on the LEONI Group and therefore constitute an event that goes beyond the general risk to business. Given the presently persisting semiconductor crisis as a consequence of the pandemic, we must continue to anticipate disruptions to supply chains including customer plant shutdowns. This will continue to restrict production in the automotive industry. In summary, the Covid-19 pandemic could lead to unplanned losses of sales, unexpected impact on earnings and liquidity as well as to adverse effect on free cash flow. Impact on the consolidated financial statements could furthermore stem from interest-rate adjustments in Germany and elsewhere, from volatile foreign exchange rates, bad debt, changing sales and cost structures or uncertain forecasts with respect the size and timing of cash flows. These factors could affect fair values and the carrying amounts of assets and liabilities, the size and timing of revenue recognition as well as cash flows. Any negative deviation from the underlying assumptions could thus require impairment of goodwill or other non-current assets.

The extent and duration of the Covid-19 pandemic continue to be difficult to estimate. Despite the good performance towards the end of 2021, LEONI still sees itself facing multifaceted challenges and volatile markets. These include higher raw material, energy and logistics costs as well as increases in personnel costs.

These estimates and judgements on which the financial statements are based assume that there will be no material impact due to potential interruptions to production as a result of the Covid-19 pandemic. Although a rapid recovery in the automotive sector would be possible given large order backlogs, this depends above all on whether and how quickly the acute shortage of semiconductors can be cleared and how quickly the war between Russia and Ukraine can be brought to an end. Overall, the Board of Directors anticipates in its estimates and judgements as at the balance sheet date, when disregarding the Ukraine war, an increase in the output figures of the automotive sector in 2022 versus the past financial year despite ongoing constraints because of the semiconductor crisis. The medium-term perspective taken was that, once the pre-crisis level has been reached in 2023, there will be a further, gradual market recovery driven particularly by growth in the electromobility sector.

The probable economic trend and country-specific government measures were considered based on the information available at the time of updating these estimates and judgements pertinent to the consolidated financial statements.

The most significant assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, which present a risk that material adjustment to the carrying amounts of the assets and liabilities will be necessary within the next financial year, are explained hereinafter.

Impairment testing of goodwill, intangible assets and non-current assets is based on calculation of the recoverable amount, which is the higher of value in use and fair value less cost to sell. To estimate the value in use, the Group must estimate the probable future cash flows of the cash-generating units to which the non-current asset or goodwill relates and moreover choose a reasonable interest rate to compute the present value of these cash flows (discounted cash flow method). The cash flows are extrapolated from the business planning for the next five financial years, excluding any restructuring measures to which the Group has not yet committed as well as material future capital expenditure that would raise the performance of the cash-generating units tested. The business planning is prepared on a bottom-up basis taking targets into account, meaning that the budgeted figures are prepared in detail for each customer group or business group and subsidiary and condensed to the segments and the Group as a whole. Key planning assumptions are based on the unit sales projections issued by the carmakers. Our business planning considers price agreements based on experience and anticipated efficiency enhancements, as well as a sales and cost trend based on the strategic outlook. The recoverable amount is heavily dependent on the projected unit sales and on the discount rate applied under the discounted cash flow method. The projected take-up quantities, their discount rate just as the projections of future costs, especially wage costs but also the rising raw material prices due to the semiconductor crisis and our potencially charging of these on to customers, are subject to major uncertainty against the backdrop of the unforeseeable course of the Covid-19 pandemic.

The estimate of fair value less cost to sell differs from the value in use only through the treatment of the measured asset as a business operation not belonging to the Group. The assumptions and parameters applied to ascertain the recoverable amount and the details of the impairment tests are explained more thoroughly in › Note 17 and › 18.

Management must, with respect to accounting for capitalised deferred taxes relating mainly to unused loss carryforwards, make estimates and judgements concerning the amount of taxable profit available in the future for use of the loss carryforwards. So far as this has been made sufficiently specific, future tax planning strategies and the expected timing of the income from it will be considered in the process. Deferred tax assets are recognised regularly to the extent that deferred tax liabilities in the same amount and with the same term applicable to them are expected. Furthermore, deferred tax assets are recognised only if future taxable income is with high probability expected to be sufficient to use the deferred tax assets from loss carryforwards and temporary differences. For this judgement, the taxable income is extrapolated from the business planning that has been prepared according to the principles described above. Due to the mounting uncertainty about the future, the period under consideration is normally five years. In the case of entities in loss situations, deferred tax assets are not recognised until there are signs of a turnaround or it is highly probable that the future positive results can be generated. Rules on limiting the use of losses (minimum taxation) are observed when measuring the valuation allowances for deferred tax assets from loss carryforwards. Further details are presented in › Note 10.

Present obligations that arise in connection with onerous contracts are recognised as provision. Measuring the provisions involves a substantial degree of estimation. LEONI makes provision for contingent losses on customer contracts and order-related risks when the estimated total unavoidable costs exceed the revenues. LEONI identifies the potential losses on customer contracts by means of ongoing control of the project's progress and updating of estimates. An extrapolation from business planning is also made to assess the extent to which there may be an onerous customer contract and is made according to the principles described above as well as linked with the assumptions and estimates likewise presented above.

The pension expense pertaining to defined benefit plans post-employment is determined based upon actuarial computations. These measurements are based on assumptions and judgements with respect to discount rates applied to the net obligation, future wage and salary increases, mortality and future pension increases. Due to the non-current nature of such plans, such estimates are subject to material uncertainties. Details of these uncertainties and sensitivities are presented in › Note 26.

The restructuring principally concerned measures initiated in the context of production shutdowns or capacity adjustments due to strategic decisions. Given specific planning scenarios and already adopted restructuring measures, the costs of the measures can be reliably calculated with respect to their quantity and price-induced valuation parameters. Management has appropriately considered the Group's restructuring for accounting purposes and has formed restructuring provisions in sufficient amounts.

2 | New accounting requirements

New accounting requirements applied for the first time in the financial year

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (Phase 2)
There is an obligation to apply for the first time for the 2021 financial year Phase 2 of the amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, IFRS 4, Insurance Contracts and IFRS 16, Leases, the requirements of which must be applied from 1 January 2021. These amendments are intended to mitigate the impact of IBOR reform on financial reporting. It comprises replacement of various interest rate benchmarks known as Interbank Offered Rates (IBORs), which are applied to a variety of financial instruments. The cash flows included in a hedging relationship will thereby change, causing uncertainty in terms of their timing and amount. Given the previous requirements under IFRS 9 and IAS 39, it could therefore be necessary to end hedge accounting.

The IASB has split the IBOR project into two phases. The first phase of these amendments was already applied in the 2020 financial year.

On 13 January 2021, the EU endorsed Phase 2 of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, the requirements of which must be applied from 1 January 2021. The second phase of the IBOR project deals with questions concerning financial reporting at the time when an existing interest rate benchmark is replaced with an alternative interest rate.

LEONI applies the easements granted by the amendments to the standards with respect to accounting for affected financial instruments. An analysis of LEONI's existing financial instruments found that its designated interest rate hedging relationships and key parts of its variable-interest loans relate to the EURIBOR reference rate. This fulfils the requirements of the EU Benchmarks Regulation (BMR) and is not affected by the reform. Nor was any need for adjustment whatsoever identified with respect to leasing under the benchmark reform. The analysis furthermore found that euro drawing on the revolving credit facilities was referenced to EONIA for the Tenor Overnight and one withdrawal was linked with EURO LIBOR. These were converted with the banks to the Euro Short-Term Rate (€STR) and EURIBOR. There were also, in the context of the RCF I and RCF II revolving credit facilities various unused options to draw in foreign currency, which were removed by contractual agreement with the banks. Debit balances at banks fall under the rules of the revolving credit facilities; credit balances are unaffected by the benchmark reform. The risk of losing the operationally necessary financing and options to draw from the revolving credit facilities because of the IBOR reform was eliminated by the contractual adjustments made.

Non-derivative financial instrument before conversion	Matures	Nominal value[1] (million)	Conversion or BMR
Drawn credit lines of the revolving credit facility RCF I at EONIA reference rate (for overdraft credit options)	2023	EUR 750	Conversion to €STR
Drawn credit lines of the revolving credit facility RCF II at EONIA reference rate (for overdraft credit options)	2022	EUR 147	Conversion to €STR
Utilisation of the revolving credit facility RCF II at the GBP LIBOR reference rate	2022	GBP 5	Conversion to SONIA
Utilisation of the revolving credit facility RCF II at the USD LIBOR reference rate	2022	USD 40	In agreement with the banks: no need for adjustment as the tenors relevant to utilisation remain in place beyond the residual term

1 Maximum available credit line

Amendments to IFRS 16, COVID-19-Related Rent Concessions
The IFRS 16 Covid-19-Related Rent Concessions Amendments published by the IASB on 28 May 2020 were adopted into European law on 9 October 2020. The amendments make it easier for lessees, when applying the requirements under IFRS 16, to account for modifications to a lease due to rent concessions as a consequence of the coronavirus pandemic. This practical easement was available for rent concessions where a reduction of the rent payments impacted payments that were originally due on or before 30 June 2021.

On 31 March 2021, the IASB issued an extension of the applicable period for these amendments by one year, covering reduced rent payments that were originally due on or before 30 June 2022.

These easements were not used and therefore had no effect on the consolidated financial statements.

Future new accounting requirements
The following new or amended Standards and Interpretations have already been adopted by the IASB but have not yet become mandatory or have not yet been adopted into European law. The Company has not prematurely applied these requirements.

Amendments to IFRS 3, Reference to the Conceptual Framework
The amendments to IFRS 3, Reference to the Conceptual Framework, published by the IASB on 14 May 2020, were adopted into European law on 28 June 2021. From 1 January 2022, the Standard thus now refers to the Conceptual Framework 2018 and no longer to the Conceptual Framework 1989. Two additions concerning business combinations were furthermore included. An acquirer must, for transactions and other events within the scope of IAS 37 or IFRIC 21, apply these requirements when identifying the liabilities it has assumed in a business combination and must explicitly not recognise acquired contingent assets. These amendments are unlikely to have any effect on our financial reporting.

Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract
The amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract, published by the IASB on 14 May 2020, were adopted into European law on 28 June 2021. These stipulate that the costs of fulfilling a contract comprise the costs that relate directly to the contract. The cost of fulfilling the contract must thus include both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts (e.g. pro-rata depreciation of property, plant and equipment used to fulfil several contracts). These changes must be applied for the first time to financial years beginning on or after 1 January 2022. These amendments are unlikely to have any effect on our financial reporting.

Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use
The amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use, published by the IASB on 14 May 2020, were adopted into European law on 28 June 2021. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Henceforth, an entity must recognise the proceeds from selling such items and the cost of producing those items in profit or loss. Costs of testing remain directly attributable costs. These changes are to be applied for the first time to financial years beginning on or after 1 January 2022. The amendments are to be applied retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. These amendments are unlikely to have any effect on our financial reporting.

Amendments to IAS 1, Classification of Liabilities as Current or Non-Current

The amendments to IAS 1, Classification of Liabilities as Current or Non-Current, clarify that the classification of liabilities as current or non-current should be based only on the existing substantive right as at the reporting date to defer settlement by at least 12 months. They must be applied for the first time to financial years beginning on or after 1 January 2023. These amendments concern only the presentation of liabilities as current or non-current. The amendments are unlikely to have any effect on our financial reporting, as the credit agreements pertaining to our liabilities classified as non-current grant the corresponding rights.

Amendments to IAS 1 and to IFRS Practice Statement 2, Disclosure of Accounting Policies

These amendments refer to the requirements under IAS 1, Disclosure of Accounting Policies, with respect to disclosing accounting policies. The term 'material information on accounting policies' replaces the term 'significant accounting policies'. These changes must be applied to financial years beginning on or after 1 January 2023. These amendments are unlikely to have any effect on our financial reporting.

Amendments to IAS 8, Definition of Accounting Estimates

The amendments refer to the definition of accounting estimates, now clarifying that these involve monetary amounts in financial statements that are subject to measurement uncertainty. They must be applied for the first time to financial years beginning on or after 1 January 2023 and apply to changes in accounting policies or changes in accounting estimates that are made on or after the start of this period. These amendments are unlikely to have any effect on our financial reporting.

Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments further curtail the initial recognition exemption of deferred tax to the extent that an entity cannot apply it to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

They must be applied for the first time for financial years beginning on or after 1 January 2023. These amendments are unlikely to have any effect on our financial reporting.

Amendments to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures

The amendments govern the sale or contribution of assets between an investor and an associated company or joint venture. In the case of transactions with an associate or joint venture, the extent to which gains or losses are recognised will in future depend on whether the assets sold or contributed constitute a business under IFRS 3. The IASB has indefinitely postponed the timing of initial application. These amendments are unlikely to have any effect on our financial reporting.

Annual Improvements to IFRSs 2018-2020 Cycle

The amendments under the annual improvements to IFRSs for the years 2018 – 2020 concern smaller-scale changes to the following standards: IFRS 1, First-time Adoption of International Financial Reporting Standards, with respect to subsidiaries as first-time adopters, IFRS 9, Financial Instruments, with respect to fees in the '10 percent' test for derecognition, IAS 41, Agriculture, and an illustrative example with respect to IFRS 16. They must be applied for the first time to financial years beginning on or after 1 January 2022. These amendments are unlikely to have any effect on our financial reporting.

3 | Scope of consolidation

Along with LEONI AG, the consolidated financial statements account for another 17 companies in Germany and 55 companies outside Germany in which LEONI AG is entitled, either directly or indirectly, to a majority of the voting rights.

Number of fully consolidated companies	31/12/2021	31/12/2020
Germany	18	17
Outside	55	56
Total	**73**	**73**

Three Switzerland-based subsidiaries of the Wire & Cable Solutions Division were sold during the period under report. A reorganisation of this division was already begun in 2020 to prepare for the planned partial disposals, and the scope of consolidation was restructured. Three companies were established as part of this in 2021. Furthermore, one company in Singapore was shut down.

In the Wiring Systems Division, too, the scope of consolidation changed as part of the planned realignment of the Group by the establishment of a new entity.

The changes in the scope of consolidation are presented in the section below. A complete list of the fully consolidated subsidiaries as well as of the associates and joint ventures on 31 December 2021 is shown at the end of these notes.

4 | Disposals of subsidiaries, assets and liabilities held for sale as well as other portfolio measures

On 30 March 2021, LEONI sold LEONI Schweiz AG including its subsidiary LEONI Studer AG, which were allocated to the Wire & Cable Solutions Division. The subsidiaries were deconsolidated on the day of their disposal, as control over them also passed to the purchaser on this date. The consideration to be paid by the acquirer was €14,270 k. Due to the sale, the Group realised a gain totalling €30,549 k in 2021 and expense in 2020 of €28.482 k through measurement of the assets and liabilities held for sale, of which €22,954 k pertained to property, plant and equipment as well as intangible assets and €5,528 k to goodwill, which Business Group Industrial Solutions allocated to the business unit held for sale. The net gain therefore amounted to €2,067 k. The 2021 income stemmed especially from an exchange gain in the amount of €35,760 k, which at the time of the transaction was reclassified from other comprehensive income to the income statement and presented under other operating income.

The overview below shows the assets and liabilities disposed of at the time of the transaction, including the effect on profit or loss recognised in the first half of 2021 as well as the assets and liabilities held for sale as at 31 December 2020:

	Deconsolidated upon disposal in 2021 € '000
Trade accounts receivable	19,331
Inventories	42,900
Other current assets	3,055
Property, plant and equipment	23,013
Intangible assets	710
Other non-current assets	1,178
Cash and cash equivalents	7,641
Deconsolidated assets	**97,827**
Financial liabilities	34,885
Trade accounts payable	15,026
Other current liabilities	6,641
Provisions	18,018
Other non-current liabilities	3,777
Deconsolidated liabilities	**78,346**
Net assets	**19,481**
Consideration received	14,270
Deconsolidated net assets	(19,481)
Deconsolidated OCI	35,760
Net gain / loss	**30,549**

On 30 June 2021, LEONI Kerpen GmbH's Data Communication and Compound business units were sold in the form of an asset deal. The sale price was € 937 k. The overall loss on the deal was presented under other operating expenses and amounted to €8,869 k, with €7,733 k already having been anticipated in first quarter of 2021 as part of reclassifying the business to assets and liabilities

	Held for sale in 2020 € '000
Trade accounts receivable	6,644
Inventories	41,872
Other current assets	6,501
Property, plant and equipment	23,765
Intangible assets	1,602
Other non-current assets	0
Cash and cash equivalents	8,453
Assets held for sale	**88,836**
Financial liabilities	26,422
Trade accounts payable	25,090
Other current liabilities	5,189
Provisions	20,031
Other non-current liabilities	3,531
Liabilities held for sale	**80,263**
Net held-for-sale assets presented on the balance sheet	**8,573**

held for sale. Principally, the transaction involved disposal of tangible assets with a carrying amount of €3,567 k and inventories amounting to €7,870 k. The LEONI Kerpen GmbH operations focused on the oil and gas industry at the Stolberg location, which remain part of LEONI and were initially to be shut down by the end of 2021 because of the prevailing heavy price and competitive pressure, were already terminated in mid-July after flood damage at Stolberg forced cessation of production. This flood damage, which mostly involved the destruction of property, plant and equipment as well as inventory, was reflected in the income statement under cost of sales (€15,675 k). On the other hand, mostly insurance compensation payments amounting to €6,148 k are reflected in other operating income while proceeds from the sale of scrap in the amount of €5,729 k are included in sales revenues. The net effect was therefore a figure of €3,798 k (cf. also › Note 7 in this regard).

On 3 November 2021, LEONI completed the sale of its majority holding in Zurich-based Adaptricity AG. The sale price was €1,933 k. The overall loss on the deal was presented under other operating expenses and amounted to €336 k, with €379 k already having been anticipated in the third quarter of 2021 as part of reclassifying the business to assets and liabilities held for sale. Principally, the transaction involved disposal of intangible assets incl. goodwill with a carrying amount of €3,868 k and financial debt amounting to €2,355 k.

Since June 2021, LEONI has been engaged in advanced negotiations to sell key parts of Business Group Industrial Solutions, which is allocated to the Wire & Cable Solutions Division. The related assets and liabilities were consequently already classified as held for sale in the half-year financial report as at 30 June 2021. The sale agreement was signed on 1 October 2021. For this reason, the assets and liabilities amounting to €390,574 k and €246,984 k, respectively, were classified on 31 December 2021 as held for sale with the following main groups:

€ '000	31/12/2021
Trade receivables	42,106
Inventories	119,939
Other current assets	19,798
Intangible assets	133,058
Goodwill	10,782
Other non-current assets	54,358
Assets held for sale	10,534
Current financial debts	**390,574**
Trade payables	86,271
Other current liabilities	57,781
Short-term provisions	35,707
Non-current financial debts	3,799
Other non-current liabilities	21,217
Long-term provisions	5,653
Liabilities held for sale	36,556
Liabilities held for sale	**246,984**
Net held-for-sale assets presented on the consolidated balance sheet	**143,590**

Gains on currency translation in the amount of €7,656 k pertain to the business unit held for sale and, as at 31 December 2021, are still presented in accumulated other income and will not be recognised in income until the time the business unit held for sale is disposed of.

Through classification as 'held for sale', the disposal group was allocated goodwill in the amount of €54,358 k based on the relative fair values. The residual goodwill of the remaining Business Group Industrial Solutions in the amount of €5,855 k was spread among the units staying in the Group, which are not part of the disposal group in accordance with IFRS 5, and tested for impairment (cf. › Note 18). The sale was completed on 20 January 2022 (cf. › Note 36).

In the second half of 2021, LEONI was engaged in advanced negotiations on the collective sale of its subsidiaries LEONI Fiber Optics GmbH, Leoni Fiber Optics, Inc. and j-plasma GmbH, which are allocated to the Wire & Cable Solutions Division. The related assets and liabilities were therefore classified as held for sale on 30 September 2021. The sale agreement was signed on 10 December 2021. The disposal is expected to be completed in the first quarter of 2022. The following assets and liabilities were presented as held for sale as at 31 December 2021:

€ '000	31/12/2021
Trade receivables	2,758
Inventories	10,413
Other current assets	2,875
Property, plant and equipment	8,423
Assets held for sale	**24,469**
Current financial debts	3,764
Trade payables	2,273
Other current liabilities	2,580
Short-term provisions	728
Non-current financial debts	2,325
Other non-current liabilities	499
Long-term provisions	1,608
Liabilities held for sale	**13,777**
Net held-for-sale assets presented on the consolidated balance sheet	**10,692**

Gains on currency translation in the amount of €70 k furthermore pertained to the business unit held for sale, which is still presented in accumulated other income and will not be recognised in income or loss until the time the business unit held for sale is disposed of.

CONSOLIDATED FINANCIAL STATEMENTS
EXPLANATIONS

5 | Segment reporting

The Group is organised into business units by products and services for the purpose of Corporate Governance. The segment reporting follows the internal organisational and reporting structure of the Group. The Group has two segments subject to reporting:

Wire & Cable Solutions
The Wire & Cable Solutions Division is a leading manufacturer of wire and cable systems. Its range of products and services encompasses wires, strands and optical fibers, standardised cables, special cables and fully assembled systems, as well as related services for customers in various areas of the automotive, capital goods, medical devices, telecommunications, energy and infrastructure industries.

Wiring Systems
The development, manufacture and sale of cable harnesses, complete wiring systems and related components and connectors for the international automotive and supply industry constitute the main business of the Wiring Systems Division.

Management monitors EBIT before exceptional items and before VALUE 21 costs to take decisions on allocation of resources and to determine the profitability of the units. This represents an adjustment of the previously used EBIT figure for exceptional, non-recurring factors. For a precise definition of the exceptional items and VALUE 21 costs, we refer to the management report (› 1.8. Governance of the operating business). The EBIT before exceptional items and VALUE 21 costs is ascertained in line with the accounting and valuation principles of the consolidated financial statements. It also contains the earnings from measurement under the equity method of joint ventures and associates.

Intersegment sales and revenues are generally recorded at values that approximate sales to third parties.

The details by segment for the 2021 and 2020 financial years are as follows:

	Wire & Cable Solutions		Wiring Systems Division		Reconciliation		LEONI Group	
€ '000	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Gross sales	2,177,948	1,745,880	3,191,235	2,543,759	(250,259)	(156,101)	5,118,923	4,133,538
Less intersegment sales	249,704	155,371	555	730	(250,259)	(156,101)	—	—
External sales	1,928,244	1,590,509	3,190,680	2,543,028	—	—	5,118,923	4,133,538
of which domestic	465,541	393,634	921,071	576,484	0	0	1,386,612	970,118
of which foreign	1,462,703	1,196,875	2,269,609	1,966,544	0	0	3,732,312	3,163,419
% foreign proportion	75.9	75.3	71.1	77.3			72.9	76.5
EBIT	124,943	(68,747)	(33,289)	(209,871)	(511)	(1,038)	91,143	(279,656)
as a percentage of external sales	6.5	(4.3)	(1.0)	(8.3)			1.8	(6.8)
EBIT before exceptional items andbefore VALUE 21 costs	145,661	34,013	25,479	(91,825)	718	(1,039)	171,858	(58,851)
as a percentage of external sales	7.6	2.1	0.8	(3.6)			3.4	(1.4)
Financial result and other investment income							(70,502)	(57,246)
Income before taxes							20,641	(336,902)
Income taxes							(68,500)	6,766
Consolidated net loss / income							(47,859)	(330,136)
Earnings from measurement under the equity method	(408)	(886)	39,630	40,730	0	0	39,223	39,844
Depreciation / amortisation	46,775	61,737	148,109	147,444	9,384	12,558	204,268	221,739
EBITDA	171,718	(7,011)	114,820	(62,427)	8,873	11,521	295,411	(57,917)
Balance sheet total	2,381,568	2,007,705	2,384,414	2,448,699	(1,316,872)	(959,391)	3,449,110	3,497,013
Investment in property, plant and equipment as well as intangible assets	79,822	77,585	149,069	247,733	2,272	1,855	231,163	327,173
Acquisitions / investments in financial assets	1,566	12,775	38	72	0	(11,600)	1,603	1,246
Average number of employees	7,684	8,284	93,574	86,182	213	225	101,471	94,690

Intra-Group business transactions between the segments and the figures for LEONI AG are presented in the reconciliation.

Segment information by geographical region:

	EMEA total		*of which:* Germany		Eastern Europe		Rest of Europe		Rest of EMEA		Americas		Asia		Reconciliation		LEONI Group	
€ '000	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
External sales																		
Wire & Cable Solutions	1,054,875	940,341	465,541	393,634	351,606	304,344	211,336	222,896	26,392	19,468	448,145	335,559	425,224	314,609			1,928,244	1,590,509
Wiring Systems Division	2,438,699	1,909,849	921,071	576,484	394,773	329,562	1,057,333	975,883	65,523	27,919	410,728	325,318	341,252	307,861			3,190,680	2,543,028
	3,493,574	**2,850,191**	**1,386,612**	**970,118**	**746,379**	**633,906**	**1,268,668**	**1,198,779**	**91,915**	**47,388**	**858,873**	**660,876**	**766,476**	**622,470**			**5,118,923**	**4,133,538**
Non-current assets [1]	1,034,713	1,132,242	268,313	333,660	495,200	499,684	19,406	44,098	251,794	254,800	155,798	186,338	172,468	169,143	0	371	1,362,979	1,488,094

1 Non-current assets include property, plant and equipment, intangible assets and investments in associates and joint ventures.

As in the previous year, China accounted for the most significant proportion of consolidated external sales by national market in Asia with a 12.8 percent (previous year: 12.1 percent) share, while in the Americas, the United States accounted for 7.9 percent (previous year: 7.5 percent).

In the 2021 financial year, sales to two customers of the Wiring Systems Division totalled €548,770 k and €532,806 k, respectively, thus in each case accounting for more than 10 percent of consolidated sales. In the previous year, sales to one customer of the Wiring Systems Division totalled €423,534 k and thus accounted for more than 10 percent of consolidated sales.

6| Sales

€ '000	2021	2020
Group		
Transfer at a certain point in time	2,953,462	2,397,489
Transfer over a certain period of time	2,165,461	1,736,049
of which development services	51,118	40,895
of which customised products	2,114,343	1,695,154
Sales	**5,118,923**	**4,133,538**
Wiring Systems		
Transfer at a point in time	1,025,219	806,979
Transfer over a certain period of time	2,165,461	1,736,049
of which development services	51,118	40,895
of which customised products	2,114,343	1,695,154
Sales	**3,190,680**	**2,543,028**
Wire & Cable Solutions		
Transfer at a point in time	1,928,244	1,590,509
Sales	**1,928,244**	**1,590,509**

The performance obligations in the Wire & Cable Solutions Divisions have terms of less than one year, which is why use was made of the option not to provide additional disclosures regarding the performance obligations not yet met in full on the reporting date.

The performance obligations relating to series supply in the Wiring Systems Divisions have terms of just a few weeks because of the short notice at which product is called forward, which is why use was likewise made of the option not to provide additional disclosures regarding the performance obligations not yet met in full on the reporting date.

The Group expects to recognise the performance obligations from commenced development contracts remaining on the reporting date as sales revenues within the next two years in the amount of roughly €64 million (previous year: about €51 million).

The contract assets totalling €181,121 k (previous year: €175,245 k) broke down as follows:

€ '000	2021	2020
Current contract assets	**111,636**	**94,052**
Development contracts	14,441	11,631
Customer-specific products without any option for alternative use	97,195	82,421
Long-term contract assets	**69,485**	**81,193**
Development contracts	69,485	81,193
Contract assets	**181,121**	**175,245**

7| Other operating income and other operating expenses

Other operating income € '000	2021	2020
Gain on disposal of consolidated company	30,549	0
Provision of services for joint venture in Langfang, China	6,234	6,330
Insurance compensation	6,000	410
Government grants	4,815	13,947
Gains on disposals of property, plant and equipment as well as intangible assets	748	11,860
Other	4,621	6,590
	52,967	**39,137**

In the 2021 financial year, gain on disposal of LEONI Schweiz AG including its subsidiary LEONI Studer AG accounted for €30,549 k (previous year: nil) (cf. also › Note 4 in this regard).

Providing services for our joint venture in Langfang generated income of €6,234 k (previous year: €6,330 k; cf. also › Note 19 in this regard).

This year's insurance compensation amounting to €6,000 k (previous year: €410 k) involved payouts to compensate for flood damage at our Stolberg facility belonging to LEONI Kerpen GmbH. More information on this can be found in › Note 4.

The performance-related government grants of €4,815 k (previous year: €13,947 k) were awarded by the Egyptian government to support export business and by the Chinese government to promote development of e-mobility technology. More information on this can be found in › Note 8.

Gains on disposals of property, plant and equipment as well as intangible assets exerted a beneficial effect of €748 (previous year: €11,860 k). In the previous year, most of this stemmed from a sale-and-leaseback transaction in Germany.

Other operating expenses € '000	**2021**	**2020**
Loss on disposal and impairment of a business unit held for sale	8,869	28,482
Exchange losses	5,994	12,482
Goodwill impairment	4,330	4,092
Losses on disposals of property, plant and equipment as well as intangible assets	3,576	2,125
Factoring cost	3,558	2,798
Other	4,857	4,323
	31,184	**54,302**

The other operating expenses in the amount of €31,184 k (pre-vious year: €54,302 k) included, among other items, the loss on disposal and the impairment of LEONI Kerpen GmbH that was held for sale during the year. In the previous year, this item presented the impairment of the held-for-sale businesses of LEONI Schweiz AG including its subsidiary LEONI Studer AG. In addition, the item included exchange losses amounting to €5,994 k (previous year: €12,482 k) and goodwill impairment of €4,330 k (previous year: €4,092 k).

8 | Government grants

The Group obtained various performance-related government grants in the 2021 financial year, which totalled €14,302 k (previous year: €40,410 k), of which €9,487 k (previous year: €26,462 k) was directly offset in the income statement with the expenses incurred. Grants related to short-timing work or similar schemes in countries other than Germany as a consequence of the Covid-19 pandemic accounted for most of this in the amount of €8,914 k (previous year: €24,229 k).

Performance-related grants in the amount of €4,815 k (previous year: €13,947 k), which pertained mainly to the Wiring Systems Division, were furthermore presented in other operating income. Of this, €2,240 k (previous year: €1,756 k) was granted by the Chinese government to promote development of e-mobility technology and €1,845 k (previous year: €9,303 k) was attributable to the subsidy to promote export business in Egypt.

No government grants for capital investment in property, plant and equipment were recognised in fiscal 2021 (previous year: €431 k).

In April 2020, furthermore, the Group signed a €330 million working capital facility on standard market terms and maturing at the end of 2022 with its core banks, 90 percent of which being guaranteed by the German government and the federal states of Bavaria, Lower Saxony and North Rhine-Westphalia (jumbo guarantee provided by the federal government and federal states in connection with the consequences of the Covid-19 pandemic, RCF III). This was fully drawn by the end of fiscal 2021.

9 | Finance revenue and costs

The finance revenues in the amount of €1,160 k (previous year: €1,482 k) involved exclusively interest income. As in the previous year, they were computed on the basis of the effective interest rate method.

Finance costs broke down as follows:

€ '000	2021	2020
Finance cost from bank loans	48,144	38,561
Finance cost from to lease liabilities	10,976	9,609
Guarantee fees	5,316	2,945
Finance cost from pension obligations	1,889	2,406
Other finance costs	5,442	5,272
Finance costs	**71,767**	**58,793**

Interest expenses from bank loans were computed based on the effective interest rate method. The rise is related to the debt increase in the 2021 financial year.

10 | Income taxes

€ '000	2021	2020
Current taxes		
Germany	10,000	8,354
Outside	44,718	10,646
	54,718	**18,999**
Deferred taxes		
Germany	(1,526)	(9,793)
Outside	15,308	(15,973)
	13,782	**(25,765)**
Income taxes	**68,500**	**(6,766)**

In the 2021 financial year, the Group recorded tax expense of €68,500 k (previous year: tax income of €6,766 k) in the income statement. Tax income of €1,993 k (previous year: tax expense of € 8,136 k) was recognised in other comprehensive income (OCI).

Deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. For the Group's German companies, the deferred taxes on 31 December 2021 were calculated using a corporate tax rate of 15.0 percent, unchanged from the previous year. A solidarity surcharge of 5.5 percent on the corporate tax and an average trade tax rate of 13.8 percent were included as in the previous year. In line with the previous year, the tax rate thus applied to calculate deferred taxes for German companies amounted to a combined 29.6 percent. For non-German companies, the respective country-specific tax rates were used.

The table below reconciles the income tax expense or the expected tax expense at the reported tax rate to the effective income taxes presented in the financial statements for the respective financial year. To calculate the projected income tax expense, we multiplied the pre-tax earnings by the combined tax rate in Germany of 29.6 percent (previous year: 29.6 percent, applicable to the financial year.

	2021		2020	
	€ '000	%	€ '000	%
Expected tax expense (2021: 29.6 %; 2020: 29.6 %)	6,110	29.6	(99,723)	29.6
Foreign tax rate differentials	(3,117)	(15.1)	1,462	(0.4)
Loss carryforwards for which no tax assets could be recognised and changes in valuation allowances	67,889	328.9	74,297	(22.1)
Non-deductible expenses	4,642	22.5	25,571	(7.6)
Foreign tax at source	4,122	20.0	272	(0.1)
Prior-period tax income / expense	2,136	10.3	4,001	(1.2)
Income from equity investments	(11,620)	(56.3)	(11,804)	3.5
Other	(1,662)	(8.0)	(841)	0.2
Effective income taxes / tax rate	**68,500**	**331.9**	**(6,766)**	**2.0**

The year-on-year change in the tax rate is attributable primarily to not having recognised deferred tax assets against current losses.

The loss carryforwards for which no tax assets could be recognised and the changes in valuation allowances in the amount of €67,889 k (previous year: €74,297 k) in the fiscal year involved particularly tax assets not capitalised in the amount of €65,062 k (previous year: €71,418 k). As in the previous year, these valuation allowances concerned primarily deferred tax assets from loss carryforwards to the extent it is considered more likely than not that such benefits will be used in future years. In determining the valuation allowance, all factors including legal factors and information available were taken into account. Deferred tax assets that were recognised in preceding periods were written down in the amount of €6,801 k (previous year: €6,600 k). Of these loss carryforwards for which no tax assets could be recognised and of the changes in valuation allowances, €27 million pertains to Group companies in the United States caused by changed management assumptions for estimates of future business performance. The change in valuation allowances included reversal of valuation allowances on deferred tax assets with effect on the income statement in the negative amount of €3,722 k (previous year: a negative amount of €3,655 k). The item included a negative amount of €252 k (previous year: negative €66 k) for the use of loss carryforwards for which no tax assets were recognised in the previous years.

Deferred tax assets can be recognised only to the extent that the Company has sufficient taxable temporary differences or so far as there are convincing, substantial indications that sufficient taxable profit will be available against which the Company's unused tax losses can be utilised. Based on management's assumptions for and estimates of future business performance, there are convincing, substantial indications that these tax assets will be realised. This assessment is in turn based on experience, as well as the currently available information and forecasts. Accordingly, deferred tax assets on loss carryforwards were recognised in the amount of €17,818 k (previous year: €31,215 k) in the cases of entities that incurred a tax loss in either the current or previous year, and where the deferred tax assets on loss carryforwards are not covered by a net deferred tax liability. The reduction in non-deductible expenses versus the previous year is due particularly to lower dividend payouts. The item Other amounting to negative €1,662 k includes recognised changes to foreign tax rates in the income statement in a partial amount of negative €65 k (previous year: negative €1,603 k) and the effects of disposal of Group companies in Switzerland.

The deferred tax assets and deferred tax liabilities were derived from temporary differences recorded under the following balance sheet items as well as tax loss carryforwards, including values reclassified to the balance sheet item 'assets / liabilities held for sale':

	Consolidated statement of financial position		Consolidated income statement	
€ '000	2021	2020	2021	2020
Inventories	19,903	15,772	6,680	(225)
Accounts receivable and other assets	25,607	19,297	5,671	1,533
Property, plant and equipment	8,646	7,313	2,604	2,231
Intangible assets	148	855	(708)	173
Non-current financial assets	4,009	6,253	(2,285)	4,774
Tax loss carryforwards	322,609	250,796	71,579	36,932
Liabilities and provisions	29,930	45,928	(15,297)	(5,450)
Pension provisions	22,411	37,019	(4,168)	(737)
Total	433,264	383,233		
Valuation allowance	(325,479)	(260,609)	(72,615)	(25,762)
Deferred tax assets (before offsetting)	**107,785**	**122,623**		
Inventories	7,046	5,784	(472)	(14)
Accounts receivable and other assets	6,736	6,813	(1,839)	2,732
Property, plant and equipment	20,427	22,375	2,454	(2,797)
Intangible assets	10,261	9,231	(1,887)	3,436
Non-current financial assets	24,876	17,130	(7,663)	16,107
Liabilities and provisions	12,275	20,455	8,210	(14,282)
Pension provisions	4	42	54	(61)
Other (outside basis difference)	0	3,381	3,381	7,143
Deferred tax liabilities (before offsetting)	**81,624**	**85,210**		
Deferred tax income / expense			**(6,300)**	**25,734**
Net deferred tax assets / tax liabilities	**26,160**	**37,413**		

No deferred tax assets on temporary differences and tax loss carryforwards were recognised in the amount of €325,479 k (previous year: €260,609 k) because realisation of the tax assets in the foreseeable future does not seem sufficiently certain.

The net amount of deferred tax assets and liabilities was derived as follows:

	Consolidated statement of financial position	
€ '000	2021	2020
Deferred tax assets	379,994	325,226
Valuation allowance	(325,479)	(260,609)
Net deferred tax assets	**54,515**	**64,616**
Deferred tax liabilities	**28,355**	**27,203**
Net deferred tax assets / tax liabilities	**26,160**	**37,413**

Deferred tax assets and liabilities with the same terms were netted at the level of the individual Group companies or taxable entities to determine the net amount of deferred tax assets and liabilities.

On the balance sheet date, there were no deferred tax liabilities with respect to dividend decisions that trigger foreign withholding taxes and for which the dividend payout has not yet occurred (previous year: €3,381 k). Deferred taxes on outside basis differences (differences between the respective net assets including goodwill of the subsidiaries and the respective tax value of the shares in these subsidiaries) were not recognised because reversal of differences arising for example from dividend payments can be managed, and from planned disposals no material tax effects are to be expected in the foreseeable future. Outside basis differences amounted to negative €894,265 k on 31 December 2021 (previous year: negative €749,472 k).

On the balance sheet date, the Group had foreign income tax loss carryforwards, but also German corporate tax loss carryforwards. Excluding the values reclassified to the balance sheet item 'assets / liabilities held for sale', these totalled €1,159,200 k (previous year: €917,670 k), of which €1,016,175 k (previous year: €772,638 k) may, based on legislation applicable on the respective reporting date, be carried forward indefinitely and in unlimited amounts. In Germany, however, losses carried forward may be deducted from income without restriction up to €1,000 k only. Any remaining amount of income may be offset by loss carryforwards by up to 60 percent. For US companies, deduction of loss carryforwards is limited to 80 percent of positive income. The remaining tax losses eligible for limited carryforward pertained exclusively to foreign subsidiaries and will expire by 2031 at the latest if not utilised.

The table below shows the usability of these foreign loss carryforwards:

€ '000		2021
Useable until	2022	10,266
Useable until	2023	20,536
Useable until	2024	14,290
Useable until	2025	36,382
Useable until	2026	16,792
Useable until	2027	19,613
Useable until	2028	6,000
Useable until	2029	4,745
Useable until	2030	10,826
Useable until	2031	3,575

The Group had domestic trade tax loss carryforwards as well as foreign loss carryforwards for US state tax in the amount of €847,738 k on the balance sheet date (previous year: €625,025 k). The German trade tax loss carryforwards may, based on legislation applicable on the respective balance sheet dates, be carried forward indefinitely and in unlimited amounts; the options to offset against future income correspond to the corporate tax loss carryforwards.

In the financial year, German trade tax loss carryforwards amounting to €360 k (previous year: €3 k) and German corporate tax loss carryforwards amounting to €1,544 k (previous year: €3 k) were utilised. Foreign income tax loss carryforwards were used in the amount of €13,025 k (previous year: €2,069 k). Loss carryforwards for US state tax were used in the amount of €324 k in the financial year (previous year: nil).

11 | Trade accounts receivable

The trade receivables in the amount of €392,718 k (previous year: €518,388 k) were non-interest bearing. On the balance sheet date, trade receivables were reduced by factoring amounting to €371,484 k (previous year: €220,915 k). In genuine factoring, the factoring company assumes the default risk of the receivables. The increase in factoring volume was due to expansion of our factoring programmes.

12 | Other current financial assets

€ '000	2021	2020
Receivables from associated companies and joint ventures	13,996	6,929
Other financial assets	77,077	53,904[1]
	91,073	**60,833**

1 Prior-year figure adjusted due to reclassification of €5,049 k in bank accounts pledged to factoring partners

The other current financial assets presented in the amount of €77,077 k (previous year: €53,904 k) include other financial assets in the amount of €72,782 k (previous year: €31,170 k) and derivative financial assets in the amount of €4,295 k (previous year: €22,734 k). While financial derivatives decreased by €18,440 k, there was an increase due to factoring, due especially to security retainers, in financial assets by €36,575 k.

For both the trade receivables (cf. › Note 11) and other financial assets, the maximum risk of loan default corresponds to the carrying amount of the receivables.

There were no signs of any payment defaults beyond the allowance on the reporting date.

13 | Other current assets

€ '000	2021	2020
Receivables for VAT	71,721	90,893
Prepaid expenses	31,614	34,837
Advance payments	12,023	15,815
Salary advances and travel cost advances	2,278	4,134
Receivables for other taxes	2,118	3,495
Other assets	14,003	17,804
	133,757	**166,978**

The decrease in VAT receivables is due mostly to devaluations of VAT receivables involving Group companies in India amounting to €6,446 k and in Brazil amounting to €3,044 k.

14 | Inventories

€ '000	2021	2020
Raw materials and manufacturing supplies	283,208	288,600
Work in progress	83,332	83,165
Finished products and merchandise	103,475	127,847
	470,015	**499,612**

The amount of impairment of inventories, recognised as expense, was €23,965 k (previous year: €33,793 k). As in the previous year, the fiscal 2021 write-downs on inventory were fully included in the cost of sales.

The inventory recognised as expense in the cost of sales (inventory used) in the financial year amounted to €3,004,530 k (previous year: €2,413,448 k).

The carrying amount included inventories in the amount of €18,053 k (previous year: €26,133 k) that were measured at net realisable value.

15 | Property, plant and equipment

Interest amounting to €168 k (previous year: €315 k) was capitalised in the financial year and concerned construction projects in Germany. Reversals in the amount of €122 k (previous year: €2,547 k) were made with respect to premises as well as other equipment, factory and office equipment and were recognised in the cost of sales in the previous year in line with the impairment.

The Group received compensation of €22 k (previous year: €412 k) for property, plant and equipment lost and decommissioned. For the flooding damage sustained at its facility in Stolberg the Group received insurance compensation in the amount of €6,000 k (cf. › Note 7 in this regard).

€ '000	Land, leasehold rights and buildings	Technical equipment, plant and machinery	Other equipment, factory and office equipment	Advance payments and assets under construction	Total
Net carrying amount on 01 January 2020	**585,903**	**614,644**	**116,331**	**136,043**	**1,452,921**
Acquisition costs on 1 January 2020	809,016	1,515,810	379,171	145,732	2,849,729
Currency differences	(17,219)	(37,229)	(6,044)	(1,722)	(62,214)
Additions	137,750	89,227	24,257	65,219	316,453
Assets held for sale	44,073	71,958	9,409	3,001	128,441
Disposals	121,211	26,189	15,351	1,676	164,427
Reclassification	23,312	72,995	8,944	(105,251)	0
31 December 2020	787,575	1,542,656	381,568	99,300	2,811,099
Accumulated depreciation on 1 January 2020	223,113	901,166	262,840	9,689	1,396,808
Currency differences	(4,597)	(21,516)	(3,898)	(406)	(30,417)
Depreciation	56,398	108,148	38,876	2,202	205,624
Impairment	1,232	19,541	3,487	2,140	26,400
Assets held for sale	19,278	57,088	6,806	0	83,172
Reversal	0	2,547	0	0	2,547
Disposals	46,257	22,312	14,483	1,507	84,559
31 December 2020	210,611	925,392	280,016	12,118	1,428,137
Net carrying amount on 31 December 2020	**576,964**	**617,264**	**101,552**	**87,182**	**1,382,962**
Acquisition costs on 1 January 2021	787,575	1,542,656	381,568	99,300	2,811,099
Currency differences	28,961	33,505	7,712	1,958	72,136
Additions	50,718	74,117	25,253	69,150	219,238
Assets held for sale	68,826	134,736	51,621	27,787	282,970
Disposals	36,227	68,794	10,606	690	116,317
Deconsolidation	0	0	123	0	123
Reclassification	4,277	51,221	10,961	(66,459)	0
31 December 2021	766,478	1,497,969	363,144	75,472	2,703,063
Accumulated depreciation on 1 January 2021	210,611	925,392	280,016	12,118	1,428,137
Currency differences	4,069	18,662	5,037	151	27,919
Depreciation	50,426	105,136	36,954	0	192,516
Impairment	1,672	10,021	2,209	918	14,820
Assets held for sale	21,723	84,101	34,711	954	141,489
Reversal	26	0	96	0	122
Disposals	18,820	54,977	15,819	418	90,034
Deconsolidation	0	0	100	0	100
Reclassification	0	4,030	(128)	(3,902)	0
31 December 2021	226,209	924,163	273,362	7,913	1,431,647
Net carrying amount on 31 December 2020	**540,269**	**573,806**	**89,782**	**67,559**	**1,271,416**

16 | Intangible assets

The contractual and non-contractual business relationships obtained in the context of business acquisitions under the item 'Customer relationships and order backlog' had a residual value of €3,200 k (previous year: €3,769 k); the average residual useful life of the customer relationships amounting to €3,200 k (previous year: €3,763 k) was about six years.

Amortisation of intangible assets with a finite useful life was included in the following function costs:

€ '000	**2021**	**2020**
Cost of sales	2,416	2,871
General and administration expenses	8,513	11,849
Selling expenses	151	429
Research and development expenses	672	967
Total	**11,752**	**16,115**

Based on having tested a cash-generating unit for impairment, reversals for customer relationships in the amount of €3,318 k were made and recognised in the cost of sales in the previous year.

€ '000	**Trademarks, similar rights, software and other**	**Customer relationships and order backlog**	**Development costs**	**Advance payments**	**Total**
Net carrying amount on 01 January 2020	**42,637**	**2,006**	**7,086**	**14,853**	**66,582**
Acquisition costs on 1 January 2020	165,114	122,717	21,499	18,122	327,452
Currency differences	(719)	(1,778)	(168)	(24)	(2,689)
Additions	4,536	0	1,669	4,515	10,720
Assets held for sale	8,493	0	4,510	796	13,799
Disposals	0	847	266	367	1,480
Reclassification	809	0	2,404	(3,213)	0
31 December 2020	162,290	120,092	20,628	17,194	320,204
Accumulated amortisation on 1 January 2020	122,477	120,711	14,413	3,269	260,870
Currency differences	(631)	(1,744)	(77)	0	(2,452)
Amortisation	14,879	1,232	1,172	(1,168)	16,115
Impairment	1,146	382	435	5,250	7,213
Assets held for sale	6,836	0	3,912	0	10,748
Reversal	0	3,318	0	0	3,318
Disposals	105	940	265	1,390	2,700
31 December 2020	130,930	116,323	11,766	5,961	264,980
Net carrying amount on 31 December 2020	**31,360**	**3,769**	**8,862**	**11,233**	**55,224**
Acquisition costs on 1 January 2021	162,290	120,092	20,628	17,194	320,204
Currency differences	618	347	261	112	1,338
Additions	6,755	0	846	4,324	11,925
Assets held for sale	17,693	6,582	5,032	3,848	33,155
Disposals	5,298	98	7,706	3,996	17,098
Deconsolidation	0	0	4,171	156	4,327
Reclassification	1,558	0	1,416	(2,974)	0
31 December 2021	148,230	113,759	6,242	10,656	278,887
Accumulated amortisation on 1 January 2021	130,930	116,323	11,766	5,961	264,980
Currency differences	530	346	134	0	1,010
Amortisation	10,285	496	900	71	11,752
Impairment	1,485	0	0	0	1,485
Assets held for sale	13,763	6,585	1,516	510	22,374
Disposals	5,133	21	5,994	2,945	14,093
Deconsolidation	0	0	2,020	0	2,020
Reclassification	357	0	0	(357)	0
31 December 2021	124,691	110,559	3,270	2,220	240,740
Net carrying amount on 31 December 2021	**23,539**	**3,200**	**2,972**	**8,436**	**38,147**

17 | Impairment testing of property, plant and equipment as well as intangible assets

Property, plant and equipment as well as intangible assets were tested for impairment where there were possible signs of depreciation pursuant to IAS 36.13.

For this impairment testing, the expected cash flows were extrapolated from the business planning as approved by management for a period of five years. In the impairment tests, the recoverable amount of the respective cash-generating unit was as a matter of principle based on the fair value less cost to sell and was determined based on the level three parameters pursuant to IFRS 13.

The business of the Wire & Cable Solutions Division is subdivided by product group into Business Groups.

In the case of one of the Business Groups, the business is managed across various legal entities that do not generate cash inflows on a stand-alone basis. This Business Group therefore constitutes a cash-generating unit for impairment testing of the assets. In the other Business Groups of the Wire & Cable Solutions Division, all business activities are placed on the market with a consistent overall orientation, thereby achieving LEONI's repositioning as a customer-oriented provider of solutions for industrial applications. The individual legal entities are production and distribution facilities that independently generate separate cash inflows. The structuring focuses on producing technical products and/or solutions that are made by a legal entity and sold to the customer. While there are interdependencies with other products, these do not constitute a dominant correcting variable. The individual legal entities (LEs) of the various Business Groups therefore constitute the cash-generating units.

The Wiring Systems Division comprises several legal entities which cannot generate cash inflows on a stand-alone basis. Cash inflows are made possible only by the interaction of several facilities with differing value-chain stages, as well as differing products and product generations. The Wiring Systems Division's new organisational and strategic direction towards profitability-focused use of production capacity (and thus also the interaction of assets) led to the cash-generating unit to be determined being changed from the business-unit level to the level of the division at the end of the current financial year.

Within the Wiring Systems Division, goodwill is allocated at the division level. Goodwill impairment testing is therefore done at the level of the entire Wiring Systems Division.

In the past financial year, cash-generating units of the Wire & Cable Solutions Division and of the Wiring Systems Division were impairment tested based on the recoverable amount where there were indications of impairment. As part of ascertaining the fair values for the respective cash-generating units, LEONI applied as key assumptions and measurement parameters a long-term growth rate of 1.0 percent (previous year: 1.0 percent).

Cash-generating unit (CGU) Segment/CGU	Impairment € million	Recoverable amount € million	Average sales growth %	Average EBIT margin %	WACC %
Wire & Cable Solutions					
LE 1 in Asia	6.0	—[1]	—[1]	—[1]	—[1]
LE 2 in Germany	1.9	—[2]	—[2]	—[2]	—[2]
LE 3 in Germany	0.6	24.9	3.7	1.4	8.73
LE 4 in Germany	1.6	1.1	5.2	0.4	8.87
Total	**10.1**	**26.0**			

1 No disclosures due to decided shutdown
2 No disclosures, application of IFRS 5 at the end of the year

During the year, an impairment of €1.1 million was applied in the Wiring Systems Division, which was attributable particularly to the fallout from Covid-19.

In the Wire & Cable Solutions Division, the test resulted in recognition through profit or loss of impairment expense concerning four legal entities totalling €10.1 million. Capitalised lease rights of use were furthermore impaired by €2.3 million.

The flooding disaster in Stolberg incurred need for impairment of property, plant and equipment by €2.2 million (cf. › Note 4).

In addition to the write-downs mentioned above, further individual assets were impaired by €0.6 million in one unit. Overall, non-current asset impairment totalled €16.3 million and reversals came to €0.1 million, which, in sum, was reflected in the income statement mainly under the cost of sales (€16.2 million).

18 | Goodwill

Goodwill in the financial year is summarised as follows:

€ '000	2021	2020
Acquisition costs on 01 January	144,631	151,071
Accumulated allowance	15,251	11,869
Carrying amount 01 January	**129,380**	**139,202**
Valuation allowance	(4,330)	(4,103)
Deconsolidation	(56,129)	(5,528)
Currency translation differences	(200)	(191)
Carrying amount on 31 December	**68,722**	**129,380**
Acquisition costs on 31 December	88,567	144,631
Accumulated allowance 31 December	19,845	15,251
Carrying amount on 31 December	**68,722**	**129,380**

In addition to the obligatory impairment tests of all goodwill that must be carried out at least once a year, the Company carries out additional impairment tests during the financial year where there are indications of impairment. The obligatory impairment test of all goodwill that must be carried out at least once a year was executed as at 31 December 2021.

For the purpose of the impairment test, all goodwill was allocated to those cash-generating units or groups of cash-generating units that benefit from the synergies of the business combinations.

The underlying assumptions on which LEONI bases fair value less cost to sell of the cash-generating units include a long-term growth rate of 1.0 percent.

The goodwill allocations were as follows:

In the Wiring Systems Division, there is goodwill at segment level in the amount of €68.7 million (previous year: €68.7 million).

On 30 June 2021, the principal part of Business Group Industrial Solutions belonging to the Wire & Cable Solutions Division was classified as held for sale. The goodwill previously allocated to this Business Group amounted to €60.7 million, which was allocated based on the relative fair values. Goodwill in the amount of €54.4 million was allocated to the principal part of Business Group Industrial Solutions that is classified as held for sale. The residual goodwill amounting to €6.3 million was allocated to the remaining units of Business Group Industrial Solutions. Given the poor business prospects for four cash-generating units, their goodwill was impaired by €4.3 million. The remaining goodwill amounting to €1.8 million was deconsolidated as a consequence of the sale of two units.

In all the goodwill impairment tests, determination of the recoverable amount was based on the fair value less cost to sell. The underlying cash flow forecasts are in each case based on the five-year business planning as approved by the Board of Directors.

Within the Wiring Systems Division, the item of goodwill in the amount of €68.7 million was allocated entirely at segment level and also tested for impairment.

The following key assumptions were applied to the test in the detailed planning period:

%	Average sales growth		Average margin	
	2021	**2020**	**2021**	**2020**
WSD	**7.7**	10.9	**3.4**	2.9

The after-tax discount rate in this case was 9.43 percent (previous year: 9.14 percent). From an increase in the discount rate by 2.56 of a percentage point (previous year: 1.98 of a percentage point) the recoverable amount would, all other parameters being equal, match the carrying amount.

19 | Shares in associated companies and joint ventures

As in the previous year, the shares in associated companies and joint ventures involved primarily LEONI Wiring Systems Co. Ltd. based in Langfang, China, in which the Group holds a 50 percent stake and which is included on the consolidated financial statements with this share. The business purpose of this joint venture is the production of cable harnesses for car model series.

The following key figures may be extrapolated from the financial statements prepared in accordance with IFRS for the aforementioned significant joint venture. The figures are stated at 100 percent and do not reflect LEONI's share in these amounts. There is furthermore a reconciliation of the pro-rata net assets with the carrying amount of the share held by LEONI in this joint venture.

€ '000	**2021**	**2020**
Current assets	200,608	188,094
of which cash and cash equivalents	*37,103*	*19,279*
Non-current assets	43,311	44,082
Current liabilities	143,379	137,948
of which current financial liabilities	*69,544*	*75,536*
Non-current liabilities	3,139	2,742
Sales	402,288	380,278
Interest income	531	395
Interest expenses	1,864	1,671
Depreciation / amortisation	11,848	8,553
Expenses	296,574	276,038
Earnings before taxes	**92,534**	**94,410**
Income tax expense	(13,075)	(12,392)
Earnings after taxes	**79,460**	**82,018**
Other comprehensive income	6,530	(1,714)
Total comprehensive income	**85,990**	**80,304**
Pro-rata comprehensive income	42,995	40,152
Net assets (excl. goodwill)	**97,400**	**91,487**
Pro-rata net assets	48,700	45,743
Pro-rata goodwill	4,354	3,915
Carrying amount of investment	**53,054**	**49,658**
Non-significant joint ventures	362	250
Carrying amount of investment on balance sheet	**53,416**	**49,908**
Average number of employees	**1,355**	**1,004**

LEONI received a dividend of €40,861 k from Langfang-based LEONI Wiring Systems Co. Ltd. in the financial year (previous year: €33,477 k).

The carrying amount of joint ventures and associated companies that are individually not significant was €362 k (previous year: €250 k).

The summarised financial information, based on the values pertaining to LEONI, is presented below:

€ '000	2021	2020
Income from continuing operations	(99)	(279)
Other earnings after taxes	(53)	0
Total comprehensive income	**(152)**	**(279)**

20 | Leases

The Company has leases for land, leasehold rights and buildings, machinery, motor vehicles and factory and office equipment. Calculation of the lease liabilities as at the reporting date for land, leasehold rights and buildings was based on residual terms of between 1 and 21 years, whereas liabilities for rental of machinery, motor vehicles and factory and office equipment was based on residual terms of between 1 and 8 years.

Expenses for leases that had terms of less than 12 months were recognised during the year under report. These leases involved mostly motor vehicles, technical equipment and machinery, but also short-term building leases. Expenses were furthermore recognised for leases where the new value of the asset is less than €5 k. The latter concerns mostly office and business equipment.

The development of rights of use by asset class in the previous year and during the reporting year, as well as their position as at the reporting date, is set out below:

€ '000	Land, leasehold rights and buildings	Technical equipment, plant and machinery	Other equipment, factory and office equipment	Total
Net carrying amount on 1 January 2020	**167,276**	**21,026**	**13,923**	**202,225**
Acquisition costs on 1 January 2020	196,907	24,793	19,964	241,664
Currency differences	(8,664)	(699)	(344)	(9,707)
Additions	131,363	7,318	6,354	145,035
Reclassification to assets held for sale	212	1,050	563	1,825
Disposals	21,988	1,615	2,986	26,589
31 December 2020	297,406	28,747	22,425	348,578
Accumulated amortisation on 1 January 2020	29,631	3,767	6,041	39,439
Currency differences	(1,707)	(211)	(149)	(2,067)
Additions	39,001	6,414	7,465	52,880
Impairment	821	0	0	821
Reclassification to assets held for sale	178	120	336	634
Disposals	9,684	770	3,093	13,547
31 December 2020	57,884	9,080	9,928	76,892
Net carrying amount on 31 December 2020	**239,522**	**19,667**	**12,497**	**271,686**

€ '000	Land, leasehold rights and buildings	Technical equipment, plant and machinery	Other equipment, factory and office equipment	Total
Acquisition costs on 1 January 2021	297,406	28,747	22,425	348,578
Currency differences	9,923	1,165	426	11,514
Additions	41,481	2,531	6,146	50,158
Reclassification to assets held for sale	39,912	1,023	3,884	44,819
Disposals	11,567	691	4,503	16,761
31 December 2021	297,331	30,729	20,610	348,670
Accumulated amortisation on 1 January 2021	57,884	9,080	9,928	76,892
Currency differences	2,511	440	169	3,120
Additions	35,004	6,295	6,638	47,937
Impairment	952	207	1,153	2,312
Reclassification to assets held for sale	10,306	359	1,495	12,160
Disposals	8,900	721	4,395	14,016
31 December 2021	77,145	14,942	11,998	104,085
Net carrying amount on 31 December 2021	**220,186**	**15,787**	**8,612**	**244,585**

The adjustment or reassessment of leases affected accruals in the amount of €9,856 k and disposals in the amount of €3,183 k during the year under review.

The following amounts are recognised in the income statement:

€ '000	2021	2020
Amortisation of rights of use	47,937	52,880
Finance cost on lease liabilities	10,976	9,609
Expenses for short-term leases	2,974	2,347
Expenses for low-value leased items	2,312	821
Impairments on rights of use	1,266	842
Variable leasing expenses	424	391
Income for sub-leases	0	149
Total amount of leasing expenses classified to the income statement	**65,889**	**66,741**

Cash outflows due to leasing totalled €66,331 k (previous year €66,828 k).

Lease liabilities in the amount of €248,554 k (previous year: €270,463 k) are recognised under financial debt, of which €43,879 k is current and €204,675 k non-current. Two sale-and-leaseback transactions significantly influenced the additions to rights of use in the previous year.

The future (undiscounted) minimum rental payments on non-cancellable operating leases are presented according to their maturity in › Note 29 ("Risk management and financial derivatives"; sub-section "Liquidity risk").

The Company has signed leases for rental of land and buildings with variable lease payments, which depend on the volume of inventory movements. In the year under report, the expenses not recognised under lease liabilities for such leases amounted to €424 k (previous year: €391 k), the payouts for which amounted to €377 k (previous year: €353 k).

Based on the extension and termination options, the potential, future cash outflows come to a figure of €61,265 k (previous year: €61,174 k). In particular, this concerns options to extend by up to 21 years for leases of buildings as well as factory and office equipment. These options were disregarded in measurement of lease liabilities because their exercise was not presently deemed as sufficiently certain.

In addition, there are off-balance sheet future obligations pertaining to short-term leases in the amount of €377 k (previous year: €227 k), to leases for minor-value assets in the amount of €1,924 k (previous year: €498 k), and to variable lease payments in the amount of €2,483 k (previous year: nil) and leases that have already been agreed but do not commence until after the reporting date in the amount of €4,458 k (previous year: €221 k).

21 | Financial liabilities

€ '000	2021	2020
Current financial liabilities and short-term proportion of long-term loans	579,679	50,142
Non-current financial debts	1,018,837	1,542,873
	1,598,516	**1,593,015**

The financial liabilities comprised liabilities to banks, notes payable, lease liabilities and other loan obligations. During the year under report, current financial liabilities in the amount of €89,953 k (previous year: €543 k) as well as non-current financial liabilities in the amount of €23,534 k (previous year: €25,879 k) were reclassified to the balance sheet item 'liabilities held for sale'.

Current financial liabilities and the short-term proportion of long-term loans amounted to €579,679 k on the reporting date (previous year: €50,142 k). The increase in current financial liabilities was due principally to reclassification of originally non-current financial liabilities in the amount of €554,679 k (of which RCF II €224,679 k and RCF III €330,000 k). Borrower's note loan in the amount of €53,586 k were furthermore reclassified to current debt because of their maturity structure.

Non-current financial liabilities amounted to €1,018,837 k on the reporting date (previous year: €1,542,873 k).

By drawing the second tranche in the amount of €90 million, the existing RCF III working capital loan with a total volume of €330 million maturing at the end of 2022 was utilised in full in April 2021. The loan is 90 percent guaranteed by the German government and the federal states of Bavaria, Lower Saxony and North Rhine-Westphalia as part of measures to provide coronavirus-related aid (jumbo guarantee provided by the federal government and federal states in connection with the consequences of the Covid-19 pandemic).

Moreover, LEONI AG's increased funding requirement was covered on the one hand by the further utilisation of an existing syndicate loan (RCF I with a total available amount of €750 million and maturing mid-2023). An additional net withdrawal of €9 million in the 2021 financial year increased utilisation of RCF I to €475 million. Utilisation of the existing RCF II syndicate loan increased by €2 million (net) in the financial year to a total of €145 million. The total available amount under RCF II was €164 million. Including the proportion of RCF II presented on the balance sheet under the item 'Liabilities held for sale', utilisation totalled €228 million. The underlying total available amount under RCF II amounts to €248 million.

The RCF II and RCF III credit lines used are due on 31 December 2022 and thus within the next 12 months after the balance sheet date. These were consequently now presented under current financial liabilities on the balance sheet as at 31 December 2021. Because the RCF I credit lines used are not expected to be repaid within the next 12 months, they were still reported under non-current financial liabilities on the balance sheet as at 31 December 2021. Financial liabilities as at 31 December 2021 also include borrower's note loans in the amount of €400 million. These are mostly due for repayment in the years 2023 or later. The interest regularly payable on these loans is allocated to current financial liabilities.

Current and non-current lease liabilities amounted to €248,553 k on 31 December 2021 (previous year: €270,463 k).

The overview below shows the existing borrower's note loans:

Nominal value € '000	**Carrying amount 31/12/2021** € '000	Payment year	Repayment	Interest	Hedging instrument
4,688	4,835	2015	matures 2022	fixed income	none
9,000	9,105	2012	matures 2022	fixed income	none
21,000	21,059	2015	matures 2022	variable rate	none
19,000	19,212	2015	matures 2022	fixed income	none
11,000	11,127	2018	matures 2023	fixed income	none
87,000	87,016	2018	matures 2023	variable rate	cash flow hedge
66,500	67,472	2018	matures 2024	fixed income	none
87,000	87,017	2018	matures 2024	variable rate	cash flow hedge
12,000	12,181	2015	matures 2025	fixed income	none
58,000	59,133	2018	matures 2026	fixed income	none
13,500	13,809	2018	matures 2028	fixed income	none
8,000	8,001	2018	matures 2028	variable rate	cash flow hedge

Details regarding the financial liabilities and hedging instruments is to be found in ›Note 29.

22| Trade accounts payable

On 31 December 2021, trade liabilities amounting to €739,919 k (previous year: €824,552 k) involved reverse factoring, which included reverse factoring liabilities in the amount €142,085 k (previous year: €161,240 k). Liabilities amounting to €60,054 k (previous year: €25,090 k) were reclassified to liabilities held for sale in fiscal 2021.

23| Current financial liabilities

€ '000	**2021**	**2020**
Liabilities to associated companies and joint ventures	1,420	1,960
Other liabilities	66,514	62,795
	67,934	**64,755**

Current financial liabilities included payables amounting to €38,088 k (previous year: €21,219 k) from the receipt of payment on receivables that were sold within factoring contracts.

Also included are liabilities related to anticipated discounts on future business volumes amounting to €14,347 k (previous year: €13,951 k).

24| Other current liabilities

€ '000	**2021**	**2020**
Liabilities to employees	118,013	98,201
Tax liabilities	41,991	37,093
Liabilities connected with social security	23,598	21,726
Other accruals	23,896	33,656
	207,498	**190,675**

The increase in other current liabilities is attributable particularly to the reporting date-related rise in liabilities to staff.

25 | Provisions

The changes in provisions are summarised as follows:

€ '000	01.01.2021	Usage	Dissolution	Allocation	Allocation of interest	Currency differences	Change in scope of consolidation	31.12.2021	Current provisions 2021	Non-current provisions 2021	Current provisions 2020	Non-current provisions 2020
Personnel-related provisions	29,440	4,396	5,499	6,247	40	(54)	(27)	**25,858**	2,598	23,260	1,998	27,442
Provisions for product warranties	15,073	4,466	5,035	4,366	0	(28)	(1,237)	**8,728**	8,728	0	15,073	0
Other provisions for purchasing and distribution	111,586	39,296	60,454	62,707	0	(2,410)	(104)	**76,848**	33,389	43,460	29,028	82,558
Restructuring provisions	41,053	23,951	6,528	2,207	0	(315)	0	**13,096**	13,008	88	41,053	0
Other provisions	16,332	764	581	3,877	0	(237)	0	**19,100**	9,603	9,497	4,819	11,513
Total	**213,484**	**72,873**	**78,098**	**79,404**	**40**	**(3,044)**	**(1,368)**	**143,631**	**67,326**	**76,305**	**91,971**	**121,513**

The personnel-related provisions involved mainly long-term provisions for anniversary bonuses in the amount of €7,608 k (previous year: €9,712 k) and for semi-retirement provisions in Germany in the amount of €5,006 k (previous year: €8,176 k). The provision for anniversary bonuses is paid out according to the age structure of the workforce upon the employees' respective anniversaries of service. Based on the current workforce, payments will mostly become due in the next 19 years. The payments relating to provisions for partial retirement will probably be spread over the next six years.

The product warranties were determined based on experience, with goodwill concessions also taken into account. Provisions were added in the amount of €4,366 k (previous year: €3,936 k) for claims under warranty and/or for compensation in fiscal 2021. These provisions for claims under warranty and/or for compensation were offset by claims against the insurer in the amount of €50 k (previous year: €220 k).

The provisions in purchasing and distribution pertained mostly to order-related provisions for several onerous contracts totalling €71,069 k (previous year: €104,563 k). The decrease is due, among other factors, to the reversal of provisions because of successful price negotiations with customers, which was recognised in the cost of sales. On the other hand, this reflected provision made especially for the anticipated trend in raw material prices. Losses could consequently, in the course of 2022 and thereafter over a multi-year period, impact liquidity.

Restructuring provisions dropped due particularly to usage in connection with paying out severance. The additions principally comprised expected severance payments necessitated by shutting down production in one unit of the Wire & Cable Solutions Division. Mostly these will impact liquidity by the end of 2022.

As in the previous year, other provisions contain provision for the soil decontamination of a site in Germany.

26 | Pension provisions

At LEONI, there are in various countries pension commitments that provide for benefits in the event of disablement, retirement or death. These principal commitments are limited to our companies in the United Kingdom and Germany and are set up as defined benefit plans. The obligations and the plan assets of the pension plans in these two countries accounted for 96.7 percent (previous year: 96.2 percent) and 99.5 percent (previous year: 98.8 percent), respectively, of the Group total. The pension plan in the United Kingdom is managed by a legally independent entity, namely the LEONI UK Pension Scheme.

As part of reclassification to liabilities held for sale pursuant to IFRS 5 as at 31 December 2021, some of the net liability stemming from the pension commitment in Germany and, to a minor extent, in Italy and France, has no longer been presented under pension provisions, but rather under liabilities held for sale. Other net liabilities were disposed of in the wake of having sold the Data Communication and Compound business units belonging to LEONI Kerpen GmbH as well as Adaptricity AG.

Likewise, as in the previous year, the net liability stemming from the pension commitment in Switzerland has no longer been presented under pension provisions, but rather, according to IFRS 5, under liabilities held for sale. The disposal of LEONI Schweiz AG on 30 March 2021 finally required this obligation to be fully deconsolidated.

Germany

In Germany, LEONI grants defined benefits to most employees for the deferral of compensation. Amounts of deferred compensation earn fixed interest and lead to a claim for fixed lump-sum benefits once entitlement takes effect. These benefits are covered by capital insurance. The reinsurance policies are qualifying insurance policies and are therefore recognised as plan assets. The terms of the insurance policies are in line with the dates when the benefits become due. The interest rate for benefit modules follows the respective current maximum rate stipulated by Section 65 of the Insurance Supervision Act (VAG) in conjunction with Section 2 (1) of the Actuarial Reserve Ordinance. It is capped at 6 percent; recently acquired benefit modules are rated at 4.5 percent interest.

Deferred compensation payments were made mostly to a third-party Contractual Trust Arrangement (CTA) to minimise the risk of employee-financed pension schemes failing to pay out. Once a year, the trustee agrees reinsurance policies on the life of the respective employees in the amount of these deferrals. Furthermore, the plan assets stemming from reinsurance policies that already existed in the past were also largely converted to this model. The trust assets and the values of the insurance policies are in the economic ownership of the respective LEONI company and are therefore deemed to be qualified plan assets.

The pension plan of Leonische Drahtwerke AG, which was closed to people joining the Company as long ago as 1981, granted pension payments based on year of service and income at the time of retirement.

Pension obligations of acquired German companies are generally based on eligible compensation levels and/or ranking within the Company hierarchy and years of service, or on a fixed amount per year of service. All defined pension plans of acquired companies are closed to new staff.

The plans in Germany are exposed to risks relating primarily to interest rates, longevity and partly also salary increases.

United Kingdom

In the United Kingdom, there is a defined benefit plan that was set up in the year 2000 and replaced the pension plan in place until then. Until it was closed to new staff joining in 2008, all employees were able to participate in this plan. The pension plan is administered by a trust whose board comprises both employer and employee representatives. There are also outside experts consulting on asset management and actuarial matters. The trust determines the contributions to be paid in by LEONI and decides on the additional contributions to be paid by LEONI in the event of any plan deficit. Due to the persistently low discount rates that are to be applied for computing pension obligation, the balance of defined benefit obligation and plan assets currently shows a deficit of €43,897 k (previous year: €70,643 k), equating to 17.9 percent (previous year: 29.0 percent) of the defined benefit obligation. Negotiations between LEONI and the trust are conducted every three years to determine the amounts to be paid in to clear any deficit and the period over which to do so. In addition to the ongoing contributions, payments of €5,715 k were made in the financial year (previous year: €4,588 k) to clear the deficit.

The amount of committed benefits is based upon the salary of the last year of employment as well as years of service and contributions of the participants to the fund. Pension adjustments are linked to an inflation index, reflecting increases in the cost of living.

LEONI is exposed due to these plans in the United Kingdom to risks involving primarily interest rates, investment, inflation and longevity, as well as salary increases.

Other countries

In France, there are defined benefit plans in accordance with the country's legal requirements and other agreements. The collective agreement of the French metal-working trade union determines the size of the benefit. It is linked to monthly wages and salaries and depends on years of service.

At the Italian subsidiaries, there are pension plans in accordance with the local legal requirements. These must be qualified as defined benefit plans pursuant to IAS 19 and were presented accordingly.

Furthermore, there are at some foreign subsidiaries pension-like defined benefit schemes, above all for transition payments after entering retirement, which were presented as defined benefit plans pursuant to IAS 19 and which were of only minor significance to the Group.

The trend in net pension obligations, which is comprised of the change in the defined benefit obligation and the change in the fair value of plan assets, is as follows:

2021

Change in defined benefit obligations € '000	UK	Germany	Other	Total
Defined benefit obligations at the beginning of the fiscal year	243,610	151,368	15,453	410,431
Current service cost	1,822	2,180	1,583	5,585
Interest cost	3,150	1,347	174	4,671
Actuarial (gains) / losses	(13,749)	(2,336)	(3,231)	(19,316)
Past service cost	0	0	(28)	(28)
Contributions by plan participants	27	2,455	0	2,482
Currency differences	17,378	0	122	17,500
Reclassification to liabilities held for sale and disposal of subsidiaries	0	(39,848)	(1,143)	(40,991)
Benefits paid	(6,449)	(3,188)	(649)	(10,286)
Defined benefit obligations at the end of the fiscal year	**245,789**	**111,978**	**12,281**	**370,048**
Change in plan assets € '000				
Fair value of plan assets at the beginning of the fiscal year	172,967	49,093	2,774	224,834
Interest income	2,269	435	78	2,782
Return on plan assets (excl. interest income based on discount rate)	12,967	(95)	(27)	12,845
Currency differences	12,986	0	(4)	12,982
Contributions by the employer	7,980	218	65	8,263
Contributions by plan participants	27	2,455	0	2,482
Administrative costs, fees and taxes	(855)	0	0	(855)
Reclassification to liabilities held for sale and disposal of subsidiaries	0	(7,990)	(1,246)	(9,236)
Benefits paid	(6,449)	(532)	(291)	(7,272)
Plan assets at the end of the fiscal year	**201,892**	**43,584**	**1,349**	**246,825**
Net liability due to defined benefit plans	**43,897**	**68,394**	**10,932**	**123,223**

2020

Change in defined benefit obligations € '000	**UK**	**Germany**	**Switzerland**	**Other**	**Total**
Defined benefit obligations at the beginning of the fiscal year	224,295	144,239	114,070	14,263	496,867
Current service cost	1,563	2,206	2,758	1,318	7,845
Interest cost	4,429	1,724	174	162	6,489
Actuarial (gains) / losses	33,229	4,435	(143)	(188)	37,333
Past service cost	34	0	0	(871)	(837)
Contributions by plan participants	23	2,146	2,331	0	4,500
Currency differences	(13,707)	0	150	(305)	(13,862)
Reclassification to liabilities for sale	0	0	(114,419)	1,453	(112,966)
Transfers under Swiss law	0	0	2,377	0	2,377
Benefits paid	(6,256)	(3,382)	(7,298)	(379)	(17,315)
Defined benefit obligations at the end of the fiscal year	**243,610**	**151,368**	**0**	**15,453**	**410,431**
Change in plan assets € '000					
Fair value of plan assets at the beginning of the fiscal year	166,876	46,804	94,031	1,436	309,147
Interest income	3,342	560	143	38	4,083
Return on plan assets (excl. interest income based on discount rate)	12,989	338	1,755	(19)	15,063
Currency differences	(10,048)	0	107	(49)	(9,990)
Contributions by the employer	6,892	243	2,331	324	9,790
Contributions by plan participants	23	2,146	2,331	0	4,500
Administrative costs, fees and taxes	(851)	0	0	0	(851)
Reclassification to liabilities for sale	0	0	(95,777)	1,211	(94,566)
Transfers under Swiss law	0	0	2,377	0	2,377
Benefits paid	(6,256)	(998)	(7,298)	(167)	(14,719)
Plan assets at the end of the fiscal year	**172,967**	**49,093**	**0**	**2,774**	**224,834**
Net liability due to defined benefit plans	**70,643**	**102,275**	**0**	**12,679**	**185,597**

The pension obligations are presented on the balance sheet as a net liability in the amount of €123,223 k (previous year: €185,597 k).

In the previous year, the transfers under Swiss law concerned the transfer of the obligation and of the related proportion of plan assets, known as the vested benefit credit, to the new employer or a suitable financial institution in accordance with the country's legal requirements.

The defined benefit obligation at the end of the financial year broke down into €341,577 k (previous year: €354,895 k) in funded obligations and €28,471 k (previous year: €55,536 k) in unfunded obligations.

A breakdown of the obligations into the categories of existing and past employees as well as non-vested and vested benefits is provided in the overview below:

2021 € '000	UK	Germany	Other	Total
Current employees with non-vested benefits	55,414	51,737	2,852	110,003
Current employees with vested benefits	0	0	9,429	9,429
Former employees with non-vested benefits	77,091	27,086	0	104,177
Pensioners	113,284	33,155	0	146,439
Defined benefit obligations at the end of the fiscal year	**245,789**	**111,978**	**12,281**	**370,048**

2020 € '000				
Current employees with non-vested benefits	68,159	75,777	5,038	148,974
Current employees with vested benefits	0	0	10,415	10,415
Former employees with non-vested benefits	92,778	30,116	0	122,894
Pensioners	82,673	45,475	0	128,148
Defined benefit obligations at the end of the fiscal year	**243,610**	**151,368**	**15,453**	**410,431**

The actuarial gains or losses on revaluation were recognised in accumulated other comprehensive income. The trend in the Group's actuarial losses, including the share pertaining to associated companies, is presented in the overview below:

€ '000	2021	2020
Actuarial losses at the beginning of the fiscal year	173,697	151,427
Actuarial (gains) / losses		
due to the change in demographic projections	5,175	8
due to the change in financial estimates	(23,988)	41,165
due to adjustments based on experience	(445)	(3,840)
Return on plan assets (excl. interest income based on discount rate)	(12,850)	(15,063)
Changes related to deconsolidation of minority interests	(9)	0
Actuarial losses at the end of the fiscal year	**141,580**	**173,697**

The assumptions for interest rates and rates of compensation increases as well as the expected return on plan assets on which the calculation for defined benefit obligations is based were established for each country as a function of their respective economic conditions. The discount rate was determined on the basis of top-tier, fixed-income corporate bonds. This involved referencing bonds that on the reporting date had maturities in line with the pension obligations, and the bonds referenced are quoted in the corresponding currency. AA-rated bonds were used as the basis for data to determine the discount rates.

The overview below shows the actuarial assumptions made to calculate the defined benefit obligation:

	2021			
	UK	Germany		Total
Discount rate	1.94%	1.23%		1.63%
Rate of wage and salary increase	3.35%	2.50%		2.94%
Rate of compensation increase	3.24%	1.75%		2.59%

	2020			
	UK	Germany	Switzerland	Total
Discount rate	1.25%	0.90%	0.15%	0.89%
Rate of wage and salary increase	2.85%	2.50%	1.00%	2.27%
Rate of compensation increase	2.81%	1.75%	0.00%	1.86%

The assumptions made for calculating net periodic pension costs are shown in the table below:

	2021			
	UK	Germany		Total
Discount rate	1.25%	0.90%		0.89%
Rate of wage and salary increase	2.85%	2.50%		2.27%
Rate of compensation increase	2.81%	1.75%		1.86%

	2020			
	UK	Germany	Switzerland	Total
Discount rate	2.09%	1.21%	0.15%	1.35%
Rate of wage and salary increase	2.91%	2.50%	1.00%	2.33%
Rate of compensation increase	2.81%	1.75%	0.00%	1.78%

The assumed mortality is based on published statistics and historical data in the respective countries. The valuation of the retirement benefit obligations in the United Kingdom is always based on the S2NA mortality table, expanded and specified with personal determinants of mortality pursuant to the CMI Mortality Projections Model 2018. The impact on the defined benefit obligation is included in the actuarial changes due to demographic assumptions. As in the previous year, the mortality tables used in Germany were the 'Heubeck-Richttafeln 2018 G'.

The discount rate is the key determinant for the amount of net pension obligations. An increase or a decrease by 1 percentage point has the following impact on the defined benefit obligation:

2021 € '000	UK	Germany	Other	Total
Defined benefit obligations at the end of the fiscal year	**245,789**	**111,978**	**12,281**	**370,048**
Discount rate plus 1 percentage point				
Change:	(37,109)	(12,436)	(939)	(50,484)
Defined benefit obligations:	208,680	99,542	11,342	319,564
Discount rate minus 1 percentage point				
Change:	48,001	15,181	1,094	64,276
Defined benefit obligations:	293,790	127,159	13,375	434,324

2020 € '000	UK	Germany	Other	Total
Defined benefit obligations at the end of the fiscal year	**243,610**	**151,368**	**15,453**	**410,431**
Discount rate plus 1 percentage point				
Change:	(39,036)	(18,585)	(1,681)	(59,302)
Defined benefit obligations:	204,574	132,783	13,772	351,129
Discount rate minus 1 percentage point				
Change:	51,079	23,086	1,873	76,038
Defined benefit obligations:	294,689	174,454	17,326	486,469

The assumptions concerning the trends in salaries, pensions and mortality with respect to the pension plan in the Group have the effect on the defined benefit obligation set out below.

	2021		2020	
€ '000	UK	Germany	UK	Germany
Defined benefit obligations at the end of the fiscal year	**245,789**	**111,978**	**243,610**	**151,368**
Salary trend plus 0.5 percentage points				
Change (absolute):	2,377	16	2,215	26
Change (relative):	0.97%	0.01%	0.91%	0.02%
Salary trend minus 0.5 percentage points				
Change (absolute):	(2,377)	(16)	(2,215)	(25)
Change (relative):	(0.97)%	(0.01)%	(0.91)%	(0.02)%
Rate of compensation plus 0.5 percentage points				
Change (absolute):	16,637	2,807	16,615	4,246
Change (relative):	6.77%	2.51%	6.82%	2.81%
Rate of compensation minus 0.5 percentage points				
Change (absolute):	(15,449)	(2,561)	(14,400)	(3,863)
Change (relative):	(6.29)%	(2.29)%	(5.91)%	(2.55)%
Life expectancy plus 1 year				
Change (absolute):	9,507	2,416	7,754	3,577
Change (relative):	3.87%	2.16%	3.18%	2.36%

The mortality trend is taken into account in the two major pension plans through the use of generation tables. Calculation of the defined benefit obligation with a one-year rise in life expectancy raises the defined benefit obligation of the plans as follows: in the United Kingdom by 3.87 percent (previous year: 3.18 percent) and in Germany by 2.16 percent (previous year: 2.36 percent).

The calculation of sensitivities was, as part of an observation performed on a ceteris paribus basis, based on changing an assumption, whereas all other assumptions remain unchanged, whereby dependencies between the assumptions are ruled out. The method for calculating sensitivities is identical to that for calculating the net pension obligation.

The defined benefit plan expense recognised in comprehensive income comprises the amounts contained in consolidated net income and in other comprehensive income:

€ '000	2021	2020
Current service cost	5,585	7,845
Net interest cost	1,889	2,406
Past service cost	(28)	(837)
Administrative costs and taxes related to plan management	855	851
Defined benefit plan expense recognised in consolidated net income	**8,301**	**10,265**
Actuarial (gains) / losses	(19,258)	37,333
Return on plan assets (excl. interest income based on discount rate)	(12,850)	(15,063)
	(9)	0
Income / expense relating to defined benefit plans recognised in other comprehensive income	**(32,117)**	**22,270**
Defined benefit plan income / expense recognised in comprehensive income	**(23,816)**	**32,535**

The net interest expense that arose from applying the discount rate to the balance of defined benefit obligation less plan assets (net pension obligation) was presented under finance costs.

The expense recognised in consolidated net income was contained in the following items of the income statement:

€ '000	2021	2020
Cost of sales	2,258	3,393
General and administration expenses	2,504	2,385
Selling expenses	633	1,235
Research and development expenses	1,017	846
Finance costs	1,889	2,406
Defined benefit plan expense recognised in consolidated net income	**8,301**	**10,265**

Asset-liability matching strategies

At LEONI, the key benefit commitments are, in accordance with the Company's Articles of Association, furnished with a benefit reserve that is suited in its nature to funding the benefit payments when they are due and in the required amount. In the case of the German pension plan, this is done exclusively by means of qualifying life insurance policies that are synchronised in their terms and amounts with the expected benefit payments. In the case of the pension plan in the United Kingdom, boards of the independent trust ensure adherence to the investment strategies. These strategies are aimed at minimising potential investment risks, having sufficient funds available at short notice to serve the benefit payments due and generating a return that is in line with the market over the long term. Assessments of the investment portfolio are regularly conducted together with independent, outside specialists in the fields of asset investment and actuarial policies to review the attainment of strategic targets and for the boards on that basis to take investment decisions.

The breakdown of plan assets in the various classes is presented in the table below:

	2021		2020	
	€ '000	%	€ '000	%
Equity instruments	0	0.0	39,458	17.5
Debt instruments	20,593	8.1	10,880	4.8
of which: prices not quoted on an active market	*20,593*	*8.1*	*10,378*	*4.6*
Property	23,823	9.4	20,854	9.3
of which: prices not quoted on an active market	*23,823*	*9.4*	*20,583*	*9.2*
Securities funds	144,353	56.7	86,483	38.5
Qualifying insurance policies	43,631	17.1	49,133	21.9
Other plan assets	12,114	4.8	12,492	5.6
of which: prices not quoted on an active market	*12,114*	*4.8*	*12,454*	*5.5*
Cash and cash equivalents	2,311	0.9	5,534	2.5
Total plan assets	**246,825**	**97.0**	**224,834**	**100.0**

The plan assets from qualifying insurance policies stemmed almost exclusively from the reinsurance policies in Germany. Apart from the class comprising cash and cash equivalents, the assets of all other classes stated involved the plan assets of the pension plan in the United Kingdom and broke down as follows:

2021 € '000	**UK**	%
Debt instruments	20,593	10.2
of which: prices not quoted on an active market	*20,593*	*10.2*
Property	23,823	11.8
of which: prices not quoted on an active market	*23,823*	*11.8*
Securities funds	144,353	71.5
Other plan assets	12,114	6.0
of which: prices not quoted on an active market	*12,114*	*6.0*
Cash and cash equivalents	1,009	0.5
Total plan assets	**201,892**	**100.0**

2020 € '000	**UK**	%
Equity instruments	39,091	22.6
Debt instruments	10,378	6.0
of which: prices not quoted on an active market	*10,378*	*6.0*
Property	20,583	11.9
of which: prices not quoted on an active market	*20,583*	*11.9*
Securities funds	86,483	50.0
Other plan assets	12,453	7.2
of which: prices not quoted on an active market	*12,453*	*7.2*
Cash and cash equivalents	3,979	2.3
Total plan assets	**172,967**	**100.0**

The equity instruments comprised investments in equity funds and direct investments in the previous year. In each case, the funds included both equities based in the country and foreign ones. The debt instruments held involved both national and foreign corporate and government bonds. Investment in property is transacted exclusively by way of open-ended property funds. The securities funds involved diversified growth funds or liability-driven investments (LDIs). The other plan assets included investments in funds in which the portfolios comprised foreign utility and transport infrastructure organisations.

The breakdown of and investment strategy for plan assets by the stated investment classes corresponds to the targeted investment classes set out in the statutes of the pension plan and is continually monitored by the trustee. The objective is to ensure the best possible congruity with respect to long-term structure and interest rate as well as inflation sensitivities between pension obligations and the plan assets ('liability-driven investment').

LEONI did not make any use itself of plan assets.

The contributions to plan assets amounted to €8,263 k and were projected at €9,000 k for the subsequent financial year.

A breakdown of pension payments (excluding compensatory effects of payouts from the plans assets) was presented as follows:

Pension payments made	€ '000
2020	17,315
2021	**10,286**
Expected pension payments	€ '000
2022	10,607
2023	11,374
2024	11,863
2025	12,790
2026	14,011
2027 – 2031	77,424
Pension payments expected until 2031	**138,069**

The average, weighted Macaulay duration of benefit obligations was 17 years in the United Kingdom and 13 years in Germany.

Some non-German companies provide defined contribution plans. In Germany and other countries, state plans were also recognised under defined contribution plans. The total cost of such contributions amounted to €84,927 k in the financial year (previous year: €71,974 k).

27 | Equity

Share capital

The share capital in the amount of €32,669 k (previous year: €32,669 k), which corresponded to the share capital of LEONI AG, is divided into 32,669,000 (previous year: 32,669,000) no-par-value shares at €1.00 each.

Additional paid-in capital

As in the previous year, the additional paid-in capital amounted to €290,887 k.

Statutory reserve

The statutory reserves and other retained earnings of LEONI AG were reversed in full in 2019.

Authorised capital

The Board of Directors is authorised to increase the share capital by up to €16,335 k on or before 10 May 2022 with the Supervisory Board's approval all at once or in partial amounts issuing up to 16,334,500 new bearer shares, each with a pro-rated share of €1.00 in the share capital, on a cash or non-cash basis. In this context, the new shares must be offered to the shareholders for subscription as a rule. However, shareholders at the Annual General Meeting entitled the Management Board, with the approval of the Supervisory Board, to rule out shareholders' subscription rights in cases specified in the Articles of Association.

Shareholders at the Annual General Meeting on 23 July 2020 authorised the Board of Directors, with the approval of the Supervisory Board, until 22 July 2025 to acquire own shares totalling up to 10 percent of the Company's share capital for any permissible purpose within legal constraints; decisive is the lowest amount of the Company's share capital existing at the time the Annual General Meeting approves this authorisation, at the time of this authorisation taking effect or at the time when this authorisation is exercised. At no time may the total of shares acquired by virtue of this authorisation and other shares of the Company already acquired and still held by the Company or attributable to it exceed 10 percent of the Company's share capital.

Contingent capital

Furthermore, the Annual General Meeting on 7 May 2015 authorised the Board of Directors to issue convertible bonds and/or warrant-linked bonds until 6 May 2020. This involved a contingent increase in share capital by up to €6,534 k. The Board of Directors has not made any use of this adopted authorisation.

Furthermore, shareholders at the Annual General Meeting on 23 July 2020 authorised the Board of Directors, with the approval of the Supervisory Board, until 22 July 2025 once or several times to issue warrant-linked and/or convertible bonds, profit-sharing rights and/or participating bonds, or a combination of these instruments (together referred to as 'bond') with a total value of up to €500 million and to grant the holders the respective partial debentures with the same rights warrant-linked or conversion rights for registered Company shares with a pro-rated amount of the share capital totalling up to €6,554 k in accordance with the warrant-linked or convertible bond terms. The pro-rated amount of the share capital accounted for such shares is to be applied to the above-mentioned volume of the pro-rated amount of share capital totalling €6,554 k that are issued from Authorised Capital 2017 during the term of this authorisation – with or without the exclusion of the subscription right – based on the Annual General Meeting's authorisation of 11 May 2017.

Apart from euros, the bonds may also be issued – limited to the corresponding euro equivalent – in the legal tender of any OECD country. They may also be issued by any Group company of LEONI AG for, either directly or indirectly, at least 90 percent of the votes and of the capital. In this event, the Board of Directors shall be authorised, with the approval of the Supervisory Board, on behalf of the Company to assume the guarantee for the bonds and to grant the holders of warrant-linked and/or convertible bonds or conversion rights for registered shares in LEONI AG.

The Board of Directors has not made any use of this adopted authorisation either.

Dividend payment

It was decided not to pay any dividend in fiscal 2021.

Appropriation of retained profit or loss

With the annual financial statements of LEONI AG under commercial law having shown a net loss in the 2021 financial year, the loss computed in accordance with the German Commercial Code (Handelsgesetzbuch, "HGB") and the German Stock Corporation Act (Aktiengesetz, "AktG") of €47,053 k will be carried forward to the next financial year.

28 | Contingencies and other obligations

Lease obligations

We refer to › Note 20 concerning off-balance sheet contingent liabilities pertaining to leases.

Purchase order commitments

Purchase order commitments for property, plant and equipment as well as intangible assets amounted €50,030 k on the balance sheet date (previous year: €52,560 k).

Litigation, claims and contingent liabilities

Individual LEONI companies are involved in litigation or could be involved in further litigation, which could entail claims for compensation or other claims. Appropriate amounts with respect to such claims and, where applicable, claims against the insurers were recognised.

As already reported in the previous year, several civil proceedings in the form of class action lawsuits and other legal action were initiated against LEONI and other wiring systems manufacturers in the United States and Canada since October 2011 based on alleged breaches of antitrust law. These proceedings have been concluded since 2017 by way of dismissal or settlement without any acceptance of liability. Previously, there were three proceedings involving individual claimants in the United States as well as one in a Canadian province. In the United States, LEONI managed to conclude all outstanding proceedings apart from one by dismissal of action or a small, insignificant settlement payment and expects to be able to terminate the last proceedings in the near future in a similar way. The remaining proceedings in Canada have been suspended since 2014. Based on the assessment of its local lawyers, LEONI expects these proceedings to have been concluded by the settlement in other provinces. A corresponding ruling is still pending, however.

In January 2022, searches were also conducted at facilities of the LEONI Group as part of investigations by the German Federal Cartel Office (Bundeskartellamt) against various cable manufacturers and other sector-related companies. The reason for these investigations is the suspicion that cable manufacturers colluded on computing customary metal surcharges in Germany. LEONI is cooperating with the authorities and looking into the allegations. As the Cartel Office proceedings are still at a very early stage, it is not yet possible to issue any statement on their possible outcome. Overall, we reached the assessment after an evaluation based on the current status of the investigations that, although possible, a sentence requiring payment of a fine is unlikely.

A claimant originally sued for damages of €12 million with respect to an alleged breach of the law in connection with having taken over employees in France. As reported, the responsible court in France dismissed the complaint on all points in a verdict in January 2021. The claimant has lodged an appeal, but simultaneously lowered the claim to €4.2 million. Based on the assessment of local lawyers, LEONI is confident that it will also be able to successfully defend itself against this claim.

As also reported, LEONI is engaged in connection with the fraud case of 2016 and with outside support in asserting and enforcing claims against employees. LEONI obtained a payout of €5 million from its existing fidelity insurance policy. The Board of Directors has submitted farther-reaching claims for compensation to the fidelity insurance provider. Examination and assertion of the claims is ongoing. It is not yet possible to comment on progress and prospects of success.

Other than the above, there have not been any and there are currently no pending lawsuits or court proceedings that have any major impact on LEONI's business.

29 | Risk management and financial derivatives

Overview of financial instruments

The financial instruments allocated to the disposal group in accordance with IFRS 5 are, generally speaking, included in the explanations below. Further explanation regarding the disposal groups can be found in › Note 4 'Disposals of subsidiaries, assets and liabilities held for sale as well as other portfolio measures'.

The following tables show financial instruments held in the Group on 31 December 2021 and in the previous year:

€ '000	Measurement category aaccording to IFRS 9	Carrying amount 31/12/2021	Recognition according to IFRS 9: Amortised cost	Recognition according to IFRS 9: Fair value recognised in equity	Recognition according to IFRS 9: Fair value recognised in profit or loss	Fair value 31/12/2021
Assets						
Cash and cash equivalents	AC	**164,635**	171,912			**171,912**
Trade receivables	AC	**321,926**	366,790			**366,790**
Other financial receivables	AC	**100,299**	106,508			**106,508**
Financial assets held for sale	FVTPL	**70,792**			70,792	**70,792**
Other non-derivative financial assets						
Investments	FVTPL	**73**			73	**73**
Derivative financial assets						
Derivatives without a hedging relationship	FVTPL	**1,524**			1,524	**1,524**
Derivatives with a hedging relationship	n/a	**2,771**		2,771		**2,771**
Liabilities						
Trade payables	AC	**739,919**	799,973			**799,973**
Liabilities to banks	AC	**949,924**	1,033,465			**1,033,370**
Borrower's note loans	AC	**399,967**	399,967			**389,790**
Other financial liabilities	AC	**62,142**	65,422			**65,422**
Lease liabilities	n/a	**248,554**	278,500			**n/a**
Derivative financial liabilities						
Derivatives without a hedging relationship	FVTPL	**10,647**			10,647	**10,647**
Derivatives with a hedging relationship	n/a	**4,613**		4,613		**4,613**
Of which aggregated by categories according to IFRS 9:						
Financial assets at amortised cost	AC	**645,210**	645,210			**645,210**
Financial assets at fair value through profit or loss	FVTPL	**72,389**			72,389	**72,389**
Financial liabilities at amortised cost	AC	**2,298,827**	2,298,827			**2,288,555**
Financial liabilities at fair value through profit or loss	FVTPL	**10,647**			10,647	**10,647**

The amounts presented in the 'Carrying amount' column of this table may deviate from those in other columns of a row because the other columns include all financial instruments, also those that are shown in separate balance sheet items as part of a disposal group pursuant to IFRS 5. Further explanation of this can be found in › Note 4 'Acquisitions and disposals of subsidiaries as well as of assets and liabilities held for sale'.

€ '000	Measurement category according to IFRS 9	Recognition according to IFRS 9: Carrying amount 31/12/2020	Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss	Fair value 31/12/2020
Assets						
Cash and cash equivalents[1]	AC	**182,440**	190,893			**190,893**
Trade receivables	AC	**487,747**	494,391			**494,391**
Other financial receivables[1]	AC	**46,499**	46,976			**46,976**
Financial assets held for sale	FVTPL	**30,641**			30,641	**30,641**
Other non-derivative financial assets						
Investments	FVTPL	**1,113**			1,113	**1,113**
Derivative financial assets						
Derivatives without a hedging relationship	FVTPL	**13,208**			13,208	**13,208**
Derivatives with a hedging relationship	n/a	**9,546**		9,546	0	**9,546**
Liabilities						
Trade payables	AC	**824,552**	849,642			**849,642**
Liabilities to banks	AC	**925,168**	950,383			**950,275**
Borrower's note loans	AC	**397,312**	397,312			**384,536**
Other financial liabilities	AC	**76,772**	77,401			**77,401**
Leasing liabilities	n/a	**270,463**	271,670			**n/a**
Derivative financial liabilities						
Derivatives without a hedging relationship	FVTPL	**1,047**			1,047	**1,047**
Derivatives with a hedging relationship	n/a	**5,580**		5,580		**5,580**
Of which aggregated by categories according to IFRS 9:						
Financial assets at amortised cost	AC	**732,260**	732,260			**732,260**
Financial assets at fair value through profit or loss	FVTPL	**44,962**			44,962	**44,962**
Financial liabilities at amortised cost	AC	**2,274,738**	2,274,738			**2,261,854**
Financial liabilities at fair value through profit or loss	FVTPL	**1,047**			1,047	**1,047**

1 Prior-year figures adjusted due to reclassification of € 5,049 k in bank accounts pledged to factoring partners.

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

The other financial assets include bank deposits in the amount of €9,872 € k (previous year: €5,049 k) that are pledged to factoring partners and are therefore not available to LEONI.

The fair values of other non-current receivables maturing after more than one year correspond to the present values of payments relating to the assets, in each case taking into account the current interest parameters that reflect market and partner-related changes in terms. The fair values must therefore be allocated to hierarchy level 2.

Trade liabilities and other liabilities usually mature in the short term; the amounts on the balance sheet represent approximations of their fair value.

The fair values of liabilities to banks, the borrower's note loans and the other non-current financial liabilities are determined as the present values of the payments relating to the liabilities based on the respectively applicable yield curves and taking into account the Group-specific margins. For this reason, the fair values must be allocated to hierarchy level 2.

Capital management

The primary objective of LEONI's capital management is to ensure that it maintains a strong credit rating, a good equity ratio and appropriate gearing to support its business and increase shareholder value.

The Group manages its capital structure and makes adjustments based on the change in underlying economic conditions. In order to have as broad a range of funding options as possible, LEONI aims to seek approval during its Annual General Meeting for all anticipatory resolutions. LEONI controls its capital with gearing. Gearing is defined as the ratio of net financial debts to equity.

€ '000	2021	2020
Financial debt [1]	1,598,516	1,593,015
Less cash and cash equivalents	(164,635)	(182,440)
Net financial debt	1,433,880	1,410,575
Financial debt included in 'liabilities held for sale'	113,487	26,422
Cash & cash equivalents included in 'assets held for sale'	(7,277)	(8,453)
Net financial liabilities including items contained in 'assets / liabilities held for sale'	1,540,090	1,428,544
Equity	229,412	265,965
Gearing	**671%**	**537%**

1 Prior-year figures adjusted due to reclassification of €5,049 k in bank accounts pledged to factoring partners.

At the end of fiscal 2021, gearing stood at 671 percent (previous year: 537 percent), which is attributable to an increase in net financial liabilities due to larger bank debt as well as less cash and cash equivalents.

The current financial and liquidity situation of the LEONI Group is comprehensively presented in the Group management report (› 3.3 Financial situation). We refer to this and our going-concern reporting in the › Note headed 'Principles' for the purpose of providing explanations concerning capital management and refinancing of LEONI.

A trend in financial liabilities is presented in the following table:

Financial liabilities

€ '000	Current	Non-current	Total
01/01/2021	**50,142**	**1,542,873**	**1,593,015**
Non-cash changes			
New borrowing	6,881	105,999	112,880
Repayment	(4,801)	(7,357)	(12,158)
Non-cash changes			
Reclassification	608,265	(608,265)	0
Effect of currency translation	(62)	4,369	4,307
Measurement effects	6,858	9,180	16,038
Lease liability recognition	2,534	(2,250)	284
Reclassification to 'liabilities held for sale'	(90,140)	(25,712)	(115,852)
31/12/2021	**579,679**	**1,018,837**	**1,598,516**

€ '000	Current	Non-current	Total
01/01/2020	**364,774**	**965,010**	**1,329,784**
Non-cash changes			
New borrowing	1,559	670,114	671,673
Repayment	(246,779)	(204,216)	(450,995)
Non-cash changes			
Reclassification	(73,318)	73,318	0
Effect of currency translation	(780)	(5,570)	(6,350)
Measurement effects	(21,889)	(1,009)	(22,898)
Lease liability recognition	27,118	71,105	98,223
Reclassification to 'liabilities held for sale'	(543)	(25,879)	(26,422)
31/12/2020	**50,142**	**1,542,873**	**1,593,015**

Net results of the financial instruments

The net results of the financial instruments by measurement category were as follows:

Measurement categories under IFRS 9		€ '000
	2021	2020
Financial assets at amortised cost (AC)	23,867	(51,580)
Financial assets and financial liabilities at fair value through profit or loss (FVTPL)	(28,023)	20,680
Financial liabilities at amortised cost (AC)	(8,114)	(1,232)
Total	**(12,270)**	**(32,132)**

Offsetting of financial instruments

LEONI had derivative assets and derivative liabilities vis-à-vis various financial institutions that do not fulfil the offsetting criteria under IAS 32.42. Accordingly, these derivative financial instruments were presented separately in the statement of financial position. However, the concluded master contracts do contain offsetting agreements in the case of insolvency.

The overview below presents the corresponding figures:

31.12.2021 € '000	Gross figures	Offsetting	Net figures	Offsetting agreements	Net figures
Other financial assets					
Derivatives	4,243	0	**4,243**	(3,261)	**982**
Other financial liabilities					
Derivatives	(15,260)	0	**(15,260)**	3,261	**(11,999)**

31.12.2020 € '000	Gross figures	Offsetting	Net figures	Offsetting agreements	Net figures
Other financial assets					
Derivatives	21,783	0	**21,783**	(3,133)	**18,650**
Other financial liabilities					
Derivatives	(6,627)	0	**(6,627)**	3,133	**(3,494)**

Cash flow hedge reserve

The table below shows the trend in the cash flow hedge reserve within consolidated equity.

€ '000	Cash flow hedge reserve	of which: hedging of currency risks	of which: hedging of interest rate risks
01.01.2021	**3,014**	**6,366**	**(3,352)**
Change in value of the hedge from:			
Hedging of sales, cost of sales and investment in property, plant & equipment as well as the variable interest of the borrower's note loan	4,562	2,955	1,607
Reclassification in the income statement	(10,161)	(10,161)	
Tax effect	1,822	1,822	
31.12.2021	**(763)**	**982**	**(1,745)**
01.01.2020	**1,096**	**4,379**	**(3,283)**
Change in value of the hedge from:			
Hedging of sales, cost of sales and investment in property, plant & equipment as well as the variable interest of the borrower's note loan	(5,576)	(5,507)	(69)
Reclassification in the income statement	7,984	7,984	
Tax effect	(490)	(490)	
31.12.2020	**3,014**	**6,366**	**(3,352)**

The underlying hedging transactions are described in the sections on currency and interest rate risks.

Credit risk

The risk of default arises from deposits with banks and financial institutions, the contractual cash flows from debt instruments, derivative financial instruments with a positive fair value and, above all, outstanding trade receivables and contract assets.

All customers that conclude business with the Group on a credit basis are subject to credit screening. Regular analysis of receivables and the structure of the receivables facilitates ongoing monitoring of the risk. Accounts receivable management is organised in a decentralised way and is subject to the requirements of a guideline for Group-wide accounts receivable management.

The table below shows the breakdown by region of receivables from customers:

in percentage points	2021	2020
EMEA	**59**	**61**
from: Germany	15	12
France	10	13
United Kingdom	4	2
Romania	3	3
Russia	3	2
Other	24	29
Asia	**28**	**24**
from: China	24	20
India	2	1
South Korea	1	1
Other	1	2
Americas	**13**	**14**
fom: USA	9	10
Other	4	4

The following table shows the size categories of receivables from customers on the balance sheet date:

	2021		2020	
	in %	total share in %	in %	total share in %
Largest customer	8	8	13	13
Second largest customer	7	7	6	6
Third to fifth largest customers	5-6	15	4-5	15
Other customers	≤4	70	≤3	66

The valuation allowances for trade receivables as well as contract assets were as follows:

€ '000	2021	2020
Allowances on 1 January in accordance with IFRS 9	**34,397**	19,860
Exchange rate differences	743	(384)
Additions (allowances recognised as expense)	10,640	20,886
Usage	(818)	(1,823)
Reversal	(9,240)	(4,101)
Reclassification to assets held for sale	(481)	(40)
Allowances on 31 December	**35,241**	34,397

The previous year's increases were characterised by revised customer ratings within the default risk categories.

The gross carrying amounts of and valuation allowances for trade receivables as well as contract assets break down as follows by default risk category:

€ '000	31/12/2021 Size of exposure (gross)	31/12/2021 Valuation allowance
Risk rating		
low risk	405,270	9,316
average risk	63,509	5,488
above-average risk	107,906	5,790
increased and high risk	19,324	1,579
very high risk	4	0
exposures at default	13,067	13,067
Total	**609,080**	**35,241**

€ '000	31/12/2020 Size of exposure (gross)	31/12/2020 Valuation allowance
Risk rating		
low risk	477,059	11,215
average risk	126,629	7,320
above-average risk	108,769	10,548
increased and high risk	11,425	908
very high risk	205	31
exposures at default	4,459	4,375
Total	**728,546**	**34,397**

This is based on the following impairment matrix:

Default risk categories	Default rate	Risk rating
1 Very high credit rating	0.10%	low risk
2 High credit rating	0.25%	low risk
3 Good credit rating	0.50%	low risk
4 Relatively good credit rating	1.00%	low risk
5 Medium credit rating	2.00%	average risk
6 Higher risk	4.00%	above-average risk
7 High risk	6.50%	increased and high risk
8 Low credit rating	10.00%	increased and high risk
9 Not creditworthy	18.00%	very high risk
10 Insolvent	100.00%	exposures at default

Contract assets are allocated in full to the 'low risk' category of default risk:

Of all receivables, 28 percent (previous year: 27 percent) were covered, with insurance limits, by a Group master policy with a credit insurer or other local credit insurers. Insurance excess amounts were disregarded in determining the total amount insured. The amount actually insured was consequently slightly below this percentage. Of the non-insured receivables, 42 percent (previous year: approx. 43 percent) involved customers that are exempt from contractually compulsory cover. The customers exempt from contractually compulsory cover were mainly major companies in the automotive as well as electronic/electrical engineering sectors. For 4 percent (previous year: 30 percent) of total receivables there was no cover from a credit insurer. The table below shows the breakdown of insured and non-insured receivables from customers:

%	2021	2020
Receivables (insured)	28	27
exempt from compulsory cover	42	43
no cover	4	30

The insured subsidiaries must apply for credit insurance limits to the credit insurer for all receivables from customers that are not exempt from compulsory cover and that exceed the limits specified in the existing guideline. The following specific conditions apply: LEONI has an obligation to declare exposure to the credit insurers for all receivables from customers greater than € 50 k. A cover limit can also be obtained for smaller receivables. Consignment stores and manufacturing risks are covered by blanket insurance. The credit insurance policy reimburses 90 percent of the insured amount. Measurement and monitoring with respect to impairment of the non-insured receivables is supported among other things by the credit screening carried out by the credit insurer and other service providers.

The subsidiaries that were not insured will be integrated in the master policy so far as this makes sense from the aspect of the principal customer base and provided there are no regional or political reasons on the part of the credit insurer against inclusion. The subsidiaries that cannot be integrated are to be covered via local credit insurers. Internal credit limits are set for major customers that are exempt from mandatory cover and other non-insured customers. Limits are applied for without delay on a decentralised basis and are monitored by head office accounts receivable management.

For selected customers, true sale factoring serves as a further tool to reduce the risk of default. Customers with good credit ratings are also included.

For all other classes of financial assets, impairments as well as their changes are of subordinated significance to the consolidated financial statements of LEONI AG.

Liquidity risk

The Group monitors its current liquidity situation on a daily basis. Monthly, currency-specific, rolling liquidity planning for respective periods of 13 weeks as well as quarterly, currency-specific, rolling liquidity planning for respective periods of 18 months is used to control future liquidity requirement. The planning takes into consideration the terms of investments and financial assets (e.g. receivables or other financial assets) as well as the expected cash flows from business activity. LEONI furthermore analyses its existing finance based on its annual medium-term planning. We initiate suitable measures in good time so far as there is any change in borrowing requirement. We refer to our explanations with respect to going-concern reporting in the › Note headed 'Principles'.

The Group's objective is to ensure funding in the respective required currency. Flexibility is maintained by using such short and long-term financial instruments as overdrafts, loans, leases, factoring, reverse factoring and such capital market instruments as borrower's note loans.

To ensure liquidity, there were, on the balance sheet date, credit lines from banks amounting to €1,327,376 k (previous year: €1,252,998 k) with terms of up to one year and six months. These credit lines were drawn via current accounts and fixed deposits in the amount of €1,087,483 k (previous year: €946,361 k). Together with the cash and cash equivalents amounting to €171,912 k (previous year: €190,892 k; duly adjusted for reclassification of bank accounts pledged to factoring partners in the amount of €5,049 k), in each case including the proportion presented on the balance sheet under the item 'Assets held for sale' of €7,277 k in the current year and of €8,453 k in the previous year, this works out to available liquidity of €411,805 k on the balance sheet date (previous year: €497,529 k; duly adjusted for reclassification of bank accounts pledged to factoring partners in the amount of €5,049 k).

The following table shows the contractually agreed (undiscounted) interest and principal payments pertaining to the primary financial liabilities as well as the derivative financial instruments with negative fair values:

2021 € '000	Carrying amount 31/12/2021	Cash flow 2022	Cash flow 2023	Cash flow 2024 – 2026	Cash flow from 2027
Non-derivative financial liabilities					
Trade payables	(739,919)	(739,919)	0		
Liabilities to banks	(949,924)	(480,892)	(468,852)	(179)	
Liabilities on bills of exchange and other financial debts	(72)	(72)			
Borrower's note loans	(399,967)	(58,794)	(102,203)	(230,087)	(22,278)
Other financial liabilities	(62,070)	(62,070)			
Leasing liabilities	(248,554)	(49,189)	(41,246)	(79,127)	(109,220)
Derivative financial liabilities					
Currency derivatives without a hedging relationship	(10,647)	509,988			
		(521,533)			
Currency and interest rate derivatives	(4,613)	117,509			
in connection with with cash flow hedges		(120,099)	(904)	(845)	

2020 € '000	Carrying amount 31/12/2020	Cash flow 2021	Cash flow 2022	Cash flow 2023 – 2025	Cash flow from 2026
Non-derivative financial liabilities					
Trade payables	(824,552)	(824,552)			
Liabilities to banks	(925,168)	(4,684)	(451.279)	(460,318)	
Liabilities on bills of exchange and other financial debts	(72)	(72)			
Borrower's note loans	(397,312)	(5,214)	(58.794)	(272,827)	(81,740)
Other financial liabilities	(76,700)	(76,700)			
Finance leasing liabilities	(270,463)	(45,543)	(41.242)	(82,612)	(101,066)
Derivative financial liabilities					
Currency derivatives without a hedging relationship	(1,047)	96,103			
		(97,067)			
Currency and interest rate derivatives	(5,580)	106,393	16,804		
in connection with cash flow hedges		(107,636)	(17,413)	(1,507)	(242)

In addition to the financial liabilities presented above, the disposal group in accordance with IFRS 5 (in this regard cf. › Note 4 'Disposals of subsidiaries, assets and liabilities held for sale as well as other portfolio measures') in the year under report includes financial liabilities in the amount of €176,821 k (previous year: €52,141 k), of which lease liabilities amounting to €29,946 k (previous year: €1,207 k).

All instruments held on the respective balance sheet date and for which payments were already contractually agreed were also included. Foreign currency amounts were in each case translated at the spot rate on the reporting date. The variable interest payments pertaining to the financial instruments were determined based on the interest rates fixed most recently prior to the respective balance sheet date. Where LEONI can choose at what time financial liabilities are repaid, the liability is allocated to the earliest period in which LEONI can be required to repay. In the case of the currency derivatives, both the cash outflow and the cash inflow are presented in the table above for the purpose of transparency.

Non-deliverable forwards (NDFs) were signed to hedge amounts in currencies that are not freely convertible. This form of foreign currency transaction involves fulfilment upon maturity being based not on handling the cash flows in the corresponding currencies, but in the form of a settlement payment.

Currency risks

Although we conduct business mainly in euros or in the local currency of the respective country, we are also exposed to currency risks due to the globalisation of markets.

In the Group's holding company, LEONI AG, the Corporate Finance & Treasury department deals with the resulting currency risks in collaboration with and based on the conditions set by the currency committee with respect to limits and terms. Hedging transactions are executed in line with the existing underlying transactions as well as the planned transactions.

Selection of the hedging instrument to be used is based on regular in-depth analysis of the underlying transaction to be hedged. Most of the hedging transactions are in US dollars, Romanian LEU, Chinese yuan, British pounds sterling, Mexican pesos and Polish zloty. The objective is to limit the impact of exchange rate variation on net income. Apart from the actual hedging transactions, we primarily take advantage of the option of netting foreign currency items within the Group to hedge our operating business activity. As a further currency-hedging measure, as a matter of principle we finance our foreign subsidiaries in their respective functional currencies by way of refinancing in the corresponding currency.

On the balance sheet date, there were currency-hedging transactions amounting to €905,429 k (previous year: €939,766 k), maturing within nine months. The total fair value of forward exchange transactions existing as of the balance sheet date was negative €9,273 k (previous year: € 18,502 k). Forward exchange transactions amounting to € 232,821 k (previous year: €349,611 k) met the conditions for hedge accounting (cash flow hedges). The ones that met the conditions for hedge accounting were all completed in the 2020 and 2021 financial years. Their total fair value of negative €97 k (previous year: €7,318 k) was recognised in other comprehensive income. The cash flows from the underlying transactions are mostly expected during the 2022 financial year. The changes in fair value recognised in other comprehensive income are reclassified to the income statement in relation to the earnings effect of the underlying transaction.

The remarks below refer to forward exchange transactions that met the conditions for hedge accounting.

There is a commercial relationship between the hedged items and the hedging instruments because the terms of the forward exchange contracts match the future transactions that will occur with high probability (this is the case with the nominal amount, currency and probable payment date). The underlying risk of the forward exchange contracts is identical to the hedged risk components. The Group has therefore stipulated a 1 to 1 hedge ratio for its hedging relationships.

The detailed breakdown of the nominal volumes and the average hedging rates of the forward exchange transactions that met the conditions for hedge accounting was as follows on the balance sheet date:

	Nominal value € '000				Average hedging rates	
2021	**Residual term up to 6 months**	**Residual term 6 months to 1 year**	**Residual term 1 to 2 years**	**Total**	**Purchase**	**Sale**
Assets currency contracts	105,375	7,706	—	**113,081**		
Forward exchange transactions						
EUR-EGP	12,975	3,550	—	**16,525**	20.70	
EUR-GBP	11,021	4,156	—	**15,177**	0.87	
EUR-RON	61,402	—	—	**61,402**	5.01	
EUR-TND	19,491	—	—	**19,491**	3.35	
Other	486	—	—	**486**		
Liabilities currency contracts	83,028	36,710	—	**119,738**		
Forward exchange transactions						
EUR-GBP	7,304	—		**7,304**		0.86
EUR-RON		16,259	—	**16,259**	5.06	
EUR-USD	14,844	4,120	—	**18,964**		1.21
EUR-MXN	50,094	13,795	—	**63,889**	20.74	
Other	10,786	2,536	—	**13,322**		
2020						
Assets currency contracts	141,139	79,029	3,513	**223,681**		
Forward exchange transactions						
EUR-TND	7,038	—	—	**7,038**	3.38	
EUR-EGP	11,419	10,538	3,513	**25,470**	20.57	
EUR-GBP	1,728	—	—	**1,728**		0.90
EUR-RON	68,994	35,555	—	**104,549**	4.96	
EUR-USD	10,297	7,827	—	**18,124**		1.17
USD-MXN	37,461	24,047	—	**61,508**	22.91	
Other	4,202	1,062	—	**5,264**		
Liabilities currency contracts	60,197	48,929	16,804	**125,930**		
Forward exchange transactions						
EUR-TND	8,191	18,810		**27,001**	3.38	
EUR-EGP	2,383			**2,383**	18.53	
EUR-GBP	21,744	7,199	—	**28,943**	0.89	
EUR-RON	2,383	14,563	15,385	**32,331**	4.97	
USD-MXN	10,911	—	—	**10,911**	19.69	
Other	14,585	8,357	1,419	**24,361**		

These hedging instruments, which LEONI has designated as hedging relationships, had the following impact on the balance sheet:

€ '000	Nominal value		Carrying amount		Balance sheet items	Change in value to determine ineffectiveness	
	2021	2020	2021	2020		2021	2020
Forward exchange transactions	113,082	223,681	2,771	9,546	current or non-current other financial **assets**	2,955	(5,507)
Forward exchange transactions	119,739	125,930	(2,869)	(2,229)	current or non-current other financial **liabilities**		

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

The hedged items had the following impact on the balance sheet:

€ '000	Change in value to determine ineffectiveness		Cash flow hedge reserve	
	2021	2020	2021	2020
Hedging of sales, cost of sales and investment in property, plant & equipment	3,065	(4,335)	982	6,366

The hedging relationships had the following impact on the income statement and other comprehensive income (OCI):

€ '000	Gain or loss on hedging recognised in OCI		Ineffectiveness reclassified from OCI to income statement		Item in the income statement	Amount reclassified from OCI to income statement		Item in the income statement
	2021	2020	2021	2020		2021	2020	2021 2020
Hedging of sales, cost of sales and investment in property, plant & equipment	2,955	(5,507)	110	1,172	Other operating income/expense	(10,271)	6,812	Sales revenues, cost of sales

The amounts recognised in other comprehensive income in the context of hedge accounting came to positive €2,955 k in the financial year (previous year: negative €5,507 k). A positive amount of €10,157 k (previous year: negative €7,984 k) was reclassified via the income statement as shown in the following table.

€ '000	2021	2020
Sales revenues	423	(870)
Cost of sales	9,848	(5,942)
Other operating income/expense (ineffectiveness)	(110)	(1,172)
Total	**10,161**	**(7,984)**

Other explanations

The currency hedging transactions were signed with first rate commercial banks, meaning that there is no significant counterparty risk either.

The effectiveness of hedging relationships is determined at the beginning of each hedging relationship and by regular prospective assessment to ensure that a commercial relationship exists between the hedged item and the hedging instrument. LEONI makes a qualitative assessment whether the terms of the hedging instrument exactly match those of the hedged item ("critical term match").

When hedging foreign currency transactions, ineffectiveness can arise if the timing of the planned transaction changes vis-à-vis the original estimate, the hedged item does not occur to the expected extent or changes in the default risk of the hedged item or the derivative's counterparty occur.

Exchange rate sensitivity

Changes in exchange rates that are by prudent judgement essentially possible would affect consolidated earnings due to the fair values of the monetary assets and liabilities. Additional factors would arise that would affect equity due to change in fair value in the context of cash flow hedge accounting. We consider the risk of changes in interest rates arising from the currency derivatives to be immaterial, which is why it is not included in the assessment.

The following table is based on the exchange rates as at the balance sheet date. It illustrates the impact arising, from the perspective of the Group companies concerned, from appreciation or devaluation of the foreign currencies to be taken into account by 10 percent either way versus the respective functional currency. Comprehensive income per currency therefore also includes the impact arising from appreciation or devaluation of the euro for those Group companies where the functional currency is one of those stated in the table.

2021		€ '000
Changes in exchange rates, equity	+ 10 %	(10) %
USD	(2,105)	1,722
CNY	54	(44)
RON	8,544	(6,991)
GBP	873	(714)
PLN	570	(466)
Changes in exchange rates, earnings	+ 10 %	(10) %
USD	(37,093)	30,476
CNY	(11,963)	9,647
RON	3,259	(2,544)
GBP	8,013	(6,906)
PLN	(5,102)	4,625

2020		€ '000
Changes in exchange rates, equity	+ 10 %	(10) %
MXN	783	(641)
USD	(2,035)	1,665
CNY	(223)	181
RON	14,778	(12,091)
GBP	2,955	(2,417)
Changes in exchange rates, earnings	+ 10 %	(10) %
MXN	(1,252)	994
USD	(29,258)	23,995
CNY	(3,238)	2,365
RON	1,231	(895)
GBP	9,337	(8,016)

Interest rate risks

Depending on the expected trend of interest rates, the LEONI Group uses cash flow hedging instruments to hedge the risk of change in interest rates.

The extent of the LEONI Group's interest rate risk due to borrowing arises from both variable-rate borrower's note loans and fixed-interest borrower's note loans.

Interest rate swaps to hedge the risk of rate changes were likewise entered into in the same amount and with the same terms as the variable-rate borrower's note loans totalling €182,000 k that were placed in November 2018. LEONI AG receives a variable rate matching the 6-month EURIBOR and pays a fixed amount for these interest rate swaps. They hedge the future interest payments of the variable-rate borrower's note loans and have maximum residual terms of six years and ten months.

There is a commercial relationship between the hedged item and the hedging transaction because the terms of the interest rate swaps match those of the variable-interest loans. This applies to the nominal amount, the maturity, the payment dates and the repricing dates. The underlying risk of the interest rate swaps is identical to the hedged risk components. The Group has therefore stipulated a 1 to 1 hedge ratio for such a hedging relationship.

The detailed breakdown of the nominal volumes and the average hedging rates of these interest rate swaps that met the conditions for hedge accounting was as follows on the balance sheet date:

Liabilities derivative interest-rate contracts € '000	Nominal Value								Average hedging rate in % based on current fixing	
	Residual term up to 2 years		Residual term 2 years to 6 years		Residual term 6 years to 10 years		Total			
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Interest rate swaps	87,000	0	95,000	174,000	0	8,000	**182,000**	**182,000**	0.5161	0.5161

These hedging instruments, which LEONI has designated as hedging relationships, had the following impact on the balance sheet:

€ '000	Nominal value		Carrying amount		Balance sheet items	Change in value to determine ineffectiveness	
	2021	2020	2021	2020		2021	2020
Interest rate swaps	182,000	182,000	(1,866)	(3,472)	Other non-current financial liabilities	1,607	(69)

The hedged items had the following impact on the balance sheet:

€ '000	Change in value to determine ineffectiveness		Cash flow hedge reserve	
	2021	2020	2021	2020
Hedging variable interest of the borrower's note loan	1,607	(69)	(1,745)	(3,352)

The hedging relationships had the following impact on the income statement and other comprehensive income (OCI):

€ '000	Gain or loss on hedging recognised in OCI	
	2021	2020
Hedging variable interest of the borrower's note loan	1,607	(69)

The increase in fair value totalling € 1,607 k (previous year: a reduction of €69 k) was recognised in OCI. This resulted in neither ineffectiveness nor reclassifications in the income statement.

Other explanations

The fair values of the interest rate hedging instruments (interest swaps) were based on discounted future cash flows. The applicable market interest rates and volatilities were used for the residual maturities of the financial instruments.

We regard the counterparty risk as being very small because all interest rate derivatives were signed with national and international commercial banks that have first-class ratings. Counterparty risk is subject to regular monitoring.

The effectiveness of hedging relationships is determined at the beginning of each hedging relationship and by regular prospective assessment to ensure that a commercial relationship exists between the hedged item and the hedging instrument. LEONI makes a qualitative assessment whether the contract modalities of the hedging instrument exactly match those of the hedged item.

Ineffectiveness can arise from the contract terms differing between the interest rate swap and the hedged item as well as from credit value/debt value adjustments which are not offset by changes in the fair value of the hedged loans.

Interest rate sensitivity

Consolidated earnings depend on the level of market interest rates. Any change in this level would impact the Group's earnings and equity. The analysis we carry out covers all interest-bearing financial instruments that are subject to the risk of changes in interest rates. Risks of changes in interest rates that impact other comprehensive income did not have to be considered.

When calculating the sensitivity of the interest rates, we assume a parallel shift in the yield curve. Given expectation of a still volatile interest rate setting, we have adjusted the upward shift to 100 basis points and the downward shift to 50 basis points. A rate of zero interest is applied as the floor. With respect to the currencies that are key to us in this respect, the shift impacts the income statement as well as equity as follows:

2021		€ '000
Changes in interest, equity	+ 1.00 %	(0.50) %
EUR	2,973	(654)
Changes in interest, earnings	+ 1.00 %	(0.50) %
CNY	748	(374)
EUR	(3,465)	0

2020		€ '000
Changes in interest, equity	+ 1.00 %	(0.50) %
EUR	3,157	(276)
Changes in interest, earnings	+ 1.00 %	(0.50) %
CNY	459	(229)
EUR	(3,535)	0

Risks related to raw material prices

Business within the Wire & Cable Solutions division is sensitive to changes in raw material prices, especially of copper, but also gold and silver. For this reason, purchase prices for gold, silver and especially copper are hedged by way of future transactions to cover the usual future procurement volume. Such commodity future transactions are signed within ordinary business activity and as part of purchasing activity for required raw materials and therefore need not, in line with IFRS 9, be accounted for as financial derivatives. Commodity future transactions that are settled in cash are recognised as derivatives, changes in the fair value of which are recognised in the cost of sales. The risks arising from these derivatives are of minor significance to the Group.

30 | Measurement of fair value

The measurement of the fair values of assets and liabilities by hierarchy levels was as follows:

31.12.2021 € '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
Assets measured at fair value				
Primary financial assets				
Financial assets held for sale		70,792		**70,792**
Investments			73	**73**
Derivative financial assets				
Derivatives without a hedging relationship	52	1,472		**1,524**
Derivatives with a hedging relationship		2,771		**2,771**
Liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship		10,647		**10,647**
Derivatives with a hedging relationship		4,613		**4,613**

31.12.2021 € '000				
Assets measured at fair value				
Primary financial assets				
Financial assets held for sale		46,215		**46,215**
Investments			1,113	**1,113**
Derivative financial assets				
Derivatives without a hedging relationship	971	12,237		**13,208**
Derivatives with a hedging relationship		9,546		**9,546**
Liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship		1,047		**1,047**
Derivatives with a hedging relationship		5,580		**5,580**

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

The following valuation techniques and inputs to determine fair value were used for financial assets and liabilities that are either measured at fair value or for which a disclosure concerning fair value is presented in the Notes.

Level 1: The market price on the reporting date is applied to commodity future transactions recognised as derivatives.

Level 2: Given the very short terms of the trade receivables contained in the item 'financial assets held for sale', the fair values largely correspond to the carrying amounts, as they did in the previous year. Foreign exchange transactions are measured based on current reference rates observable on the market and taking into consideration forward premiums or discounts. This considers the credit risk of the contracting partner by determining credit value adjustments (CVAs) or debt value adjustments (DVAs) based on applying a premium/discount.

The fair value of the financial debts is derived from the present value of the expected cash inflows or outflows while considering the market interest rates and volatilities applicable for the remaining terms.

Level 3: Investments that are of subordinated significance to the consolidated financial statements of LEONI AG are classified to this level.

31 | Earnings per share

Basic earnings per share were calculated as follows:

	2021		2020	
	Total amount	Earnings per share	Total amount	Earnings per share
	€ '000	€	€ '000	€
Numerator:				
Income before taxes attributable to equity holders of the parent company	20,743		(336,674)	
Consolidated net loss attributable to equity holders of the parent company	(47,722)	(1.46)	(329,903)	(10.10)
Denominator:				
Weighted average number of shares outstanding	32,669,000		32,669,000	

As in the previous year, the number of shares outstanding on 31 December 2020, of 32,669,000, corresponded to the number of shares issued. As in the previous year, there was no dilution effect in the financial year under report.

32 | Auditor's professional fees

Expenses due to services performed by the appointed auditors in the financial year pertain primarily to audit of the financial statements and the consolidated financial statements alongside the combined management report of the parent company as well as audits of the financial statements of various subsidiaries as at 31 December 2021. There was furthermore a review of the half-year financial report as at 30 June 2021. The decrease in fees for auditing the financial statements to €2,599 k is due mainly to the figure for fiscal 2020 having included additional auditing services for the 2019 financial statements that were incurred, particularly in March 2020, in connection with the Covid-19 pandemic.

Other assurance services include particularly services in connection with auditing financial statements for a special purpose due to the activity involved in selling WCS subsegments. In the previous year, this included particularly services for the voluntary review of the risk management system.

€ '000	2021	2020
Audit	2,599	2,864
Other assurance services	1,007	194
Total	**3,606**	**3,057**

33 | Personnel expenses and employees

€ '000	2021	2020
Wages and salaries	1,015,950	920,543
Social security contributions, expenses for pensions and retirement and fringe benefits	215,604	201,538
	1,231,554	**1,122,081**

The latter item includes the following retirement benefit expenses:

€ '000	2021	2020
Net periodic pension cost	8,301	10,265
Costs of defined contribution plans	84,927	71,974
	93,228	**82,239**

Annual average number of employees:

	2021	2020
Salaried staff	15,579	15,855
Wage earners	85,892	78,836
	101,471	**94,690**

The Group employed 101,372 people on the balance sheet date (previous year: 101,007), of whom 97,049 worked outside Germany (previous year: 96,420).

CONSOLIDATED FINANCIAL STATEMENTS
OTHER INFORMATION

34| Transactions with related parties

The compensation for management in key positions within the Group comprises the compensation for active members of the Board of Directors and the Supervisory Board.

The compensation for members of the Board of Directors broke down as follows:

€ '000	2021	2020
Benefits due in the short term	3,633	3,774
Other benefits due in the long term	584	678
Post-employment benefits	450	532
	4,667	4,984

The short-term benefits included, along with the fixed compensation, a variable component of €1,779 k (previous year: €953 k). The expense for the long-term compensation component in fiscal 2021 was €584 k (previous year: €225 k). The receipts of the members of the Board of Directors pursuant to Section 314 (1) no. 6a of the German Commercial Code (Handelsgesetzbuch, "HGB") totalled €4,667 k (previous year: €4,984 k).

The compensation for members of the Supervisory Board in the year under report totalled €1,539 k (previous year: €1,213 k), which was exclusively comprised of benefits due in the short term.

LEONI's corporate governance is geared to the principles of the German Corporate Governance Code. Further information is contained in the Statement on Corporate Governance pursuant to Sections 289f and 315d of the HGB, which is publicly accessible on the Company's website (» www.leoni.com/en/investor-relations/corporate-governance/).

Compensation for employee representative members of the Supervisory Board
The employee representatives on LEONI AG's Supervisory Board received compensation based on their service contracts at LEONI. LEONI's related expenses were €549 k (previous year: €576 k). On 31 December 2021, there were liabilities in the amount of €47 k (previous year: €45 k) pertaining to service contracts with employee representative members of the Supervisory Board.

Compensation for former members of the Board of Directors
The receipts in the financial year of former members of the Board of Directors and their surviving dependants amounted to €972 k (previous year: €1,034 k). There are pension obligations (DBO) vis-à-vis former members of the Board of Directors and their surviving dependants in the amount of €19,164 k (previous year: €21,222 k).

Joint ventures and associates

The Group had business relationships with joint ventures during the financial year. Transactions with these related parties resulted from normal trade in goods and services and were concluded on standard market terms. The extent of these business relationships with related entities and persons is presented in the following table:

€ '000	2021	2020
Receivables from long-term loans	3,453	3,750
Trade receivables	13,983	6,929
Liabilities from deliveries and services	1,420	1,960
Income from disposals and services	16,619	13,059
Purchases and services obtained	570	1,619

This includes primarily the business relationships with the joint venture in Langfang, China.

Other relationships with related parties

Mr Hans-Joachim Ziems was a member of the Board of Directors until 31 March 2021. Until Mr Ziems' departure, LEONI procured services from Ziems & Partner Unternehmensberater (consultants) in the amount of €1,903 k. Furthermore, at the time Mr Ziems left the Board of Directors, there were liabilities to this company in the amount of €2,550 k. The services were procured on standard market terms.

There were no other reportable transactions with related parties.

35 | Declaration pertaining to the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)

In December 2021, the Board of Directors and the Supervisory Board issued the updated declaration of conformity pursuant to Section 161 of the AktG and made this available to shareholders on a permanent basis by publishing it on the internet » www.leoni.com. The Declaration of Conformity is also included in the Corporate Governance report, which is published in the 2021 Annual Report.

36 | Events after the balance sheet date

In January 2022, searches were also conducted at facilities of the LEONI Group as part of investigations by the German Federal Cartel Office (Bundeskartellamt) against various cable manufacturers and other sector-related companies. The reason for these investigations is the suspicion that cable manufacturers colluded on computing customary metal surcharges in Germany. LEONI is cooperating with the authorities and immediately launched an internal investigation of the allegations. There is as yet insufficient evidence of any violations that would make sentence to a fine appear probable. In particular, there is presently no evidence of any collusion / coordination in the past five years. At the same time, there are indications that defence against the presently known allegations of the Federal Cartel Office has good prospects. As the Cartel Office proceedings are still at a very early stage, it is not yet possible to issue any statement on their possible outcome.

The sale of key parts of the industrial business pooled in Business Group Industrial Solutions of the Wire & Cable Solutions Division to BizLink Holding Inc. was closed on 20 January 2022. The deal agreed in October 2021 was still subject to various closing conditions, which have meanwhile been met. The operations sold were measured at an enterprise value of about €450 million. The cash inflow realised upon completion after deducting financial liabilities and pension charges, among other things, exceeds €300 million and will be used to boost liquidity. The generated gain of about €200 million will be presented under reported fiscal 2022 consolidated EBIT.

LEONI AG augmented its Board of Directors effective 1 February 2022: Dr Ursula Biernert and Mr Ingo Spengler joined the Board as Chief Human Resources Officer (CHRO) as well as Labour Director, and Chief Operations Officer (COO), respectively. On 27 January, it was also announced that Dr Harald Nippel was appointed Chief Financial Officer (CFO) effective 1 April 2022. A graduate industrial engineer, he already joined LEONI on 1 February to facilitate the best possible transition. Alongside stabilising the Company further and focussing on the automotive business, the newly constituted Board of Directors will forge ahead with developing LEONI into a systems partner to its customers for the wiring system of the future.

On 21 February 2022, Pierer Industrie AG disclosed that it has, effective on the same date, exceeded the threshold of 20 percent of the voting rights in LEONI AG by commanding 20.00003673207 percent of the voting rights through a purchase of shares.

The war that broke out between Russia and Ukraine at the end of February 2022 concerns the production of WSD companies in both countries and could lead to losses of deliveries, production and sales. There is the risk of higher costs, loss of assets due to destruction and impairment due to sanctions or concerning international payments. This could adversely affect our financial, asset and earnings situation. The direct and indirect fallout will be heavily dependent on how the war develops and therefore entails major uncertainties. Given the whole situation's dynamic development, neither the specific extent nor the duration of adverse effects can at present be reliably determined. The actual impact depends crucially on what is ahead in terms of the Ukraine war, which the Board of Directors is monitoring continuously to nevertheless successfully keep the started restructuring process on track. We otherwise refer to the statements in the › Risk and opportunity report.

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

Nuremberg, 16 March 2022

LEONI AG
The Board of Directors

Aldo Kamper | Dr Ursula Biernert

Ingrid Jägering | Ingo Spengler

SCOPE OF CONSOLIDATION

Consolidated companies til 31/12/2021		Ownership in %
I. Consolidated companies		
LEONI AG, Nuremberg, Germany		
LEONI Kabel GmbH, Nuremberg	1)	100
LEONI Industry Holding GmbH, Roth		100
Haarländer GmbH, Roth	1)	100
KB Kabel Beteiligungs-GmbH, Nuremberg		100
LEONI Cable Assemblies GmbH, Roth	1)	100
LEONI Draht GmbH, Nuremberg	1)	100
LEONI elocab GmbH, Georgensgmünd		100
LEONI Fiber Optics GmbH, Neuhaus-Schierschnitz	1)	100
LEONI HighTemp Solutions GmbH, Halver	1)	100
LEONI Kerpen GmbH, Stolberg		100
LEONI protec cable systems GmbH, Schmalkalden		100
LEONI Special Cables GmbH, Friesoythe		100
j-fiber GmbH, Jena		100
j-plasma GmbH, Jena	1)	100
LEONI Bordnetz-Systeme GmbH, Kitzingen	1)	100
LEONI Kabelsysteme GmbH, Neu-Ulm	1)	100
LEONI CIA Cable Systems S.A.S., Gellainville, France		100
LEONI Wiring Systems Spain, S.L.U., Barcelona, Spain		100
LEONI Italy S.r.l., Felizzano (Alessandria), Italy		100
LEONI Industry-Verwaltungs-GmbH, Roth		100
Silitherm,S.r.l., Monticelli d'Ongina (Piacenza), Italy		100

1 Companies that make use of the exemption under Article 264, Section 3 of the German Commercial Code.

	Ownership in %
LEONI Industry Slovakia spol. s r.o., Slovakia	100
LEONI Kabel Polska sp. z o.o., Kobierzyce, Poland	100
LEONI Kablo ve Teknolojileri Sanayi ve Ticaret Ltd. Sirketi, Mudanya, Turkey	95
LEONI Slovakia spol. s.r.o.,Trencin, Slovakia	100
LEONI Tailor-Made Cable UK Ltd., Chesterfield, Derbyshire, United Kingdom	100
LEONI Temco Ltd., Cinderford, Gloucestershire, United Kingdom	100
LKH LEONI Kábelgyár Hungária Kft., Hatvan, Hungary	100
neumatic cz, s.r.o., Mírová pod Kozákovem, Czech Republic	100
LEONI Wiring Systems Arad S.R.L., Arad, Romania	100
LEONI Wiring Systems France S.A.S., Montigny le Bretonneux, France	100
LEONI Wiring Systems Pitesti S.R.L., Bascov, Romania	100
LEONI Wiring Systems RO S.R.L., Bistrita, Romania	100
LEONI Systems Spain, S.L.U., Sant Feliu de Llobregat,/Barcelona, Spain	100
LEONI Wiring Systems U.K. Ltd., Newcastle-under-Lyme, Staffordshire, United Kingdom	100
TOV LEONI Wiring Systems UA GmbH, Striy, Ukraine	100
Leonische Portugal Lda., Lugar de Sao Martinho, Guimaraes, Portugal	100
LEONI Wiring Systems Czech, s.r.o., Czech Republic	100
OOO LEONI RUS, Zavolzhye, Russia	100
LEONI Wiring Systems Southeast d.o.o., Prokuplje, Serbia	100
LEONI Bulgaria EOOD, Pleven, Bulgaria	100
LEONI Fiber Optics, Inc., Williamsburg, Virginia, USA	100
LEONI Cable Maroc SARL, Aïn Sebâa, Casablanca, Morocco	100
LEONI Cable (China) Co., Ltd., Changzhou, China	100
LEONI Wire (Changzhou) Co., Ltd., Changzhou, China	100
LEONI Special Cables (China) Co., Ltd., Changzhou, China	100
Leonische Holding, Inc., Wilmington, Delaware, USA	100
LEONI Cable, Inc., Rochester, Michigan, USA	100
LEONI Cable S.A. de C.V., Cuauhtémoc, Chihuahua, Mexico	100

	Ownership in %
LEONI Cable de Chihuahua S.A. de C.V., Cuauhtémoc, Chihuahua, Mexico	100
LEONI Elocab Ltd., Kitchener, Ontario, Canada	100
LEONI Engineering Products & Services, Inc., Troy, Michigan, USA	100
LEONI Cable Solutions (India) Pvt. Ltd., Pune, India	100
LEONI Wire, Inc., Chicopee, Massachusetts, USA	100
LEONI Wire & Cable Solutions Japan K.K., Atsugi-shi Kanagawa, Japan	100
LEONI Automotive do Brasil Ltda., Itú, Saõ Paulo, Brazil	100
LEONI Electrical Systems (Shanghai) Co., Ltd., Shanghai, China	100
LEONI Wiring Systems (Tieling) Co., Ltd., Tieling, China	100
LEONI Wiring Systems Tunisia SARL, M'Saken-Sousse, Tunisia	100
LEONI Wiring Systems Ain Sebaa S.A., Aïn Sebâa, Casablanca, Morocco	100
LEONI Wiring Systems Bouskoura S.A., Bouskoura, Casablanca, Morocco	100
LEONI Wiring Systems Berrechid S.A., Berrechid, Morocco	100
LEONI Wiring Systems Egypt S.A.E., Nasr City, Kairo, Egypt	100
LEONI Wiring Systems, Inc., Tucson, Arizona, USA	100
LEONI Wiring Systems Mexicana S.A. de C.V., Hermosillo, Mexico	100
LEONI Wiring Systems de Yucatán S.A. de C.V., Mérida, Mexico	100
LEONI Wiring Systems de Paraguay S.R.L., Asunción, Paraguay	100
LEONI Wiring Systems (Pune) Pvt. Ltd., Pune, Maharashtra, India	100
LEONI Wiring Systems Korea, Inc., Busan (Jisa-dong), Korea	100
LEONI Electrical Systems (Jining) Co., Ltd., Jining, China	100
LEONI Electrical Systems (Penglai) Co., Ltd., Penglai, China	100
II. Associated companies and joint ventures	
Intedis GmbH & Co. KG, Würzburg, Germany	50
Intedis Verwaltungs-GmbH, Würzburg, Germany	50
Langfang LEONI Wiring Systems Co., Ltd., Sanhe City, Hebei Province, China	50
j-fiber Hengtong GmbH, Jena, Germany	38

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the consolidated financial statements and of the combined management report

Audit Opinions

We have audited the consolidated financial statements of LEONI AG, Nuremberg, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2021 to 31 December 2021 and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of LEONI AG, Nuremberg, for the financial year from 1 January 2021 to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the corporate governance statement pursuant to section 289f and 315d German Commercial Code (HGB) including the reporting on corporate governance referenced in section 1.7 of the combined management report as well the non-financial statement pursuant to sections 315b and 315c HGB included in section 5.4 of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the financial year from 1 January 2021 to 31 December 2021, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the corporate governance statement pursuant to section 289f and 315d HGB including the reporting on corporate governance as well as the non-financial statement pursuant to sections 315b and 315c HGB.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Material Uncertainty Related to Going Concern

We refer to section "Principles" in the notes to the consolidated financial statements and to section 6.5 "Opportunity and risk situation", subchapter "Liquidity risk and financial risks" and subchapter "The Board of Directors´ assessment of the opportunity and risk situation" of the combined management report, in which the executive directors describe uncertainties of the future business development due to the COVID-19 pandemic, the semiconductor crisis and the Ukraine war as well as the expiration of significant parts of the current financing at the end of the financial year 2022 as risks relating to the Group's ability to continue as a going concern. During the financial year 2021, the group has implemented further measures to secure short and medium-term liquidity. However, to ensure financing and liquidity, it is necessary to timely and successfully refinance the material parts of the current financing until the end of the financial year 2022. Furthermore, in addition to the planned sale of selected units of the WCS Division, additional measures to support liquidity are planned, such as price negotiations with customers and the further implementation of cost-saving programs. The executive directors' previous multi-year plan is based on the timely implementation of these measures. The impact of the war in Ukraine have not been considered in the multi-year plan. It is the opinion of the executive directors as well as an external expert that has assessed the impact of the Ukraine war for Leoni Group, that the war will likely have a negative impact on the financial performance indicators. As presented in the combined management report, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern, and constitute a risk with regards to the Group's ability to continue as a going concern within the meaning of section 322 (2) sentence 3 HGB.

As part of our audit, we considered whether the preparation of the consolidated financial statements using the going concern assumption as well as the disclosures in respect of the material uncertainty regarding the Group's ability to continue as a going concern in the notes to the financial statements as well as the further disclosures, explanations an analysis contained in the combined management report are appropriate. In this context, we assessed the executive directors' multi-year plan with regard to its plausibility. As part of this assessment, we audited the assumptions underlying the executive directors' current multi-year plan and the measures planned in order to evaluate whether the assumptions made and the measures planned are realistic under the current circumstances. Where individual measures were already implemented in 2021, we inspected and critically assessed the corresponding contracts and agreements. With the support of our specialists from the valuation department, we checked the plausibility of expectations regarding future revenues included in the plan against general and sector-specific market expectations. In this context, we also assessed the draft of an update of the restructuring report based on IDW S6 from March 2022, which was prepared by an external expert. As part of updating the restructuring report, the external expert also validated the multi-year plan including the current assessment of the impact of the Ukraine war on the Group. At the end of the audit, we critically discussed and assessed the plausibility of these assessments with the external experts and the executive directors.

During the entire audit, we regularly discussed the plausibility of the executive directors' multi-year plan, the individual measures, their implementation, and the compliance with the restructuring plan together with the executive directors and the supervisory board and, at the end of the audit, also with the external expert, that had drafted the update of the restructuring report based on IDW S6. Further, we carefully evaluated the external expert's report on compliance with the restructuring milestones in accordance with the restructuring report based on IDW S6 from April 2020.

To validate the executive directors' assessments on the prospects of success of the refinancing, we also critically evaluated another external expert's written opinion from March 2022. In addition, we interviewed the advisors involved in the refinancing discussions regarding the status of the negotiations.

We have also verified the appropriateness of disclosures regarding the material uncertainty relating to the Group's ability to continue as a going concern according to section 322 (2) sentence 3 HGB contained in the consolidated financial statements and the combined management report.

Our audit opinions were not modified in respect of this matter.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2021 to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

In the following we present the key audit matters we have determined in the course of our audit:

1. Valuation of Goodwill, Other intangible assets and Property, Plant and Equipment

2. Recognition and valuation of the provisions for losses from onerous contracts

Our presentation of these key audit matters has been structured as follows:

a) Description (including reference to corresponding information in the consolidated financial statements and the combined management report)

b) Auditor's response

1. Valuation of Goodwill, Other intangible assets and Property, Plant and Equipment

a) As of 31 December 2021, a goodwill of EUR 69 million is presented in LEONI's consolidated financial statements, which corresponds to a share of around 2% of the Group´s total assets respectively 28% of the Group´s equity. In addition, the consolidated financial statements include other intangible assets and property, plant and equipment of EUR 1.310 million, which corresponds to a share of around 38% of the Group´s total assets respectively 570% of the Group´s equity

Regarding Goodwill, impairment tests are carried out during the financial year or in case of triggering events. In addition, impairment tests must also be performed for other intangible assets and property, plant and equipment in case of triggering events.

The impairment tests are based on valuations using the discounted cash flow method. These valuations are based on the present value of future cash flows, which are based on the financial plans and forecasts in place at the time of the valuation. Discounting is based on the weighted average cost of capital (WACC).

The executive directors apply judgments and estimations when performing the impairment tests. This applies in particular to the assessment of future cash flows of cash generating units and the discount rate used. Consequently, the result of any impairment test is subject to uncertainties, especially given the uncertainties of the COVID-19 pandemic and the semiconductor shortage as a result of the pandemic as well as the associated uncertainty with regard to the development of sales. The result of the impairment tests depends to a large extent on the executive directors' judgements made on the valuation parameters and is therefore subject to uncertainties and discretion.

Consequently, the impairment tests for goodwill as well as other intangible assets and property, plant and equipment were classified as a key audit matter.

The information provided by the executive directors on the impairment tests can be found in note 1 "Principles of consolidation as well as summary of key accounting and valuation methods" (sections "Measurement of fair value", "Goodwill", "Impairment of intangible assets and property, plant and equipment" as well as "Key judgments, estimates and assumptions"), in note 17 "Impairment testing of property, plant and equipment as well as intangible assets" and in note 18 "Goodwill"

b) Using our risk-based audit approach, we focused our audit on the processes around performing the impairment tests. We examined whether the valuation model used properly reflects the requirements of the relevant accounting standards and whether the formulas in the model are correct. Additionally, we audited the completeness and accuracy of the input data and that the input data was accurately processed in the model. Additionally, we also evaluated with the planning process.

We performed the audit of the valuation models as well as the mathematical accuracy of the valuation model with the involvement of our valuation specialists.

We reconciled the future cash flows used in the valuation with LEONI's multi-year financial plans and evaluated the plausibility of the assumptions incorporated in the plans using general and industry-specific market expectations. In this context, we also assessed the draft of the restructuring report from March 2022, which was originally prepared by an external expert of the executive directors in accordance with IDW S 6 and has now been updated. As part of the updating of the original report, the external expert also validated the multi-year plan.

Since changes in the discount rate might have a significant impact on the recoverable amount and therefore on the result of the impairment test, we have validated the parameters used in determining the discount rate (WACC) supported by our valuation specialists and used their expertise to audit the WACC calculations. Due to the uncertainties inherent in the valuation, we have also carried out our own sensitivity analyses for cashgenerating units with minimal coverage.

2. Recognition and valuation of provisions for losses from onerous contracts

a) LEONI's consolidated financial statements include provisions for losses from onerous contracts amounting to EUR 71 million.

An onerous contract exists if the unavoidable costs of meeting the obligation exceed the economic benefits expected to be received under it. The calculations of individual long-term customer projects form the basis for recognizing and evaluating the provisions from onerous contracts. The executive directors have to make considerable assumptions and forward-looking estimations regarding future project revenues and costs for these calculations. Accordingly, the estimations involve considerable uncertainty regarding future developments in the long-term customer projects, especially given the impact of the COVID-19 pandemic and the semiconductor shortage as a result of the pandemic as well as the associated uncertainty with regard to the sales development, the availability of intermediate products as well as the development of raw material prices and labour costs. There is a risk that the provisions for onerous contracts have not been recorded completely in the consolidated financial statements or are not measured appropriately. We have classified the recognition and the valuation of provisions for losses from onerous contracts as a key audit matter.

The information provided by the executive directors on the provisions for losses from onerous contracts can be found in section 1 „Principles of consolidation and summary of significant accounting judgments, estimates and assumptions" (section "Other provisions" and "Key judgements, estimates and assumptions") and section 25 "Provisions" of the notes to the consolidated financial statements.

b) As part of our risk-based audit, we carefully assessed the processes for determining the provisions for onerous contracts. In this context, we examined whether the general recognition and valuation criteria for provisions, including the specific criteria of IAS 37.66 and following sections, were applied.

We assessed the judgements made by the executive directors for individual projects based on a representative sample selection. Additionally, we carefully reviewed the underlying contracts and agreements and checked whether the provisions contained therein were taken into account when determining the provisions. Based on inquiries with the project managers, we analyzed the current project information (planned revenues and costs) and validated the accuracy. We assessed the estimates and assumptions made on the basis of the knowledge gained through our procedures and historical financial data. We also reconciled the calculation of the provisions with the contract and planning data as well as data from cost accounting systems

Other Information

The executive directors and the supervisory board are responsible for the other information. The other information comprises:

- the report of the supervisory board
- the non-financial declaration contained in section 5.4 of the combined management report in accordance with sections 315b, 315c HGB,
- the corporate governance statement pursuant to sections 289f and 315d HGB including the reporting on corporate governance, which is referenced section 1.7 of the combined management report,
- the executive directors' confirmation regarding the consolidated financial statements and the combined management report pursuant to section 297 (2) sentence 4 and section 315 (1) sentence 5 HGB, and
- all other parts of the published annual report, but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors as well as the supervisory board are responsible for the declaration according to Section 161 German Stock Corporation Act (AktG) including the reporting on corporate governance that is referenced in section 1.7 of the combined management report. Apart from that the executive directors are responsible for the other information

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our group audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a com-bined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- onclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions

used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Group Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Reasonable Assurance Opinion

We have performed an audit in accordance with 317 (3a) to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the attached electronic file SHA256: E78D34F148775AC9998ED7333B0B-E78033041C1E791C20E43C04B3E207FE018D, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the group management report prepared for publication contained in the provided file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying group management report for the financial year from 1 January 2021 to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the audit opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the group management report contained in the provided file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 41 (10.2021)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents
The executive directors of the parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the group management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the provided file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on 19 May 2021. We were engaged by the supervisory board on 19 August 2021 / 08 September 2021. We have been the group auditor of LEONI AG, Nuremberg, without interruption since the financial year 2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

OTHER MATTER – Use of the Auditor's Report

Our auditor's report should always be read in conjunction with the audited consolidated financial statements and the audited group management report as well as the audited ESEF documents. The consolidated financial statements and the combined management report converted into ESEF format – including the versions to be published in the German Federal Gazette [Bundesanzeiger] – are merely electronic reproductions of the audited consolidated financial statements and the combined audited management report and do not replace these. In particular, the ESEF assurance report and our assurance conclusion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT
The German Public Auditor responsible for the engagement is Sebastian Kiesewetter.

Nuremberg, 17 March 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Sebastian Kiesewetter)	(Alexander Hofmann)
German Public Auditor	German Public Auditor

INDEPENDENT AUDITOR'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the group non-financial statement 2021 of Leoni AG. The following text is a translation of the original German independent assurance report.

To LEONI AG, Nuremberg

We have performed a limited assurance engagement on the group non-financial statement included in the "Group non-financial statement" section of the group management report of Leoni AG, Nürnberg, (hereinafter the "Company") as well as the "1.1 Business model" section of the group management report incorporated by reference, for the period from 1 January 2021 to 31 December 2021 (hereinafter the "group non-financial statement").

A. Responsibilities of the executive directors
The executive directors of the Company are responsible for the preparation of the group non-financial statement in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section "EU taxonomy disclosures" of the group non-financial statement.

These responsibilities of the Company's executive directors include the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a group non-financial statement that is free from material misstatement, whether due to fraud (manipulation of the group non-financial statement) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU taxonomy disclosures" of the group non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

B. Independence and quality assurance of the auditor's firm
We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements - in particular the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German Sworn Auditors]) in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

C. Responsibilities of the auditor
Our responsibility is to express a conclusion with limited assurance on the group non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's group non-financial statement is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section "EU taxonomy disclosures" of the group non-financial statement.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organization and stakeholder engagement,
- Inquiries of the executive directors and relevant employees involved in the preparation of the group non-financial statement about the preparation process, about the internal control system related to this process, and about disclosures in the group non-financial statement,
- Inquiries of employees regarding the selection of topics for the group non-financial statement, the risk assessment and the concepts of the group for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the group non-financial statement, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the group non-financial statement,
- Identification of likely risks of material misstatement in the group non-financial statement,
- Analytical evaluation of disclosures in the group non-financial statement,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the presentation of disclosures in the group non-financial statement, and
- Evaluation of the process to identify the taxonomy-eligible economic activities and the corresponding disclosures in the group non-financial statement.

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

D. Assurance conclusion
Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the group non-financial statement of the Company for the period from 1 January 2021 to 31 December 2021 is not prepared, in all material respects, in accordance with Sec. 315c in

conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section "EU taxonomy disclosures" of the group non-financial statement.

E. Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

F. General Engagement Terms and Liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 17 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Richter	Meyer
Wirtschaftsprüferin	Wirtschaftsprüferin
German Public Auditor	German Public Auditor

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Nuremberg, 16 March 2022

LEONI AG
The Board of Directors

Aldo Kamper

Dr Ursula Biernert

Ingrid Jägering

Ingo Spengler

ADDITIONAL INFORMATION

TEN-YEAR OVERVIEW

1 Changed measurement from 2016/18

2 This key figure represents adjustment of EBIT for exceptional, non-recurring factors to facilitate easier comparability between the periods and better interpretation of operating profitability. Exceptional items comprise material impairment of goodwill, intangible assets, property, plant and equipment as well as other assets, significant expenses for contingent losses on customer contracts, costs to prepare for carving out the Wire & Cable Solutions Division (excl. internal costs), refinancing costs (incl. consultant, bank and solicitor fees; apart from the costs that are attributed to interest expenses), other non-recurring expenses incurred by strategic decisions as well as external additional expenses in connection with the Covid-19 pandemic (for example additional coach transfers, protective clothing, masks and disinfectants). Costs for the VALUE 21 programme comprise all the related restructuring and severance costs as well as third-party consultant fees.

3 For fiscal year 2020 net debt including items contained in "Assets / liabilities held for sale"

4 Subject to approval by shareholders at the AGM

under IFRS			2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Sales	Group	€ '000	**5,118,923**	4,133,538	4,845,712	5,101,123	4,925,297	4,431,322	4,502,940	4,103,434	3,917,886	3,809,007
	EMEA (without Germany)	%	**41.1**	45.4	45.9	42.4	41.5	40.8	39.9	39.0	40.6	42.9
	Germany	%	**27.1**	23.5	23.2	27.2	27.7	28.3	25.5	27.0	27.8	27.0
	Americas	%	**16.8**	16.0	17.1	15.6	15.2	15.8	16.4	15.1	14.7	15.1
	Asia	%	**15.0**	15.1	13.8	14.8	15.6	15.1	18.2	18.9	16.9	15.0
	Wire & Cable Solutions	%	**37.7**	38.5	37.5	37.9	37.8	39.3	40.7	41.5	40.8	42.1
	Wiring Systems	%	**62.3**	61.5	62.5	62.1	62.2	60.7	59.3	58.5	59.2	57.9
Expenses	Cost of materials	€ '000	**3,004,530**	2,413,448	2,866,138	2,998,025	2.880,569	2,554,381	2,675,797	2,436,320	2.354.687	2,294,370
	Cost of materials	% of sales	**58.7**	58.4	59.1	58.8	58.5	57.6	59.4	59.4	60.1	60.2
	Personnel expenses	€ '000	**1,231,554**	1,122,081	1,236,733	1,120,472	1,058,560	971,336	925,453	816,751	766,038	730,873
	Personnel expenses	% of sales	**24.1**	27.1	25.5	22.0	21.5	21.9	20.6	19.9	19.6	19.2
	Depreciation and amortisation	€ '000	**204,268**	221.739	204.550	158,590	149,524	151,094	147,029	123,392	120,992	116,202
	Depreciation and amortisation	% of sales	**4.0**	5.4	4.2	3.1	3.0	3.4	3.3	3.0	3.1	3.1
Earnings	EBITDA	€ '000	**295,411**	(57,917)	(179,396)	302,843	376,686	230,247	298,356	305,897	284,137	354,094
	EBIT	€ '000	**91,143**	(279,656)	(383,946)	144,253	227,162	79,153	151,327	182,505	163,145	237,892
	EBIT marge	% of sales	**1,8**	(6.8)	(7.9)	2.8	4.6	1.8	3.4	4.4	4.2	6.2
	EBIT before exceptional items as well as before VALUE costs[2]	€ '000	**171,858**	(58,851)	(65,826)	157,168	–	–	–	–	–	–
	Income / loss before taxes (from continuing operations)	€ '000	**20,641**	(336,902)	(418,897)	120,922	202,223	54.799	125,859	150,719	131,220	199,326
	Net income / loss	€ '000	**(47,859)**	(330,136)	(434,838)	73,245	145,508	11,518	77,269	115,060	105,896	157,049
Cash flow[1]	Free cash flow	€ '000	**(20,847)**	(68,693)	(307,831)	(140,213)	11,065	(27,494)	(5,194)	(37,878)	36,788	86,211
Balance sheet	Property, plant and equipment, intangible assets, goodwill	€ '000	**1,378,285**	1,567,566	1,658,705	1,422,408	1,263,505	1.167,442	1,131,546	1,040,410	940,455	917,691
	Net debt[3]	€ '000	**1,540,090**	1,423,495	1,185,571	612,676	406,236	403,574	321,565	316,200	256,990	249,169
	Equity	€ '000	**229,412**	265,965	636,138	1,081,438	1,041,886	917,164	996,328	917,755	827,597	783,972
	Equity	% of balance sheet total	**6.7**	7.6	17.7	31.2	33.1	31.1	35.1	34.4	34.5	32.9
	Return on equity (ROE)	%	**(20.9)**	(124.1)	(68.4)	6.8	14.0	1.3	7.8	12.5	12.8	20.0
Employees	Employees as per 31 December		**101,372**	101,007	94,928	92,549	86,340	79,037	74,018	67,988	61,591	59,393
	employed abroad	%	**95,7**	95,5	94,9	94,5	94,6	94,5	94,1	93,7	93,1	93,0
Share	Market capitalisation 31 December	€ million	**324,1**	217,2	338,1	989,2	2,038,2	1,105,8	1,190,6	1,613,7	1,774,9	932,7
	Consolidated net income / loss per share	€	**(1.46)**	(10.10)	(13.30)	2.31	4.49	0.33	2.36	3.51	3.23	4.80
	Dividend per share	€	**0.00[4]**	0.00	0.00	0.00	1.40	0.50	1.00	1.20	1.00	1.50
	Share price on 31 December (to compute the dividend yield)	€	**9.92**	6.65	10.35	30.28	62.39	33.85	36.45	49.40	54.33	28.55
	Dividend yield	%	**0[4]**	0	0	0	2.2	1.5	2.7	2.4	1.8	5.3

DISCLAIMER

Forward-looking statements
This report contains forward-looking statements that are based on management's current assumptions and estimates concerning future trends. Such statements are subject to risk, uncertainty and various factors that LEONI cannot control or precisely assess. These statements are regularly recognisable by formulations such as „expect", „want", „anticipate", „intend", „plan", „believe", „aim", „estimate", „will" and „predict" or similar terms. Should imponderables occur or should assumptions on which these statements are based prove to be incorrect, actual results could deviate considerably from those described in these statements. Likewise, events of force majeure, e.g. a pandemic, natural phenomena or military conflicts, can have effects on business activities and results that cannot be estimated in advance. LEONI assumes no obligation to update forward-looking statements to adjust them to events following publication of this report.

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

LEONI's Annual Report appears in German and in English. In case of doubt or conflict, the German language version will prevail. We release our Annual Report exclusively in digital form. It is available as a PDF with complete contents.

KEY DATES 2022

Balance sheet press conference 2022
Analyst and investor conference 2022
23 March 2022

Annual Report 2021
23 March 2022

Annual General Meeting 2022
24 May 2022

Quarterly release 1st quarter 2022
11 May 2022

Interim Report 1st half 2022
10 August 2022

Quarterly release 1st – 3rd quarter 2022
16 November 2022

CONTACT INVESTOR RELATIONS

Investor Relations
Phone +49 911 2023-134
E-Mail invest@leoni.com

LEONI AG
Marienstraße 7
D-90402 Nuremberg
Phone +49 911 2023-0
E-Mail info@leoni.com
www.leoni.com