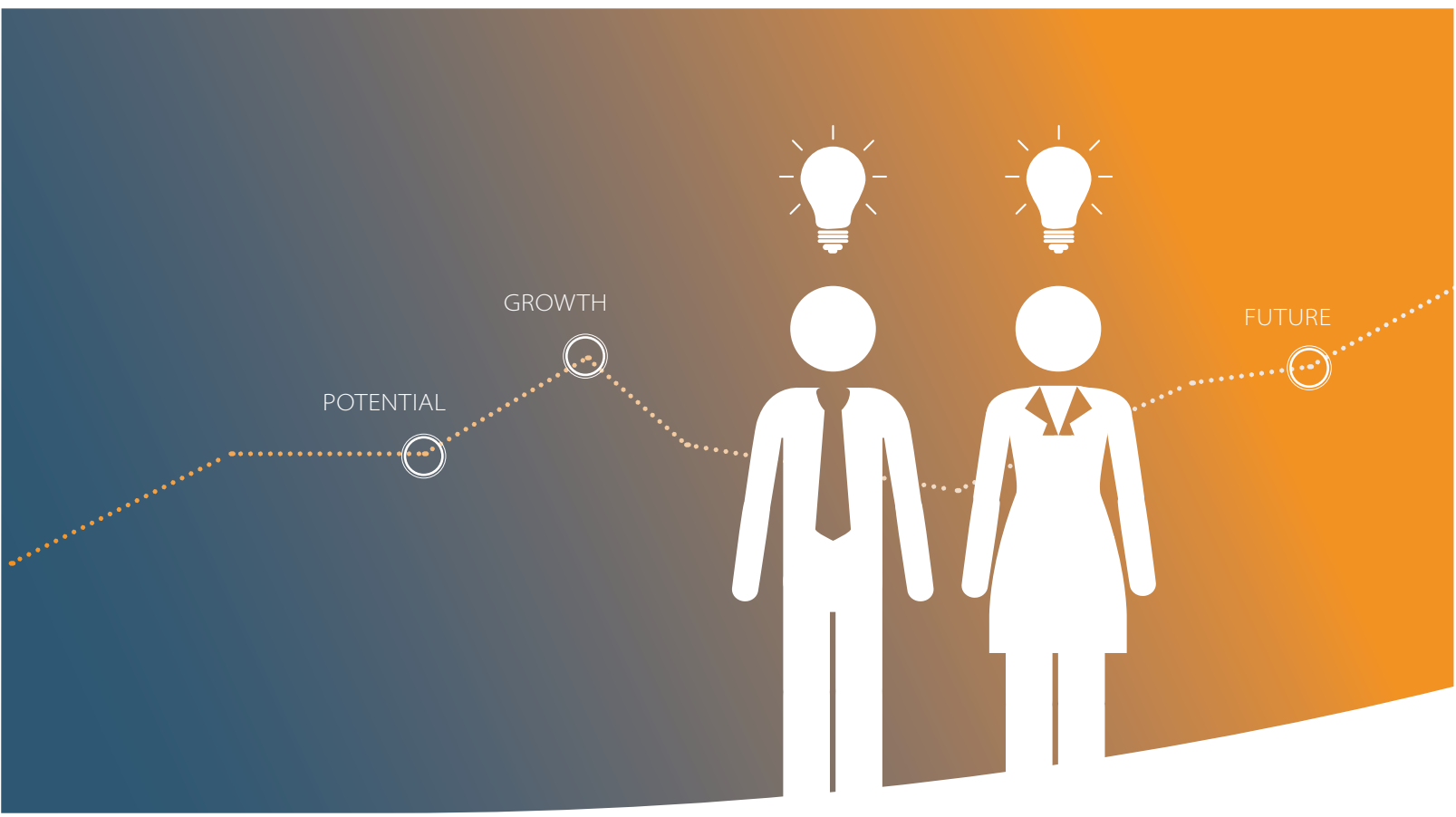
Annual Report 2014



The Quality Connection

LEONI

LEONI – The Quality Connection.

The LEONI Group operates worldwide, providing wires, optical fibers, cables and cable systems as well as related services for applications in the automotive sector and other industries. The Company employs about 68,000 people in 31 countries. LEONI develops and manufactures technically sophisticated products for the motor vehicle industry – ranging from the single-core cable through to the complete wiring system with integrated electronics. The product range also encompasses wires and strands as well as optical fibers, standardised cables, special, hybrid and optical cables as well as completely assembled systems for customers in different industrial markets. Products specifically for application in environmentally friendly technologies are meanwhile gaining in significance. The Company also benefits with its products and services from the worldwide trends of globalisation, industrialisation & automation, environmental awareness & shortage of resources, mobility, urbanisation and demographic change.

Company information

Talents

Dr Klaus Probst

Shareholders' Letter

Dear Sir or Madam,

As projected, LEONI entered its next growth phase in 2014, albeit not quite so smoothly. We met our targets in terms of sales: both our core automotive business and our industrial business as the second mainstay made gains, thanks to which consolidated sales rose moderately to € 4.1 billion in the past year. Earnings before interest and taxes (EBIT) were up 12 percent to € 182.5 million in 2014. We had originally projected a stronger gain to more than € 200 million, but had to adjust our full-year forecast in October. In particular, the ramping up of a major, highly complex project at a Mexican facility of our Wiring Systems Division, which incurred substantially greater-than-budgeted initial costs in the summer months, held us back significantly. But there was also an adverse effect on earnings in the Wire & Cable Solutions Division due to unexpectedly weak business with the petrochemical industry.

On the whole, however, 2014 was a satisfactory year for LEONI. Firstly, consolidated earnings after taxes rose to € 115.1 million. We thus have a solid basis on which to propose to you an increase in the dividend to € 1.20 per share at the Annual General Meeting – in keeping with our policy to pay out about one third of consolidated net income.

Secondly, we bolstered the foundations for our future growth in both divisions even more in 2014: the Wiring Systems Division increased its global sales of wiring systems and cable harnesses to customers in the car and commercial vehicle industry. At the same time we launched an above-average large number of new and follow-on projects, which required heavy pre-production spending and which will provide the full sales and earnings benefit in the next two years. Several new contracts we obtained to supply various customers and vehicle categories additionally underpin our plan for growth. Alongside follow-on orders from our existing customers, we also gained further customers, for instance from among the European commercial vehicle and the Chinese car industries.

In the Wire & Cable Solutions Division, business involving automotive cables as well as cables and systems for numerous other, strategically important industrial sectors also grew in 2014. As projected, this included sales increases particularly in Asia and the Americas. Order receipts, which again exceeded the amount of executed business, included numerous, significant new orders from the automotive, medical technology and robotics industries, among others. Based on the increasing degree of capacity utilisation and on our 'WCS ON Excellence' performance enhancement programme with multifaceted measures to improve profitability, the division's earnings, which already rose strongly in 2014, are expected to continue to significantly outpace the growth in sales in the next two years as well.

Both divisions stepped up their commitment overseas during the period under report, with the aim of meeting the medium-term target of an even split in sales among the three most important economic regions of Europe, the Americas and Asia. This objective is also reflected in our most significant capital investment projects: based on the good demand and order situation, we expanded our capacity to produce automotive cables and wiring systems in both China and Mexico. In China we also set up a new wiring systems facility and a plant to manufacture special industrial cables. The new plant of the Wire & Cable Solutions Division in India, which, alongside automotive cables, meanwhile also manufactures petrochemical plant control cables, was also expanded. Both divisions are planning additional new facilities and capacity expansion in Asia and the Americas in 2015.

We are investing heavily in Germany too. In 2014, we started work on enlarging and updating our Wiring Systems headquarters in Kitzingen to enable us in the future to provide our staff with a state-of-the-art, creative work environment. An extensive capex project in the Wire & Cable Solutions Division will start in Germany in 2015: the 'Factory of the Future' at our long-established facility in Roth. This involves setting up a modern facility for developing and manufacturing high-quality cables and conductors that meet the latest standards in terms of technology and factory architecture.

The larger amount of business, the complex new product start-ups and the work dedicated to our future growth called for significant expansion of our worldwide team. At the end of 2014, LEONI employed a total of 67,988 people, 6,397 more than one year earlier. They worked with skill and commitment towards the success of our business. On behalf of the entire Management Board, I thank all staff members for their commitment and the results achieved.

Employees embody our most important potential. To be able to hold the course on which we have embarked it is therefore important to be a globally attractive employer for motivated, skilled and talented people in the future as well. The special topic entitled 'From talent to success' starting on page 22 of this Annual Report illustrates what we are doing to gain talented people for our Company; how we train them, promote them and plan to retain them at LEONI over the long term.

Main topic: Talents
» **page 22**

A course important to future success was also set in 2014 with respect to LEONI's Management Board team. My colleague Dr Frank Hiller, who has been a member of LEONI's Management Board since April 2014, took over charge of the Wire & Cable Solutions Division from me already in July of last year. He has familiarised himself well with the task and has taken significant steps for the division's profitable growth with an optimised organisational structure as well as the 'WCS ON Excellence' programme. Following my decision to retire and leave the Company in the middle of this year, the Supervisory Board appointed my colleague of many years and CFO Dieter Bellé to succeed me as President & CEO. The appointment to this position from inside the Company can be seen as a sign

of continuity and confidence of the Supervisory Board in the entire LEONI Management Board. I will hand over my office to Mr Bellé at the Annual General Meeting on 7 May and am convinced that he, together with his Management Board colleagues, will successfully take the LEONI Group forward.

Major challenges will have to be mastered in the years ahead. As already communicated, LEONI is to grow significantly in terms of both sales and earnings. Specifically, we have budgeted for 2015 a sales increase to roughly € 4.3 billion and improvement in EBIT to more than € 200 million. From today's perspective, sales will increase to € 5 billion in 2016, with significant widening of the EBIT margin to 7 percent. The conditions in our production network, structures and organisation as well as among our team of employees to meet these targets were established in the preceding years and especially in 2014.

In closing, I would like to thank my Management Board colleagues, the Supervisory Board and all members of staff for their constructive collaboration over the past 18 years and wish them and the Company as a whole all the best in the years ahead.

Also on behalf of my colleagues, I thank you, esteemed shareholders, for your confidence in our work and hope that you will remain loyal to the Company in the future, too.

Dr Klaus Probst
President & CEO

Company information

Providing all stakeholders with timely, regular and transparent information has high priority at LEONI. This applies also and especially to shareholders and financial market professionals. In the past year, our IR work was commended with 1st place among the MDAX companies in the ‚Investors' Darling' rankings. A large majority of the analysts who monitor our Company rated the LEONI share as a buy at the end of 2014.

Supervisory Board report

Dr Werner Rupp

Dear Sir or Madam,

The Supervisory Board of LEONI AG again in fiscal 2014 dealt in depth with the situation and performance of the group of companies. It conscientiously and diligently fulfilled its duties in accordance with statutory requirements, the provisions of the Company's Articles of Association, the German Corporate Governance Code ('Code') and its rules of procedure, at all times standing at the Management Board's side, providing advice as well as assisting and monitoring its work.

Constructive collaboration

The deliberations between the Management Board and the Supervisory Board were at all times constructive, open and defined by mutual trust. A key foundation for this was the fact that the Management Board regularly, promptly and comprehensively informed the Supervisory Board about all matters pertinent to LEONI concerning strategy and planning as well as the Group's operating performance including its risk situation, risk management and compliance. Deviation in business performance from the prepared planning and targets was explained in detail. The Management Board also at all times involved the Supervisory Board immediately and early in decisions of material importance.

To fulfil its duties, the Supervisory Board was provided with detailed written Management Board reports in advance of its meetings. All topics, especially transactions requiring consent, were thoroughly discussed during the Supervisory Board's meetings. The Management Board and Supervisory Board also at all times kept in close touch outside their scheduled meetings. Among other activity for instance, the chairmen of the two boards consulted on matters requiring agreement at short notice, both regularly on a fixed day every month and also as warranted by events. The entire Supervisory Board was comprehensively informed of the content of these discussions during its next meeting at the latest. There were no conflicts of interest involving Supervisory Board members in relation to exercise of their office during the period under report.

Main topics of discussion by the Supervisory Board

The Supervisory Board held five regular meetings during the 2014 financial year, specifically on 24 March, 8 May, 24 July, 18 September and 4 December. The meeting on 18 September 2014 was held in Wroclaw, Poland together with a tour of LEONI's Kobierzyce plant. The visit provided a deeper insight into the production of automotive cables. Additional three separate meetings of the shareholder representatives on the Supervisory Board took place on 8 May, 5 August and 4 December. The employee representatives held a preliminary discussion prior to each regular meeting. The Supervisory Board had a quorum on each occasion. One member excused his absence from one meeting. The Supervisory Board had a quorum on each occasion. All members of the Management Board attended each of the meetings so far as these did not cover topics requiring that they absent themselves.

The topics that were discussed during the regular meetings included financial, capital investment and human resource planning, the operating targets, the effectiveness of risk management as well as current trends in the economy and the business. It became evident that the sustained, strong demand for cables and wiring systems from the worldwide automotive industry and the perceptible recovery of the industrial sectors in Europe of strategic importance to LEONI were exerting the expected positive effect. It also became clear that exceptional costs related to new product start-ups would weigh on earnings, which in October 2014 required a correction of the earnings forecast for the year as a whole. The increasingly difficult geopolitical situation, which did not, however, discernibly impact on LEONI's business, was also discussed on each occasion. Other recurring topics of the Supervisory Board meetings included the good order situation in both divisions, the numerous new product start-ups in the Wiring Systems Division as well as the 'WCS ON Excellence' programme to boost profitability in the Wire & Cable Solutions Division.

Apart from these regular topics, the Supervisory Board dealt in depth with the annual financial statements for fiscal 2013 of LEONI AG and the Group during its meeting on 24 March 2014. After comprehensive deliberation, the Board approved both sets of statements without any objections.

The 2014 compensation for Management Board members in accordance with the existing system and the system applicable from 2015 was also an important topic during the Supervisory Board's meetings. The Board discussed and endorsed it.

During its meeting on 8 May 2014, the Supervisory Board furthermore discussed LEONI's corporate governance and decided to align the presentation in table format of the compensation for Management Board members in the compensation report with the reference tables suggested in the Code for better comparability with other companies and to publish this for the first time in the 2014 Annual Report.

The financial planning and strategy of the LEONI Group was a key item on the agenda for the meeting on 24 July 2014, which were thoroughly discussed. During its meeting on 18 September 2014, the Supervisory Board dealt with the consent for further new plants and approved both implementation of the 'Factory of the Future' project at the facility in Roth and construction of a new facility to produce automotive cables in northern China. The Board also deliberated on growth strategies in Asia. It was furthermore decided to update the process for regularly reviewing the efficiency of the Supervisory Board's work, which was presented to an outside specialist in July 2014 for evaluation, in line with the latter's suggestions. The Supervisory Board also analysed the impact of various economic scenarios on the future performance of the LEONI Group and discussed the trend in compensation for Management Board members, also in comparison with other MDAX companies.

Presentation by the Management Board of its business planning for 2015 as well as the medium-term planning from 2016 through to 2019 was a focal point of the meeting on 4 December 2014. The Supervisory Board approved the planning following detailed discussion. Other agenda items included update of the declaration pertaining to the Code pursuant to Article 161 of the German Public Companies Act as well as presentation of the findings of the review of the Supervisory Board's work.

During four regular meetings the Supervisory Board met partially without members of the Management Board in order to discuss various personnel matters. In its meeting on 24 March 2014 the Supervisory Board decided to extend the terms of office and the employments contracts of Management Board member Dr Klaus Probst until 30 June 2015 as well as those of Management Board members Dieter Bellé and Dr Andreas Brand until 31 December 2019, in each case commencing on 1 January 2015. The extension in the case of Dr Andreas Brand was done earlier to have continuity in the Wiring Systems Division, which he is in charge of, and to ensure furtherance of the adopted long-term strategy.

During the meetings on 24 July and 18 September 2014 the Board discussed the process for nominating the successor to the Chairman of the Management Board in detail and determined the corresponding procedure. After considering all outside and internal candidates, the Board decided in its meeting on 4 December to appoint Dieter Bellé to success the incumbent Chairman of the Management Board, Dr Klaus Probst, who will, in line with his own wish, retire from the Management Board of LEONI AG upon close of the Annual General Meeting scheduled for 7 May 2015. Dieter Bellé will assume the office of Management Board Chairman, and hence of President & CEO, after the Annual General Meeting scheduled for 7 May 2015 in addition to his duties as Chief Financial Officer and Labour Director.

The Supervisory Board of LEONI AG has, regardless of introduction of any legal requirements, set itself the objective of responding as soon as possible to the recommendations of the Code regarding diversity and to facilitate appropriate participation of women on the Board. This was consequently discussed frequently on the Supervisory Board. With Wilhelm Wessels having retired from the Supervisory Board on 31 December 2014, Axel Markus succeeded him from 1 January 2015 as substitute member for the shareholder representative side. The search for a female candidate qualified for LEONI's Supervisory Board began at the same time. This person was found with Dr Ulrike Friese-Dormann to join the shareholder side. She is to be proposed as a new Supervisory Board member at the Annual General Meeting scheduled for 7 May 2015.

Composition of the Supervisory Board of LEONI AG – objectives and status of implementation

The Supervisory Board of LEONI AG aims for a composition that ensures qualified supervision of and advice for the Management Board of LEONI AG. Candidates are to be proposed for election to the Supervisory Board who are able to successfully perform the duties of a supervisory board member of an industrial group that operates internationally on the basis of their experience, specialist knowledge, independence, commitment, integrity and personality. The selection of candidates should furthermore consider, in the interest of successful collaboration on the Board as a whole, that there is sufficient diversity also with respect to differing career backgrounds, professional expertise and experience.

The rules of procedure for the Supervisory Board stipulate that all shareholder representatives should be independent in line with Sections 5.4.1 and 5.4.2 of the Code. In particular, they are not to be in any personal or business relationship with LEONI AG, its corporate bodies, a controlling shareholder or an affiliated company, which may provide the basis for material and not merely temporary conflict of interests. At least one Supervisory Board member is to be independent as defined by Article 100 (5) of the German Public Companies Act. The Supervisory Board members shall not exercise directorships or similar positions or advisory tasks for important competitors of the LEONI Group.

The rules of procedure for the Supervisory Board provide that only candidates who, at the time of their election, are not older than 75 years are to be proposed for election as a member of the Supervisory Board. All Supervisory Board members fulfil the above mentioned requirements. Another target is, although not required by law as of yet, that there is a minimum 30 percent proportion of female members. On the shareholder side, this requirement will be met after the Annual General Meeting scheduled for 7 May 2015 provided the planned proposal for nomination is approved.

Apart from these general requirements, there is also to be specialist professional knowledge among the members on the shareholder side:

- At least one member is to have corporate globalisation experience, industrial knowledge in the regions and markets of importance to LEONI as well as expertise in the automotive (supply) industry. These requirements are fulfilled by several members.

- At least one independent member of the Supervisory Board is to have specialist expertise in the respective areas of accounting (financial expert) and more profound knowledge in the areas of international company law, compliance, risk management, competition law as well as M&A. These requirements are fulfilled and even

will be underscored by the planned proposal for nomination, provided this is approved at the Annual General Meeting scheduled for 7 May 2015.

The Supervisory Board is keen to further enhance its expertise in recruitment and personnel development, especially in making appointments to Supervisory Board and Management Board positions. The primary objectives pursued in the past three years involved in-depth consideration of both internal and outside candidates for Management Board positions and also the current search for a female candidate to join the Supervisory Board, in order thereby to further develop the experience and expertise of the Supervisory Board members in this area. With a view to the new elections to the Supervisory Board to be held in 2017, the task is to further optimise this know-how.

Networked information applications are, to an ever increasing extent, becoming a crucial prerequisite for the competitiveness of companies that operate globally. This specialist expertise on the Board, which is pertinent to competitiveness, is to be further enhanced by the time of the next regular elections to the Supervisory Board in 2017.

Work of the committees

The Supervisory Board of LEONI AG formed separate Audit, Personnel, Nomination and Strategy committees. In addition there is the Arbitration Committee in compliance with Article 27 (3) of Germany's Co-determination Act. These governance bodies prepare the topics to be addressed by the entire Supervisory Board and the resolutions on which the Board is to vote during its meetings.

- The **Audit Committee** met a total of four times during the past financial year, on each occasion together with the Management Board. It dealt in depth with the 2013 financial statements and consolidated financial statements, the management reports and the auditor's report. In addition, it prepared for nomination of the auditors for the 2014 financial year and dealt in detail with the upcoming quarterly reports as well as the half-year report. Other topics involved the effectiveness of risk management and of the internal control system, compliance and internal auditing as well as implementation of improvement measures, which stemmed from an external audit of the risk management system. The committee also sought information on accounts receivable management at LEONI as well as accounting provision for product liability risks and carried out a self-evaluation.

- The **Personnel Committee** held three meetings in the past financial year, during which the focal topics were the extension of the contracts of Management Board members, the succession for the Management Board chairmanship, the compensation for Management Board members and the system for this compensation.

- The **Nomination Committee** met on three occasions during the year under report, of which once with the Personnel Committee to support the latter in planning for the succession to the Management Board chairmanship. Its principal task was the successful search for a suitable female successor to join LEONI's Supervisory Board in order, on the shareholder side, to be early in conforming to the Code recommendations and announced legislation concerning the proportion of women.

- The **Strategy Committee** met twice, on both occasions together with the Management Board. It dealt in depth with the strategy of the LEONI Group and of the individual business divisions. It also discussed such key strategic projects as the opportunities for further automation in the Wiring Systems Division.

- Convening of the **Arbitration Committee** pursuant to Article 27 (3) of Germany's Codetermination Act was not required in the past financial year.

Declaration of Conformity
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Corporate Governance and Declaration of Conformity

Again in 2014, the Supervisory Board dealt in detail with corporate governance at LEONI, taking the Code as its guide. The Declaration of Conformity pursuant to Article 161 of the German Public Companies Act was updated in December 2014. With one exception, LEONI fulfilled all the recommendations and suggestions of the Code in its current version. This involves a stipulation for Management Board compensation, which recommends, among other things, that when determining the compensation for Management Board members, the level of compensation relative to that for senior management and the workforce as a whole, also over time, should be taken into consideration. The Supervisory Board does not deem such an arrangement to be expedient in LEONI's case. Details concerning this decision can be viewed in the current Declaration of Conformity.

Advanced training was a key part of the work for the Supervisory Board and its members again in 2014. The focus was on subjects involving corporate governance, compliance, the Code and the increased demands on Supervisory Board members in terms of duties and supervision.

Audit of the annual financial statements

The Annual General Meeting of LEONI AG's shareholders on 8 May 2014 appointed the Ernst & Young GmbH auditing company of Stuttgart as auditors for the 2014 financial year. Ernst & Young audited and granted an unqualified certificate for the 2014 financial statements and the management report of LEONI AG prepared in accordance with the German Commercial Code as well as the consolidated financial statements and the group management report prepared in accordance with IFRS. The auditors responsible pursuant

to Article 319a (1) Sentence 4 of the German Commercial Code (HGB) were Udo Schuberth and Gero Schütz. The management reports describe the situation of LEONI AG and of the Group as well as the future risks and rewards in an appropriate manner. The auditors also gave the quality of the risk management system a favourable verdict.

The annual financial statements of the Company and of the Group, the management reports and the audit reports were available to all members of the Supervisory Board in good time. The Audit Committee pre-examined these documents during its meeting on 9 March 2015. These financial statements and reports were comprehensively discussed during the regular meeting of the Supervisory Board on 16 March 2015. The auditing company's representatives took part in both meetings, reported on the findings of their audits and were available to provide additional information. With respect to the accounting process, they confirmed the effectiveness of the risk management and internal control systems to the Supervisory Board. The auditors gave written assurance, furthermore, that they did not perform any significant services other than to audit the financial statements for LEONI AG during the year under report and that there are no circumstances that might compromise their independence. The final audits of the annual financial statements and the management reports of LEONI AG and the Group by the Supervisory Board did not give rise to any objections. The members of the Supervisory Board approved the annual financial statements of LEONI AG and the consolidated financial statements for fiscal 2014 as prepared by the Management Board. The financial statements of LEONI AG have thus been duly adopted. The Supervisory Board supports the Management Board's proposal to pay out a dividend of € 1.20 per share for fiscal 2014.

Changes in personnel

Dr Frank Hiller joined the Management Board of LEONI AG on 1 April 2014 and took over charge of the Wire & Cable Solutions Division on 1 July 2014 from Dr Klaus Probst, who has since then been looking after the implementation of the Group's strategy as well as performing the typical duties of a Management Board chairman. Dr Klaus Probst will retire from the Management Board of LEONI AG at his own request upon close of the Annual General Meeting scheduled for 7 May 2015. The Supervisory Board would already like to express its emphatic and sincere thanks to Dr Klaus Probst for the exceptional service to LEONI in his 26 years with the Company and has asked him to stand for election to the Supervisory Board in 2017 after the required cooling-off period. His successor as Chairman of the Management Board, and therefore as President & CEO, will be Dieter Bellé, who was appointed to the Management Board of LEONI AG in 2000 and has since then made a key contribution to the Company's successful growth. Dieter Bellé will exercise the office of President & CEO in addition to his positions as Chief Financial Officer and Labour Director.

Wilhelm Wessels, Supervisory Board member on the shareholder side, resigned his office effective 31 December 2014. Axel Markus, graduate industrial engineer from Schwabach, who was elected a substitute member at the Annual General Meeting on 16 May 2012, consequently became a member of the Supervisory Board on the shareholder side effective 1 January 2015. With the Supervisory Board having decided during its meeting on 16 March 2015 upon the recommendation of Nomination Committee to propose to shareholders at the 2015 Annual General Meeting that Dr Ulrike Friese-Dormann be elected as shareholder representative effective at the end of the Annual General Meeting, Axel Markus said that he would resign his office effective at the end of the Annual General Meeting scheduled for 7 May 2015.

Thanks to the Management Board and staff

The Supervisory Board thanks all members of the Management Board as well as staff for their commitment and good work in the 2014 financial year and wishes them great success for the planned course of growth.

Nuremberg, 16 March 2015

Dr Werner Rupp
Chairman of the Supervisory Board

Supervisory Board and Management Board

Supervisory Board

Members of the Supervisory Board	Memberships on statutory supervisory boards and other governance bodies
Chairman **Dr Werner Rupp** | 67 | Burgthann	—
1st Deputy Chairman **Franz Spieß**[1] | 58 | Büchenbach 2nd senior authorised signatory of the administrative office in Schwabach of the IG Metall trade union	—
2nd Deputy Chairman **Prof. Dr Klaus Wucherer** | 70 | Ungelstetten / Winkelhaid Managing Director of Dr Klaus Wucherer Innovations- und Technologieberatungs-GmbH	Member of the Supervisory Board of DÜRR AG, Bietigheim-Bissingen; Member of the Supervisory Board of SAP AG, Walldorf; Deputy Chairman of the Supervisory Board of Heitec AG, Erlangen; Chairman of the Supervisory Board of Festo AG & Co. KG, Esslingen
Gabriele Bauer[1] | 58 | Prichsenstadt Chairwoman of the group works council	—
Josef Häring[1] | 53 | Grafenwiesen Chairman of the works council	—
Ingrid Hofmann | 60 | Hiltpoltstein Managing Director of I.K. Hofmann GmbH	—
Karl-Heinz Lach[1] | 56 | Eschweiler Chairman of the works council	—
Dr Werner Lang | 47 | Ergersheim Managing Director of Lang Verwaltungsgesellschaft mbH, Fürth Managing Director of MEKRA Lang GmbH & Co. KG, Ergersheim Managing Director of Lang Technics GmbH & Co. KG, Ergersheim Managing Director of MEKRA Global Mirrors GmbH, Fürth	Member of the Supervisory Board of MEKRA Lang Otomotiv Yan Sanayi A.S., Ankara, Turkey; Member of the Supervisory Board of Daito Lang Mirror Co., Chonburi, Thailand; Member of the Supervisory Board of Changchun MEKRA Lang FAWAY Vehicle Mirror Co., Ltd., Changchun, China; Supervisory Board Chairperson and president of MEKRA Lang Americas Management, Inc., Delaware, USA; Member of the Supervisory Board of Lang-MEKRA North America Holdings, Inc., South Carolina, USA
Richard Paglia[1] | 48 | Allersberg Senior Vice President Strategic Purchasing bei der LEONI Kabel Holding GmbH	—
Dr Bernd Rödl | 71 | Nuremberg Auditor, tax consultant, solicitor Rödl & Partner GbR	—
Wilhelm Wessels | 62 | Oberhembach / Pyrbaum Self-employed Management Consultant (until 31/12/2014)	Member of the advisory board of TriStyle Mode GmbH, Fürth; Deputy Chairman of the Administrative Board of STAEDTLER Noris GmbH, Nuremberg
Helmut Wirtz[1] | 64 | Stolberg 1st senior authorised signatory of the administrative office in Stolberg of the IG Metall trade union	—

[1] Employee representatives

Committees of the Supervisory Board	
Arbitration Committee pursuant to Article 27 (3) of Germany's Co-determination Act (MitbestG)	Dr Werner Rupp, Chairman; Gabriele Bauer, Franz Spieß, Prof. Dr Klaus Wucherer
Audit Committee	Dr Bernd Rödl, Chairman; Richard Paglia, Dr Werner Rupp, Franz Spieß
Personnel Committee	Dr Werner Rupp, Chairman; Gabriele Bauer, Franz Spieß, Prof. Dr Klaus Wucherer
Nomination Committee	Dr Werner Rupp, Chairman; Dr Bernd Rödl, Prof. Dr Klaus Wucherer
Strategy Committee	Prof. Dr Klaus Wucherer, Chairman; Gabriele Bauer, Dr Werner Lang, Richard Paglia, Dr Bernd Rödl, Dr Werner Rupp, Helmut Wirtz

Management Board

Dr Klaus Probst
President & CEO;
member of the Management Board since 1997.

Dr Klaus Probst was born in 1953 in Nuremberg, studied chemical engineering at the University of Erlangen and earned a doctorate in engineering. He began his professional career in 1980 as a planning engineer at Großkraftwerk Franken AG, a regional energy supplier. In 1989 he joined LEONI AG as head of the plant in Roth. In 1997 he was appointed to the Management Board, which he has chaired since 2002.

Dr Frank Hiller
in charge of the Wire & Cable Solutions Division;
Member of the Management Board since 2014.

Dieter Bellé
in charge of Finance, Controlling and Labour Affairs;
Member of the Management Board since 2000.

Dr Andreas Brand
in charge of the Wiring Systems Division;
Member of the Management Board since 2012.

Dr Frank Hiller, born in Stuttgart in 1966, studied mechanical engineering in Kaiserslautern, earning a doctorate in engineering. From 1997 he initially worked in senior positions at ThyssenKrupp AG. In 2005, he was appointed chief executive of F.X. Meiller Fahrzeug- und Maschinenfabrik GmbH & Co KG and, in 2009, as a member of the management board of MAN Truck & Bus AG. He has been a member of the Management Board of LEONI AG since 1 April 2014 and in charge of the Wire & Cable Solutions Division since 1 July 2014.

Dieter Bellé was born in 1956 in Hamburg. From 1979, after studying business administration in Cologne, he worked in various commercial positions in the Krupp Group, Felten & Guillaume AG and as managing director of Peguform GmbH. In 2000 he was appointed to the Management Board of LEONI AG, where he took charge of most of the corporate departments.

Dr Andreas Brand, born 1966 in Werneck, completed his production engineering studies in Erlangen. He thereafter earned a doctorate in engineering. His career took him via Motorola and Grundig to Continental AG, where he was most recently an executive of the Chassis and Safety division. In 2012 he joined the Management Board of LEONI AG where he took charge of the Wiring Systems Division at the beginning of 2013.

LEONI 2014 – News from around the world

February

Major order from the petrochemical industry The Indian producer Reliance Industries commissioned LEONI to provide the wiring for the world's largest oil and gas refinery. The order comprises instrumentation and field bus cables for the measurement and control equipment of the plant's third expansion stage. LEONI already equipped the first two construction phases with high-quality, special cables. At the time, the product was still exclusively made in Germany; now as much as half already comes from LEONI's new plant in India.

April

Siemens Healthcare's Supplier of the Year Siemens Healthcare commended the high quality and outstanding performance of LEONI's Business Unit Healthcare and named us Supplier of the Year for what was the second time already. LEONI supports Siemens as a systems technology partner for the external and internal wiring of state-of-the-art x-ray machines – from collaboration involving development work through to mass production.

May

PSA presents its Supplier Award to LEONI From among about 400 South American suppliers, PSA Peugeot Citroën presented LEONI's facility in Itú, Brazil with its Supplier Award in the quality category. In particular, the French carmaker praised the very good quality standard of our products and our high expectations in terms of customer satisfaction. LEONI has been supplying PSA Peugeot Citroën from its Itú facility since 2013.

June

LEONI at the Apprenticeship Event With the premiere of the Apprenticeship Event held at its facility in Roth, LEONI, together with other companies from the region, opened its doors to school pupils and others seeking apprenticeships. The event aims to support youngsters in their choice of career. During the evening event, about 800 visitors obtained insight into the Company's various apprenticeships and valuable pointers on how to apply.

July

New work environment at our Kitzingen facility The headquarters of our Wiring Systems Division in Kitzingen moved into new, state-of-the-art offices built in former workshops. The roughly 200 staff members now work in an open-plan environment with plenty of daylight, muted acoustics and modern office furniture – an inspiring ambiance for our employees. This completed the first phase of the expansion and rebuilding project in Kitzingen.

July

'WCS ON Excellence' growth plan launched The Wire & Cable Solutions Division is enhancing its efficiency with the 'WCS ON Excellence' performance programme for profitable growth. It covers a large number of measures in the areas of procurement, technology, production and sales.

September

First order from Scania for engine cable harnesses The Swedish truck manufacturer Scania ordered cable harnesses from LEONI for several engine models that will be supplied across Europe and in Brazil from mid 2015. This involves complex systems that link all the electrical and electronic components as well as sensors and control units of the truck engines. With Scania as a new purchaser, LEONI now has all major European truck manufacturers among its commercial vehicle customer base.

LEONI is investors' darling in the MDAX LEONI took first place in the MDAX, i.e. among the companies with mid-sized capitalisation, in the Investors' Darling 2014 competition run by Manager Magazin. The criteria for the best capital market communication in Germany cover annual and interim reports as well as websites and presentations for investors. The competition also considers share performance over one, three as well as five years and the opinions of fund managers.

October

LEONI revises earnings forecast for 2014 LEONI revised its earnings forecast for 2014 due to exceptional costs related to new product start-ups in the Wiring Systems Division. Although the counter-measures applied quickly yielded benefit, it was no longer going to be possible to recoup the losses sustained by the end of the year. Rather than the originally projected amount of more than € 200 million, the Company now forecast earnings before interest and taxes of more than € 180 million.

From talent to success

LEONI is aiming for sustained and profitable growth in the years ahead, especially so in the promising regions of Asia and the Americas. About 68,000 people in our group of companies are working towards this strategic objective. As a leading provider of cables, we continuously seek new talent; people who will take our expansion forward with skill, commitment and creativity. To find them, to train them, to excite them about LEONI and to retain them within the Company, we aim to be the preferred employer of choice for as many talents as possible. LEONI illustrates what we are doing to achieve this with four specific examples.

As with most companies, the systematic search for and development of talent at LEONI is traditionally concentrated in its home region. Meanwhile, however, there is also corresponding activity in many of the countries of importance to us; countries where we produce and sell. We intend to globalise our talent search even more in the years ahead – in tandem with the growth of the whole Company.

See on the following pages how LEONI gains, trains and promotes talented people, and how it retains them. And get to know four talented people who are either already contributing to LEONI's success or will do so in the future.


CONTESTING
RETHINKING
STUDYING
TALENTS
TRUSTING
PERSEVERING

Getting attention – how LEONI gains talented people

Able young professionals are in demand – especially during times of demographic change, which is already perceptible in many countries. A company that wants to secure young talents for itself has to attract their attention early and effectively – ideally while they are still at school or university. To arouse the interest of university students, LEONI keeps in multifaceted touch with universities around the globe and builds on this collaboration step by step. A lot of activity in Germany, where relationships with universities are a tradition, provides the template.

Direct line to students and professors

Initial contact with students is frequently established at university fairs, where LEONI introduces itself and provides potential candidates with information about the Company and career opportunities. In Germany we attended 30 university fairs in the past year. In addition, there were a large number of events in other countries. Our close collaboration with professors establishes further valuable connections. LEONI organises practical application projects, presentations and excursions together with university tutors, student initiatives and university groups. Formula Student also creates very good, personal contact with students. In this international design competition, students from universities around the world develop race cars and compete against each other; in Germany at the Hockenheimring, for instance. LEONI sponsors two Formula Student teams as a development partner and some other participants financially or with high-tech cable harnesses.

Sponsored by LEONI

We sponsor student initiative events to raise LEONI's profile as an employer. During the football world championship year of 2014, for instance, we were the principal sponsor throughout the public viewing at the technical faculty of the University of Erlangen-Nuremberg. In addition there was sponsorship directly involving colleges and universities as well as advertisements and editorial contributions in student magazines and electronic media.

Harmonising activity outside Germany

LEONI also maintains contact with universities at many significant locations outside Germany. There are collaborative arrangements with universities in, for example, Egypt, France, Mexico, Romania, Serbia and the United States. In some countries there are also graduate projects and the option of doing internships or final papers at LEONI. In many instances this activity is initially coordinated by the human resources management at the respective facilities. We are currently stepping up coordination via corporate head office to agree and harmonise these measures worldwide.

Country websites and consistent portal for online applicants

Talented young people nowadays use mainly the internet when they are seeking information on career opportunities and available jobs at potential employers. LEONI will therefore in the future set up uniform country websites for all regions with larger facilities. They will contain information about LEONI's activity in the country, about the company as an employer and upcoming recruiting events. At the same time job seekers can, via a standardised applicants' tool on the internet, obtain information on available jobs in the respective country's language, apply for particular positions or register as an interested party.

Dalia Azab
LEONI Wiring Systems Egypt S.A.E , Cairo
Administrator Human Resources

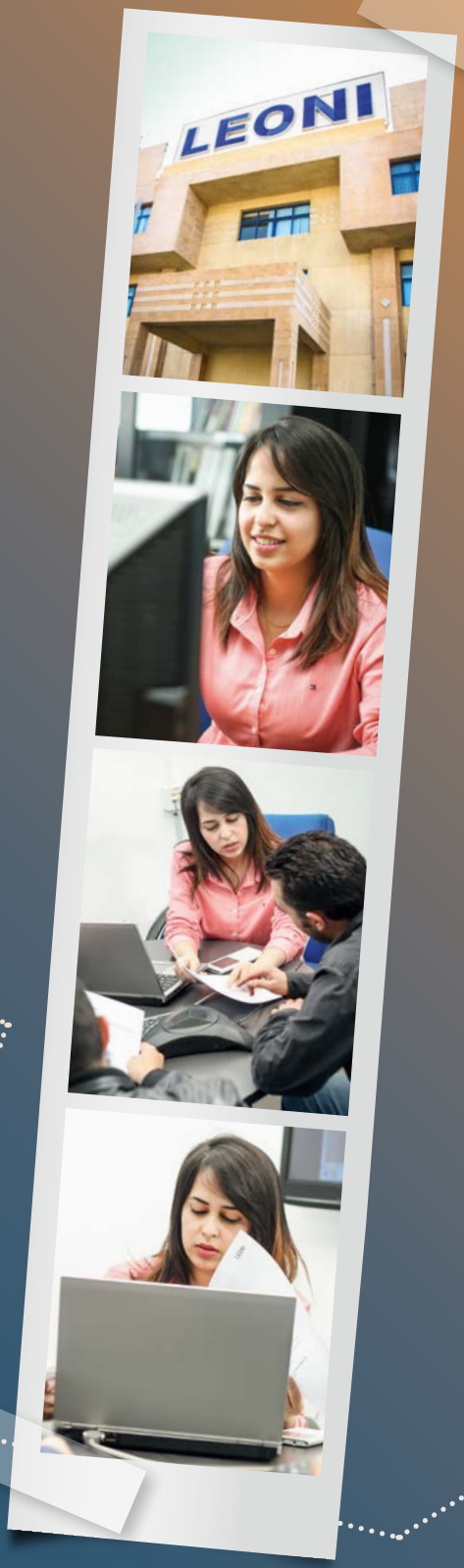
Dalia Azab became aware of LEONI during a career contacts day at university in Cairo after completing her Human Resource Management studies at the British University in Egypt. Now age 23, she applied for an internship during which she helped with broadening the collaboration with universities by way of excursions, graduate projects, higher education fairs and student associations. Above all, she liked the fact that both sides benefit from such collaboration: LEONI can discover new talent and fulfil its social responsibility, while students get the opportunity to acquire initial practical experience. Ms Azab has been fully employed at LEONI as HR Administrator since 2014.

COMMUNICATING

» The internship, during which I learned a lot and was soon able to put my theoretical knowledge into practice, was a good way of embarking on a career. «

Dalia Azab

TRYING OUT



Setting the course – How LEONI trains talented people

At LEONI, talented youngsters are prepared in a targeted way for taking on responsible, interesting jobs. Globalisation is an increasingly important topic in this respect, particularly in trainee programmes.

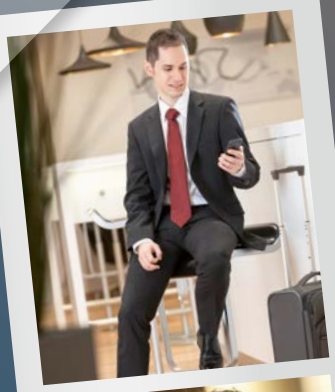
Trainee programme with foreign assignment
LEONI has such programmes in its Wire & Cable Solutions Division, in its Wiring Systems Division as well as within its holding company. Their objective is to provide the next generation of specialist staff and managers with comprehensive qualifications. University graduates with above-average final scores and initial practical experience are welcome to apply. During their training, these people will get to know several of the Company's facilities in and outside Germany.

Division-specific or interdisciplinary
A trainee programme in the Wiring Systems Division, for example, takes 18 months, of which one third of the time is spent outside Germany. The training is either division-specific or interdisciplinary. When we identify requirement in a particular skills area, like controlling, human resources or research & development, we will offer a programme to university graduates who have focused their studies on corresponding courses and that involves various areas of deployment within this division.

Our interdisciplinary trainee programmes are either commercially or technically focused and provide insight into various of the Company's functional areas. Finally, and depending on actual requirement at LEONI as well as the skill of the graduate, it can be decided which job she or he is to take on in the future. From the outset, our trainees work on their own responsibility and project-focused, and they are supported with career-related seminars. By spending time in different departments and locations, they can, during their training already, establish a network of contacts in and outside Germany, which will be of value as their career progresses.

Talented people from growth regions
At the moment, the majority of trainees still come from Germany. In order to enhance our expertise on the growth areas of Asia and the Americas, we intend to increasingly take on young people from there as well. A pilot programme is currently under way with a talented young person from China in our Wire & Cable Solutions Division.

Specific succession planning:
Executive Management Programme
With its Executive Management Programme (EMP), LEONI has a dedicated scheme for providing talented people who already have career experience with qualifications. The EMP selectively prepares suitable candidates for executive tasks – for instance to succeed in management positions that become available due to retirement. The programme normally takes two years, has a pronounced international outlook and is offered at both of our Company's divisions. The participants thereby get to know LEONI in depth and across its divisions. At least two of the locations of deployment are outside Germany.



» The Executive Management Programme constitutes ideal preparation for me to assume a management position at LEONI. «

Dr Lukas von Arx

NETWORKING

ADVANCING

Dr Lukas von Arx
LEONI Kabel Holding GmbH, Roth
Executive Trainee & Project Manager

Dr Lukas von Arx has been passing through an Executive Management Programme (EMP) in the Wire & Cable Solutions Division since April 2013. A doctor of business administration, von Arx began his career at LEONI Studer in Switzerland in 1999. The EMP took the now 31-year-old to Germany, Canada, Serbia as well as the United States and brought him into contact with different management methods and many interesting people – the basis for a very good professional network. After completing the programme, he will take on the position of Vice President of Sales at LEONI Elocab in Canada.

Life-long learning – How LEONI promotes talented people

LEONI employees can broaden their skills in many respects and learn new things. Alongside the option to participate in career-related further and advanced training, there are human resource development programmes that provide young talents with targeted tuition. One example is our Management Development Center, which serves to recognise and promote potential. It shows prospective managers where their strengths and weaknesses lie, and what career opportunities there might be for them at LEONI. People who successfully complete this programme also become candidates for the Management Development Circle (MDC).

Targeted advancement in the Management Development Circle

Between 20 and 25 specialist and managerial staff members are chosen every year – starting with Group-wide processes to assess potential – for the Management Development Circle, which has been in place at LEONI for twelve years already. The participants come from various departments and countries: twelve different nations were represented in 2014. During three modules each taking several days, they are professionally coached on such topics as leadership and project management as well as given the opportunity to discuss ideas with other participants. In addition to the systematic provision of qualifications, this also establishes networks across countries and business divisions, which are just as important to the success of LEONI itself as to advancement of the participants.

Strengthening regions

Life-long learning is an increasingly global topic at LEONI. The local demand for skilled trades and management personnel is also growing in line with the significance of facilities in the key growth regions. LEONI has revamped its international management training and standardised it worldwide to underpin this and to promote people in a targeted way. This newly launched programme will be rolled out in several countries in 2015; the focal areas being Asia and the Americas. Furthermore, suitable staff members from these regions – above all technicians, engineers and project leaders – will be able to undergo two years of training on the job in Europe and then, with their acquired know-how, return to their original location to take on specialist or, where appropriate, management responsibility.


LEONI

Jim Guo
LEONI Electrical Systems Co. Ltd., Shanghai
Plant Manager LESS

Jim Guo is a talent who has already completed the Management Development Circle and become familiar with numerous LEONI facilities. The 37-year-old has been with the Company for nine years and is now in charge of all five of our Wiring Systems Division plants in Asia in his position as Chief Operating Officer Region Asia & Plant Director Shanghai. In the MDC he established good contact with numerous colleagues. He appreciates their quick thinking, experience-based decision-making and their readiness to break new ground.

TAKING RESPONSIBILITY

» The intercultural experience I gathered in the Management Development Circle helps in successfully mastering the challenges of our international business «

Jim Guo

COMBINING

Staying – How LEONI retains talented people

Being and remaining an employer of choice requires multifaceted measures aimed at motivating staff members and retaining them long-term. A modern, pleasant work environment is just as important in this respect as attractive pay and the prospect of personal advancement. Campaigns that promote team spirit outside everyday work life also play a significant role; like the regularly contested LEONI World Football Championship.

Working in a creative atmosphere
The modernised and extended LEONI facility in Kitzingen, the headquarters of the Wiring Systems Division, is exemplary in terms of work environment. More than 200 employees have been working there in a creative, comfortable atmosphere since mid-2014. In two extensively refurbished workshops, open spaces, ample light, modern furniture and muted acoustics provide an inspirational setting. Innovative seating arrangements, meeting islands and atriums, which can also be used for meetings, make communication easier and promote it.

International assignment as opportunity
With LEONI's increasing degree of internationalisation, there are also a rising number of expatriates (or 'expats') who, for a limited time, work for our Company in a country other than that of their origin. With these deployments, LEONI can develop know-how in growth regions and fill key positions with skilled people. At the same time, employees get the opportunity to familiarise themselves better with LEONI around the world, to broaden their own horizons and to experience new challenges.

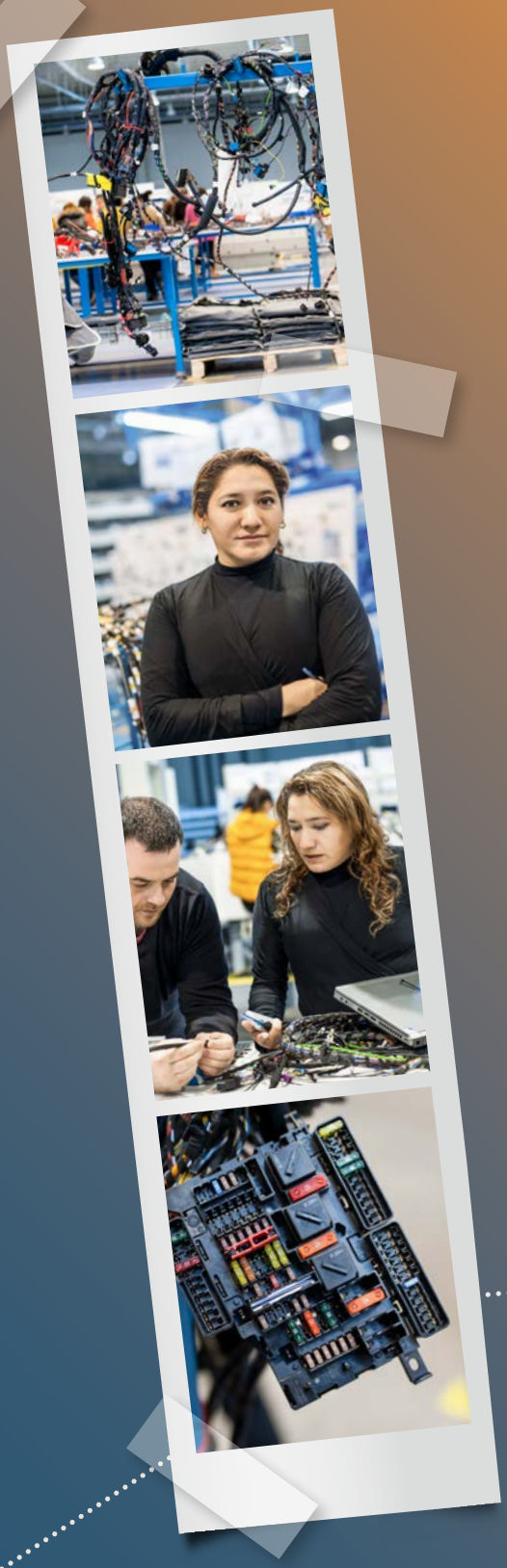
Being looked after well when going abroad
It is of crucial importance to making foreign assignments attractive that expats are well cared for before, during and after their deployment. LEONI has an International Assignment Management (IAM) system for this purpose. Together with Human Resources (HR) Management, IAM takes care of organising and overseeing the foreign deployments. The preparation phase includes intercultural training sessions. During the actual deployment, which normally covers between one and four years, HR and IAM are available to expats as a contact and afterwards support the staff member with their return or preparing for a new international assignment.

Going global
In the past year, about 120 LEONI employees worked as expats – which involved about 50 different country combinations. Here too, regions outside Germany are increasingly gaining significance: whereas, in 2010, 75 percent of the assignments were still from and to Germany, this was down to just 55 percent in 2014. Meanwhile, almost half of all the assignments are between countries other than Germany – the focal areas ever more so being Asia and the Americas.

Rooms flooded with light and plenty of green: the new building in Kitzingen

Selene Villalobos
LEONI Wiring Systems (Tieling) Co., Ltd., Tieling City
Quality Manager

Selene Villalobos has, since the autumn of 2014, been working on a two-year project to set up quality management at our new facility in Tieling, China. The 42-year-old manager has been with LEONI since 2007; she was previously in charge of quality management in Hermosillo, Mexico. The stay in China is giving her insight into a foreign culture and putting her in touch with people who think and live differently. At the same time, she is able to share her know-how and experience with her colleagues and to support them in setting up the new facility in the best possible way.



LEARNING

» This international assignment gives me the opportunity to do what I like doing best: to learn new things and to pass on knowledge «

Selene Villalobos

INFORMING

Corporate Governance report and statement

Corporate Governance at LEONI

LEONI is committed to maintaining responsible and transparent corporate governance, the basis of which consists of statutory rules, LEONI AG's Articles of Association, the rules of procedure for the Management Board and Supervisory Board, and the German Corporate Governance Code ('Code'). We observe these rules and guidelines in all decision-making processes. In line with the legal requirements for a German public company, LEONI AG has a dual management system that is characterised by the separation of personnel between the Management Board as the executive and corporate business management body and the Supervisory Board as the corporate monitoring body. Hereinafter we report pursuant to Section 3.10 of the Code on our corporate governance as well as, in accordance with Article 289a of the German Commercial Code (HGB), on our key corporate governance practices.

Implementation of the German Corporate Governance Code

In the 2014 financial year, LEONI AG conformed to all the recommendations and suggestions of the Code in its versions of 13 May 2013 and 24 June 2014 with one exception. This concerns the recommendation in Section 4.2.2 (2) Sentence 3 whereby the compensation for members of the Management Board should be guided by that for senior management and the workforce as a whole, also over time. Given that the overwhelming majority of LEONI staff are employed in non-European countries, it is the Supervisory Board's view that this benchmark for comparison does not provide a suitable guide. Any demarcation between senior management and the relevant workforce could, furthermore, be freely manipulated. The Supervisory Board therefore deems the legal requirements pursuant to Article 87 of the German Public Companies Act on assessment of Management Board compensation and the existing practice, which considers the trend of wages and salaries within the Company on a regular basis, to be sufficient. The current Declaration of Conformity explains this deviation in detail. All other recommendations and all suggestions of the Code in its current version should be fulfilled in the future, too.

Declaration of Conformity
» page 38

Shareholders and Annual General Meeting

Each share in LEONI AG on principle has one vote. During the Annual General Meeting on 8 May 2014, all of our shareholders were once again able to exercise their equal voting rights and enter into dialogue with the members of both the Management Board and Supervisory Board on any agenda items.

The invitation to the Annual General Meeting as well as the legally required reports and documents including the annual report were readily accessible on the Company's website together with the agenda in both German and mostly also English. All other relevant information was published in this easily accessible way on LEONI's website and sent out electronically upon request.

LEONI website
» www.leoni.com

During the Annual General Meeting on 8 May 2014, three voting right representatives were available to shareholders not present to cast their votes as instructed, thereby making it easier for shareholders to exercise their rights. Shareholders were able at any time to authorise and instruct these representatives, who were available to all shareholders throughout the meeting.

Interested parties and shareholders who did not attend the Annual General Meeting were able to follow the President & CEO's speech and a presentation shown during this speech on the internet. This presentation is available on our website.

President & CEO's speech
» https://www.leoni.com/de/go/hv14pdf/

Corporate governance by the Management Board

The Management Board is responsible for the corporate governance of LEONI AG. It acts in the interests of LEONI AG with the aim of raising its enterprise value on a lasting basis. To do so, the Board develops a suitable strategy, agrees this with the Supervisory Board and ensures that it is implemented. Its duties also include effective opportunity and risk management as well as controlling and ensuring of compliance (observance of legal requirements and guidelines within the Company) throughout the Group.

The law, the Code and rules of procedure, which also stipulate the Management Board's obligations concerning provision of information and reporting, govern the collaboration and division of duties among members of the Board. The rules of procedure also contain the departmental responsibilities of the individual Board members, matters that are the responsibility of the whole Management Board, the required majority as well as a catalogue of the types of transaction requiring the Supervisory Board's approval.

The system for compensating members of the Management Board that had been in place since 1 January 2010 continued to apply without change in the past financial year, but ended on 31 December 2014. Due to updates to the Code, the Supervisory Board decided on a new compensation system for the Management Board, which shareholders approved at the Annual General Meeting on 8 May 2014. It has applied from 1 January 2015. All the information on the past and new system for compensating Management Board members is contained in the compensation report.

Compensation report
» page 118

The Management Board was enlarged from three to four members in fiscal 2014. Dr Frank Hiller, who was appointed during the Supervisory Board meeting on 5 December 2013 to join the Management Board effective 1 April 2014, took charge of the Wire & Cable Solutions Division on 1 July 2014. His term of office and employment contract expire on 31 December 2017. In its meeting on 24 March 2014 the Supervisory Board extended the terms of office and the employment contracts of Management Board member Dr Klaus Probst until 30 June 2015 as well as those of Management Board members Dieter Bellé and Dr Andreas Brand until 31 December 2019, in each case commencing on 1 January 2015. The extension in the case of Dr Brand was done earlier to have continuity in the Wiring Systems Division, which he is in charge of, and to ensure furtherance of the adopted long-term strategy.

Dr Klaus Probst, the incumbent President & CEO, will retire from the Management Board of LEONI AG at his own request upon close of the Annual General Meeting scheduled for 7 May 2015. The Supervisory Board appointed Dieter Bellé as his successor during its meeting on 4 December 2014. He will assume the office of Management Board Chairman, and hence of President & CEO, after the Annual General Meeting scheduled for 7 May 2015 in addition to his existing duties as CFO and Labour Director. Once Dr Klaus Probst has retired, the Management Board will be down to three members again.

The Management Board comprised the following members in 2014:

Dr-Ing. Klaus Probst, Doctor of engineering, 61	
First appointed:	1997 (with LEONI since 1989)
Appointed until:	30/06/2015
Areas of responsibility:	President & CEO, Head of the Wire & Cable Solutions Division (until 30/06/2014) as well as Management Board member responsible for the Corporate Communications and Corporate Internal Audit departments
Dieter Bellé, Graduate in business administration, 58	
First appointed:	2000
Appointed until:	31/12/2019
Areas of responsibility:	Head of the Corporate Controlling & Accounting, Finance, Legal Affairs, Information Management, Risk Management / Compliance, Investor Relations, Taxes, Information Security and Human Resources departments; Labour Director
Dr-Ing. Andreas Brand, Doctor of engineering, 48	
First appointed:	2012
Appointed until:	31/12/2019
Areas of responsibility:	Head of the Wiring Systems Division
Dr-Ing. Frank Hiller, Doctor of engineering, 48	
First appointed:	2014
Appointed until:	31/12/2017
Areas of responsibility:	Head of the Wire & Cable Solutions Division (since 01/07/2014)

Work of the Supervisory Board

The Supervisory Board of LEONI AG monitors and advises the Management Board in running the Company. In accordance with the German Codetermination Act, the Board has an equal number of six members representing employees and six members representing shareholders. Its composition is in line with the latest Code requirements concerning diversity and appropriate participation of women as well as the criteria of independence, experience, internationalism and expertise of the Board members.

The Supervisory Board of LEONI AG has, regardless of introduction of any legal requirements, set itself the objective of responding as soon as possible to the recommendations of the Code in terms of diversity and to facilitate appropriate participation of women. Further details in this regard are to be found in the Supervisory Board report.

Supervisory Board report
» **page 9**

The Supervisory Board's work is governed by the law, the Articles of Association, the Code and rules of procedure. There are furthermore the Audit Committee, the Personnel Committee, the Nomination Committee, the Arbitration Committee and the Strategy Committee, which, apart from the Arbitration Committee, met regularly during the year under report. The Audit Committee's chairperson is independent and not simultaneously the chairperson of the Supervisory Board; he or she has financial expertise covering the particular knowledge required for this office. At no time will he or she have been a member of the Management Board of LEONI AG. The section Supervisory Board and Management Board in the Annual Report provides information on the composition of the committees. Further details of the way the Supervisory Board works as well as on the number and principal topics of the committees and its 2014 meetings are

Supervisory Board and Management Board
» **page 17**

comprehensively presented in the Supervisory Board report. The compensation report provides information on the breakdown and amount of compensation for Supervisory Board members.

Supervisory Board report
» page 9

Compensation report
» page 118

The Supervisory Board regularly audits the efficiency of its work based on a comprehensive questionnaire, which was optimised in 2014 based on the recommendations of an external consultant. The Supervisory Board approved these suggestions in its meeting on 24 July 2014 and they were incorporated in the review of efficiency that was carried out in the autumn of 2014. The findings of this new questionnaire were presented during the Supervisory Board's meeting on 4 December 2014. The members of the Supervisory Board thereupon confirmed that they were satisfied with the procedures and the information provided.

With the exception of Prof. Dr Klaus Wucherer, the members of LEONI AG's Supervisory Board each hold a maximum of three other supervisory board offices at other companies or on supervisory bodies of companies that impose comparable requirements. Prof. Dr Klaus Wucherer has a total of four other mandates.

Advanced training was a key part of the work for the Supervisory Board and its members again in 2014. The focus was on subjects involving corporate governance, compliance, the Code and the increased demands on Supervisory Board members in terms of duties and supervision. So far as required, the Company gave members of the Supervisory Board adequate support in seeking, as is their personal responsibility, the training and further education required to perform their duties. According to the currently applicable Articles of Association, this also includes assumption of the cost of appropriate further training.

Collaboration between the Management Board and Supervisory Board

The Management and Supervisory Boards of LEONI AG collaborated closely and in mutual trust for the benefit of the Company again during the year under report. The Management Board's rules of procedure stipulated its obligations concerning provision of information and reporting. During the Supervisory Board meetings, the Management Board and Supervisory Board discussed all key strategic decisions as well as transactions requiring consent openly and based on maintaining strict confidentiality. The Management Board kept the Supervisory Board comprehensively informed on a regular and up-to-date basis about all key matters as well as the planning, business performance, the risk situation and the compliance measures. In addition to the regular Supervisory Board meetings, the chairmen of the Management Board and Supervisory Board discussed all relevant, currents matters on a fixed day every month. The Supervisory Board report also contains additional information on the collaboration between the Management Board and the Supervisory Board.

Supervisory Board report
» page 9

D&O insurance with an excess, which for the event of any single claim for damages involves at least 10 percent and a maximum of one and a half times the individual member's fixed annual compensation, was in place for members of the Management and Supervisory Boards during the year under report.

Compliance

Again during the year under report, the Management Board dealt with the organisation and further development of all compliance matters and ensured implementation of the necessary measures. It regularly informed the Supervisory Board on the latest status. The latter monitored the corresponding activity. In addition, the Audit Committee on several occasions reviewed the content, organisation and further development of compliance. More information on compliance is to be found in the section of the Group Management Report headed risk and opportunity report.

Risk and opportunity report
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LEONI website
» www.leoni.com

Sustainability report
» page 93

Other corporate governance practices

Throughout the reporting period, LEONI's corporate governance was aligned to recognised external standards and various of our own sets of rules in addition to the legal requirements and the Code. These include the UN Global Compact and the Diversity Charter as well as internal guidelines like the LEONI Social Charta, the LEONI Code of Ethics as well as division-specific guidelines on quality and environmental policy, all of which can be viewed on LEONI's website. More information on this is to be found in the sustainability report.

Transparency

LEONI AG informed its shareholders, the shareholder associations, financial analysts, the media and the interested public equally, promptly and comprehensively about the Company's performance and significant events, for which the Company again made use of a wide variety of media during the period under report. All mandatory publications as well as extensive supplementary information were always made available in a timely manner on LEONI's website. The publications, such as ad hoc announcements, media releases, interim and annual reports were always issued in both German and English. LEONI AG always also broadcast conference calls as well as the annual balance sheet press conference and the analyst conference live on the internet, where audio and video recordings are easily accessible for a limited period. The latest fiscal calendar, which provides information on the dates for all key releases and events, can also be viewed on the website.

LEONI website
» www.leoni.com

Accounting and audit of financial statements

The consolidated financial statements for fiscal 2014 as well as the condensed consolidated interim financial statements in the half-year report and in the quarterly reports of LEONI AG were prepared in accordance with the International Financial Reporting Standards (IFRS). At the Annual General Meeting on 8 May 2014, accountants Ernst & Young GmbH of Stuttgart were appointed as the auditors for the year under report. The nomination was preceded by an examination of independence. This ruled out any business, financial, personal and other relations between auditors and their corporate bodies as well as chief auditors on the one hand and LEONI AG as well as members of its corporate bodies on the other hand that might give cause to doubt the independence of the auditor. Ernst & Young issued a correspondingly binding declaration of independence in this respect.

The Supervisory Board furthermore agreed with the auditor that the latter would be notified without delay of findings and occurrences material to its duties that arise during execution of the audit. Accordingly, the auditors are obliged to advise the Supervisory Board, or note it in their audit report, if pieces of information are found that point to incorrectness in the declaration pursuant to the Code submitted by the Management and Supervisory Boards.

Directors' Dealings and Shareholdings

All share transactions carried out by members of the Management Board and of the Supervisory Board as well as parties related to them (Directors' Dealings pursuant to Article 15a of the German Securities Trading Act) were published on LEONI's website as soon as LEONI AG was advised to this effect. The following transactions were reported for fiscal 2014:

Date	Notifying party, Function	Issuer	Transactions subject to mandatory disclosure	Place of transaction
12/08/2014	Dr Klaus Probst, President & CEO of LEONI AG	LEONI AG[1]	Purchase of 5,000 no-par-value LEONI shares[1] at a price of € 47.99 per share. Total amount: € 239,950.00	Xetra via Sparkasse Nuremberg
08/08/2014	Rupp Vermögensverwaltung GmbH, Legal entity closely related to a person in a senior position	LEONI AG[1]	Purchase of 1,500 no-par-value LEONI shares[1] at a price of € 49.13 per share. Total amount: € 73,695.00	Stuttgart via Fürst Fugger Privatbank, Munich
04/08/2014	Rupp Vermögensverwaltung GmbH, Legal entity closely related to a person in a senior position	LEONI AG[1]	Purchase of 750 no-par-value LEONI shares[1] at a price of € 50.0690 per share. Total amount: € 37,551.75	Tradegate via Fürst Fugger Privatbank, Munich
01/08/2014	Rupp Vermögensverwaltung GmbH, Legal entity closely related to a person in a senior position	LEONI AG[1]	Sale of 750 no-par-value LEONI shares[1] at a price of € 50.0410 per share. Total amount: € 37,530.75	Tradegate via Fürst Fugger Privatbank, Munich
24/06/2014	Richard Paglia, Member of the Supervisory Board of LEONI AG	LEONI AG[1]	Purchase of 197 no-par-value LEONI shares[1] at a price of € 58.50 per share. Total amount: € 11,524.50	Xetra via DAB Bank, Munich
21/05/2014	Dieter Bellé, Member of the Management Board of LEONI AG	LEONI AG[1]	Purchase of 600 no-par-value LEONI shares[1] at a price of € 53.3667 per share. Total amount: € 32,020.00	Online via ING-DiBa
16/05/2014	Rupp Vermögensverwaltung GmbH, Legal entity closely related to a person in a senior position	LEONI AG[1]	Purchase of 2,000 no-par-value LEONI shares[1] at a price of € 53.66 per share. Total amount: € 107,320.00	Xetra via Fürst Fugger Privat-bank Kommanditgesellschaft, Munich
13/05/2014	Dr Bernd Rödl, Member of the Supervisory Board of LEONI AG	LEONI AG[1]	Purchase of 1,000 no-par-value LEONI shares[1] at a price of € 54.5568 per share. Total amount: € 54,556.80	Tradegate exchange, Berlin
13/05/2014	Dr Klaus Probst, President & CEO of LEONI AG	LEONI AG[1]	Purchase of 4,000 no-par-value LEONI shares[1] at a price of € 54.4976 per share. Total amount: € 217,990.40	Xetra of Deutsche Börse, Frankfurt via Sparkasse Nuremberg
09/05/2014	Dieter Bellé, Member of the Management Board of LEONI AG	LEONI AG[1]	Purchase of 2,000 no-par-value LEONI shares[1] at a price of € 52.80 per share. Total amount: € 105,609.00	Online via ING-DiBa
25/03/2014	Christopher Probst, Person closely related to a senior executive (son of Dr Klaus Probst – President & CEO)	LEONI AG[1]	Purchase of 3,000 no-par-value LEONI shares[1] at a price of € 48.95 per share. Total amount: € 146,850.00	Xetra of Deutsche Börse, Frankfurt via Sparkasse Nuremberg
25/03/2014	Dr Klaus Probst, President & CEO of LEONI AG	LEONI AG[1]	Purchase of 3,000 no-par-value LEONI shares[1] at a price of € 48.95 per share. Total amount: € 146,850.00	Xetra of Deutsche Börse, Frankfurt via Sparkasse Nuremberg

[1] WKN 540888, ISIN DE0005408884

Members of the Management Board and the Supervisory Board held shares issued by LEONI AG on 31 December 2014. These holdings broke down as follows:

Shareholdings	No. of shares on 31/12/2014	Percentage of share capital of 32.669 million shares
Supervisory Board members and related parties	14,409	0.04
Management Board members and related parties	138,505	0.42
Supervisory Board and Management Board, total	152,914	0.47

Declaration of Conformity

Declaration of the Management Board and Supervisory Board of LEONI AG pursuant to Article 161 of the German Public Companies Act (AktG) on the recommendations of the Government Commission on the German Corporate Governance Code

LEONI AG has, since issuing its most recent Declaration of Conformity in December 2013, conformed to the recommendations of the 'Government Commission on the German Corporate Governance Code' in the version of 13 May 2013 as announced by the Federal Ministry of Justice in the official part of the Federal Gazette with the following exception, and will also in future conform to the recommendations of the Code in its version of 24 June 2014 with the following exception.

The Supervisory Board of LEONI AG diligently considers the appropriateness of the compensation for members of the Management Board based on regularly reviewing the wages and salaries paid within the Company, however without specifically or in a structured way conforming to the recommendation in Section 4.2.2 (2) Sentence 3 of the German Corporate Governance Code ('Code'). The Supervisory Board is convinced that the existing practice and legal requirements pursuant to Article 87 of the German Public Companies Act on assessment of Management Board compensation based on consideration of the usual compensation is sufficient. Benchmarks for comparison only make sense when they are realistic, provide guidance and leave ample scope for consideration of individual cases. In the view of the Supervisory Board, the Code recommendation in Section 4.2.2 (2) Sentence 3 does not meet these requirements, especially in a company like LEONI where an overwhelming proportion of staff members are employed in non-European countries. The Supervisory Board believes that any demarcation between senior management and the relevant workforce could be freely manipulated and would not result in any more comprehensible standards for comparison. The recommendation therefore does not provide an efficient aid to determining Management Board compensation.

Nuremberg, 4 December 2014

LEONI AG

On behalf of the Management Board	On behalf of the Supervisory Board
Dr Klaus Probst	Dr Werner Rupp

The LEONI Share

Share price performance 2014

Overview of LEONI share key data

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

Multi-year overview of key LEONI share figures

		2014	2013	2012[4]	2011	2010
Number of shares at yearend	in millions	32.669	32.669	32.669	32.669	29.700
Earnings	€ / share	3.51	3.23	4.80	4.99	2.26
Equity	€ / share	28.09	25.33	24.00	23.65	16.20
Dividend	€ / share	1.20[1]	1.00	1.50	1.50	0.70
Total payout	€ million	39.2[1]	32.7	49.0	49.0	20.8
Payout ratio	%	34[1]	31	31	31	31
High for the year [2]	€ / share	60.66	55.08	40.21	42.31	34.81
Low for the year [2]	€ / share	39.02	28.97	23.42	21.69	13.43
Yearend closing price [2]	€ / share	49.40	54.33	28.55	25.75	32.95
Price/earnings ratio [3]		14.1	16.8	5.9	5.2	14.6
Dividend yield [3]	%	2.4[1]	1.8	5.3	5.8	2.1
Market capitalisation on 31 Dec.	€ million	1,614	1,775	933	841	979
Average daily trading volume	no. of shares	247,842	226,364	284,545	343,845	237,628

[1] Subject to approval by shareholders at the Annual General Meeting
[2] Xetra closing price of the day
[3] Based on yearend closing price
[4] Adjustment of various pre-year amounts due to amendment of IAS 19

Equity markets mixed in 2014

Performance on global stock markets was very mixed in the past year. The front runner among the industrialised countries was the USA, where, underpinned by the economic growth, the S&P index made significant gains in the course of the year. The Japanese Nikkei likewise closed out the year with a considerable rise. In Europe, the rather disappointing economic figures and geopolitical risks offset the positive effects of loose monetary policy, meaning that gains and losses on the major markets roughly cancelled each other out. The European market barometer, the Stoxx Europe, did at least register a slight gain. China stood out among the emerging countries with measures to, among other things, liberalise securities trading, which resulted in strong increases in share prices. The Indian stock market also put on a sparkling performance thanks to the pace of reform in the country. By contrast, the markets in Brazil and Russia had to contend with a setback.

Although, in 2014, Germany's leading DAX index rose to a five-digit level for the first time and reached a new all-time high of 10,093 points in December, overall, and despite the tailwind provided by the expansionary monetary policy of the European Central Bank, it only made a gain of just short of 3 percent year on year. The MDAX recorded an increase of about 2 percent. The automotive and component supply sectors also presented a volatile picture. However, the DAX 'Automobile' sector and the sub-index for the automotive component suppliers closed out the year with overall gains of 7 and 9 percent, respectively.

LEONI share at all-time high mid-year, but down overall

Following strong gains in the previous year, the performance of LEONI's share was initially subdued in the first half of 2014 – despite a brief upward trajectory in January. Apart from the Ukraine crisis, our outlook for the year as a whole, which was slightly short of market expectations, probably also dampened full-year performance. Underpinned by good prospects for the global automotive industry, our share appreciated significantly from May: by early July it rose to a high for the year at € 60.66, which was also an all-time high. Thereafter our share, like the sector as a whole, came under considerable pressure in the wake of the mounting geopolitical risks. In addition there was the fact that we had to lower our earnings forecast for 2014 because of exceptional charges due to new product start-ups in the Wiring Systems Division. Our share therefore dipped significantly in the third quarter, hitting its low for the year at € 39.02 in October. A slight upside move thereafter set in again. At the end of the year the LEONI share traded at € 49.40, which equated to a decline of about 9 percent from the level at the end of the previous year.

The market capitalisation of the roughly 32.7 million LEONI shares amounted to about € 1,614 million on 31 December 2014, down from around € 1,775 million one year earlier.

Trading volume up

A total of about 62.5 million LEONI shares changed hands on the Frankfurt Stock Exchange and in the XETRA electronic trading system in 2014, as opposed to 57.3 million in the previous year. An average of 247,842 shares were thus traded per day (previous year: 226,364). In total, market trading in LEONI shares amounted to about € 3,154 million in the past financial year (previous year: € 2,212 million). LEONI thus assumed 12th place in Deutsche Börse's corresponding MDAX ranking, up from 21st in the previous year.

Shareholder structure virtually unchanged

The shareholder structure remained largely unchanged in 2014. At the end of the year, about two thirds of the approximately 32.7 million LEONI shares were held by institutional investors. Private investors accounted for about one third of the total. The majority of the shares, namely around two thirds, are held in Germany. The remainder is evenly distributed across the rest of Europe, where it is concentrated in the United Kingdom, as well as the United States.

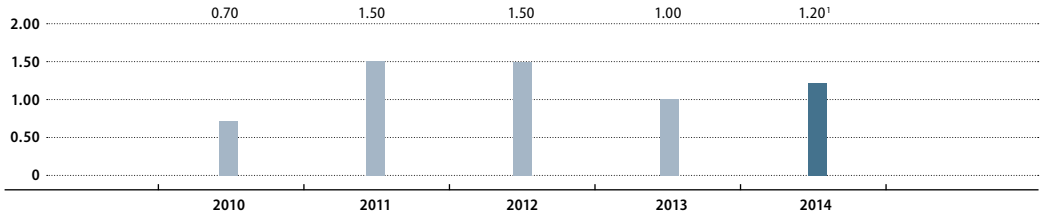
All LEONI shares are in free float. The most significant individual shareholders with holdings of between three and five percent at yearend were Wilms Beteiligungs GmbH, Oslo-based Norges Bank and the US investment firm T. Rowe Price. No single shareholder owned more than 5 percent of the shares on the reporting date. The voting rights disclosures pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that LEONI received during the 2014 financial year can be viewed on our website.

LEONI website
» www.leoni.com

Dividend payout

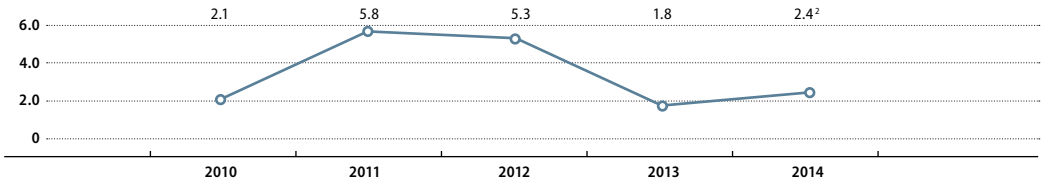
LEONI pursues an earnings-oriented growth strategy with shareholders receiving a commensurate return: in principle, approximately one third of consolidated net income is paid out in dividends. For fiscal 2014, we will propose to shareholders at the Annual General Meeting on 7 May 2015 to pay a dividend of € 1.20 per LEONI share, up from € 1.00 in the previous year. This would mean a total payout of € 39.2 million to shareholders (previous year: € 32.7 million).

Dividend €



[1] *subject to approval by shareholders at the Annual General Meeting*

Dividend yield[1] %



[1] *based on yearend closing price*
[2] *subject to approval by shareholders at the Annual General Meeting*

Most financial analysts rate LEONI as a buy

A total of 20 banks and investment firms rated LEONI in 2014 (at the end of December). The number of regular monitors was thus down by two institutions from the previous year.

Based on the still favourable medium-term growth prospects, the majority of the investment professionals continued to rate LEONI positively, albeit with a slightly lower target price. Of the 20 capital market experts, twelve rated the LEONI share as a buy. Six issued hold recommendations and two advised to sell.

Analyst coverage LEONI share end of 2014

Baader Bank	Independent Research
Bankhaus Lampe	Kepler Cheuvreux
Commerzbank	Landesbank Baden-Württemberg
Credit Suisse	Macquarie
Deutsche Bank	MainFirst
DZ Bank	Metzler
equinet	Montega
Exane BNP Paribas	Nord LB
Goldman Sachs	Oddo Seydler
Hauck & Aufhäuser	Warburg Research

In-depth investor relations work

LEONI considers transparency and proactive communication to be core elements of good corporate governance. We advise our shareholders as well as analysts and other financial market players, the media and the interested public equally, comprehensively and promptly on the Company's current and projected performance in order thereby to establish lasting confidence among our shareholders and stakeholders.

One-on-one dialogue with the aforementioned target groups is of particular importance to our investor relations work. All members of the Management Board are therefore closely involved in the corresponding activity. In the past year, we presented LEONI AG's performance, strategy and prospects at eight investor conferences with international participation in addition to the analyst conference we host each year to present our annual report. There were furthermore a total of 24 national and international roadshows, which, apart from Germany, took place mainly in the United Kingdom and the United States. This included a visit to the US west coast for the first time. We also continued our activity in Canada and Australia. Members of the Management Board also held a large number of one-on-one discussions with analysts and representatives of the media.

Numerous other measures complement these personal presentations: our investor relations team provides timely statements on all share-relevant information by means of ad-hoc announcements as well as other publications, especially annual and interim reports as well as media releases. A separate conference call for analysts and business journalists takes place on each occasion upon release of LEONI's quarterly figures. Once a year, we issue invitations to a balance sheet press conference, which is, just like the conferences calls, broadcast live and in full on the internet.

We furthermore provide extensive data on our Company and the LEONI share on our website, which was redesigned in 2014. Along with fundamental information, this also includes current analyst recommendations and the applicable fiscal calendar. Presentations given during the balance sheet press conference and the Annual General Meeting as well as conference calls can also be viewed for a certain period.

LEONI website
» www.leoni.com

Best MDAX share in the Investors' Darling 2014 competition

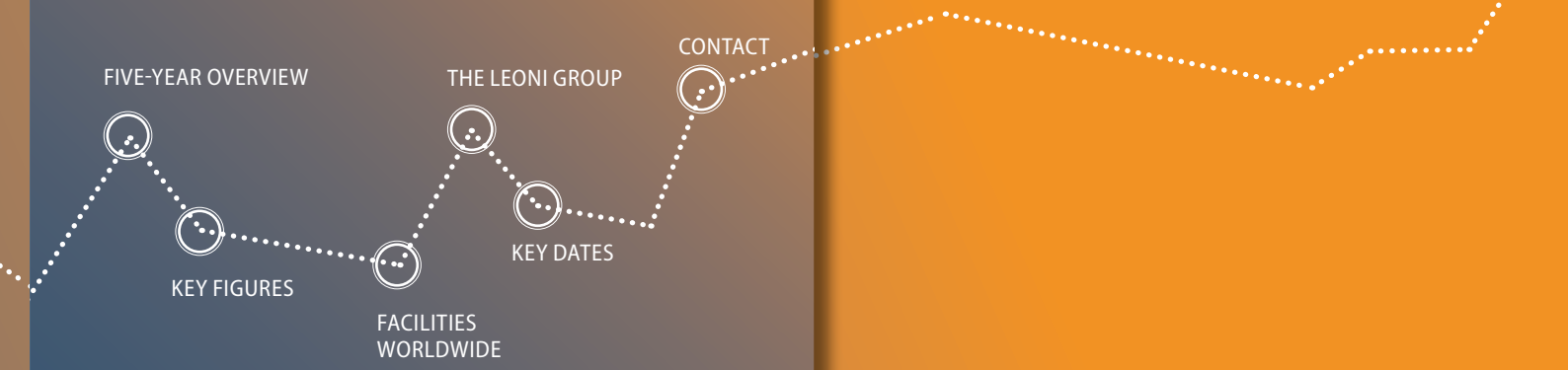
LEONI's investor relations are also rated favourably by third parties. In the Investors' Darling 2014 competition for the best capital market communication in Germany, we came first among the 50 MDAX companies. This ranking, published by Manager Magazin, considers the communication tools that are of key significance to the capital market: annual and interim reports as well as websites and presentations for investors. It furthermore analysed the response from the capital markets based on share performance over one, three as well as five years and recorded the opinions of fund managers. The judges, Professor Henning Zülch and his team from the Leipzig Graduate School of Management, attached particular importance to the consistency of the various tools.

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.

LEONI at a glance

Financial report



2014

Group Management report

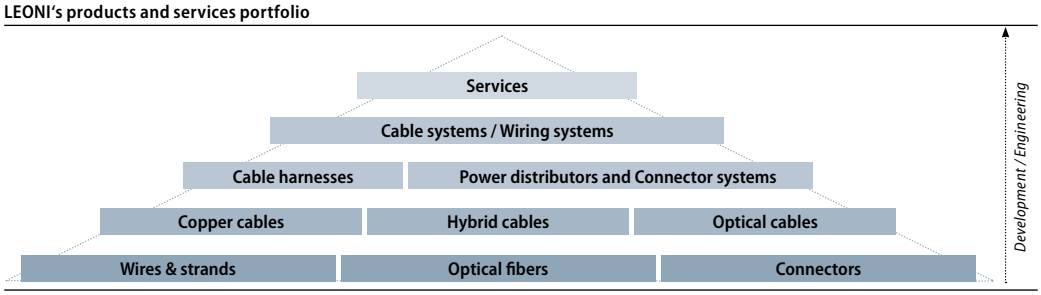
LEONI increased its consolidated sales by about 5 percent to € 4.1 billion and therefore to a new record level in 2014. This growth was based on the consistently good demand from the international automotive industry and the recovery in other important industrial markets. Both divisions were thus able to expand their business.

Principles of the Group

Business model

LEONI is a leading provider of cables and cable systems for the automotive sector and other industries. The Company's range of products and services comprises wires and optical fibers, cables and cable systems as well as related components and services. Our widespread, worldwide business is divided into two divisions (or segments): Wire & Cable Solutions (WCS) develops, produces and assembles wires and strands, optical fibers, standard and special cables, hybrid and optical cables as well as complete cable systems for a very wide variety of industrial applications. The Wiring Systems Division (WSD) develops, produces and sells cable harnesses, complete wiring systems as well as related components for the global car, commercial vehicle and component supply industry.

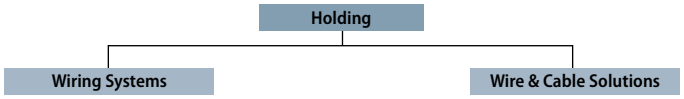
LEONI's products and services portfolio



The two divisions form a complementary value chain and work closely together in many areas. This provides multifaceted synergies in know-how and processes and thus a crucial competitive edge. The close collaboration between the two divisions also facilitates synergies in purchasing, development and other corporate areas as well as in regional market development. In turn, our customers benefit from high levels of specialist expertise, innovative power, quality and flexibility.

Organisational structure

Organisation of LEONI Group



The LEONI Group comprises LEONI AG and the two divisions. LEONI AG acts as the holding company, performing overarching tasks with its corporate functions. The structure of the two divisions is geared to their customer groups and markets, subdivided into various business groups and business units. In this way we can, by addressing them directly, respond quickly to the varying requirements of our customers. The detailed structure of the divisions and organisational changes are described in the Segment report.

Reports by division/
Segment report
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Principal facilities and acquisitions

World map with the principal facilities
» LEONI at a glance

Notes, Scope of consolidation
» page 208

At the end of 2014, LEONI was, with 82 subsidiaries and 82 production facilities in 31 countries, located in Europe, Asia, America and North Africa. There was only a minor change in the scope of consolidation during the year under report, details of which are contained in the Notes.

Customers and markets

The LEONI Group's customers principally include the motor vehicle manufacturers and their suppliers. In addition there are manufacturers on commercial vehicles and sports cars as well as companies from a wide variety of capital goods industries, medical and communications technology, the infrastructure sector, fields involving renewable energy, transport engineering and major industrial projects as well as the household and electrical appliance industry. As in the previous year, the automotive industry, which is the most significant customer sector, accounted for about 75 percent of LEONI's total sales in 2014. Likewise as in the previous year, sales to the five largest customers generated business totalling approximately € 1.5 billion during the year under report, which equated to about 37 percent of consolidated sales.

In regional terms, our business is focussed on Europe, North America and Asia. At present, the area encompassing Europe, the Middle East and Africa (EMEA) is, with a share of about 66 percent of sales, still LEONI's most important market. The Americas account for approximately 15 percent and Asia/Pacific for around 19 percent. More detail of the key customer groups and markets as well as the competitive situation of the two divisions is comprised in the Segment report.

Reports by division/ Segment report
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Group strategy

LEONI pursues an earnings-oriented strategy of sustained expansion. We aim not only to grow more strongly than the respective market segments, but above all also to disproportionately increase our profitability. The target for growth in consolidated sales is € 5 billion by 2016. The targets for the EBIT margin (earnings before interest and taxes divided by sales) and the ROCE (return on capital employed) are 7 and 20 percent, respectively. For the long term, too, LEONI is aiming for a growth rate that outperforms the market.

In regional terms, this involves planning to forge ahead with our business above all outside Europe, especially in Asia and the Americas. From a long-term perspective, we are aiming for significantly stronger sales growth in Asia and the Americas while maintaining our leading position in Europe.

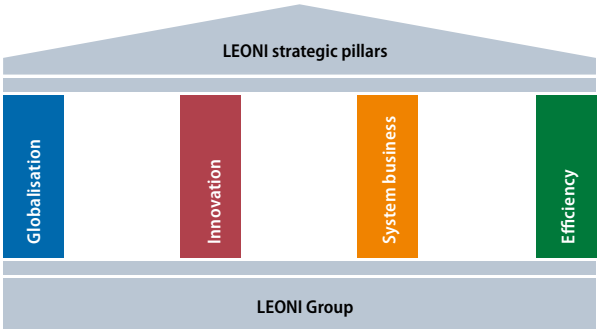
Given its strong momentum, our core business with the automotive and component supply industries is targeted to grow substantially worldwide in both of our divisions. In addition, we want to gain a significant share of sales in the non-automotive segment and grow here, too. To do so, we will continue to invest particularly in the future markets comprising capital goods, medical technology, communications and infrastructure as well as to expand our systems business even more strongly. Medium-term, the automotive sector is to account for about 80 percent of consolidated sales, with non-automotive business accounting for around 20 percent.

In terms of products, we constantly study options for extending our value chain to complement our core business comprising cables and cable systems. We are thus accumulating development know-how and will expand our own production capacity in fields that are closely related in terms of technology and application as well as examine acquisition opportunities.

Strategic levers

Implementation of the strategy follows the four levers of globalisation, innovation, systems business and efficiency.

Overview of Group strategy



To step up the **globalisation** of its business, LEONI is setting up not only sales offices, but increasingly also additional production facilities in key markets. This enables us to offer customers based in these areas local value creation and a high level of delivery flexibility. The focal areas for growth are Asia and the Americas.

To strengthen our power of **innovation**, we are enhancing and improving our own expertise as well as technologies and our position in innovation-driven growth markets. In so doing we are geared primarily to such global megatrends as the growing demand for new mobility solutions. The intention is to further increase sales of new types of products and solutions, and thereby to raise the proportion of green technologies.

Focus on global megatrends
» page 52

LEONI rates the **systems business** and extension of the value chain as key growth drivers. That is why we intend to develop towards being systems suppliers to additional fields of work and to offer more high-end services in such areas as engineering. The objective is to further increase the profitable sales in this business.

Efficiency constitutes a key success criterion for LEONI's competitiveness. We are raising this by realising synergies, rationalising as well as optimising our business processes and production networks. The annual efficiency gains are to offset increases in staff and material costs.

The two divisions have set themselves individual, strategic targets for the four levers and have determined corresponding projects. The Segment report provides specific information on the progress in implementing these strategic projects. Details of the Group-wide funding strategy are to be found in the section on the financial situation. LEONI does not have any strategic equity interests.

Reports by division/ Segment report
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Financial situation
» page 75

Geared to global megatrends

We monitor and assess global trends in order to continuously review our long-term alignment and to develop new fields of business. The chart below illustrates the flows in and drivers of demand that are important to us at present and shows how LEONI derives targeted benefit from the resulting growth opportunities in these most significant markets.

LEONI Strategy – Global trends

	Demand drivers	Examples of growth areas
Global trends	▪ Demographic change ▪ Urbanisation ▪ Globalisation ▪ Environmental awareness & shortage of resources ▪ Industrialisation & Automation ▪ Mobility	▪ Health care ▪ Power generation and efficiency ▪ Safety ▪ Environment and climate protection ▪ Communication ▪ Electromobility
LEONI's response	▪ Allocation of innovative topics ▪ Development of new areas ▪ Strengthening system competences ▪ Range expansion of services offered	▪ Automotive & Commercial Vehicles ▪ Industry & Healthcare ▪ Communication & Infrastructure

Corporate governance and management system

LEONI's corporate governance is geared to the principles of the German Corporate Governance Code. The Management Board is responsible for corporate governance. Its work is monitored by the Supervisory Board. The Management Board determines Group strategy and, together with those in charge of the divisions and the individual business units, measures suited to strategy implementation. Further information is contained in the Corporate Governance report. Details of the compensation for members of the Management and Supervisory Boards are presented in the compensation report.

Corporate Governance report
» page 32

Compensation report
» page 118

The operating units are governed by the key figures of sales, earnings before interest and taxes (EBIT) and capital employed as well as free cash flow. We measure the respective target attainment by the benchmarks of Return on Sales (EBIT margin) and Return on Capital Employed (ROCE). Information on capital management is contained in the Notes. The table below shows the planned and actual figures involving the key benchmarks for 2014. Elaboration on this is to be found on the section Overview of LEONI's performance / General statement on the economic situation and in the Reports by division / Segment report. The targets concerning the performance indicators for fiscal 2015 are contained in the Forecast.

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Overview of LEONI's performance / General statement on the economic situation
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Forecast
» page 112

Performance indicators LEONI Group

		Original forecast March 2014	Updated forecast October 2014	Actual 2014 figures
Consolidated sales	*€ billion*	approx. 4.1	approx. 4.1	4.1
EBIT	*€ million*	> 200	> 180	182.5
Return on sales	*%*	> 4.9	> 4.4	> 4.4
Return on capital employed	*%*	approx. 16	approx. 14	13.7
Free cash flow[1]	*€ million*	approx. 30	approx. 0	(37.9)

[1] *before acquisitions and divestment*

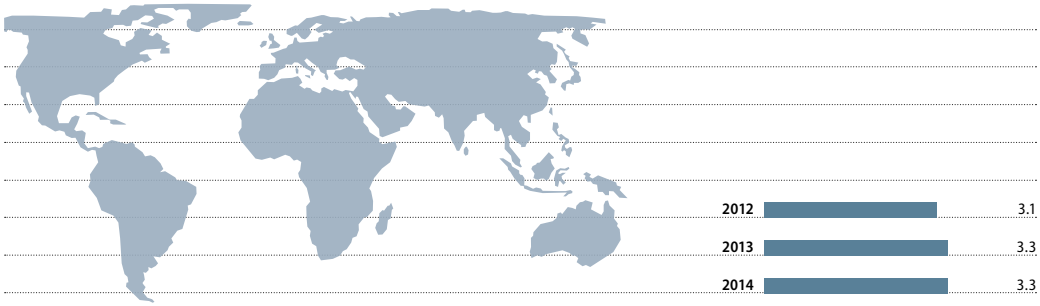
Business and underlying conditions

Macroeconomic trend

According to the International Monetary Fund (IMF), the global economy grew at a pace similar to the previous year of 3.3 percent in 2014. The global economic trend was extremely volatile. Numerous political crises and the fact that the economic data of many countries – from various eurozone countries to Japan, Russia and Brazil – fell short of expectations, put a damper on the global economy. By contrast, the relatively strong US economy and the substantial decline in the oil price in the fourth quarter provided positive stimuli. All told, the industrialised countries expanded by 1.8 percent last year, supported mainly by US growth of 2.4 percent. The eurozone grew by a mere 0.8 percent, and this mainly thanks to the robust performance of Germany: The country's Federal Office of Statistics reported a 1.5 percent rise in gross domestic product in 2014 based on provisional figures, which benefitted in particular from strong domestic demand.

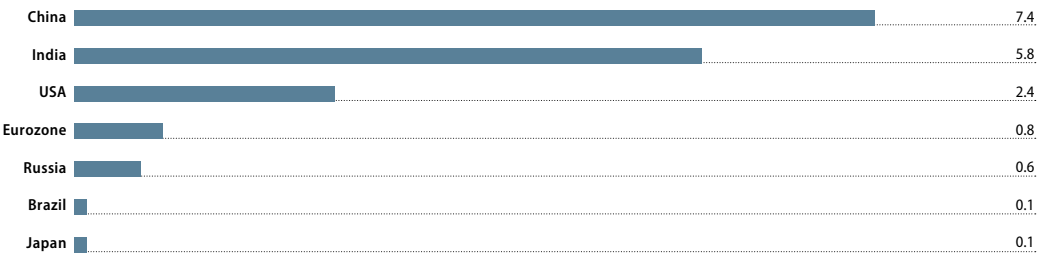
Economic output in the developing and emerging markets rose by a total of 4.4 percent, with China generating an outstanding 7.4 percent gain. By contrast, Russia and Brazil expanded by only 0.6 percent and 0.1 percent, respectively.

World economic growth 2012 to 2014 %



Source: IWF

Economic growth 2014 in selected regions %



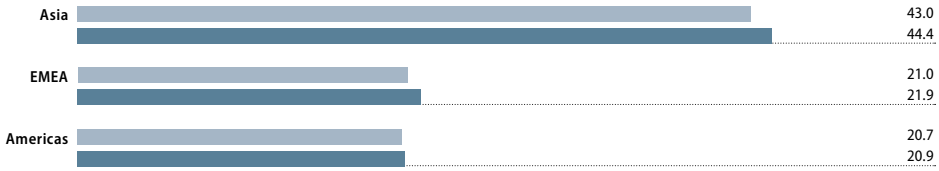
Source: IWF

Business by sector

LEONI's major customer industries mostly recorded a favourable performance during the year under report despite the unstable economy as a whole. This was true of the global car industry, in particular. According to the German Association of the Automotive Industry (VDA), **car sales** increased in almost all major markets. New vehicle registrations rose especially strongly in China (up 13 percent) and the new EU countries (up 14 percent). Perceptible growth was also recorded by the United States at 6 percent, Western Europe at 5 percent and Japan at 3 percent while the Indian market posted a slight increase (1 percent). By contrast, sales declined significantly by 7 percent in Brazil and by 10 percent in Russia.

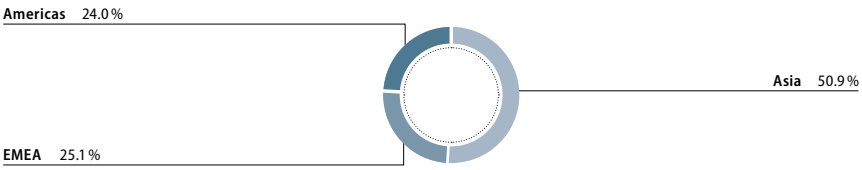
Car production also rose in the past year – the IHS Automotive market research institute estimates an increase of around 3 percent worldwide to 87 million or so cars and light commercial vehicles. In 2014, the number of vehicles produced rose year on year in Asia, the Americas and the EMEA (Europe, Middle East and Africa) region.

Production of cars and light commercial vehicles (LCVs) by regions *2013* *2014e* *million units*



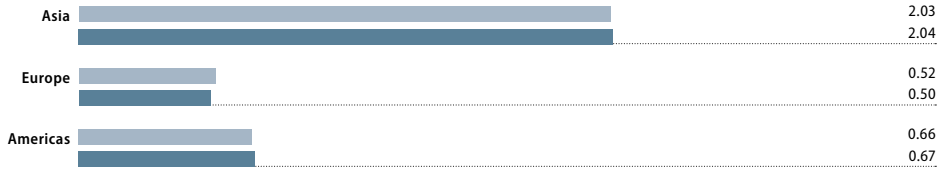
Source: IHS Automotive

Production of cars and light commercial vehicles (LCVs) by regions *2014e*



Source: IHS Automotive

Heavy commercial vehicles production by regions *2013* *2014e* *million units*



Source: IHS Automotive

By contrast, IHS Automotive estimates that the output of heavy **commercial vehicles** in 2014 was at the previous year's level. Slightly fewer trucks and other heavy commercial vehicles were produced in Europe, South America and – surprisingly – China, whereas output in the rest of Asia and particularly in North America rose.

The German **electrical engineering and electronics industry** increased its output by 2.5 percent in 2014, according to the German Electrical and Electronic Manufacturers' Association (ZVEI). Its sales increased by 3.0 percent and order receipts were up by 0.6 percent.

The **mechanical engineering** sector expanded significantly in the past year. The German Engineering Federation (VDMA) says that the sector's sales were up by 5 percent worldwide. The German mechanical engineering companies generated sales growth of about 3 percent and raised their output by roughly 1 percent, which means that the previous record levels dating from 2008 were exceeded.

The global market for **information technology and telecommunications** also grew considerably in 2014, namely by about 4 percent, according to the German Association for Information Technology, Telecommunications and New Media (BITKOM). This involved stronger growth in the telecommunications segment than in information technology products and services. The Chinese market grew especially rapidly. In the United States there was a significant gain and in the EU there was just a moderate one. According to BITKOM, information technology, telecommunications and consumer electronics sales in Germany rose by 1.6 percent. There were considerable differences in performance between segments: while business involving IT hardware and software grew by almost 6 percent in each case, sales of consumer electronics, telecommunication services and telecommunication devices declined slightly.

The German **medical technology industry** generated a 1.6 percent sales increase in 2014, the Spectaris industry association estimates. This puts sales in Germany up by 1.3 percent and international business up by 1.8 percent.

Other factors

Alongside the macroeconomic and sector-specific conditions, there are a number of other factors that play a key role with respect to LEONI's business performance:

The **prices of commodities**, 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. A change in the price of copper will therefore normally result initially in a corresponding effect on LEONI's sales without notable impact on earnings. On the reporting dates there may – depending on the price of copper – be write-downs on inventory or provisions to cover contingent losses on partial quantities of inventory. The same applies to the raw material of silver, which is used primarily in the refining of wire products.

Procurement
» **page 83**

Group-wide, the **trend in energy prices** does not have any major impact on LEONI.

By contrast, **personnel costs** are a major influencing factor in the countries in which we produce. They are considered in our 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** situation in the countries of importance to us; countries where we produce and sell. In 2014, we were concerned by the Ukraine crisis, in particular. Our production facility lies in the west of the country and was not directly affected by the conflict. However, indirect costs resulted from increased strategic accumulation of inventory and the training of new employees. The risk and opportunity report contains further information.

Risk and opportunity report
» page 98

Alongside the respective national legislation of the countries where we are present, the **legal factors** that affect LEONI also include international laws. The stricter CO_2 emission limits, for example, exert indirect influence. 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.

Thanks to appropriate hedging transactions, **exchange-rate fluctuation** does not normally have any major impact on LEONI's performance. If exchange-rate parities change very substantially, however, they might nevertheless have a certain effect on results.

Notes
» page 138

Leading operational indicators

LEONI monitors various leading operational indicators to be able to identify the multifaceted external factors for our business at an early stage and to take this into account in our corporate governance. Key indications of future business prospects are gained from analysis of suitable market, economic and sector data. To assess the situation in the worldwide motor vehicle industry we refer, for example, to global and regional economic forecasts as well as the sales and output figures projected by the sector associations. We obtain supplementary information from the annual and quarterly forecasts of our customers. Other significant leading indicators involve the order receipts in our business divisions, which point to the likely degree of capacity utilisation, as well as the trend in the prices for important commodities, especially for copper, which provides findings concerning the direction of significant cost items.

Macroeconomic trend and Business by sector
» page 53

Reports by division/ Segment report
» page 57

Procurement
» page 83

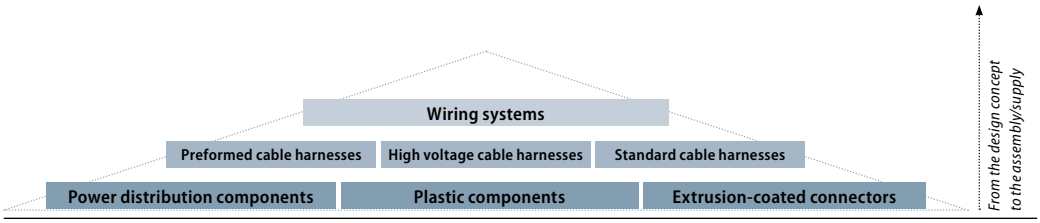
Reports by division / Segment report

Wiring Systems Division

Business model and organisational structure

The Wiring Systems Division is Europe's largest and one of the world's leading providers of complete wiring systems as well as customised cable harnesses for the motor vehicle industry. As before, its **products and services** in 2014 ranged from the development and production of sophisticated cable harnesses through to integrated wiring systems, high-voltage wiring systems for hybrid and electric vehicles, power distribution components and special connectors. As systems providers, we cover the entire spectrum from design through to series production as well as complementary services.

Products and services Wiring Systems



Our principal customers include

- carmakers,
- automotive suppliers,
- commercial vehicle manufacturers,
- the agricultural and special vehicles industry,
- makers of power sports vehicles.

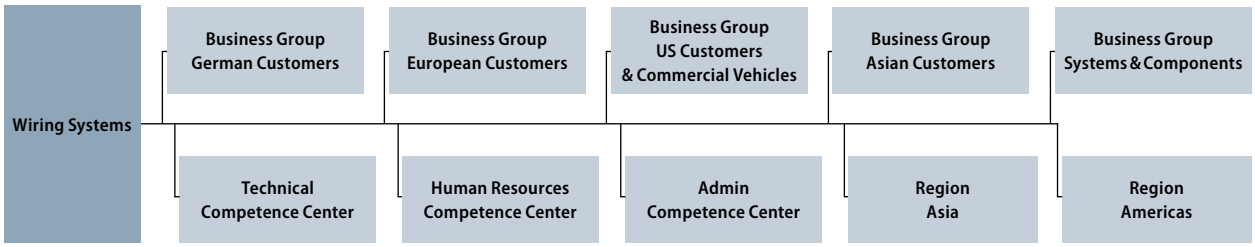
The automotive industry is the most significant **customer group**. We supply most of the manufacturers and vehicle categories worldwide from the low-cost, entry-level model to the whole gamut of compact and mid-range cars and up to vehicles in the premium and luxury segments. In 2014, we were able to expand our customer base further.

Division strategy and strategic projects
» page 59

Our components, cable harnesses and wiring systems are developed in tandem with a new vehicle in close collaboration with the customer. We therefore maintain very close, trusting **relationships with our customers.** The factors forming the basis for this are our major know-how in the development, manufacture and distribution of components and wiring systems as well as our high quality and reliability.

The **organisational structure** of the Wiring Systems Division focuses on supporting the increasing globalisation and the opening up of new areas of business. To this end, we have subdivided the activities in five business groups (BGs) with immediate responsibility for earnings: the BGs German Customers, Asian Customers and European Customers represent the customers based in the respective regions. Business Group US Customers & Commercial Vehicles additionally covers our business with the worldwide commercial vehicle industry, while BG Systems & Components covers our activity involving the international automotive supply industry as well as connector technology and electromobility. Supporting this structure are the corporate functions Technical Competence Center, Human Resources Competence Center and Admin Competence Center, which facilitate BG-overarching standardisation and optimisation of our global network, worldwide transfer of know-how and gearing to best-practice solutions.

Organisation of the Wiring Systems Division *as of December 2014*



The fact that we are sharply focused on our customers ensures that each individual customer or any customer group has one and the same contact worldwide. In sales the principal customers are looked after via a key account management structure. Locally, furthermore, 'residents' will frequently deal with special concerns of the customer locations. In addition, there are sales departments in Germany and France as well as sales and development offices in China, India, Korea and the United States.

The worldwide **production network** of the Wiring Systems Division consists of 35 production facilities in 17 countries, above all in China, Mexico, North Africa and Eastern Europe. The locations are chosen strictly on the basis of cost benefit and logistical requirements, and are situated as near to our customers as possible. In 2014, we expanded our production network especially in China, Romania and Serbia.

Capital expenditure
» page 79

Competitive situation and advantages

In Europe we still occupy the leading position in cable harnesses and wiring systems. The Wiring Systems Division ranks 4th worldwide, according to calculations by the 'Automotive Wiring Harness Market'. The most significant competitors are Delphi, Sumitomo and Yazaki.

Alongside its international **competitive position**, the lasting success of the Wiring Systems Division is based on its great power of innovation and a high real net output ratio, comprehensive logistics and systems expertise as well as development centres spread worldwide with close proximity to the customer. Another

particular strength 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 very broad international positioning as well as the large number of vehicle manufacturers and brands supplied not only diminish the exposure to regional market cycles, but also enable us to take advantage of global growth opportunities.

Division strategy and strategic projects

The strategy of the Wiring Systems Division is guided by the Group strategy with the four levers of globalisation, innovation, systems business and efficiency. To achieve the medium-term target of a balanced distribution of group sales over the triad markets (Asia, Americas, Europe), the commitment in Asia and the Americas is being continuously expanded. In addition, we strive to widen our systems expertise and to record considerable growth in the area of commercial vehicle manufacturers alongside the most important customer group, the car industry. As part of the megatrends we see potential in the areas of mobility, globalisation and environmental awareness & shortage of resources.

Division strategy
» page 50

In 2014, we made good progress in implementing our strategy. The percentage of our sales in the Asia/Pacific region grew from 15.9 to 17.3 percent and that in the Americas from 10.9 to 11.8 percent. The basis was various strategic projects that were tackled or completed during the year under report.

Expansion of activities in China Through the construction of a plant in Tieling in northern China we have further strengthened our position in this important automotive market. The new facility – our fifth in the country – will start delivering wiring systems to a German premium carmaker in China from the end of 2015. We were also able to improve our position in the local automotive industry: through the strategically important first order from a Chinese carmaker comprising the supply of transmission wiring, our customer base in the world's largest automotive market has been expanded to include a major buyer.

Capacity expansion in the Americas In Mexico we expanded our capacity for a new large-scale project with a German premium manufacturer, with mass production starting in mid-2014. It involves wiring systems for a vehicle model that was simultaneously launched in Asia and the Americas and is supplied by us in both regions. With the simultaneous start of production on two continents we have completed another important step towards globalisation. In 2015, our production network will be enlarged to include a first wiring systems facility in Paraguay. The foundations for this facility were laid at the end of 2014.

Improved position in the commercial vehicle market The first order from a Swedish company enabled us to expand our customer base in the commercial vehicle segment. This means that all major European truck manufacturers are now customers of LEONI. The project includes cable harnesses for several truck engine platforms that are delivered to facilities in Europe and Brazil; it strengthens our position in South America and has consolidated our leading position in engine wiring.

Performance in 2014

Key figures Wiring Systems

		2014	2013	Change
External sales	*€ million*	2,399.6	2,321.0	+ 3.4 %
EBIT	*€ million*	104.6	116.1	(9.9) %
Adjusted EBIT [1]	*€ million*	112.6	140.3	(19.7) %
EBIT margin	*%*	4.4	5.0	—
Capital expenditure [2]	*€ million*	139.2	100.2	+ 38.9 %
Employees (as at 31 December)	*Number*	59,056	53,163	+ 11.1 %

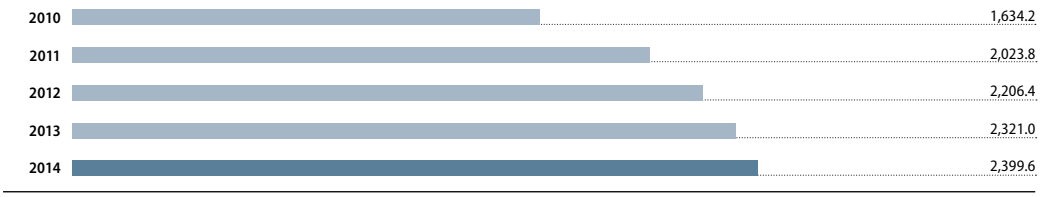
[1] *Earnings adjusted for the impact of revaluation as part of allocating the prices of the major acquisitions, restructuring, impairment of non-current assets, capital gains on the disposal of businesses and income from business combinations including related derivatives*
[2] *Capital expenditure on property, plant and equipment as well as intangible assets*

The Wiring Systems Division's external sales rose by about 3 percent to € 2,399.6 million in 2014. In this, we were supported by a favourable, global motor vehicle business. Thanks to our broad customer base, business volume was spread across all vehicle categories. During the year under report sales of wiring systems and cable harnesses for export-heavyweight German premium carmakers showed an uptrend as they benefited from strong demand for cars in Asia and the Americas. Business with other European carmakers decreased slightly on account of the persistently difficult economic situation in some southern European countries.

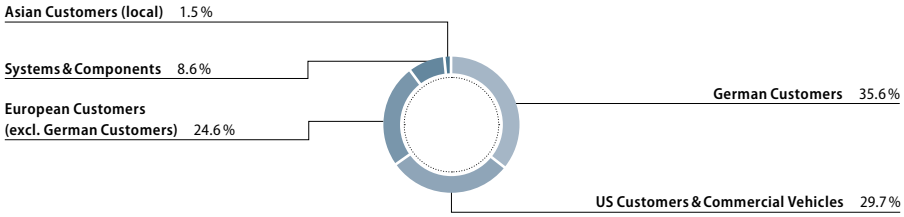
In addition, we generated substantial sales with commercial manufacturers that operate internationally, which we supply mainly with engine cable harnesses. Sales to the motor vehicle supply industry and of components and solutions for vehicles with electric or hybrid power also performed well.

Negative currency effects on sales amounting to € 12.8 million, especially due to the year-on-year decline in the rouble and the Brazilian real, were marginally offset by positive effects of € 14.2 million, mainly due to the appreciation of the British pound sterling and the Korean won.

Wiring Systems external sales *€ million*



Wiring Systems breakdown of sales *2014*



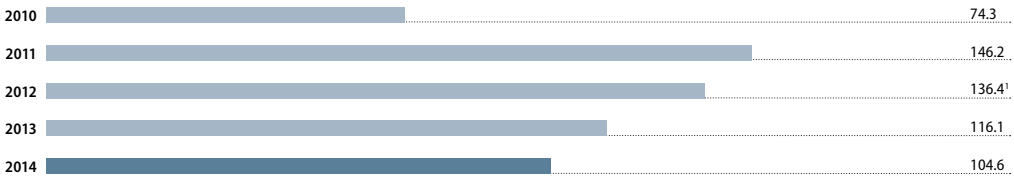
Wiring Systems external sales by quarter *2013* *2014* *€ million*

Large number of product start-ups As planned, we started production for a large number of new and follow-on orders during the year under report. Although the projects already made initial sales contributions, they usually unfold their full impact on sales and, above, all, earnings in the years after the start-up phase. Among other things, 2014 saw the start of production of wiring systems and cable harnesses for several mainstream and sports car models of various carmakers based in Germany and other European countries. In addition, the production start-up of wiring systems for the premium car of a German manufacturer whose market launch took place simultaneously in the Americas and Asia was of particular importance. Deliveries are coming from LEONI facilities in China and Mexico. Some ramp-ups also took place in the e-mobility segment. They related to cable harnesses and charging cables for hybrid or electric versions of mostly German mainstream, premium and sports cars. On top of this, there were several product start-ups for the international supply industry and for European and US commercial vehicle producers.

Division strategy and strategic projects
» page 59

Earnings: EBIT weighed down by unscheduled start-up costs The ramp-ups of production were mostly as projected and resulted in the usual, expected start-up costs. However, on top of this came unplanned exceptional expenses in connection with the large-scale project with a simultaneous production start in Asia and the Americas. These expenses were incurred at a facility in Mexico, which we expanded and changed over to the complex production and logistical processes involved in customised wiring systems. This resulted in an unexpectedly large requirement for staff, high reject rates as well as additional airfreight charges to meet our delivery commitments during the summer months. The countermeasures that were immediately applied at this facility showed an effect from September onwards and the fourth quarter was once again on-budget. The switch to the new Euro 6 standard in the commercial vehicle industry also still had unexpected after-effects because of the increased complexity of the corresponding engines, which weighed on earnings in 2014. The performance in the fourth quarter was also weighed down by the collapse in the Russian rouble and the weaker Russian business. All told, earnings before interest and taxes in 2014 declined by around 10 percent year on year to € 104.6 million.

Wiring Systems EBIT *€ million*



[1] *Adjustment due to amendment to IAS 19*

Wide variety of new orders consolidate the order book In 2014, the Wiring Systems Division received an array of new and follow-on orders, which will consolidate the planned growth in the coming years. Several orders for various car models and classes were placed by the automotive industry, especially by German and other European carmakers. In addition, there was a first order from a Chinese producer. We also secured a large number of projects from the international commercial vehicle and supply industries. For instance, alongside the aforementioned first order from Sweden, several European commercial vehicle manufacturers ordered wiring systems for harvesting machines as well as especially robust and reliable pre-formed cable harnesses. New commercial vehicle orders were also received from the Americas and Asia. Various US manufacturers ordered engine cable harnesses for several commercial vehicle models, in particular, a European-Chinese joint venture placed an order for transmission cable harnesses for heavy goods vehicles, and a Korean construction machinery producer one for engine cable harnesses and wiring systems for new special purpose vehicles. At the turn of the year we had a constant and high order volume of around € 12 billion for the next five years. The precise amount and timing of the shipments will depend on what our customers actually call forward.

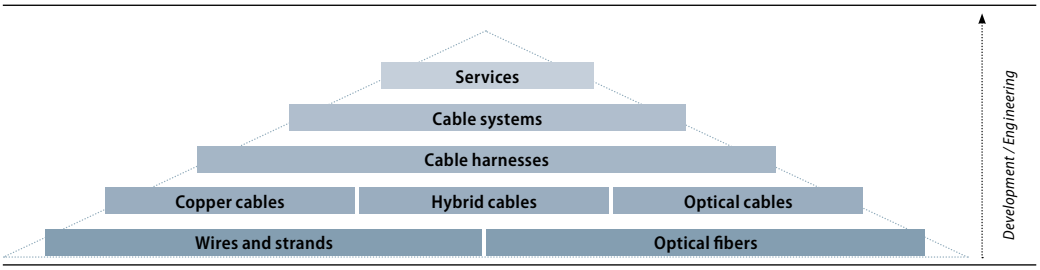
Division strategy and strategic projects
» **page 59**

Wire & Cable Solutions Division

Business model and organisational structure

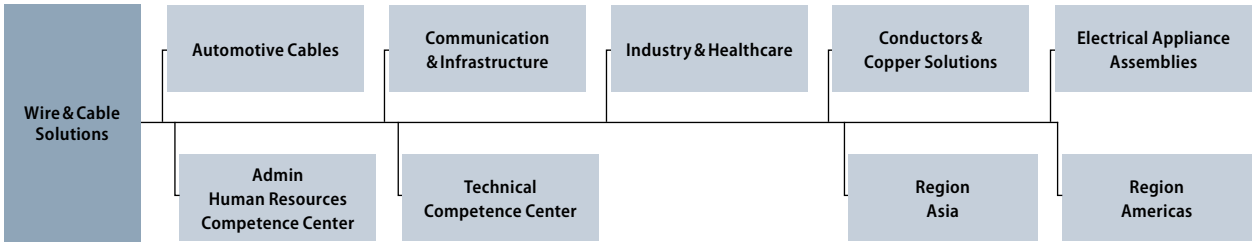
The Wire & Cable Solutions Division's **range of products and services** encompasses wires, strands and optical fibers, standardised cables, special cables and completely assembled systems as well as related services for a wide variety of industries, especially so in the automotive, capital goods, medical technology, telecommunications, infrastructure as well as household and electrical appliance sectors. LEONI in this respect focuses on technologically sophisticated products as well as customer-specific applications for niche markets. At the same time we continue to develop our products and services for the increasingly important emerging countries in line with the particular demands of the local markets. Solutions for the global trends of mobility, population growth and demographic change, urbanisation, globalisation, environmental awareness and shortage of resources as well as industrialisation and automation are of mounting importance. Our range of products and services did not materially change in the year under report.

Products and services Wire & Cable Solutions



The **organisational structure** of the Wire & Cable Solutions Division was further developed in 2014 with a view to stepping up the planned globalisation, optimising structures and increasing efficiency. Our activities remain, on principle, subdivided into five business groups (BGs): Automotive Cables, Industry & Healthcare, Communication & Infrastructure, Electrical Appliance Assemblies as well as Conductors & Copper Solutions. This is in line with the division's five core markets. The operations of the business groups are structured into a total of 15 business units. These business units function flexibly; they are in worldwide charge of products, plants, markets as well as customers and are responsible for profitability. To step up globalisation we established two additional organisational units, the Asia and Americas regions, which coordinate and expand our local activities. These market-oriented units are supplemented by two new cross-section segments for commercial and technical/operational functions (CFO and COO organisation).

Organisation of the Wire & Cable Solutions Division *as of December 2014*



Our **customer base** comprises virtually all wiring system manufacturers and numerous other automotive suppliers with global operations as well as the key providers in other sectors that we supply in more than 90 countries. We maintain close relationships with our customers for many years. Particularly our sales and development departments are in constant contact with customers. In many projects LEONI is closely involved as a provider of development work or systems and solutions as early as the design and planning phase.

The most important sale region is Europe, followed by Asia and North America. Our international **sales network** is continually being enlarged to further raise our market penetration in the developed economic regions and to broaden our footprint in such focal regions as the USA, China and India. The key customers in the individual business groups are looked after by key account managers with sector knowledge.

Our up-to-date **production facilities** are located in the most significant economic regions around the world: in Western and Eastern Europe, North America as well as Asia. In 2014, we expanded our capacity further, especially in the growth markets of Asia and the Americas. The 47 facilities in 21 countries are in strategically favourable locations in the proximity of customers. Our production networks and supply chains are continually optimised to make the best possible use of available capacity and to reduce the complexity of structures.

Division strategy and strategic projects
» page 64

Competitive situation and advantages

The Wire & Cable Solutions Division, which is the third-largest cable business in Europe, is the technology and market leader in many of its target areas. In some product segments, such as automotive cables for the car industry and cable systems for robotic engineering, we are global market leaders. We also command leading positions in the market for cables for particular industrial applications; for example in mechanical engineering, measurement and control technology as well as medical technology.

Our crucial competitive advantages include a vertically strongly integrated value chain, core skills developed over decades such 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 across all the links in the value chain. Our increasing systems expertise and growing international presence in selected areas also enhance our opportunities in the market.

Division strategy and strategic projects

Group strategy
» page 50

The Wire & Cable Solutions Division is applying the Group strategy in the context of its segment strategy with its four levers of globalisation, innovation, systems business and efficiency. In the current expansion phase of the LEONI Group we aim, in particular, to expand business in promising markets, to widen the margin and to tap synergies within the organisation. To this end, sales are due to be increased particularly in the growth regions of Asia and the Americas and in promising sectors: alongside the automotive industry this includes railway engineering, medical technology and robotics. This goes hand in hand with the gradual expansion of our position as a system and service provider.

The focus of strategic activities in 2014 was once again on globalisation, which was stepped up further as planned. Business volume rose sharply in Asia, in particular. Raising efficiency constituted another focus.

During the year under report the projects we launched or implemented included the following:

Additional automotive cable capacity in Asia and the Americas To take advantage of the still good growth prospects of the automotive industry in Asia and North America we have expanded our existing production capacity for standard and special automotive cables, particularly in China and in Mexico. Moreover, preparations were made for the construction of new plants in both regions.

Capital expenditure
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Expansion of the facility in India In the first Indian cable plant of the WCS Division, opened in 2013, capacity for instrumentation cables, which are used in the petrochemical industry, was expanded.

Business performance and future direction
» page 114

New special cables plant in Slovakia Two extrusion lines have gone into operation at the new WCS facility in Ilava. The new cable plant will produce primarily engine, sensor and data cables starting in 2015.

New special cables plant in China Business Group Industry & Healthcare commissioned a cable plant in Changzhou for the production of special cables for various industrial markets. Customers include, for example, companies from the automation and drive system sectors.

Business-process harmonisation and Operational Excellence In the division-wide project to harmonise business processes, launched three years ago, a key milestone was reached through the first-time introduction and commissioning of the new ERP system at a key facility in Germany. Over the next few years the new system will be gradually rolled out at further facilities. The Operational Excellence initiative to improve production processes was extended to additional facilities, as planned, and established within the new COO organisation.

'WCS ON Excellence' We launched the 'WCS ON Excellence' performance programme in order to enhance the entire division's efficiency in light of the medium-term corporate targets. It covers a large number of optimisation measures in the areas of procurement, technology, production and sales.

Performance in 2014

Key figures Wire & Cable Solutions		2014	2013	Change
External sales	€ million	1,703.8	1,596.9	+6.7
EBIT	€ million	78.1	47.1	+65.6
Adjusted EBIT [1]	€ million	80.3	58.5	+37.2
EBIT margin	%	4.6	3.0	—
Capital expenditure [2]	€ million	68.0	57.1	+19.0
Employees (as at 31 December)	Number	8,679	8,201	+5.8

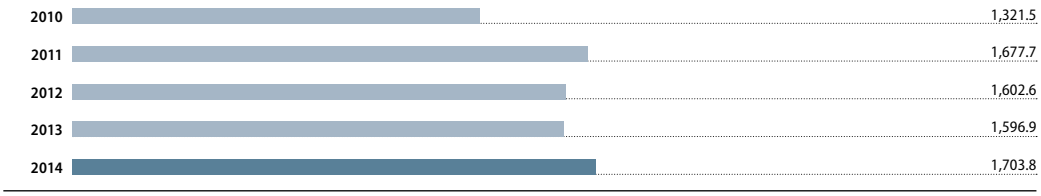
[1] *Earnings adjusted for the impact of revaluation as part of allocating the prices of the major acquisitions, restructuring, impairment of non-current assets, capital gains on the disposal of businesses and income from business combinations including related derivatives*
[2] *Capital expenditure on property, plant and equipment as well as intangible assets*

Sales rise by 7 percent to € 1.7 billion Thanks to the persistently very strong demand from the automotive industry and the recovery in most of our industrial customer sectors, the external sales of the Wire & Cable Solutions Division in 2014 rose by almost 7 percent year on year to € 1,703.8 million. Sales generated in Asia/Pacific rose by 23 percent to € 362.1 million while business volume in the Americas was up by about 5 percent to € 338.0 million. In the EMEA region we generated a gain of 2 percent to € 1,003.7 million.

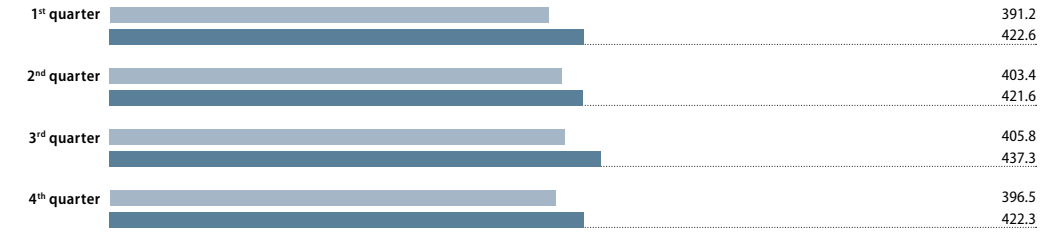
Unlike in the previous year, currency effects did not play any major role. A positive sales effect of € 1.9 million resulted essentially from the stronger Swiss franc.

Sales in Business Group Automotive Cables posted a particularly pronounced increase of around 10 percent due to sustained heavy demand for our standard automotive and special cables, especially so in Asia and the Americas, but also in Europe. Business volume in the industrial businesses rose by around 5 percent in total. Business Group Industry & Healthcare recorded growth, in particular, among other things thanks to strong demand from the medical technology and robotics industries. Within this BG only the Fiber Optics business unit showed muted growth. We recorded slight growth in Business Group Communication & Infrastructure. The sales performance in this business group was mixed: while demand for our products from the solar industry in China rose sharply, business with data cables and cables for the petrochemical industry remained weak. Business Group Electrical Appliance Assemblies was able to keep its sales roughly at the previous year's level thanks to stable demand from the international household and electrical appliance industry. Unit sales in Business Group Conductors & Copper Solutions were roughly at the previous year's level, but sales declined slightly on account of the lower copper price.

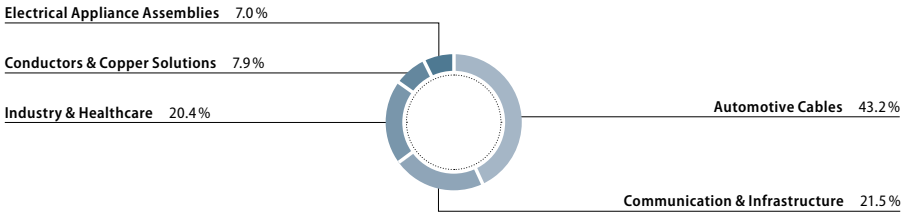
Wire & Cable Solutions external sales *€ million*



Wire & Cable Solutions external sales by quarter *2013* *2014* *€ million*

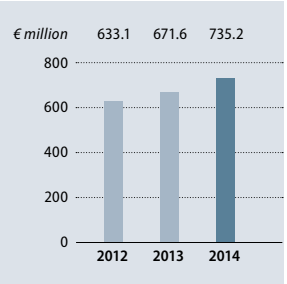


Percentage share of Wire & Cable Solutions division sales by business group *2014*



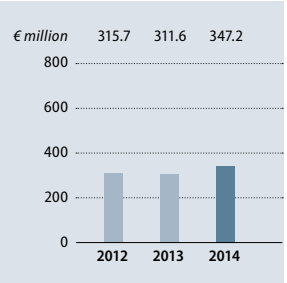
Performance of the business groups

Business Group Automotive Cables



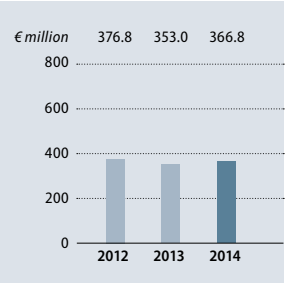
Cables for
- Wiring systems
- Communications / telematics
- Drive and engine systems
- Exhaust systems
- Hybrid and fuel cell vehicles
- Safety and assist systems

Business Group Industry & Healthcare



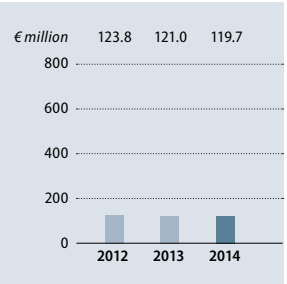
Cables and cable systems for
- Machinery and plant engineering
- Automation and drive technology
- Measurement and control technology
- Robotics
- Specialist vehicles
- Aerospace technology
- Telecommunications
- Medical devices

Business Group Communication & Infrastructure



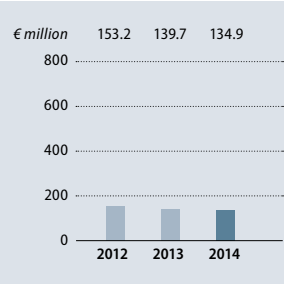
Cables and cable systems for
- Civil and structural engineering
  as well as transport infrastructure
  (safety and installation cables as well as installation systems)
- Large plant and refineries
  (project-specific instrumentation and power cables)
- Railway engineering and shipbuilding

Business Group Electrical Appliance Assemblies



Cable systems for
- Small appliances
- Irons
- Vacuum cleaners
- Consumer electronics
- Washing machines
- Refrigerators
- Tools
- Lighting industry

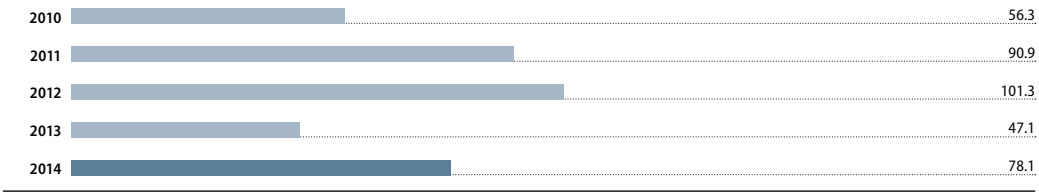
Business Group Conductors & Copper Solutions



Wires and strands for
- Special cable industry
- Heating system manufacturers
- Solar and wind power industry

Sharp rise in earnings Earnings before interest and taxes of the WCS Division in 2014 rose by around 65 percent year on year to € 78.1 million despite missing contributions to profit from the unexpectedly weak business with the petrochemical industry. Alongside the sales growth, a favourable effect resulted from the impact of the restructuring measures implemented in 2013, which had weighed on the previous year's result to a considerable extent. Moreover, the 2013 EBIT figure included a negative effect from changes in the copper price whereas the effect during the period under report was slightly positive.

Wire & Cable Solutions EBIT *€ million*



Extensive new orders The Wire & Cable Solutions Division obtained new orders worth € 1,722.0 million in 2014. Order receipts thus exceeded both the like-for-like 2013 figure of € 1,642.5 million and the business volume of the year under report. Business Group Automotive Cables, in particular, received various large new and follow-on orders for our facilities worldwide, which in many cases extend over several years. They covered standard cables and high-quality, complex data and sensor cables for vehicles. Business Group Industry & Healthcare received major orders from the robotics and medical technology industries: among others, a major German carmaker ordered several thousand dresspacks including installation and commissioning for robots to manufacture cars at two facilities in Germany. Moreover, we secured a first order from a major medical device producer, as a result of which our customer base was broadened. Business Group Communication & Infrastructure was commissioned by Indian producer Reliance to supply the cabling for the third expansion stage of the world's biggest oil and gas refinery plant in the state of Gujarat. We already make half of the high-quality special cables that this requires locally at our new plant in India. Furthermore, with the order by a major German insurance company to wire a large data centre, we have once again demonstrated our expertise in the fast-growing market for data centres. Business Group Electrical Appliance Assemblies received various, mostly multi-year orders for cable harnesses and power cords from major manufacturers of household and electrical appliances with international operations.

Business Report

Overview of LEONI's performance / General statement on the economic situation and comparison with the forecast

Group key figures		2014	2013	Change
Consolidated sales	€ million	4,103.4	3,917.9	+ 4.7 %
EBIT	€ million	182.5	163.1	+ 11.9 %
Adjusted EBIT [1]	€ million	192.7	198.7	(3.0) %
EBIT margin	%	4.4	4.2	—
Consolidated net income	€ million	115.1	105.9	+ 8.7 %
Free cash flow [2]	€ million	(37.9)	36.7	(203.0) %
Return on capital employed	%	13.7	13.4	—
Capital expenditure on property, plant and equipment as well as intangible assets	€ million	215.8	168.4	+ 28.1 %
Employees (as at 31 December)	Number	67,988	61,591	+ 10.4 %

[1] *Earnings adjusted for the impact of revaluation as part of allocating the prices of the major acquisitions, restructuring, impairment of non-current assets, capital gains on the disposal of businesses and income from business combinations including related derivatives*
[2] *Free cash flow before acquisitions and divestments*

In the past financial year, LEONI benefited from sustained good demand from the international automotive industry and the recovery in other major industrial businesses. **Consolidated sales** in 2014 rose by almost 5 percent year on year to a new high of € 4.1 billion. The amount of business increased in both divisions: the Wiring Systems Division grew by more than 3 percent to € 2.4 billion and the Wire & Cable Solutions Division by almost 7 percent to € 1.7 billion. The sales performance was thus fully in line with the forecast issued at the beginning of the year.

Consolidated EBIT (earnings before interest and taxes) was up by around 12 percent to € 182.5 million during the period under report. The Wire & Cable Solutions Division contributed € 78.1 million to this amount and thus almost reached the figure of € 80 million or more it announced in early 2014, with lower profit contributions from the surprisingly weak business with the petrochemical industry. EBIT of the Wiring Systems Division came to € 104.6 million and fell well short of the originally projected figure of € 120 million or so as high unplanned exceptional expenses on new start-ups had to be absorbed. For this reason, the Group's EBIT target was adjusted from more than € 200 million to more than € 180 million in October. We reached this figure even though additional charges were incurred in the fourth quarter on account of the collapse of the rouble and the economic slump in Russia.

After taxes, LEONI generated **consolidated net income** of € 115.1 million, around 9 percent more than in the previous year. In line with our policy of paying out around one-third of consolidated net income to shareholders, we will propose at the Annual General Meeting to pay out a **dividend** of € 1.20 per share (previous year: € 1.00).

The LEONI Group's financial and asset situation in 2014 remained solid even though not all of the projected financial ratios were achieved. Due to the large number of new customer projects and preparation for future growth, **capital expenditure** was up by around 28 percent to € 215.8 million in 2014, thus exceeding the planned amount of about € 200 million. As a result of higher-than-expected capital expenditure, lower EBIT and the need for measures to guard against increasing geopolitical risks, **free cash flow** at negative € 37.9 million fell short of the projected figure of around € 30 million. **Net financial liabilities** of € 316.2 million, the **equity ratio** of 34.4 percent and the slight improvement in **ROCE** to 13.7 percent corresponded to the adjusted forecast issued in October. All in all, LEONI AG's Management Board rates the Group's financial position and performance as good at the time this Group Management report was prepared.

Cost of capital and ROCE
» **page 76**

Group sales and earnings

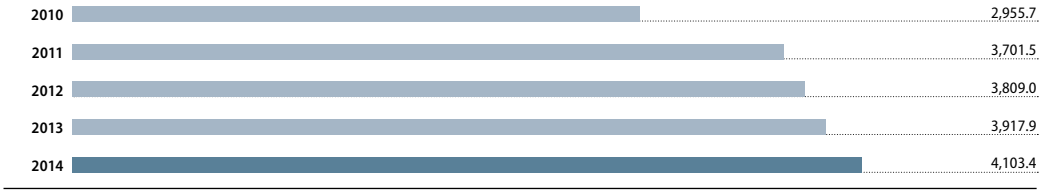
Consolidated sales rise to € 4.1 billion

LEONI AG's consolidated sales rose by around 5 percent or € 185.5 million compared with 2013 to € 4,103.4 million in the past financial year and thus reached a new record level. This improvement is based on the sustained good worldwide state of the automotive business and the gradual recovery of the other industrial customer industries in Europe that are of importance to us. LEONI generated this increase from its own resources; the scope of consolidation changed only slightly. The decline in the average copper price compared with the previous year reduced consolidated sales by € 82.9 million; adjusted for changes in the price of copper, therefore, an increase of € 268.4 million was recorded. Changes in exchange rates had a positive effect of € 3.3 million. Details of exchange gains or losses can be found in the Reports by division/ Segment report.

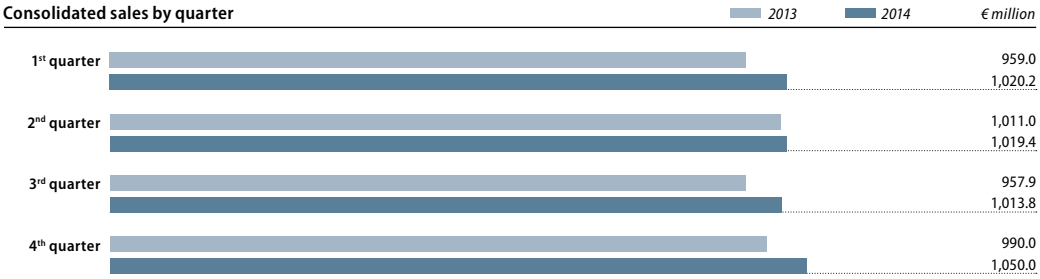
Reports by division/ Segment report
» **page 57**

Broken down by **regions** the following picture emerges: sales growth was particularly strong in Asia/Pacific, where business increased by some 17 percent to € 776.5 million. In the Americas we recorded a gain of just over 8 percent to € 621.4 million. Sales in the EMEA (Europe, Middle East and Africa) group of countries rose slightly by around 1 percent to € 2,705.5 million, with the two most important markets in this region in volume terms – Germany and Eastern Europe – growing by around 2 percent to € 1,108.3 million and by almost 8 percent to € 678.1 million, respectively. The proportion of sales generated in Asia/Pacific and the Americas thus increased as planned, to 18.9 percent and 15.1 percent, respectively, while that of EMEA declined slightly to 65.9 percent.

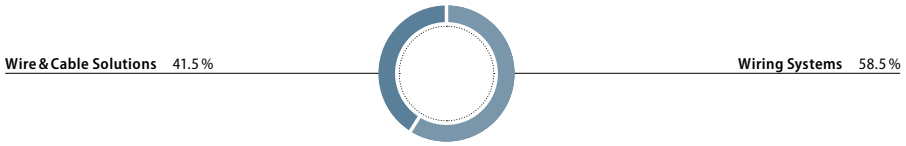
Consolidated sales *€ million*



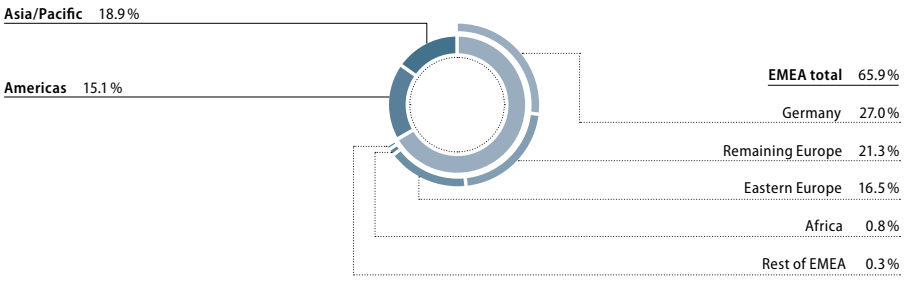
Consolidated sales by quarter



Consolidated sales by division *2014*



Consolidated sales by region *2014*



EBIT growth held back by exceptional items

Reports by division / Segment report
» page 57

In 2014, the cost of sales of the LEONI Group rose by 5 percent to € 3,401.2 million, thus slightly outpacing business volume growth. This was due to unplanned, exceptional items related to the new product start-ups in the Wiring Systems Division, which led to substantial expenses in the summer months. Gross profit on sales improved by just under 4 percent to € 702.3 million, equating to a **gross margin** of 17.1 percent (previous year: 17.3 percent).

Selling expenses increased by about 9 percent to € 213.8 million. Here, too, exceptional expenses on the new product start-ups – mainly high airfreight costs – exerted an impact. General administrative costs were up by around 3 percent to € 197.5 million due to the usual collective bargaining wage increases. Research and development costs also rose by 3 percent to € 109.3 million, primarily due to preparation for new projects in the Wiring Systems Division.

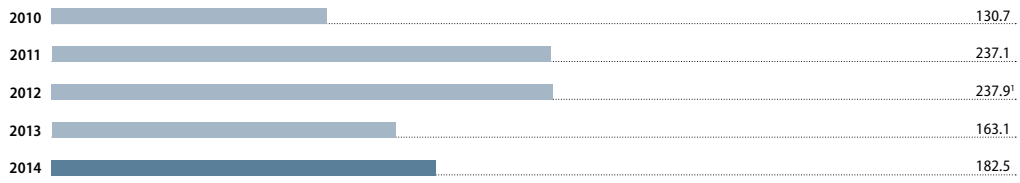
Other operating income, which grew from € 10.4 million to € 12.6 million, included government grants. Other operating expenses declined from € 31.3 million to € 12.0 million as restructuring expenses fell to € 1.8 million. In 2013, they amounted to € 21.5 million as a result of extensive restructuring activities. An opposing effect resulted from heavy foreign exchange losses, which increased from € 0.6 million to € 4.7 million due mainly to the decline in the Russian rouble.

All in all, **consolidated earnings before interest and taxes** rose by around 12 percent to € 182.5 million in the past financial year. **EBIT adjusted** for the impact of allocating purchase prices, restructuring charges and divestment amounted to € 192.7 million (previous year: € 198.7 million).

The **financial result** including other investment income improved slightly to a negative balance of € 31.8 million (previous year: negative € 31.9 million). Favourable refinancing terms offset the effects resulting from the larger average amount of debt.

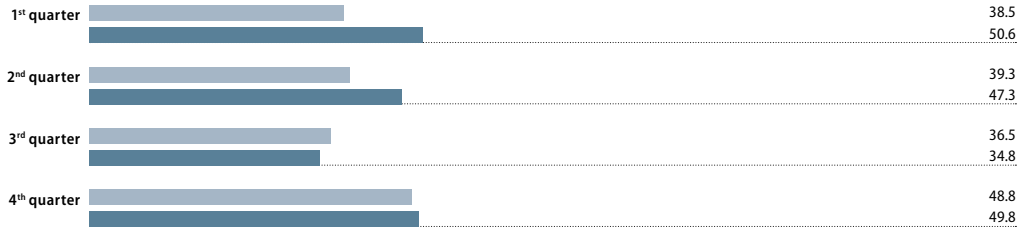
Consequently, **earnings before taxes** rose by around 15 percent to € 150.7 million in 2014. Income taxes, which were very low in the previous year due to exceptional items, came to € 35.7 million (previous year: € 25.3 million), equivalent to a tax rate of 23.7 percent (previous year: 19.3 percent). On balance, **consolidated net income** rose by almost 9 percent to € 115.1 million. Earnings per share improved from € 3.23 to € 3.51.

Consolidated EBIT *€ million*



[1] *Adjustment due to amendment to IAS 19*

Consolidated EBIT by quarter *2013* *2014* *€ million*



Value creation increased by almost 8 percent

The LEONI Group increased its net value creation by almost 8 percent versus 2013 to € 999.5 million in 2014. It is calculated on the basis of sales revenues and other income less cost of materials, depreciation/amortisation and other advance payments and thus represents LEONI's own output. The largest part of the value created is spent on staff. In 2014 they received a share of 81.7 percent in the form of wages and salaries as well as social benefits. Our shareholders received 3.9 percent, our lenders 3.2 percent and the government 3.6 percent. To strengthen our financial base, 7.6 percent was retained in the Company.

Accruement

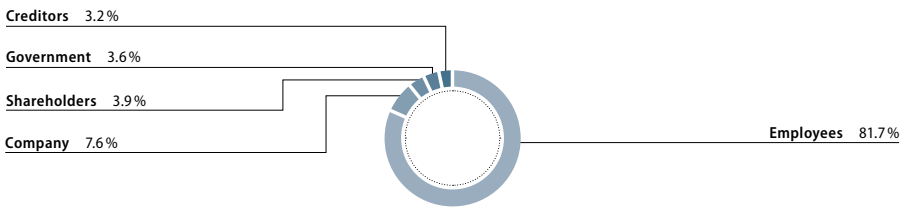
€ million	**2014**	**2013**
Sales revenues	4,103.4	3,917.9
Other income	12.6	10.4
Cost of materials	(2,436.3)	(2,354.7)
Depreciation / amortisation	(123.4)	(121.0)
Advance payments	(556.8)	(523.2)
Net value added	**999.5**	**929.4**

Distribution

€ million	**2014**	**2013**
to staff (personnel costs, social security contributions)	816.8	766.0
to the Company (retained income) [1]	75.9	73.2
to shareholders (dividend) [2]	39.2	32.7
to government (income taxes) [3]	35.7	25.3
to creditors (financial result) [4]	31.9	32.2
Net value added	**999.5**	**929.4**

[1] *consolidated net income less dividend*
[2] *subject to the approval of shareholders at the AGM*
[3] *income taxes only (excl. excise, property and transaction taxes as well as social security contributions)*
[4] *excl. other investment income*

Distribution of value added *2014*



Financial situation

Finance strategy

The LEONI Group endeavours to have a permanently solid, balanced finance structure. The aim is to maintain an equity ratio of at least 35 percent and gearing (ratio of net financial liabilities to equity) below 50 percent so as to lastingly safeguard the Company's strong acceptance by the capital market as well as banks and suppliers. We use the capital market to cover our long-term need for finance. We obtain short-term finance via credit lines from our core banks. Deutsche Bundesbank has rated LEONI as an eligible borrower for more than a decade. The rating agencies are not commissioned to issue a rating because this would, in our view, not provide any added benefit. LEONI does not have any financial covenants to fulfil.

Planned business growth is normally to be funded via net cash flow. Furthermore, we take care that significant expansion surges – especially in the case of acquisitions – are backed to an appropriate extent by equity. Details on capital management are contained in the Notes.

Notes
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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 measures for the entire group of companies. In exceptional cases we have recourse to regional, special finance deals. The most important objectives of **financial management** include safeguarding the Group's liquidity worldwide, optimising finance costs and revenue as well as controlling and minimising currency and interest rate risks. We use a wide range of instruments to keep our exposure to individual markets or types of finance as low as possible. Generally speaking, LEONI pursues long-term collaboration with international banks that is based on mutual trust. Group subsidiaries are financed mostly in their functional currency. The principal financial liabilities in 2014 were denominated in euros, Indian rupees, Russian roubles, South Korean won and Chinese yuan.

Among other means, the LEONI Group manages 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 majority of the payments for the Group.

In order to be able to reliably meet all our financial obligations at any time, we use capital market instruments such as bonds and borrower's note loans at the corporate level for the whole Group and obtain credit lines in sufficient amounts. Existing credit lines were extended in 2014 to ensure liquidity. On 31 December 2014 there were short and medium-term credit lines from banks amounting to € 545.8 million (previous year: € 478.7 million) with terms up to 42 months, of which € 41.3 million were drawn down at year-end (previous year: € 13.8 million).

The **off-balance sheet instruments** leasing and factoring, which we use to improve liquidity, are also managed at head office. Factoring, in particular, is an important addition to the other instruments for short-term liquidity management thanks to its flexibility in terms of the sales performance and the associated borrowing requirement. At the end of 2014, factoring reduced trade receivables by the amount of € 126.2 million (previous year: € 122.5 million). Of the other liabilities, € 21.3 million (previous year: € 18.0 million) was due to the receipt of payment on receivables that were sold within factoring agreements. Details on leasing are contained in the Notes.

Notes
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Interest rate and currency hedging

Interest rate risks on money-raising measures are hedged with underlying instruments such as swaps and collars. As at 31 December 2014 the nominal volume of existing interest rate swaps was € 63.5 million, unchanged from the previous year. To minimise the impact of exchange rate variation on consolidated earnings, foreign currency items are netted within the Group. For the other amounts we make use of currency hedging transactions; mostly in British pounds sterling, Chinese yuan, Mexican pesos, Polish zloty, Romanian leu and US dollars. At the end of 2014, they amounted to € 628.9 million versus € 462.4 million on the same closing day one year earlier. Further information on interest rate and currency risks is contained in the Notes.

Notes
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Finance measures: new borrower's note loans

Because of the still favourable market conditions, we issued two new variable-rate borrower's note loans in the nominal amounts of € 25 million and € 20 million in March and April 2014 maturing in 2020 and 2021, respectively. We thereby again improved our finance structure, which is geared to the long term.
The following chart provides an overview of the existing material long-term finance:

Long-term finance	Amount *in € million*	Placed *year*	Term *to year*
Borrower's note loan	63.0 73.0	2012	matures 2017
EIB loan	100.0	2013	matures 2018
Borrower's note loan	25.0 12.0	2012	matures 2018
Borrower's note loan	48.5 19.5	2012	matures 2019
Borrower's note loan	25.0	2013	matures 2020
Borrower's note loan	25.0	2014	matures 2020
Borrower's note loan	20.0	2014	matures 2021
Borrower's note loan	9.0	2012	matures 2022

In addition, foreign currency loans amounting to around € 62 million with terms up to 2017 were extended or taken out.

Dividend policy

As a rule, LEONI's strategy provides for a payout of around one third of annual net income to shareholders in order to meet shareholder expectations in the form of an appropriate dividend and to make sufficient liquidity available to the Company through profit retention.

Cost of capital and ROCE

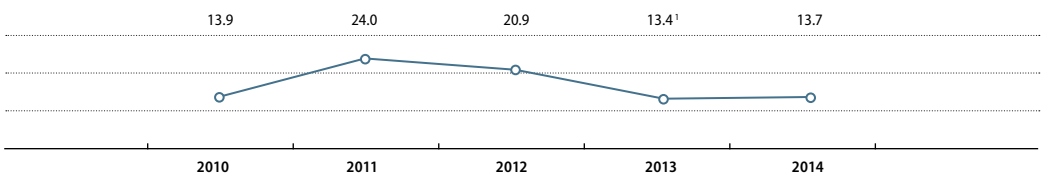
The weighted average cost of capital (WACC) for the LEONI Group decreased to 6.69 percent in 2014 (previous year: 8.19 percent). The return on capital employed (ROCE) increased to 13.7 percent (previous year: 13.4 percent). This means that the target figure, which was updated from around 16 percent to around 14 percent last October as part of the adjustments made to results, was almost reached despite the fact that investments and funds additionally tied up in working capital were higher than expected.

Calculation of WACC		2014		2013
Risk-free interest		1.5 %		2.75 %
Market risk premium		6.00 %		6.00 %
Beta factor		1.23		1.23
Cost of equity after tax		**8.88 %**		**10.13 %**
Borrowing costs before tax		2.63 %		3.61 %
Tax rate	28.00 %	0.74 %	28.00 %	1.01 %
Borrowing costs after tax		**1.89 %**		**2.60 %**
Equity proportion		68.72 %		74.23 %
Proportion of borrowed funds		31.28 %		25.77 %
Cost of capital after taxes (WACC)		**6.69 %**		**8.19 %**

Calculation of Return on Capital Employed		
€ million	**2014**	**2013**
EBIT	182.5	163.1
Intangible assets	82.7	82.3
Goodwill	147.7	148.4
Property, plant and equipment	810.1	709.8
Inventories	564.2	509.7
Trade receivables	544.9	502.7
Others	279.2	245.0
Total assets	**2,428.8**	**2,197.9**
Trade liabilities	704.9	675.1
Other liabilities up to 1 year	176.2	149.0
Others	163.0	179.8
Total equity and liabilities	**1,044.1**	**1,003.9**
Capital employed on the reporting date	**1,384.7**	**1,194.0**
Capital employed, annual average[1]	**1,332.6**	**1,221.6**
ROCE[2]	**13.7 %**	**13.4 %**

[1] Calculation of the annual average is based on the past five quarterly reporting dates.
[2] Prior-year figures restated

Return on Capital Employed %



[1] Prior-year figures restated

Statement of cash flows: capacity expansion and risk provisions tie up additional funds

In 2014, the LEONI Group generated cash provided by operating activities of € 180.8 million and thus at a level similar to the previous year's figure of € 187.4 million. During the period under report, the improvement in results contrasted with a larger amount of funds tied up in working capital. This was mainly due to higher inventories. They resulted from measures to guard against geopolitical risks, the complex new product start-ups in the Wiring Systems Division, the increasing globalisation of our activities and business expansion. The cash used for investments in 2014 totalled € 218.7 million and was substantially higher than the 2013 figure (previous year: € 150.7 million) because we expanded capacity in both divisions considerably. Free cash flow before acquisitions and divestments decreased to a negative amount of € 37.9 million (previous year: positive € 36.7 million).

Capital expenditure
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Cash used for financing activity amounted to € 64.8 million (previous year: negative € 135.7 million). Dividend payouts and scheduled principal payments were more than offset by inflows from the use of short-term credit lines as well as the issue of two new borrower's note loans.

Finance measures
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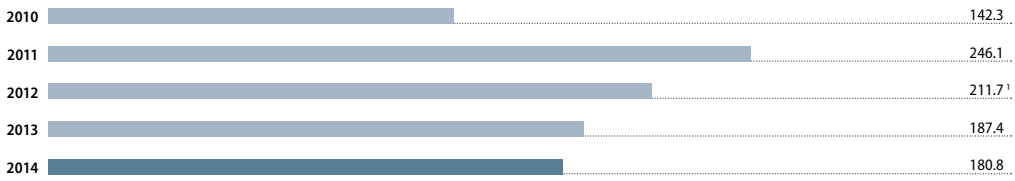
All told, the aforementioned cash inflows and outflows as well as exchange rate-related changes in the amount of € 7.1 million increased cash and cash equivalents by around 17 percent to € 232.0 million.

Operating cash flow *€ million*

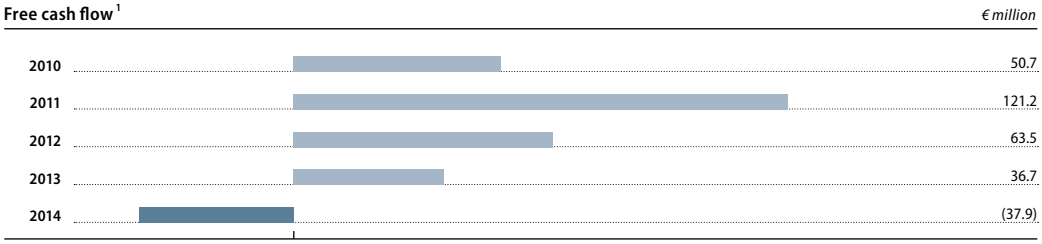


[1] *Adjustment due to amendment to IAS 19*

Consolidated statement of cash flows *€ million (abridged version)*	**2014**	**2013**
Cash provided by operating activities	180.8	187.4
Cash used for capital spending activities	(218.7)	(150.7)
Cash provided by / used for financing activities	64.8	(135.7)
Change in cash and cash equivalents	26.9	(98.9)
Cash and cash equivalents on 31 December	232.0	198.0

Calculation of free cash flow [1] *€ million*	**2014**	**2013**
Net income	115.1	105.9
Write-downs / impairment cost	123.4	121.0
Changes in working capital	(68.2)	(42.3)
Other	10.7	2.8
Cash provided by operating activities	**180.8**	**187.4**
Cash used for capital spending excl. acquisitions / divestments	(218.7)	(150.7)
Free cash flow	**(37.9)**	**36.7**

[1] *before acquisitions and divestments*



[1] before acquisitions and divestments

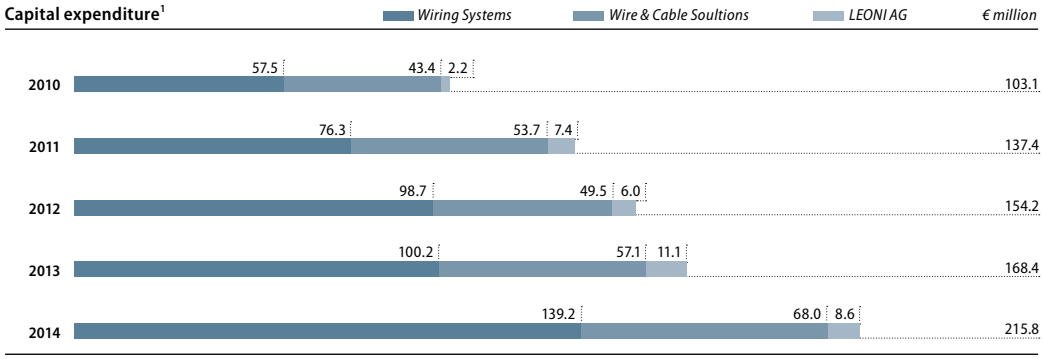
Capital investment substantially increased

The LEONI Group invested a total of € 215.8 million in 2014, some 28 percent more than in the same period of 2013. Capital investment was exclusively for property, plant and equipment as well as intangible assets.

The Wiring Systems Division increased its capital investment by almost 39 percent to € 139.2 million (previous year: € 100.2 million). New plants were built in China, Romania and Serbia and our capacity at existing locations in all major production regions, i.e. in Asia, Central America, North Africa and Eastern Europe, was expanded in order to tackle new projects for the car and commercial vehicles industries. Moreover, we have made our first step towards the expansion and modernisation of the divisional headquarters in Kitzingen in order to enhance LEONI's appeal as an employer.

Capital expenditure in the Wire & Cable Solutions Division increased by some 19 percent to € 68.0 million (previous year: € 57.1 million). The focus was on further capacity for standard and special automotive cables, particularly in China, Germany, Mexico and Poland. We also invested in a new special cables plant for Business Group Industry & Healthcare in Slovakia and one in China as well as in additional production equipment for various fast-growing industrial segments, primarily in Germany and Eastern Europe. Business Group CC installed a state-of-the-art electroplating and wire rod breakdown line at the facility in Weissenburg, Germany.

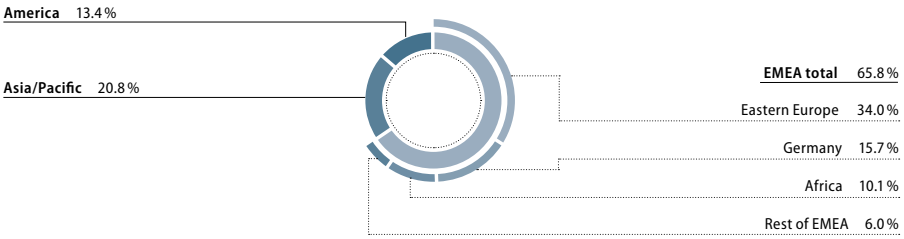
The LEONI AG holding company invested € 8.6 million, down from € 11.1 million in the previous year. Most of this amount was spent on preparing the IT infrastructure for the planned further expansion.



[1] excluding acquisitions and investments

LEONI increased its capital expenditure across all three regions: it rose particularly sharply – by almost 53 percent to € 44.9 million – in Asia and grew by over 36 percent to € 28.9 million in the Americas and by around 21 percent to € 141.9 million in the EMEA countries with a focus on Eastern Europe.

Group capital expenditure by region *2014*



Asset situation

Stable and high equity ratio

The LEONI AG consolidated balance sheet as at 31 December 2014 was enlarged by about 11 percent compared with one year earlier, to € 2,667.2 million, but remained virtually unchanged in structural terms. On the **asset side**, there was an overall increase in **current assets** by around 10 percent to € 1,471.7 million. Cash and cash equivalents rose by 17 percent to € 232.0 million and inventories increased by just under 11 percent to € 564.2 million. Alongside business expansion, the numerous, in some cases complex new product start-ups, stocking up to hedge risks and further globalisation of our operations also had an impact in this respect. Our increasingly global business also contributed to an increase in trade receivables and other financial assets by around 8 percent to € 562.4 million. Other assets were up by almost 13 percent to € 92.6 million.

Statement of cash flows
» **page 78**

Asset and capital breakdown

€ million	**31/12/2014**	**31/12/2013**
Current assets	1,471.7	1,332.4
Non-current assets	1,195.5	1,067.4
Total assets	**2,667.2**	**2,399.7**
Current liabilities	1,065.8	963.6
Non-current liabilities	683.7	608.5
Equity	917.8	827.6
Total equity and liabilities	**2,667.2**	**2,399.7**

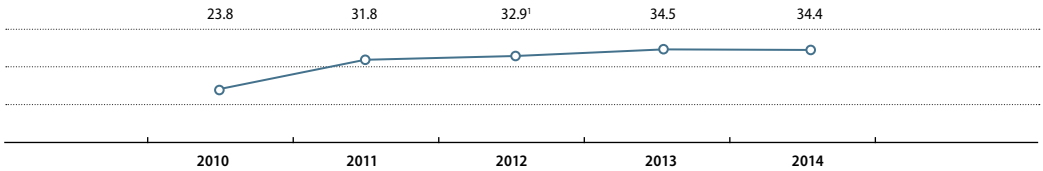
Non-current assets, which increased by around 12 percent to € 1,195.5 million, were affected mainly by extensive capital expenditure in both divisions, which led to an increase in property, plant and equipment by about 14 percent to € 810.1 million. The changes in the items intangible assets and goodwill were negligible. By contrast, receivables from long-term development contracts rose by almost 18 percent to € 55.1 million due to the large number of new projects in the Wiring Systems Division. Deferred tax assets increased by some 26 percent to € 72.0 million, due mainly to altered differences in balance sheet items resulting from adjustments made in the measurement of pension obligations.

On the liabilities side of the balance sheet, **current liabilities** increased by about 11 percent year-on-year to € 1,065.8 million. Due to the expansion of our activities, trade liabilities and other financial liabilities increased by just under 7 percent to € 744.2 million. Current financial liabilities including the short-term proportion of long-term loans more than doubled to € 99.8 million due to changes in loan maturities. In return, current provisions decreased from € 37.1 million to € 28.3 million because significantly less restructuring measures were required in 2014 than in the previous year. At € 151.0 million, other current liabilities were only slightly above the corresponding pre-year figure of € 147.0 million.

Non-current liabilities, which overall rose by around 12 percent to € 683.7 million, reflected the issue of the two new borrower's note loans. Non-current financial liabilities thereby increased by more than 8 percent to € 448.4 million. A sharp gain of almost 39 percent to € 157.2 million was also recorded by pension provisions, whose value had to be adjusted due to the decline in the market interest-rate level. The changes to the other non-current items were negligible. **Net financial liabilities** were up from € 257.0 million to € 316.2 million.

Finance measures
» **page 76**

Equity ratio %



[1] *Adjustment due to amendment to IAS 19*

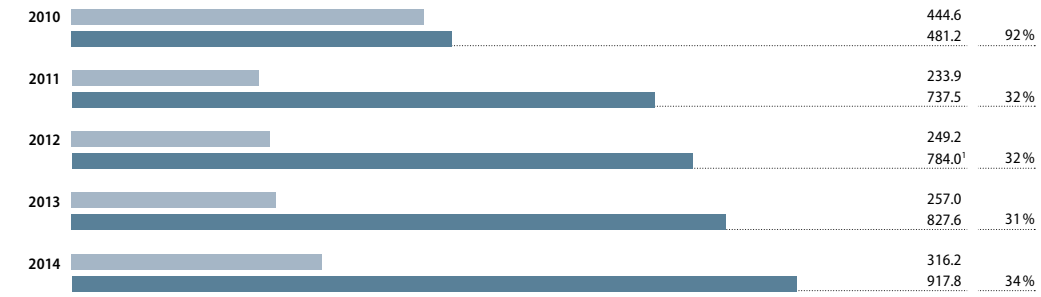
The LEONI Group's **equity** grew by 11 percent year-on-year to € 917.8 million. The equity ratio was thus virtually unchanged from the previous year at 34.4 percent (previous year: 34.5 percent). Due to the consolidated net income, retained earnings increased by more than 15 percent to € 619.3 million. Accumulated other comprehensive income improved from a negative figure of € 34.5 million to one of € 26.6 million. During the period under report, large forex gains of € 39.0 million were offset by actuarial losses related to the adjusted measurement of pension provisions amounting to € 29.2 million.

Property, plant and equipment, intangible assets, goodwill *€ million*

Calculation of net financial liabilities

€ million	2014	2013	Change
Cash and cash equivalents	232.0	198.0	34.0
Current financial liabilities	(99.8)	(41.3)	(58.5)
Non-current financial liabilities	(448.4)	(413.7)	(34.7)
Net financial position	(316.2)	(257.0)	(59.2)

Equity and net financial liabilities / Gearing *Net financial liabilities* *Equity* *€ million* *Gearing*



[1] *Adjustment due to amendment to IAS 19*

Off-balance sheet assets

Alongside the assets presented in the consolidated balance sheet, the Group also uses intangible assets, which are not permitted to be entered on the balance sheet because of the applicable accounting requirements. Mainly, these are primary customer and supplier relationships, production know-how, organisation and process-related advantages as well as brand and human capital. Use was furthermore made of leased or rented assets that are not to be entered on the balance sheet as assets because of the chosen contractual structure.

Other indicators

Procurement

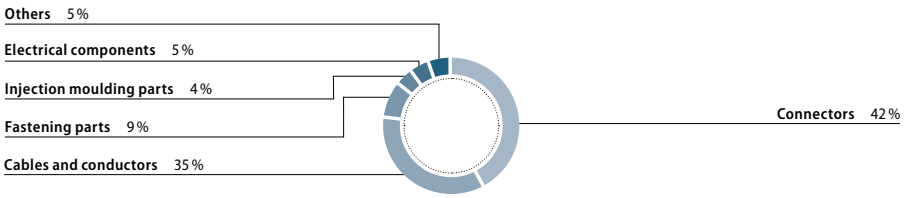
Cost of materials rises less than sales

The raw and plastic materials as well as components purchased during the year under report still accounted for a large proportion of LEONI's sales. In 2014, the Group-wide cost of materials rose by 3.6 percent to € 2,436.3 million, equating to 59.4 percent of sales and down from 60.0 percent in the previous year.

In the Wire & Cable Solutions Division the cost of materials rose from € 1,168.4 million in the previous year to € 1,206.7 million, which corresponded to 65.0 percent of the division's sales (previous year: 66.4 percent). Copper remained our most important raw material with a quantity of more than 130,000 tons. In addition there are such other metals as nickel, silver and tin. As in the previous year, plastics were the second-largest group of materials with well over 50,000 tons. These included such special insulation materials as polyurethane, thermoplastic elastomers and fluoropolymers; such standard plastics as polyvinylchloride and polyethylene as well as plasticizers for production of PVC components.

The Wiring Systems Division buys cables and conductors for the manufacture of wiring systems mostly from the Wire & Cable Solutions Division, but it also uses outside suppliers. Connectors and fixings are largely sourced externally. The division's cost of materials in the period under report came to € 1,384.2 million (incl. copper), up from € 1,351.0 million in the previous year and equating to about 58 percent of external sales as in the previous year.

Cost of materials in the Wiring Systems Division *proportions of key material groups 2014*

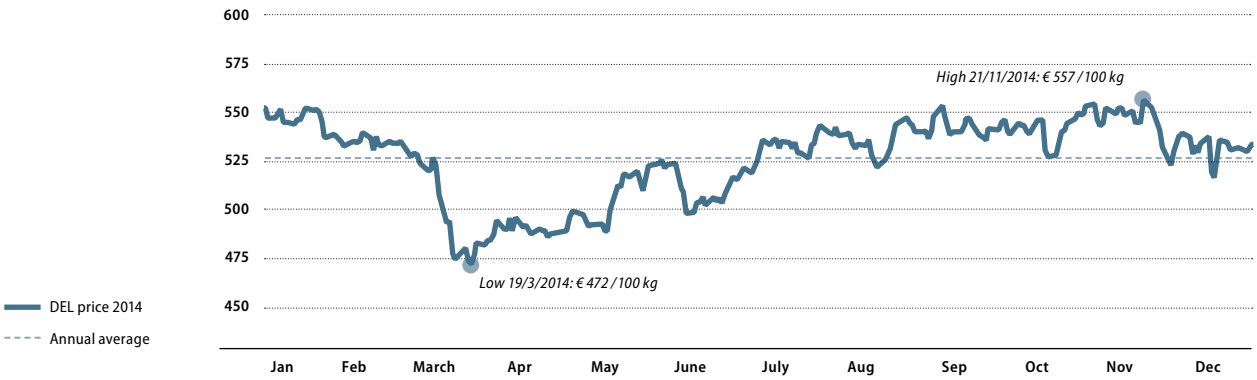


Prices of key metals down in 2014

LEONI sources its key raw material, copper, from major strategic suppliers, with the price geared to that quoted on the London Metal Exchange. The price of copper initially declined during the period under report: starting from € 5.45 per kg at the turn of the year, it fell to a low of € 4.72 per kg by 19 March 2014. Thereafter the metal gradually appreciated again, reaching a high of € 5.57 per kg on 21 November 2014. During the last few weeks of the year the price dipped moderately to the closing level of € 5.34 per kg. On average in 2014, a kilogramme of copper cost € 5.26, which was about 6 percent less than in the previous year.

Silver depreciated considerably during the year under report: at € 460.87 per kg, the average price of this precious metal was about 20 percent below the previous year's level. By contrast, the annual average price of nickel was up by just over 12 percent to € 12.73 kg. The cost of tin was similar to the previous year at € 16.50 per kilogramme.

Development of copper price 2014 *(low DEL price)* *€ / 100 kg*



Source: Südkupfer Marktdaten, Südkupfer Bröckl GmbH & Co. KG

Plastics prices mixed

On the whole, there was only minor change in the prices for standard plastics and plasticizers in 2014. Not until the fourth quarter was there sign of a downtrend due to the lower price of oil. It remains to be seen whether this trend lasts. On the other hand, special plasticisers, which we require to make automotive cable compounds, became increasingly expensive during the year as shortages repeatedly occurred.

Component procurement: focus on Asia and the Americas

To procure components like connectors and fixings LEONI frequently works with suppliers that are stipulated by customers in the automotive industry as part of being awarded the contract. We respond with intensive, global negotiations with suppliers, new technologies and substitution to price increases and procurement bottlenecks. During the year under report, securing supply for our facilities in Asia and the Americas, which had to deal with major, worldwide new product start-ups, played an especially important role. We also focused our supplier marketing even more sharply on such future-oriented business segments as electromobility.

Taking advantage of innovation and performance potential

Enhancing and maintaining supplier capital is of major significance to LEONI. In the WCS Division, we broadened our procurement management further in 2014 to involve high-performing and innovative suppliers in product creation at an early stage. In addition, we launched 'Purchasing Excellence', an ambitious project within the division-wide 'WCS ON Excellence' performance programme, which aims to tap global procurement synergies.

In the Wiring Systems Division, we defined and implemented improvement programmes to optimise performance with all key suppliers and thereby to meet the high demands placed on parts and components supplied worldwide. As planned, we also set up a global contract management system to support our increasingly international activity and to prepare ourselves for the entry of our customers into new markets.

Employees

Workforce enlarged to 67,988 employees worldwide

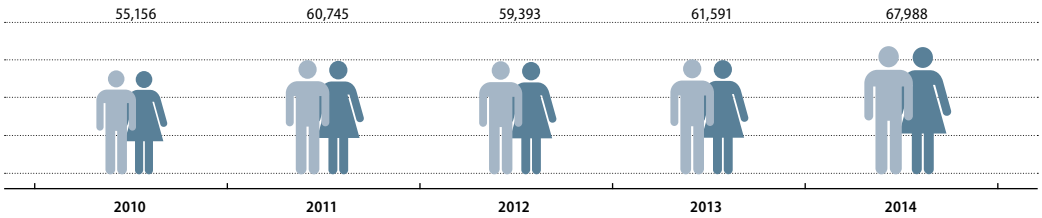
LEONI further enlarged its workforce worldwide in 2014. At the end of the year, the number of employees was up by 6,397 on the previous year to 67,988 people. There was recruitment particularly in Asia, the Americas, North Africa and Eastern Europe. In the Wiring Systems Division the workforce increased by 5,893 to 59,056 employees. The biggest rises took place in Mexico because of extensive and complex new product start-ups. The Wire & Cable Solutions Division had 8,679 employees at the end of December and thus 478 more than one year earlier. Here the number of staff grew above all at the automotive plants in China, Mexico and Poland as well as in Roth, Germany. LEONI AG's holding company had 253 employees at the end of December 2014, 26 more than one year earlier.

The vast majority of the overall workforce – 63,680 people (previous year: 57,369) or a 93.7 percent proportion (previous year: 93.1 percent) – was again employed outside Germany in 2014. In Germany, 4,308 people worked for LEONI (previous year: 4,222). 9.9 percent (previous year: 10.7 percent) of all employees worked in high wage countries and 90.1 percent (previous year: 89.3 percent) worked in low-wage countries. To be able to respond flexibly to cyclical fluctuation, 13,453 members of the overall staff were on temporary employment contracts at the end of 2014 (previous year: 13,756). In addition, there were 6,366 people working via personnel leasing contracts (previous year: 5,679), particularly in China.

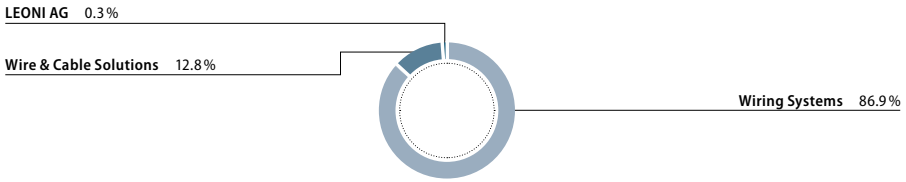
The average age in 2014 of LEONI employees in Germany was 41.0 years as in 2013 and the average number of years of service was 11.0 (previous year: 11.4). 87 employees celebrated their 25th anniversary with the Company (previous year: 59). Overall, 3.3 percent of employees were severely handicapped (previous year: 2.6 percent), 345 people (previous year: 305) worked part-time and a further 86 (previous year: 109) were in partial retirement.

In 2014, all significant personnel measures were applied in close agreement and constructive collaboration between management and the general works councils in Germany and France, the European Works Council as well as with local employee representatives and works councils.

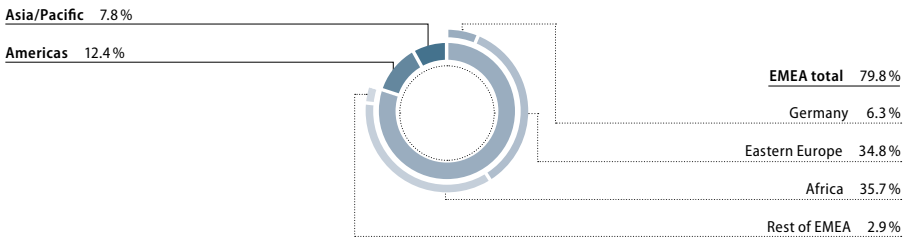
Group employees *as of 31 December*



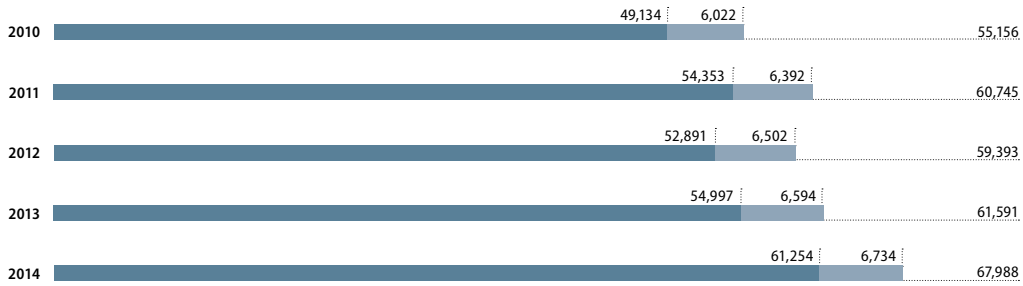
Employees by division *as of 31 December 2014*



Employees by region *as of 31 Dec. 2014*



Development of number of employees by wage region *in low wage countries* *in high wage countries* *as of 31 December*



LEONI as an attractive employer

In order, as an attractive employer, to find and retain skilled and committed staff, LEONI provides its employees with interesting jobs and a high degree of personal responsibility in a motivating, encouraging and constructive environment. Among the aspects contributing to this are flexible working-time models, extensive advanced training options and performance-related compensation. Occupational health and safety also play an important part in the appeal of a job. Information on this is provided in the sustainability report.

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Working-time models There is a range of flexible working-time arrangements, like part-time, flexitime and trust-based working, job-sharing and teleworking, available to our staff. The objective is to achieve a better work-life balance and thereby greater diversity in the workforce. At our facilities in Kitzingen and Roth, Germany, for instance, we extended the options for home office working. By adjusting shift-work models and times at some plants we also established more ergonomic working conditions.

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Company suggestion scheme LEONI's employees have a keen interest in proactively shaping their Company and contributing to its success. This is also reflected in our ideas management system, through which about 17,500 suggestions for improvement worldwide were deemed useful and implemented in 2014 (previous year: about 18,500). This concerned all areas of the Company and ranged from process optimisation to product improvement and through to energy savings as well as staff motivation.

Advanced training The focal areas of our extensive range of advanced training opportunities in 2014 were in-house training in the areas of trade, leadership and management skills, soft skills, project management, IT, languages, production organisation and mental health. In addition, there were options as required to participate in outside training, especially to acquire specialist and methodology expertise. In Germany we conducted 832 training sessions (previous year: 1,110) for 3,968 participants (previous year: 4,267). In addition there were management training courses at various levels as well as pilot events for such new international management training concepts as the Young Professional Development Program, which we initially ran for junior staff in Eastern Europe. We furthermore granted scholarships to former apprentices with very good final results and covered a share of the costs of career-related studies and certification courses of our employees.

Performance-related compensation LEONI's Incentive Compensation Program was updated in 2014 as planned. The key aspect of the model for compensating trade and management staff is a variable target agreement, which takes into account both corporate and personal objectives and, as a matter of principle, draws on the previous year as a benchmark. In addition, there is a long-term incentive system for senior management. Restructuring of the programme is intended to achieve incentive for more sustainable business growth on the one hand, and a fairer, simpler measurement system on the other hand.

The Top Employers Institute also provided outside confirmation of LEONI's appeal as an employer by again commending our company as a 'Top Employer Germany' in 2014.

Broadening diversity

LEONI endeavours to establish a prejudice-free working environment that does not discriminate against anyone. Corresponding instructions are contained in the Company's own policy documents and in external declarations on principle, which LEONI has signed.

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» page 93

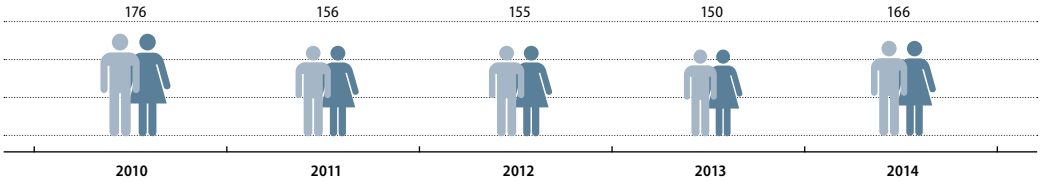
To promote diversity within the Company, we launched the Pool of Engineers training programme in 2014 for instance; with it we are aiming to gain engineers from Eastern Europe for deployment in Germany. LEONI furthermore participated in the third leg of the 'Women in Management Positions' project, which is intended to promote the careers of female trade-qualified staff and junior managers, as well as in the Girls' Days of schools and universities to provide young women with insight into technical careers.

During the year under report, women accounted for 53 percent (previous year: 54 percent) of LEONI's total workforce and 28 percent (previous year: 25 percent) of management positions. LEONI thereby succeeded in raising the proportion of women in leading positions. We also encourage diversity among our partners: for instance, in France we are also increasingly working with companies that employ people with disabilities.

Training and starting a career

LEONI employed 166 apprentices at the end of December 2014 (previous year: 150) and thus more than needed in-house. They were learning a vocation at twelve facilities in state-of-the-art classrooms and in some cases dedicated training workshops within the framework of 20 mainstream commercial and trade apprenticeships as well as twin-track courses of study.

Number of apprentices in Germany *as of 31 December*



At our key apprenticeship facility in Roth, our young talents acquired overarching skills in the LEONI Junior Group – a company within a company that is run by apprentices with full responsibility. All German apprentices had the opportunity in 2014 to get to know other employees and business divisions during a works outing. For our next generation in China there is also a Technical Training Center based on the German model, where our junior employees receive specialist training towards mechanical and electrical qualifications.

Numerous LEONI apprentices were commended for their good performance during the year under report. Three mechanical engineering apprentices were awarded the Bavarian State Prize for outstanding apprentice performance. Three prospective industrial managers received recognition from the Central Franconia government based on their very good vocational school reports as well as an advancement award from Sparkasse (savings bank), while one apprentice won the Toolcraft Industry Award. Furthermore, one former LEONI junior cable engineer was bestowed the citizen's award of the city of Roth for outstanding achievements in occupational training.

23 young people completed the practical semester of their twin-track university course at LEONI (previous year: 18). In 2014 we offered additional places for the business administration courses of service management and trade as well as mechanical engineering (production and management). Furthermore and as in the preceding years, university graduates were able to start at LEONI with a trainee programme or to join the Company directly in certain positions.

Recruitment of young people

In 2014, we again worked closely together with schools to stimulate the interest of young people in LEONI. Alongside application coaching, a careers day and various collaborative projects, we offered young people the opportunity to familiarise themselves with LEONI as a potential employer during the 'Apprenticeships Evening' held at our facility in Roth. We also again presented our Company at careers orientation events and careers exchanges. We established contact with students and graduates at 30 university and corporate networking fairs. LEONI also gained recognition as an employer via work on university final papers, internships in and outside Germany as well as student work placements and casual employment. In the wake of our increasing degree of globalisation, we also stepped up our contact with universities outside Germany in 2014.

Human resource strategy and organisation

LEONI's human resource strategy aims to present the Company as an attractive employer also in the future and to underpin the projected growth in structural terms. Given the greater globalisation, such topics as global recruitment as well as talent and skills development are also increasingly gaining in significance. Our HRSolutions programme aimed at Group-wide harmonisation of key human resource standards, structures and processes was implemented in further, significant production countries in 2014. We made progress among other areas in standardising payroll and working time systems, talent management and in the recruitment systems.

Research & Development

R&D objectives

LEONI's in-depth research & development (R&D) work is aimed at developing products and solutions, further enhancing our leading competitive position in many markets as well as developing additional customer groups. In line with our Group strategy, we therefore intend to step up our R&D activity in Asia and the Americas as well as to enhance the efficiency and excellence of our production processes. We are also endeavouring to broaden our systems expertise and to become the most innovative cable provider.

Organisation

The responsibility for R&D work lies in the two business divisions and their specialist departments. The Wiring Systems Division operates development centres in, among other countries, China, Germany, France, the United Kingdom, Slovakia, South Korea and the United States. The WSD head office department in Kitzingen performs additional development work and provides project-related support.

The Wire & Cable Solutions Division has a division-wide development network with customer-oriented and efficient units. In addition, we perform development work for the Group, primarily so in competence centres in Germany and Switzerland. As part of the new COO organisation, the structures were concentrated even more on the R&D targets during the year under report. We thus established new corporate functions that are focused on optimising production. Our strategic technology and innovation management, corporate advance development and professional patent development ensure that new developments are applied and safeguarded.

The R&D specialists of the two divisions collaborate closely in many areas of work. LEONI can thereby combine a wide variety of know-how for specific tasks, thus achieving synergies also in the interests of customers.

Focal areas of development

Development work in the Wiring Systems Division continued in 2014 to focus on customised, project-related wiring systems. The search for alternative conductor materials to save weight was also continued. We furthermore stepped up our work in the high voltage segment and enhanced our simulation expertise to further improve our position as a development partner for the motor vehicle industry.

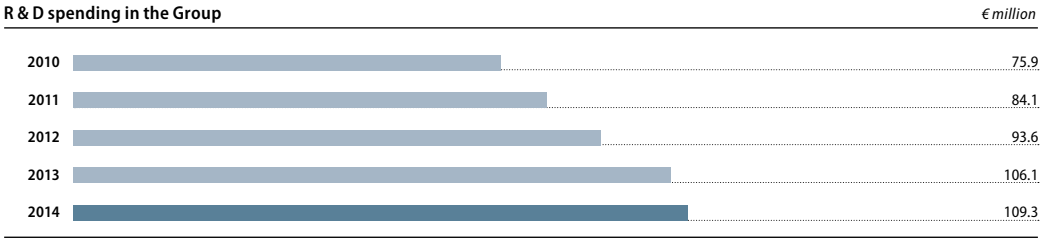
The Wire & Cable Solutions Division during the year under report likewise worked on a large number of customer and market-specific projects, including expansion of its portfolio of halogen-free cables, miniaturised cables, fiber optic cables and production for high-frequency applications. Alongside the automotive industry, the most important target markets included medical technology, the capital goods industry and the infrastructure sector. We also maintained the commitment to green technology and optimisation of production processes in the area of metals and alloys. Furthermore, we worked even harder on developing innovative signal and power transfer solutions, for instance with such alternative conductor materials as aluminium and non-metallic conductors in the cable harness, as well as on systematic realisation of cost and weight optimisation potential.

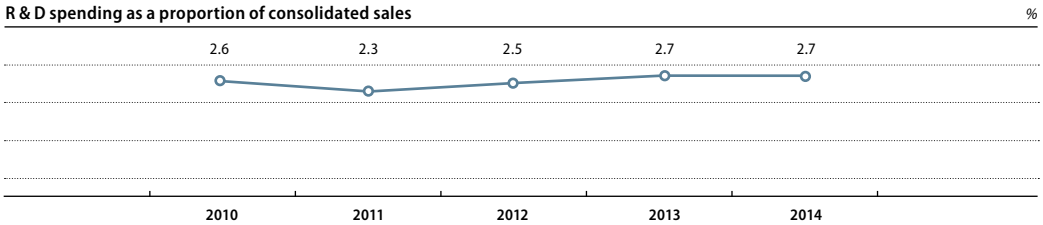
R&D spending up by 3 percent

Group-wide spending on research and development rose by 3 percent to € 109.3 million in 2014, which, as in the previous year, equated to a 2.7 percent proportion of consolidated sales. Assets furthermore included € 2.7 million in capitalised development costs (previous year: € 0.2 million). The deferred development costs and those capitalised as receivables amounted to € 22.7 million in the financial year (previous year: € 21.5 million).

At the end of 2014, 2.4 percent (previous year: 2.7 percent) of the overall workforce worked in R&D. Group-wide this was a total of 1,637 employees in R&D (previous year: 1,636); of that, 356 (previous year 359) in the Wire & Cable Solutions Division and 1,281 (previous year: 1,277) in the Wiring Systems Division.

The Wiring Systems Division's spending on R&D in the period under report was up by about 5 percent to € 98.6 million, or 4.1 percent of the division's sales. Numerous new product start-ups were the reason. The Wire & Cable Solutions Division reduced its spending by some 2 percent to € 12.6 million, which equated to an approximately 0.7 percent proportion of the division's sales.





Results of R&D work

During the year under report, LEONI again completed various customer-specific development projects, took products to the marketability stage and registered proprietary rights. The number of submitted patents and utility models rose from 42 to 55, of which 23 stemmed from the Wiring Systems Division (previous year 24) and 32 from the Wire & Cable Solutions Division (previous year 18). Some of the most significant new developments of 2014 are described below. Many of these innovations also strengthen our position in the green technology segment thanks to weight reduction and the use of environmentally friendly materials.

Saving weight with aluminium In the Wiring Systems Division we took an aluminium busbar that we developed to readiness for production and it is already being used by the first customers. These solid, round, ready-to-install aluminium rods serve the power supply within a vehicle. They establish a weight and space saving connection between the battery and the motor. The potential of this lightweight metal is tremendous: in 2015 our customers in the automotive industry will probably save about 400 tons of material by using LEONI aluminium products.

New high voltage components We extended our range of products for electric and hybrid vehicles with, among other things, a newly developed high voltage charging socket that is suited to various types of vehicle. LEONI has already obtained initial production run contracts. Progress was also made in the 48 volt segment. For instance, we presented the prototype of a smaller, more lightweight high-voltage distributor at first trade fairs. This innovation will probably be ready for mass production from 2016.

Innovative insulation materials The Wire & Cable Solutions Division launched various new insulation materials for automotive cables – for example LEONI FLUY, a copper cable with ultra-thin insulation wall thickness that is currently being trialled in the first test vehicles. We furthermore presented halogen-free and thus especially environmentally friendly compounds, which are suited to constant operating temperatures of up to 125 or 150 degrees Celsius and are simultaneously especially abrasion proof as well as resistant to dirt and oil.

Intelligent charging cable With its iEVC (illuminated electrical vehicle charging cable), LEONI presented a concept for an innovative charging cable with a status-indicating illumination function for electric and hybrid vehicles, which is to be developed through to readiness for production in 2015. The iEVC displays the charge status via an integrated illumination unit along the cable; it is universally deployable, just as robust as conventional charging cables, and especially energy efficient through the use of LED technology. Moreover, the targeted use of bio-based materials and recycled copper raises the proportion of sustainable materials in the charging cable to over 50 percent. At the eCarTec Munich – the leading international fair for the electric and hybrid mobility trade – our iEVC was nominated for the 'eCarTec Award' in the Product Concept/Vision category.

Development partner for medical technology On behalf of a major medical equipment manufacturer, LEONI developed various microscope cables for a software-supported surgical navigation system. This involves linking our assembled cables of the navigation module with the various connectable surgical microscopes. These especially durable, robust special cables boast high transfer quality and thus reliably transmit data, energy and power.

Solutions for specific local requirements To forge ahead with the planned globalisation of the Wire & Cable Solutions Division's activity, we increasingly require products and solutions that meet the specific demands in the growth markets of importance to us. Among other products, we therefore in 2014 developed technologies specific to the Asian railway industry as well as automotive cable compounds for the Chinese and the Indian car market.

Development projects and collaboration

Both of our divisions continued during the year under report to work together with partners on various, in some cases subsidised development projects. Among other things, the Wiring Systems Division participated in the 'Motorized Wheel' project of various French automotive industry companies, which is working on electrical drive systems that are integrated in the wheel. Another joint project involved the development of new processes for bonding aluminium conductors. The 'High-TEG' project involving several universities and research institutions with the aim of producing thermoelectric generators, with which the waste heat in cars can be used to generate electrical power, was successfully completed.

A significant objective that the Wire & Cable Solutions Division pursued in 2014 is the development of new kinds of flame retardants based on nanotechnology, which were tested as part of an EU-subsidised project. Here we are collaborating with the École Nationale Supérieure de Chimie de Lille. Furthermore, a plan to trial new conductor materials based on non-metallic substances is of strategic importance. To achieve this, we maintain close contact with well-known international institutions. Other partners for various joint research projects are, for example, the Fraunhofer Institute, Friedrich-Alexander University in Erlangen, Nuremberg and Technische Hochschule Nürnberg (Technical University of Nuremberg). Some know-how was also acquired with outside institutions and development partners in the context of this collaboration, but generally to an insignificant extent only.

To exchange ideas on the latest technological trends with other companies and the scientific community, we are also members of various initiatives like the 'PolyKing' plastics technology network of the University of Würzburg-Schweinfurt, the 'Automotive Cluster' of Bayern Innovativ, the Bavarian centre for technology transfer, and the 'eNOVA Strategy Board for Electric Mobility'. We were also again development partners of two teams participating in the 'Formula Student' universities design competition.

Sustainability report

LEONI endeavours to strike a balance between social and ecological interests in addition to aiming for long-term economic success. We thus observe – in addition to legal requirements – such recognised standards as the German Corporate Governance Code, the UN Global Compact and the Charta of Diversity. There are furthermore internal sets of rules like our Social Charta, the LEONI Code of Ethics and guidelines on quality policy as well as occupational safety, health and the environment (abbreviated SHE). We have established management systems for compliance, quality as well as SHE to implement these guidelines and to systematically improve our orientation towards sustainability.

Corporate Governance report
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The following sections report on the key developments of the past year in the areas of quality, social matters, occupational health and safety as well as environmental protection and green technology. Detailed information on the topic of sustainability can be found in our annual Communication on Progress (COP), to which LEONI has committed itself under the UN Global Compact. The current Communication on Progress as well as our internal guidelines can be viewed on LEONI's website. The UN Global Compact Index also provides an overview of our activity. The risk and opportunity report contains information on compliance.

LEONI's website
» www.leoni.com

UN Global Compact Index
» page 220

Risk and opportunity report
» page 98

Quality Management

In both of its divisions, LEONI continually optimises its quality management systems to ensure the high level of reliability and excellence of its products, services and processes. In the Wiring Systems Division, the integrated management system, which comprises the activity involving quality, SHE and productivity, was complemented with more content and made more user friendly in 2014. Due to the mounting complexity of our wiring system projects, we furthermore prepared a new guideline for the project management process and will in the future support planning and execution with globally harmonised software. The repeat audits pursuant to the ISO/TS 16949 automotive industry standard that were due were successfully passed in the year under report, meaning that all WSD facilities continue to be certified to this standard. In addition there were customer-specific audits for particular facilities and projects. As founding members of the 'Automotive Quality Alliance' initiative of the German Association of the Automotive Industry (VDA), we furthermore made a statement for quality as a key precondition for the market success of manufacturers and suppliers in the automotive industry.

In the Wire & Cable Solutions Division there were again, during the year under report, numerous individual measures to raise quality at its facilities. In the division-wide project to harmonise business processes by means of a standard /template for the ERP system, a milestone was reached with completion of the new ERP system at the Roth pilot facility. This also includes improved and system-led quality assurance processes. Two subsidiaries, one in Serbia and one in Slovakia, passed certification to ISO 9001 for the first time, meaning that, as in the previous year, all of this division's companies fulfil this quality standard. Our new facility in India was furthermore also certified to the ISO/TS 16949 automotive industry standard, which encompasses a total of ten plants. Moreover, three business units are certified to the ISO 13485 medical devices standard and two are certified to the EN 9100 aerospace standard.

Various customer awards again in the past year underscored the high quality of our products and our dependability as a partner:

Customer Awards 2014

Division	Award
WSD, BG US Customers & Commercial Vehicles	'Caterpillar Supplier Quality Excellence Recertification', Caterpillar
WSD, BG US Customers & Commercial Vehicles	'Supplier Quality Excellence Award', General Motors
WSD, BG US Customers & Commercial Vehicles	'Best Practices Recognition', General Motors
WSD, BG German Customers	'Outstanding Supplier', Benz Beijing Automotive Company
WSD, BG Asian Customers	'Top 50 Excellent Supplier in Chinese Automotive Industry', Vogel Industry Media China
WSD, BG European Customers	'Supplier Award' in the productivity category, Fiat
WSD, BG European Customers	'Supplier Award' in the quality category, PSA
WCS, BG Industry & Healthcare	'Supplier of the year', Siemens Healthcare (X-ray-products)
WCS, BG Industry & Healthcare	1st place in the annual ranking of Siemens Healthcare (Imaging & IT Division)
WCS, BG Industry & Healthcare	'2014 Best Quality Supplier', Siemens Shenzhen Magnetic Resonance
WCS, BG Industry & Healthcare	'Molex Oscar', Molex
WCS, BG Automotive Cables	'Top Quality' award, Bosch and Siemens Home Appliances Group
WCS, BG Communication & Infrastructure	'Top Quality' award, Bosch and Siemens Home Appliances Group
WCS, BG Communication & Infrastructure	'Supplier Award', SolarWorld AG

Staff and social matters

Employees
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Occupational safety, health and environmental protection
» page 95

Our **employees** are a factor crucial to LEONI's objective of sustained growth. LEONI regards successful recruitment, basic and advanced training of staff, provision of attractive jobs as well as ensuring equal rights as key indicators for sustainability; likewise healthy and safe working conditions. Against the backdrop of increasing globalisation with worldwide production activity, we have been committing ourselves ever since 2003 in a 'Declaration on Social Rights and Industrial Relations' (Social Charta) to ensuring human rights and fundamental employee protection rights at all LEONI locations. In so doing, LEONI adheres globally to the requirements of the International Labour Organisation (ILO) of the United Nations. Fulfilment of these standards is regularly reviewed at all of our plants by our internal auditing.

We also call upon our **business partners** to match our principles. LEONI's general purchasing conditions oblige suppliers to observe our Social Charta and the principles of the UN Global Compact. Serious and repeated breaches of the principles stipulated therein entitle LEONI to terminate the supply relationship immediately. In the Wiring Systems Division, observance of various social and ecological criteria is also checked using a supplier self-audit. At the facilities of the WCS Division, third-party companies are, for example, instructed on our occupational health and safety rules. The supplier self-audit furthermore refers to the LEONI Code of Ethics.

In 2014, LEONI voluntarily committed itself to reporting pursuant to the U.S. Dodd-Frank Wall Street and Consumer Protection Act on the extent to which our products contain **conflict minerals**, which stem from the mines or smelting works of certain African countries. We thereby facilitate the traceability of these substances as well as the transparency of our supply chain and support our customers in fulfilling their corresponding requirements. LEONI does not knowingly procure any materials that contain such minerals. In the future we will also expect of our suppliers that they provide us only with components containing raw materials stemming from responsibly managed sources.

LEONI commits itself to various social projects and institutions with **donations and sponsorship**. Our sponsorship concept provides for most of this support for social activity to be committed at the various locations. To a lesser extent there are in addition contributions to culture, education and science as well as sport. The regional focus in 2014 was on Tunisia, where, with our annual donation, we modernised as well as extended a primary school and supported an organisation that cares for autistic people. In Germany, LEONI supported, among other things, children's nurseries, schools and facilities for disabled people as well as refugee reception centres.

Occupational safety, health and environmental protection (SHE)

Collaboration for SHE stepped up

Since 2013, both of LEONI's divisions have had SHE guidelines consistent in their content to prevent work-related accidents and illnesses at work as well as to reduce environmental impact. The collaboration between our two divisions was stepped up during the year under report on this basis and especially in the area of environmental protection.

LEONI website
» www.leoni.com

In 2014, numerous plants and branch offices were again subjected to internal and external audits that test and document our SHE standards. The Wiring Systems Division successfully passed the third matrix sampling test as part of multi-site certification to the international ISO 14001 environmental protection standard, which currently covers a total of 22 facilities. The sites audited were in Brazil, Germany, Romania and Tunisia. In addition, five facilities passed repeat audit to the OHSAS 18001 occupational health and safety standard. We also conducted internal SHE audits in ten organisational units in Brazil, Germany, Morocco, Mexico and Serbia. Further plants were prepared for initial certification in 2015.

In the Wire & Cable Solutions Division, the facility in Stolberg, Germany, was certified for the first time to both OHSAS 18001 and ISO 50001. Our facility in Roth also fulfilled this energy management standard for the first time. In addition, there was initial certification of a facility of the Slovakian subsidiary to ISO 14001. Half of all legal WCS entities are thus certified to this environmental standard, while seven are also EMAS validated.

SHE activity

Safety To further enhance safety at work, eight facilities in the Wire & Cable Solutions Division carried out a self-assessment with respect to occupational health and safety in 2014. The methodology for assessing hazards was also improved. The Wiring Systems Division prepared a very extensive safety standard for its goods in and out areas as well as storage. As a matter of principle, we aim for a zero accident rate. Our in any case very low rate of accidents at work was again slightly improved.

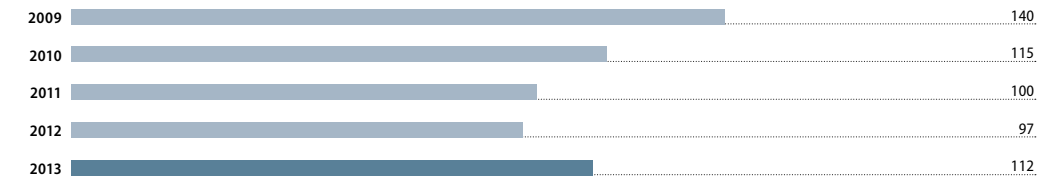
Health In order to provide our staff with healthier working conditions, we introduced, among other things, models for short rotations of shifts with no more than three night shifts in a row as well as more ergonomic starting times at some WCS plants during the year under report. Within the holding company, the focus was on benefits for preventive healthcare – for instance master agreements with fitness clubs and trainers, nutrition advice, skin screening offers, a 'day of the back' as well as impromptu events on nutrition and making managers more aware of situations involving mental stress.

Environment As planned, the plant and equipment-intensive Wire & Cable Solutions Division raised energy efficiency in its production further. As part of the division-wide environmental target for 2014, the larger production facilities were again set corresponding targets and were called upon to make improvements as and where necessary. The focus was on more economic generation and distribution of compressed air, the key medium for the Wire & Cable Solutions Division's production processes. Furthermore, all plants have individual targets for environmental protection, in particular concerning waste minimisation and lowering specific energy consumption, and are executing corresponding projects. For instance, modern lighting with energy-efficient lamps, presence detectors and daylight control was installed at several facilities in Germany, Poland and Slovakia. The Wiring Systems Division in the year under report assigned various master's, bachelor's and internship projects to develop potential for improvement in environmental protection. Among other topics, these were 'Green Logistics', 'Product Carbon Footprint' as well as 'Energy Efficiency'.

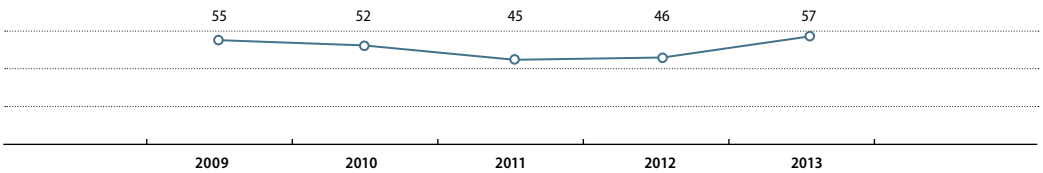
Energy consumption and CO_2 emissions in the Group

As part of its UN Global Compact Communication on Progress, LEONI has since 2012 made public the trend in its Group-wide energy use and CO_2 emissions. We regard both of these figures as key indicators for sustainability. The figures available by the date of the Management Report refer to 2013: that year we consumed about 112 MWh of energy per € 1 million of sales and emitted about 57 tons of CO_2. The differences versus the year 2012 also reflected, alongside a changed method of calculation, the greater amount of work involved in the numerous new product start-ups as well as country-specific factors, which cannot be influenced, for converting the energy mix to calculate the CO_2 emissions. The corresponding data for 2014 will be available at the end of March 2015 and will be made public in the next UN Global Compact Communication on Progress.

Energy consumption in the Group *MWh / per € 1 million sales*



Group-wide, direct CO_2 emissions *t per € 1 million of sales*



Green Technology

LEONI understands the term 'green technology' as encompassing all products, system solutions and services that make the use of energy more efficient and easier on resources, thereby reducing emissions and pollution of the environment. LEONI already serves all of the most significant markets for environmental technologies as defined by the German Federal Ministry for the Environment (BMU), and is very well positioned in many of these sectors. The table below provides an overview of our fields of application for green technology:

Market segment	Examples of applications for LEONI products
Environmentally-friendly energy generation and storage	▪ Solar energy (e.g. photovoltaic and solar thermal plants) ▪ Bioenergy (e.g. biogas and biomass power plants) ▪ Hydro power (e.g. tidal and pumped storage power plants)
Energy efficiency	▪ Energy consumption-lowering measurement and control technology ▪ Energy efficient automotive and drive technology
Efficiency of raw and other materials	▪ Measuring and control technology to avoid scrap ▪ Lightweight materials and components
Recycling management	▪ Waste separation and disposal plants ▪ Recycling (plastics recycling plants)
Sustainable water management	▪ Water treatment, distribution, supply and cleaning plants ▪ Household appliances with high water consumption efficiency
Sustainable mobility	▪ Vehicles with hybrid, electric and fuel cell power ▪ Charging cables and infrastructure ▪ Rolling stock engineering

Focal markets

LEONI expanded its range of products and services in the area of green technology further in 2014. Detail concerning the new developments may be found in the section headed Research & Development. Group-wide, sales of products and solutions for green technology were up by 17 percent to € 251.0 million in fiscal 2014 (previous year: € 214.5 million).

Research & Development
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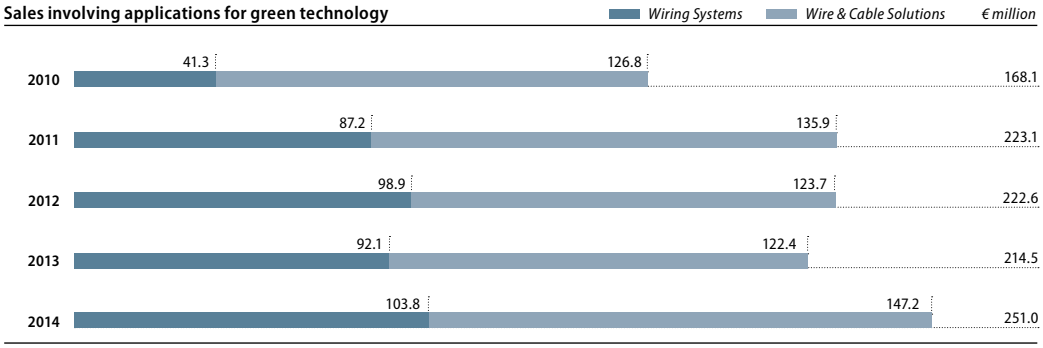
Sales involving applications for green technology

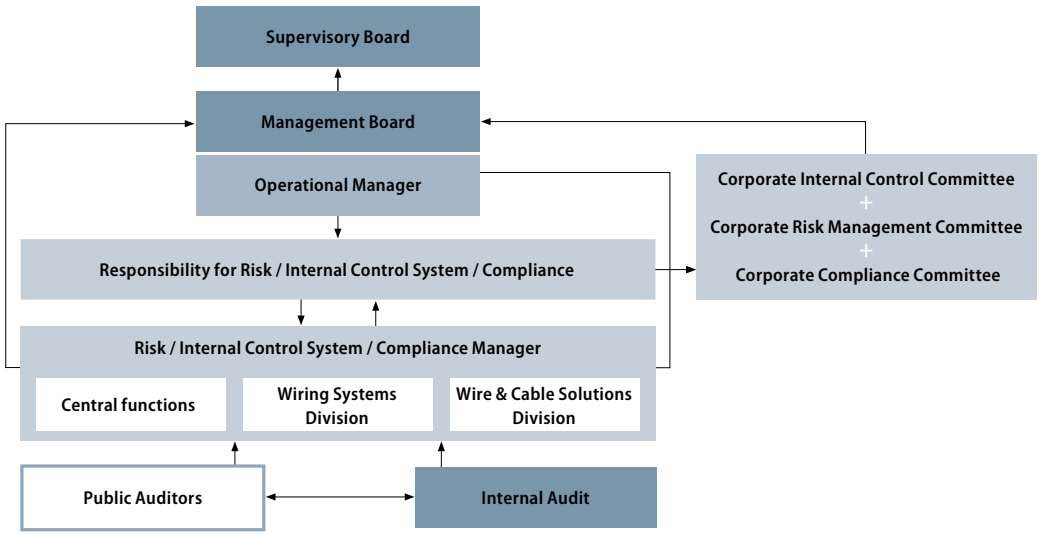


We also assess our production processes with respect to green technology. Group-wide, our sales of products that are made in environmentally certified facilities or using energy efficient plant and machinery increased from € 3,087.8 million to € 3,143.7 million in 2014. Of that figure, € 1,128.5 million pertained to the Wire & Cable Solutions Division (previous year: € 1,076.8 million) and € 2,015.2 million to the Wiring Systems Division (previous year: € 2,011.0 million).

Risk and opportunity report

As a company with an international outlook and operating accordingly, LEONI is regularly confronted with risks and opportunities. Our objective is to accept risks only when the associated opportunities can be expected to make an appropriate contribution to enterprise value and any threat to continued existence can be ruled out. To do so we have set up an effective risk and opportunity management system. As a general rule, risks and opportunities are defined at LEONI as deviation from the planned result.

Risk and opportunity management



Risk management system

LEONI has a multi-stage risk management systems as well as other, supporting control systems for early identification of risks that might threaten the Company's continued existence. This Group-wide system encompasses the corporate risk manager and two area risk managers as well as the managers involved in the operations of all relevant business areas. A unit that reports directly to the Management Board is in charge of monitoring and coordinating the risk management process at head office. It also determines and describes the Group's overall risk situation.

Risk management is integrated in the existing planning, controlling as well as information systems and covers all companies in the LEONI Group worldwide. The Group-wide internal control system and the compliance management system also complement the risk management system.

Risk identification and assessment The primary instrument for identifying and assessing risk comprises the risk workshops that are held once a year for the divisions and the holding company, during which the inventory of risks of the divisions and of the Group is updated, a training session is held and the likely range of fluctuation in market risks is estimated for the aggregate statement. Prior to these events, the corporate risk manager and the responsible area risk manager conduct separate interviews with the operations managers for each business group/unit of the two divisions.

The responsibility for indentifying, assessing and dealing with risk always remains with the respective owner. Dealing with risk is prioritised by the maximum possible loss. Insurance solutions, so far as they are commercially viable, play a large part in this respect. As soon as a risk-minimising measure has been implemented, the potential maximum loss is reduced by this factor.

Risk monitoring and reporting Via the risk reporting system, an assessment of the risk situation is made per quarter and discussed with the Management Board. The change in the value-at-risk for the budget year serves as the overall indicator. This information and the twelve most significant (TOP 12) risks are presented to the Management Board and the Supervisory Board on an annual basis. In the risk management of the divisions, risk reporting is carried out with the help of a Risk Reporting Sheet at least quarterly at the Business Group level. The focus here is on the TOP 10 risks per division and the TOP 12 risks at Group level. The risks reported in the divisions using the Risk Reporting Sheet are verified by the risk management of the divisions and entered on a central risk database on a quarterly basis as well as updated with any risk reduction that has taken place as a result of initiated countermeasures.

The Management Board receives a quarterly risk report with the following content:

- TOP risks per division and for the LEONI Group
- Risk status and trend relative to risk-bearing capacity
- Current risks with a potential maximum loss of more than € 500,000
- Compliance status of the LEONI Group
- Status of the LEONI Group's internal control system

The quarterly risk report for the respective fourth quarter is replaced by the report on risk aggregation and the findings of the risk workshops. The risk aggregation takes place immediately after the workshops and is reported to the Management Board and to the Supervisory Board. In addition to the ongoing reporting, there is also the option of ad-hoc risk reporting.

Process improvement On the Corporate Risk Management Committee, the Corporate Legal Affairs, Corporate Internal Audit, Corporate Finance (incl. Insurance), Corporate Tax, Corporate Information Management, Corporate Information Security, Corporate Controlling & Accounting departments and the divisional risk managers exchange information, under the chairmanship of the Corporate Risk Officer, with the Management Board. The agenda items include process improvement and ensuring the effectiveness of the risk management system. The effectiveness of the risk management system is assessed once a year by the Audit Committee and the auditors as well as every three years by the Internal Audit department and outside experts.

In 2014, we successfully subjected the risk management system of LEONI AG to an external audit of its fundamental suitability as well as effectiveness and boosted our risk workshops with the addition of outside risk management experts. Some of the resulting recommendations for action have already been implemented. We plan to implement the remaining recommendations in 2015. We also launched a project to implement GRC (governance, risk and compliance) software, which will be integrated in our standard ERM (enterprise resource management) and controlling system.

Opportunity management system

The identification, awareness and exploitation of opportunities of the LEONI Group is managed on a decentralised basis under operations management. Forming the basis for this is the target agreement and strategy process originating from the Management Board. Outside forecasts and market analyses also support opportunity management. It is integrated in the risk management and controlling process at the respective business group/unit levels as well as in the principal projects of the Wiring Systems Division.

Reporting The documentation is prepared by our operational managers on the basis of a risk/opportunity comparison by our operational managers per business group/unit as well as for significant projects and condensed for the Management Board and the Supervisory Board in an aggregate statement, for which we make use of what is known as Monte Carlo simulation. A quarterly opportunities report will for this purpose be integrated in our risk management system in 2015.

Process improvement Process improvement for the opportunity management system occurs via the risk management system.

Internal Control System

The task of LEONI AG's Internal Control System is to document the Group-wide controls pertaining the principal process risks, to fulfil the legal obligations stemming from the 8th EU Directive and their implementation in the German Act on the Modernisation of Accounting Law (BilMoG) as well as to identify weaknesses in the control system.

The operational and organisational structure of the Internal Control System is, at LEONI, divided into four local control levels (corporate departments, divisions, business groups/units and local companies) and a corporate documentation level, which is integrated in the risk management system. The locally executed manual and IT-supported controls are documented in risk management at the corporate level as part of a control self-assessment (CSA) process. Our control processes are not limited to just accounting-related risks, but also encompass operating and compliance controls. The Corporate Internal Control Committee, which is composed of the persons responsible for control at the respective head offices and the Control Level Managers, carries out audits of all control matters and processes involving the internal control system with respect to being up to date, complete and effective. The Control Level Managers support the process and the persons responsible for control.

Reporting Reporting is done quarterly on the Corporate Internal Control Committee and via the quarterly risk report to the entire Management Board. The CSAs submitted by operating management form the basis of the reporting.

Process improvement The Audit Committee examines the Internal Control System's effectiveness once a year. This may involve the auditors presenting weaknesses in the internal control systems found during the annual audit. Furthermore, the Internal Audit department checks on a random basis whether the internal controls at the four business levels are being carried out. Recommendations for action that arose from the external audit carried out in 2012 on implementation of the legal requirements to have an operational and accounting-related control system that is fit for purpose were in their key points implemented.

Internal Control and Risk Management System with respect to the accounting process

LEONI AG's internal control system comprises the principles, methods and measures introduced by the Company's management concerning

- ensuring the effectiveness and profitability of the business activity
- the correctness and reliability of both internal and external accounting as well as
- adherence to the legal requirements material to the Company.

The Risk Management System comprises the totality of all organisational rules and measures to indentify risk and for dealing with the risks associated with entrepreneurial activity. With respect to the Group accounting process, the following structures and processes have been implemented in the Group: The Management Board bears overall responsibility for the Internal Control and Risk Management System with respect to the accounting process in the Group. All strategic 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 management report and the Group Management report. In particular, this involves the following elements:

- identification of key areas of risk and control of relevance to the accounting process
- monitoring controls for supervising the accounting process and their findings at the level of the Management Board and of the strategic business areas
- preventive control measures in financial management and accounting as well as in operating performance-related business processes, the principal information for preparing the financial statements and consolidated financial statements including the management report and the Group 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.

Compliance Management System

The corporate compliance management system is geared towards prevention in the principal fields of compliance in order to adhere to legal requirements and the Company's own guidelines. The principal compliance fields include: competition law, export control, prevention of corruption, Code of Ethics / Social Charta, the Tread Act (duty to report recalls to the US authorities), information security / data protection, taxes and capital market law (BaFin).

eLearning To further underscore the Code of Ethics / Social Charta and anti-corruption compliance fields, LEONI joined the United Nations Global Compact in 2011. The objective is for this compliance standard also to be applied externally vis-à-vis our customers and suppliers. Further information on this is contained in the Sustainability report as well as in the UN Global Compact Index. It is the duty of the compliance field managers to update the internal guidelines and to convey this in annual training sessions. Furthermore, as experts they are the contacts with respect to all questions arising about their compliance field.

All operational managers and pertinent staff worldwide regularly participate in training courses on compliance. In 2014 there were eLearning training courses on the compliance fields of Code of Ethics / Social Charta, export control, information security and data protection. We currently teach up to 12,500 employees in up to fifteen languages. The associated internal guidelines are available in up to twenty languages.

Reporting The persons responsible for risk management are also responsible for compliance. There is also quarterly compliance reporting in line with the risk reporting. Each of the eight aforementioned compliance fields has one compliance field manager in charge. Automated compliance tests by means of self-checks and a personal undertaking to be submitted by each manager once a year provide compliance with additional safeguards. The scope of our self-check is determined in consultation with the compliance manager. The status of checks is presented and other process improvements are agreed on the Corporate Compliance Committees.

Process improvement The compliance field managers meet quarterly on the Corporate Compliance Committee and also serve to ensure that our compliance management system is continually improved. Potential for improvement found in the 2011 external audit concerning the structure, appropriateness and effectiveness of compliance was implemented in the points of significance to LEONI. In 2014 we issued a new guideline for the compliance field of prevention of corruption to focus even more sharply on this topic. A Regional Compliance Officer was appointed for each of the regions in which LEONI operates.

Presentation of the principal risks and opportunities

The risks to and opportunities for the LEONI Group are broken down by the classes of strategic risks/opportunities and market risks/opportunities, operational risks/opportunities, financial risks/opportunities and compliance risks/opportunities. The principal risks (TOP 12) and opportunities are presented below.

Strategic risks and market risks
We encounter strategic risks and market risks mainly in the areas of

- price pressure / fluctuation
- procurement market risks
- threat to market position and competitive advantages
- market trends / fluctuation in sales
- location / country risks
- market appeal
- competitive forces
- strategy / organisation / core skills.

The four principal risks are:

Economic slump Customers in the automotive industry and among its suppliers account for about 75 percent of LEONI's consolidated sales. The current business performance of this sector therefore has great influence on LEONI's business volume and earnings. LEONI has accordingly prepared for any cyclical slump in sales by making its cost structure even more flexible.

Pressure to cut prices LEONI supplies its products to markets that are characterised by fierce competition. The trend prevailing in the automotive industry towards sharing development costs with suppliers also continues to affect LEONI. We confront the unabatedly heavy pressure on prices in the automotive industry with effective, stringent cost management in all areas of our Company, setting up more production facilities in low-wage countries and resolutely optimising purchasing prices.

Copper price fluctuation LEONI uses copper in all of its business segments. The global market price of this raw material, which is subject to substantial fluctuation, therefore exerts a major influence on the cost of materials in the Group. If the price of copper rises for a protracted period of time, the lag in passing this cost on to our customers can exert an adverse earnings effect 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. 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.

Fluctuation in the cost of materials 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. Rising demand could lead to increases in the costs 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 can furthermore cause supply bottlenecks in the event of shortages. International competition among our suppliers has hitherto enabled us to largely avoid any increases in the cost of materials.

Strategic opportunities and market opportunities

Globalisation, innovation, systems business and cost leadership Thanks to its strategic alignment, the LEONI Group has the opportunity to benefit more substantially and more quickly from outside developments, i.e. to expand its market position on a long-term basis and to raise its profitability. The primary approaches to this involve the four levers of our strategy: by further globalising its operations, LEONI can better exploit the opportunities in the Americas as well as Asia and increasingly internationalise its industrial business, which is still quite European in nature. Enhancing the power of innovation provides the opportunity to improve our market position on the one hand with new products and solutions and, on the other hand, by ongoing optimisation of our processes. The systems business lever harbours potential in terms of gearing our range of manufacture even more closely to customer requirements. Raising the efficiency of our production structures and process entails the opportunity to achieve additional cost benefit and thereby to increase profitability.

The economic cycle Generally speaking, LEONI has the opportunity to generate more sales than expected in the markets it targets by outperforming the overall market and correspondingly rising demand. This applies especially to the Americas and Asia. Should, for example, the automotive markets in these countries grow more strongly, LEONI could benefit via both direct shipments to these regions and indirectly by supplying product for cars exported from Europe.

Commodity prices A more favourable trend in commodity prices would benefit LEONI's cost-of-materials ratio and therefore its margins.

Electromobility, green technology and alternative energy generation New trends in technology and society also present LEONI with growth opportunities – for instance the growing interest in hybrid and electric drive systems as well as electrical and electronic innovations in vehicles. Green technology and energy saving are also playing an ever larger role in virtually all of the other sectors of importance to LEONI. In China and India, for example, we see mounting potential for alternative energy generation using solar and wind power plant as well as for railway engineering. In general, the key global trends – of mobility, urbanisation, environmental awareness and shortage of resources, demographic change, globalisation as well as industrialisation and automation – present LEONI with additional expansion opportunities in many areas.

Operational risks

We face operational risks mainly in the areas of

- production
- purchasing / logistics
- human resources
- project management
- research / development
- distribution
- information management

The six principal risks are:

Break in the supply chain to our customers The LEONI Group had a total of 82 facilities in 31 countries in 2014. Policy on choice of location is geared closely to the requirements of our customers, which LEONI follows into foreign markets. The constant pressure on prices and costs compels us towards disproportionately large increases in production capacity located in low-wage countries. This means that customers in many instances have to be supplied across several national boundaries. There are also political risks in some countries, for example in North Africa and the Ukraine. Difficult political situations could at any time result in unrest and also strikes at our production facilities in those locations, or in closed seaports and airports. The option of temporary supply from production facilities in other, non-affected countries is severely limited because of the customised products in the Wiring Systems Division. Just-in-time delivery and the single-source principle of some customers extend the reach of this risk further. Relocation is possible only with a corresponding lead time necessitated by setting up the required production capacity and recruitment. 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 our customers, due for example to unrest, cybercrime or natural disasters, could result in a supply bottleneck persisting several weeks. Owing to the size it has attained, LEONI operates a considerable number of production facilities worldwide, which have backup capacity as is prudent and accepted by the carmakers. Furthermore, preventive measures have been applied at all production facilities and are documented 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 serious threat of earthquakes, flooding or other natural disasters.

Start-up and project costs We successfully started making a large number of new product start-ups in the 2014 financial year. However, the simultaneous production start in Asia and the Americas of wiring systems for a German premium car model resulted in an unexpectedly heavy demand for staff, high reject rates and additional airfreight costs, which squeezed earnings in the third quarter. Expansion of our production capacity for

our customers' new model ranges is now progressing according to plan again. Should we fail to ensure that production starts on schedule and according to the requirements of our customers, this could have serious consequences for future business and incur heavy exceptional costs. To minimise this risk, we enhanced our project management for such large projects by setting it up as a separate organisational unit within the Wiring Systems Division. Ongoing monitoring ensures that start-up risks are identified and that countermeasures can be applied.

Information management 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 the IT systems and their data being available at all times. Serious disruption such as system outages, attacks on our networks, loss or corrupting of data could threaten LEONI's ability to supply, temporarily stop customers' production and hence result in having to face far-reaching claims for compensation. LEONI therefore constantly works at optimising its IT systems, in terms of both concept and operation. One example of this is having a second, backup computer centre as an emergency system. An Information Security and Data Protection Officer who reports directly to the Management Board demonstrates the very high priority given to security of our information systems and networks, as well as to safeguarding the confidentiality, availability and dependability of our data.

Product liability / recall LEONI's output is used primarily for technically sophisticated products and equipment 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 effective measures as part of process safety and quality management. All plants are ISO 9001 certified and some, depending on the customer group they supply, have additional ISO/TS 16949 (automotive industry), EN 9100 (aerospace) or ISO 13485 (medical technology) certification. Some plants also have an environmental management system certified to ISO 14001. There is also insurance cover for operating, product and environmental liability as well as for product recalls. Product liability cases and recalls are reported without delay, by means of a Red Alert Process that has been set up, to all concerned units so that countermeasures can be applied immediately.

Loss of a customer The loss of a major customer we supply could temporarily result in losses of earnings / contributions to profit and additional capacity adjustment costs. We have reduced our exposure to a small number of major customers in the Wiring Systems Division with a broader, international customer base. The lengthy contract periods, which usually cover the lifespan of a particular vehicle model range, and having

established very close and stable customer-supplier relationships, for instance by way of comprehensive development work and outstanding service in terms of delivery, mean that there would be early notice of losing a customer and would allow for consequent measures to be applied in good time.

Fluctuation in personnel costs The growing shortage of skilled professionals in Germany, changes in the availability of personnel and the resulting rise in wage and salary costs at labour-intensive production locations in Eastern Europe, North Africa and Asia present human resource management with particular challenges. In addition there is the large extent of production in countries with low wage levels. Effort has been stepped up to increase staff advancement – for example with internal programmes to provide employees with further qualifications and aimed at integration as well as offering a wide range of social benefits – to maintain the ability to recruit and tie staff as an attractive employer. For our travelling and seconded staff members we have enhanced an existing care insurance policy to include further medical and security-relevant benefits. For example, evacuation in the event of unrest as in North Africa and the Ukraine or a natural disaster would be handled by an international service provider.

Operational opportunities

The LEONI Group's operating strengths include its leading 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, as the case may be, 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. Finally, the collaboration between our two business divisions in the context of a complementary value chain creates synergies that provide LEONI with opportunity not only to reduce costs, but also to expand.

For example, the broadening of business with new customers and the further expansion of our best-in-class production network, through which we can improve our position as cost leader and a global player, provide the Wiring Systems Division with good opportunity to outperform expectations. Extension of the value creation chain in the areas of new wiring system architectures and integration of electromechanical components provides additional earning potential. In the Wire & Cable Solutions Division, product, material and technology innovations above all in the fields of halogen-free and flame-retardant cables, miniaturisation as well as fiber optic and high frequency cables present opportunity for market share gains. Stepped-up involvement in the markets for renewable energy – especially in the hydro, wind and solar industries – as well as mobility, advanced manufacturing, medical technology and sensor systems provide the opportunity to participate more significantly in their projected growth.

Financial risks

We face financial risks mainly in the areas of

- currency and interest risks
- risk of bad debt losses
- borrowing
- liquidity risks
- M&A / impairment risks

The three principal risks are:

Bad debt / liquidity The default of a large customer on debt could exert a considerable adverse effect on net income. 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. Factoring, or true sale factoring for selected customers, serves as a further tool to reduce the risk of default.

To back its plans for growth LEONI uses, alongside the existing, long-term borrower's note loans, ample short and long-term loan commitments from banks, mainly in the form of conventional lines of credit. In addition, stringent cash pooling is used to safeguard liquidity. The most important cash flows in the Group are managed and handled by LEONI AG at head office. If, in the event of a crisis for example, the in-house rating of our core banks for LEONI were to drop below investment grade, this would probably mean increased cost on any required loans, which might not be provided in the desired amount. The Group monitors its current liquidity situation on a daily basis. Monthly, currency-specific, rolling liquidity planning for respective periods of 12 months is used to manage future liquidity requirement. The planning takes into consideration 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.

Impairment risks LEONI 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 will cause the risk of impairment to rise.

Currency risks We conduct business mainly in euros or in the local currency of the respective country. However, we are increasingly faced with currency risks due to the globalisation of the markets. In the Group's holding company, LEONI AG, the Corporate Finance department deals with forex-related risks in collaboration with a currency committee. 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, as a matter of principle we finance our foreign subsidiaries in their respective functional currencies by way of refinancing in the corresponding currency.

Further details on these financial risks are contained in the Notes.

Compliance risks

We face compliance risks mainly in the areas of

- capital market law
- tax law
- competition law
- product liability and recall risks
- environmental risks
- corruption / fraud
- LEONI Code of Ethics / Social Charta
- information security / data protection

Any infringements could entail substantial fines, loss of reputation, claims for damages and, depending on the country, also imprisonment of managers. The two principal risks are:

Competition law As reported, several civil proceedings in the form of class action lawsuits have been initiated against LEONI and other wiring systems manufacturers that operate internationally due to alleged breaches of competition law in the United States and Canada since October 2011. LEONI continues to defend itself and still believes that it will be able to refute the allegations and to bring the proceedings to a successful conclusion.

Export control Any tightening of embargoes could stop shipments under signed contracts. This could entail loss of sales and bad debt.

The Management Board's assessment of the overall situation

In the Management Board's opinion the risk situation for the LEONI Group did not materially change in 2014. The biggest risk continues to be any disruption in our ability to supply to the automotive manufacturers. The presentation below provides an overview in table format of the principal individual risks to LEONI, the likelihood that they might occur and the potential maximum financial loss. In our assessment there are no other significant risks. Overall, the risks to the LEONI Group described above are, from today's perspective, manageable and do not threaten the Company's continued existence.

The most significant individual risks to LEONI

Risks	Potential maximum financial loss [1]	Probability of occurrence [2]
Break in the supply chain to our customers	critical	less probable
Economic slump (crisis)		possible
Compliance breaches	noticeable	less probable
Bad debt (crisis)		possible
Start-up and project costs		
Impairment (crisis)		
Copper price fluctuation		
Loss of a customer	minor	less probable
Product liability and recall		
Pressure to cut prices		possible
Currency fluctuation		
Fluctuation in personnel costs		

[1] *minor: net income may be slightly diminished*
noticeable: net income may be considerably diminished
critical: net income may be wholly absorbed

[2] *less probable: once in 10-50 years*
possible: once in 1-10 years

SWOT analysis

Company-specific	Market-specific
Strengths	**Opportunities**
Leading position in Europe's core markets	Sustained, stable car market growth worldwide over medium term
Strong international footprint with distribution, development and production	Market growth in Asia and the Americas
Continuous expertise along the entire value chain and a wide range of technologies	Technological change towards hybrid and e-drive
Broad, international customer base	Innovation in electrical systems and electronics in vehicle manufacturing
High proportion of production in low-cost countries	Trend towards green technology and energy saving
Clear focus on core products and core markets	Expansion of system business
Short decision-making channels and flat hierarchies	Expansion of industrial business
Weaknesses	**Threats**
Still small share of the Indian and Brazilian markets	Heavy pressure on prices from the OEMs
Heavy exposure of non-automotive business to Europe	Rise in commodity prices
	Rising wages in low-cost countries
	Political risks in low-cost countries
	Intensifying competition and mounting competitive pressure

Supplementary report

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

Forecast

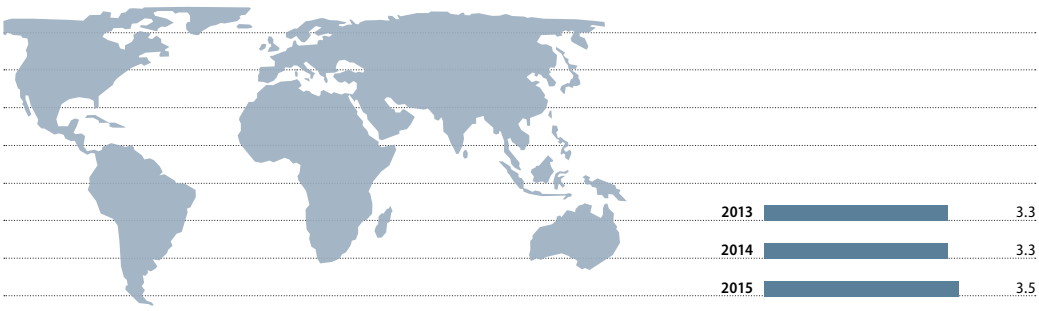
Business and underlying conditions

Macroeconomic setting

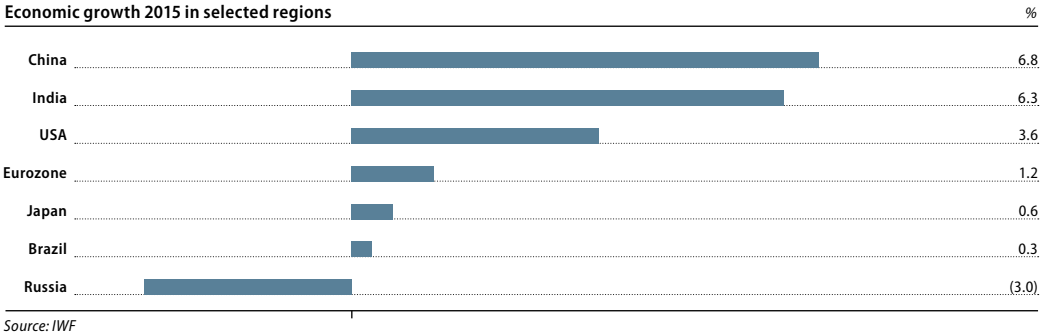
In the view of the International Monetary Fund (IMF), the prospects for the global economy became somewhat less favourable at the beginning of this year. The IMF therefore in January revised its forecast for global economic growth in 2015 to 3.5 percent, having still projected a rate of 3.8 percent in October 2014. Although the decline in the price of oil and the robust US economy are providing positive impetus, this will probably be more than cancelled out by weaker-than-expected economic growth in China, Russia, Japan and the eurozone, which is likely to result in less capital investment. The IMF says that other risks stem from the persistently volatile financial markets especially in many emerging countries as well as stagnation and low inflation in Japan and the eurozone.

Overall in 2015, economic output is forecast to rise by 2.4 percent in the industrialised countries and by 4.3 percent in the emerging countries. An increase of 1.3 percent is estimated for Germany, 0.2 of a percentage point less than previously anticipated.

World economic growth 2013 to 2015 %



Source: IWF

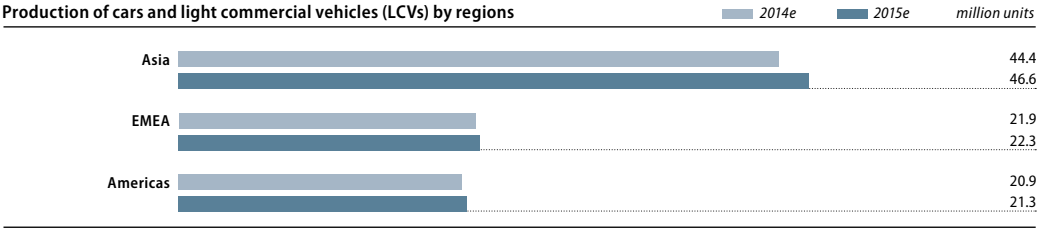


Source: IWF

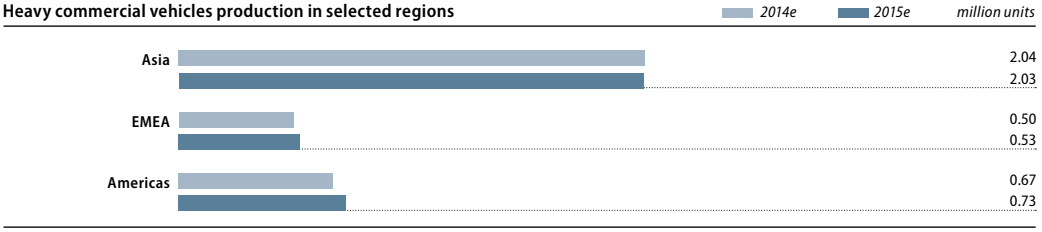
Sector trend

Despite the more difficult underlying condition, the uptrend in most of the sectors of importance to LEONI is likely to continue in 2015. According to IHS Automotive estimates, the **automotive industry** will again increase its output this year, namely by 3 percent or so to more than 90 million passenger cars and light commercial vehicles. From today's perspective, there will be increases in both the Americas and Asia as well as in the EMEA region.

The **commercial vehicle industry** likewise projects growth: IHS Automotive says that just over 2 percent more heavy commercial vehicles will be manufactured in 2015 than in the previous year, with rises in Europe and the Americas offsetting a slight decrease in Asia, especially so in China.



Source: IHS Automotive



Source: IHS Automotive

According to the ZVEI sector association for the German **electrical and electronics industry,** output in 2015 will be up by 1.5 percent on a price-adjusted basis despite the less favourable economic conditions.

The **mechanical engineering** sector also expects further expansion, but does draw attention to such still prevailing risks as the Russia/Ukraine crisis, sluggish reform in France and Italy as well as growth-inhibiting legislation in Germany. The sector's VDMA federation estimates that its worldwide sales will increase by 5 percent in 2015. Based on order receipts to date, sales in Germany are projected to rise by 3 percent with a 2 percent increase in output.

The German **information technology** sector is also projected to remain on a growth course. The BITKOM sector association forecasts sales of software, IT services and IT hardware will increase by 2.4 percent. This is due to strong rises in business involving software and IT services, while demand for hardware is expected to decline.

The **medical technology industry** has embarked on 2015 with mixed feelings. Although the Spectaris sector association expects considerable increases again in the medium-term following last year's moderate growth, it does not anticipate any significant improvement yet this year.

Business performance and future direction

The LEONI Group's business performance

On the whole, our business performed in line with expectations in the first few weeks of this year. For fiscal 2015 as a whole, the Management Board of LEONI AG projects an increase in **consolidated sales** to about € 4.3 billion, to which both divisions will contribute. Business will probably grow more so in the Americas and Asia/Pacific, but also in the EMEA region.

Growth in **consolidated EBIT** is again expected to outpace that in sales with a rise to more than € 200 million in 2015, which would equate to an improvement in the EBIT margin to 4.7 percent. This is based on the larger amount of business and efficiency gains in both divisions.

This forecast is based on the following **assumptions**: The most significant customer groups, above all the automotive industry, will on the whole perform well according to the statements of the sector associations. We expect the price of copper to remain steady. We budgeted for increases in personnel costs that differ by particular country, based on our experience in the individual regions.

The target set as part of our medium-term planning is unchanged: we expect a moderate uptrend this year to be followed in 2016 by another growth surge with consolidated sales then rising to € 5 billion and the EBIT margin widening to 7 percent. From today's perspective, we will benefit on the one hand from the new products that the Wiring Systems Division began making in 2014 and 2015, which will then generate considerable contributions to sales and earnings. On the other hand, the Wire & Cable Solutions Division will continue to expand in tandem with the automotive industry as well as the other industrial sectors of strategic importance and improve its profitability thanks to the strategic initiatives it has launched.

There will be no fundamental change to LEONI's **business policy** in the next two years. The same applies to our **dividend policy**, which continues to provide for a payout of about one third of annual net income.

Performance of the Wiring Systems Division

In the Wiring Systems Division, external sales are forecast to increase slightly to approx. € 2.45 billion in 2015 (previous year: € 2.4 billion) with earnings before interest and taxes rising to more than € 115 million (previous year: € 104.6 million). Numerous new and follow-on projects, which will not contribute fully to sales and earnings before 2016, will again be ramped up this year. Major exceptional expenses, which weighed on fiscal 2014 EBIT, are from today's perspective unlikely in 2015.

At the beginning of January, the Wiring Systems Division obtained its first order for wiring systems from the South Korean carmaker Hyundai: from 2016, we will be supplying product for a mid-market car of currently the world's fourth-largest automobile maker, which will be manufactured in Eastern Europe. This will boost our international business and further strengthen our global market position.

Capacity will be enlarged in all of the production regions of importance to us and our production network will be constantly optimised to master the orders already on the books. In 2015, we plan to commission our first plant in Paraguay, which will manufacture cable harnesses and wiring systems for the car and commercial vehicle industry.

We also intend to further enlarge our range of products and services in the segments involving electromechanical components as well as weight-saving solutions, for example through increasing use of aluminium, to bolster our position as a systems partner to the international motor vehicle industry.

Performance of the Wire & Cable Solutions Division

The external sales of the Wire & Cable Solutions Division will probably rise to about € 1.85 billion in 2015 (previous year: € 1.7 billion) with earnings before interest and taxes rising to more than € 85 million (previous year: € 78.1 million). All business groups are expected to underpin the sales growth, especially so our core automotive cables business as well as the businesses comprising cables and services for industrial applications and medical technology.

In regional terms, the growth will, from today's perspective, occur mainly in Asia and the Americas, while sales in the EMEA countries will on the whole remain more or less steady. The proportions of sales accounted for by Asia/Pacific and the Americas are in the process likely to rise to about 23 percent and 22 percent, respectively. Two new automotive cable plants, one in Mexico and one in China, which are to start operating this year, will underpin the increases budgeted for these regions, for which more capital investment is also planned. We are, furthermore and in the context of the strategic lever of globalisation, looking into broadening our involvement to other countries. A larger-scale capital investment project is also pending in Germany: in Roth, we are starting the preparatory work for building the 'Factory of the Future', a modern facility for developing and manufacturing high-quality cables and conductors that will meet the latest standards in terms of technology and factory architecture.

We intend likewise to enhance our systems expertise and are therefore, for example, broadening our range of products and services with solutions for electromobility, the railway industry and medical technology.

In terms of earnings, the WCS Division will benefit from the increased degree of capacity utilisation and the growing proportion of complex products. In addition there will be efficiency enhancements stemming from such strategy projects on operational excellence and business process harmonisation as the division-wide, standardised IT system, preparations for rollout of which in 2015 are underway at several facilities. The WCS ON Excellence performance programme, which aims to generate additional earning potential in the areas of sales, purchasing, organisation and production, is likely to yield initial benefits.

Capital expenditure

The LEONI Group intends to increase its spending on property, plant and equipment as well as intangible assets to about € 240 million in 2015. Of this total, about 30 percent will probably be spent in Germany; a quarter or more in Eastern Europe, approximately 17 percent in Asia, 10 percent in each of North Africa and the Americas, with the remainder (8 percent) spread among other European countries.

The Wiring Systems Division will increase its capital expenditure to about € 150 million and will expand its capacity worldwide because of the good order situation. Plant extension work is pending particularly in China, Central America, North Africa and Eastern Europe. In addition, a new facility will be set up in Paraguay. Further extension and rebuilding of the division's headquarter in Kitzingen is also planned.

In the Wire & Cable Solutions Division, capex is budgeted to rise to about € 80 million in 2015 and to go towards worldwide expansion of capacity. The focus is on Business Group Automotive Cables, which will build two new plants, one in China and the other in Mexico, and will also expand its capacity to produce automotive cables at other locations around the globe.

The holding company will, from today's perspective, invest about € 10 million, most of which accounted for IT projects.

Financial and asset situation

LEONI's financial and asset situation will again present a solid picture in 2015. Given the existing long-term finance, the extensive credit lines and the expected net income, our liquidity is assured on a lasting basis. The maturing financial liabilities will be refinanced on schedule. We may take advantage of the currently favourable market setting for further measures.

Due to the larger amount of cash provided by operating activities, cash flow is likely to reach a roughly neutral level this year despite the once again larger amount budgeted for capital expenditure. Based primarily on the higher EBIT, we estimate an improvement in the ROCE to approximately 14 percent, while we expect net financial liabilities to rise to approx. € 360 million. Equity is again likely to increase thanks to the expected net income, meaning that the equity ratio will, from today's perspective, rise slightly to more than 35 percent.

Procurement

Purchased raw materials and components will again be of major significance to LEONI in 2015. The WCS Division will therefore, in the context of its 'WCS ON Excellence' performance project, further improve and globalise its procurement activity and organisation. In the Wiring Systems Division, the global activity that has been started will be continued and, in particular, local expertise in Asia and the Americas will be enhanced.

Employees

The number of employees in the LEONI Group will probably increase moderately this year. The Wiring Systems Division will enlarge its workforce especially at new facilities and those expanded for project start-ups in Asia, the Americas and Eastern Europe, while it will reduce the numbers at other plants as a result of productivity progress. The WCS Division will recruit new staff above all in the growth markets of China and India as well as, to a lesser extent, in Mexico and various European countries, also including Germany.

Research & Development

Our R&D work will continue at a high level in 2015. There will not be any significant change in the focal areas of our development work. In the Wire & Cable Solutions Division, we will focus, among other areas, on halogen-free cables for automotive applications, data cables for high transfer rates and compounds for specific, local market requirements in growth regions. We furthermore intend to broaden our systems expertise, especially so in the medical technology sector. The Wiring Systems Division will increasingly globalise its R&D activity and likewise enhance its systems expertise in the areas, among others, of components and wiring system architecture.

Sustainability

We will extend our sustainability management in 2015 because of the increasing importance of corporate responsibility also for our customers. Among other things, the Wiring Systems Division plans to include more facilities in occupational safety and environmental certification, to raise energy efficiency and to build improved regional SHE structures. The WCS Division intends to apply the KAIZEN methods proven in other areas to improvement measures with respect to occupational health and safety. There are also plans to broaden ergonomic work-shift times and models. The holding company's agenda includes optimisation with respect to first aid as well as fire protection. In mid 2015, LEONI will furthermore release its third UN Global Compact Communication on Progress and thereby provide information on its latest developments in the area of sustainability.

General statement on future growth

The Management Board is confident about LEONI AG's future performance. Given the favourable order situation in both divisions as well as the ongoing measures towards globalisation and efficiency enhancement, we are well equipped for the planned, ongoing, earnings-oriented growth. For 2015 we project a moderate sales gain to approximately € 4.3 billion and an earnings increase to more than € 200 million. Due to the numerous new projects pending in the Wiring Systems Division and the further globalisation, we will once again substantially increase our capital investment in 2015. The financial basis for doing so is still solid. Gearing (financial liabilities divided by equity) should remain well below the upper limit of 50 percent that we have set.

We still anticipate a significant upsurge in sales to € 5 billion in 2016, which, together with major efficiency gains, will also lead to a strong earnings increase and to a 7 percent EBIT margin.

The LEONI Group's targets		Actual 2014 figures	Planned 2015 figures
Consolidated sales	*€ billion*	4.1	approx. 4.3
EBIT	*€ million*	182.5	> 200
Capital expenditure	*€ million*	215.8	approx. 240
Free cash flow	*€ million*	(37.9)	approx. 0
Net debt	*€ million*	316.2	approx. 360
Equity ratio	*%*	34.4	> 35
Return on capital employed	*%*	13.7	approx. 14

Compensation report

This compensation report describes the main features of the system for compensating the members of the Management Board and explains the structure as well as the amount of individual Board member income. The principles applied to and the amount of compensation for members of the Supervisory Board is also described.

The compensation report follows the recommendations of the German Corporate Governance Code (GCGC or Code) and contains disclosures required by the German Commercial Code (HGB), The German Accounting Standard (DRS) and the International Financial Reporting Standards (IFRS).

Compensation of the Management Board

The Supervisory Board of LEONI AG diligently considers, pursuant to Article 87 of the German Public Companies Act, the appropriateness of the compensation for members of the Management Board. It does so regularly, at least once a year. This involves discussion and inclusion in the review of the individual compensation components and their effect on future Management Board compensation. It also comprises a comparison with other DAX and MDAX companies as well as consideration of the wage and salary structure within the Company. However, it does not consider the ratio of Management Board compensation to the compensation for senior management and the workforce as a whole, also over time, as provided for in Section 4.2.2 (2) Sentence 3 of the Code. The current Declaration of Conformity explains this deviation in detail.

Declaration of Conformity
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The Management Board compensation system for the period under report has applied since 1 January 2010. The Supervisory Board decided to revise this existing system, which ended on 31 December 2014. The reason was the in any case required new version of the employment contracts for the members of the Management Board, but also the meanwhile implemented updates of the Codes. The new compensation system was presented to and approved at the Annual General Meeting of LEONI AG on 8 May 2014. It has been in force since 1 January 2015 and applies until 31 December 2019.

Basic principles of the compensation system valid in 2014

The Management Board compensation system at LEONI is aimed towards providing incentive for successful and long-term business growth. The intention is for the Management Board members to participate in a sustained increase in enterprise value. Exceptional performance is to be rewarded; any failure to meet targets is to result in a considerable reduction of compensation.

The table below provides an overview of the structure and system for Management Board compensation:

Component	Measurement basis	Corridor	Precondition for payment	Payment
1. Fixed compensation **Fixed salary** Benefits in kind/ Fringe benefits	Function, responsibility, duration of Board membership, standard	Firmly agreed for the term of the contract	Contractual stipulation	Monthly
2. Short-term compensation component Annual bonus	Task, performance, consolidated net income	0 to 150 % [Target fully met = 100 %]	1-year planning, target attainment	Once a year in the subsequent year
3. Medium-term compensation component Multi-year bonus	Task, performance, consolidated net income	0 to 150 % [Target fully met = 100 %]	3-year planning, target attainment on a 3-year average at least 50 %	In the 4th year
4. Long-term compensation component Bonus account	Task, performance, EVA and share appreciation	0 up to cap, penalty rule	Contractual stipulation	Once a year in the subsequent year; 50 % of which converted into LEONI shares with a 50-month holding period
5. Disability and other benefits Accrued pension rights	Pensionable fixed salary, years of service on the Board	Fixed amount	Retirement, disability	—

Fixed compensation

The fixed component is a firm, annual amount of basic compensation that is paid in equal monthly instalments. It is commensurate with the amounts paid by other MDAX companies.

Variable components

Short-term compensation component – annual bonus: An annual bonus is paid depending on the net income generated. It is capped at a maximum of the figure that can be attained by 150 percent plan fulfilment. The annual bonus can drop to nil. This conforms to the requirements of both the VorstAG and Code.

Medium-term compensation component – multi-year bonus: The multi-year bonus is geared to the net income of the year in question measured against the earnings of a three-year period and thus conforms to the sustainability requirement set out in both the VorstAG and the Code. The multi-year bonus is limited by a corridor (0 to 150 percent). 50 % of the annual, possible total entitlement is paid in the respective subsequent year as an instalment. The final accumulated settlement follows the three-year period and results in payment only if the (arithmetic) average degree of target attainment for the three-year period is at least 50 percent. If these conditions are not met, the multi-year bonus is forfeited in full; instalments already paid must be refunded.

Long-term compensation component: A long-term compensation component that takes adequate account of the economic value added (EVA) and the Company's market capitalisation is intended to further strengthen sustained, positive business performance. The long-term compensation component is, for one financial year, paid up to a contractually agreed cap. Any excess is retained in a bonus account and serves as credit for the subsequent period. If the Company's performance is negative in a financial year, this will be charged to any credit in the bonus account, which can drop to nil. If the long-term compensation component for a financial year does not reach the cap, it will be topped up with any credit held in the bonus account. Of the amount paid out, 50 percent must be invested in LEONI shares that must be retained for a period of 50 months, thereby conforming to the 48-month minimum holding period prescribed by the VorstAG.

The total compensation is commensurate with that paid by other MDAX companies and other companies of similar size. Its takes account of both good and poor performance. Furthermore, the individual compensation components do not tempt the Management Board to take inappropriate risk. An internationally recognised compensation expert oversaw the preparation of the compensation structure and confirmed its conformity with the legislation including the Code. The Supervisory Board assured itself of the compensation expert's independence. In summary, it may be concluded that compensation for the members of LEONI's Management Board meets the requirements of both the VorstAG and Code and is set up for sustainability.

Pension, disability and other benefits

In the event of temporary work incapacity due to illness or other reasons, for which the Management Board member is not responsible, the compensation will continue to be paid according contractual agreement for a period of six up to twelve months, at most up to termination of the employment contract.

Provided this has been agreed on the basis of an individual contract, there is a pension commitment to the Management Board member. This commitment encompasses disability, surviving dependents' and retirement benefits. Specifically, this means:

In the event of permanent work incapacity the Management Board member will receive a disability pension. If the Management Board member dies, the widows and orphaned children will be paid pensions. Following the end of their 65th (or 63rd with agreed discounts) year of age, an entitlement to payment of retirement benefits, which are computed according to the period of Management Board service and the pensionable fixed salary exists. Pensionable is defined as a contractually agreed proportion of the final fixed salary. The pension, disability and other benefits granted to members of LEONI AG's Management Board are also commensurate with those of other MDAX companies.

Miscellaneous

Severance payments upon premature termination of Management Board duties in the absence of a material reason are limited to two years' compensation and shall not be more than the annual compensation for the balance of the employment contract (severance cap pursuant to the Code).

In the event of a change of control, every Management Board member has the right to terminate for material reason and shall be entitled to severance payment. Such payment is limited to a maximum of three years' compensation (150 percent of the severance cap pursuant to the Code) and shall even in this event not exceed the annual compensation for the balance of the employment contract.

Cost of compensation in 2014

For the first time in the 2014 financial year, the Management Board compensation is presented in line with the reference tables of the Code, thereby also conforming to this particular requirement of the Code. This involves differentiation between the benefits granted to members of the Management Board on the one hand and what is paid to them on the other hand.

Granted benefits	Dr Klaus Probst President / CEO				Dieter Bellé Chief Financial Officer / CFO			
	2013	2014			2013	2014		
€ '000			(min)	(max)			(min)	(max)
1. Total compensation pursuant to GCGC								
Components not performance-related								
Fixed compensation	775	775	775	775	575	575	575	575
Fringe benefits	31	32	32	32	39	39	39	39
Total	**806**	**807**	**807**	**807**	**614**	**614**	**614**	**614**
Performance-related components (targets)								
Short-term compensation component (100 %)	1,287	1,241	0	1,862	862	832	0	1,247
Medium-term compensation component (100 %)	515	683	0	1,025	347	461	0	692
Long-term compensation component (100 %)	400	450	0	450	267	300	0	300
Total	**2,202**	**2,374**	**0**	**3,336**	**1,476**	**1,593**	**0**	**2,239**
Service costs	188	202	202	202	206	183	183	183
Total compensation pursuant to GCGC	**3,196**	**3,383**	**1,009**	**4,345**	**2,296**	**2,390**	**797**	**3,036**
2. Reconciliation of the compensation from GCGC to IFRS (Expenses)								
Total compensation pursuant to GCGC	3,196	3,383			2,296	2,390		
Short-term compensation component:								
– Target (100 %)	(1,287)	(1,241)			(862)	(832)		
+ actual compensation	1,059	1,151			710	771		
Medium-term compensation component:								
– Target (100 %)	(515)	(683)			(347)	(461)		
+ entitlement to compensation based on actual target attainment	424	460			286	311		
Long-term compensation component:								
– Target pursuant to GCGC	(400)	(450)			(267)	(300)		
+ actual expenses for the financial year	428	222			283	376		
Expenses of the compensation pursuant to IFRS	**2,905**	**2,842**			**2,099**	**2,255**		
3. Reconciliation of the compensation from GCGC to HGB (Art. 314)								
Total compensation pursuant to GCGC	3,196	3,383			2,296	2,390		
Short-term compensation component:								
– Target (100 %)	(1,287)	(1,241)			(862)	(832)		
+ actual compensation	1,059	1,151			710	771		
Medium-term compensation component:								
– Target (100 %)	(515)	(683)			(347)	(461)		
+ entitlement to compensation based on actual target attainment	424	460			286	311		
– compensation components for which the condition precedent has not yet been fulfilled	(424)	0			(286)	0		
+ compensation components for which the condition precedent has been fulfilled	0	424			0	286		
Long-term compensation component:								
± deviation from the target	0	0			0	0		
– service costs	(188)	(202)			(206)	(183)		
Compensation pursuant to HGB (Art. 314)	**2,265**	**3,292**			**1,591**	**2,282**		

Allocations	Dr Klaus Probst President / CEO				Dieter Bellé Chief Financial Officer / CFO			
€ '000	2013	2014			2013	2014		
Components not performance-related								
Fixed compensation	775	775			575	575		
Fringe benefits	31	32			39	39		
Total	**806**	**807**			**614**	**614**		
Performance-related components (actual figures)								
Short-term compensation component	1,059	1,151			710	771		
Medium-term compensation component	212	672			143	454		
Long-term compensation component	400	450			267	300		
Total	**1,671**	**2,273**			**1,120**	**1,525**		
Service costs	188	202			206	183		
Total compensation pursuant to GCGC	**2,665**	**3,282**			**1,940**	**2,322**		

Addition of the individual payments in € thousands in the above table may deviate from the reported totals due to rounding.

Dr Andreas Brand, Board Member				Dr Frank Hiller, Board Member (since 1/4/2014)				Total	
2013	2014			2013	2014			2013	2014
		(min)	(max)			(min)	(max)		
325	350	350	350	0	244	244	244	1,675	1,944
31	32	32	32	0	20	20	20	101	122
356	**382**	**382**	**382**	**0**	**263**	**263**	**263**	**1,776**	**2,066**
270	305	0	457	0	163	0	197	2,419	2,540
270	305	0	457	0	163	0	188	1,132	1,612
0	200	0	200	0	150	0	150	667	1,100
540	**809**	**0**	**1,114**	**0**	**476**	**0**	**535**	**4,218**	**5,252**
0	0	0	0	0	0	0	0	394	385
896	**1,191**	**382**	**1,496**	**0**	**739**	**263**	**798**	**6,388**	**7,703**
896	1,191			0	739			6,388	7,703
(270)	(305)			0	(163)			(2,419)	(2,540)
222	282			0	151			1,991	2,356
(270)	(305)			0	(163)			(1,132)	(1,612)
222	205			0	151			932	1,127
0	(200)			0	(150)			(667)	(1,100)
0	324			0	0			711	922
801	**1,194**			**0**	**565**			**5,804**	**6,856**
896	1,191			0	739			6,388	7,703
(270)	(305)			0	(163)			(2,419)	(2,540)
222	282			0	151			1,991	2,356
(270)	(305)			0	(163)			(1,132)	(1,612)
222	205			0	151			932	1,127
(222)	0			0	(151)			(932)	(151)
0	222			0	0			0	932
0	0				(150)			0	(150)
0	0			0	0			(394)	(385)
578	**1,292**			**0**	**414**			**4,435**	**7,280**

Dr Andreas Brand, Board Member				Dr Frank Hiller, Board Member (since 1/4/2014)				Total	
2013	2014			2013	2014			2013	2014
325	350			0	244			1,675	1,944
31	32			0	20			101	122
356	**382**			**0**	**263**			**1,776**	**2,066**
222	282			0	151			1,991	2,356
111	316			0	76			466	1,518
0	200			0	0			667	950
333	**799**			**0**	**227**			**3,124**	**4,823**
0	0			0	0			394	385
689	**1,181**			**0**	**490**			**5,295**	**7,275**

The 'granted benefits' table presents, in the compensation for Management Board members pursuant to GCGC, which benefits the members would have been granted for 100 percent target fulfilment and which absolute upper and lower limits would have applied for the individual compensation components. This total compensation (GCGC) would have corresponded to an amount of € 7,703 k in fiscal 2014 (previous year: € 6,388 k). The increase was due primarily to the appointment of a fourth Management Board member effective 1 April 2014 and higher performance-related compensation. As this involves budgeted figures that would only have been matched in the event of 100 percent target fulfilment, these budgeted figures must be reconciled with the business performance that actually occurred and conditions precedent. A distinction must be made here between reconciliation of the compensation (pursuant to GCGC) with IFRS and with Article 314 of the German Commercial Code (HGB). Any corresponding adjustment amounts versus the budgeted figures pertaining to all variable compensation components are reported in these reconciliations. This then results in the actually granted benefits pursuant to IFRS or Article 314 HGB.

The compensation pursuant to IFRS in the financial year amounts to € 6,856 k (previous year: € 5,804 k) and pursuant to Article 314 HGB consequently to € 7,280 k (previous year: € 4,435 k). The increase is attributable to the fourth Management Board member on the one hand and, in the HGB-based expense, to payout of the medium-term component, which was already fulfilled for Dr Probst, Mr Bellé and Dr Brand at the end of 2014 in line with the contract terms.

The 'allocations' table, finally, also shows what cash amounts the Management Board members received from the individual compensation components. In total, the Management Board members received € 7,275 k for the 2014 financial year (previous year: € 5,295 k). As explained above, the increase is attributable to the fourth Management Board member and payment of the medium-term component to Dr Probst, Mr Bellé and Dr Brand in line with the contract terms. The amounts presented as receipts for the medium-term compensation component in 2013 are in each case instalments because target attainment can only be determined after completion of the three-year period.

Other compensation comprises the non-monetary benefits in the use of company cars and top-ups on insurance policies.

The fiscal 2014 expense for Management Board members' pension, disability and other benefits amounts to € 385 k (previous year: € 394 k). The defined benefit obligation amounts to € 10,366 k (previous year: € 7,281 k). The individual figures are presented in the table below.

Pension commitments (excl. deferred compensation)	**Service costs**		**Defined benefit obligation**	
€ '000	**2013**	**2014**	**2013**	**2014**
Dr Klaus Probst	188	183	4,553	6,521
Dieter Bellé	206	202	2,728	3,845
Total	394	385	7,281	10,366

The pension, disability and other benefit expenses in principle comprise service costs and past service costs pursuant to IFRS. The defined benefit obligation (DBO) corresponds to the scope of obligations pursuant to IFRS.

Pensions will be paid to Management Board members Dr Klaus Probst and Dieter Bellé when they have either reached the retirement age of 65 years (63 with agreed discounts) or they become permanently disabled. The pension entitlement of the aforementioned Management Board members is computed as an agreed pensionable proportion of the final fixed annual salary.

In 2014, Dr Andreas Brand was issued with a defined-contribution plan taking effect from 1 January 2015. This comprises age-related, disability and surviving dependents' benefits. This pension will be paid when Dr Brand has completed his 67th year of age. Upon request, this may be paid out prior to completion of the 67th year of age, however upon completion of the 63rd year of age at the earliest.

New compensation system from 2015

In accordance with the Code, we hereinafter explain the principles of the new system for compensating the members of LEONI AG's Management Board and the specific structure of the individual components that differ from the previous system in some respects. The table below provides an overview of the structure and system for Management Board compensation from 2015.

Component	Measurement basis	Corridor	Precondition for payment	Payment
1. Fixed compensation **Fixed salary** Benefits in kind/ Fringe benefits	Function, responsibility, duration of Board membership, standard	Firmly agreed for the term of the contract	Contractual stipulation	Monthly
2. Short-term compensation component Annual bonus	Task, performance, consolidated net income and EBIT margin	0 to 110 % [Target fully met = 100 %]	1-year planning, target attainment	Once a year in the subsequent year
3. Medium-term compensation component Multi-year bonus	Task, performance, consolidated net income	0 to 115 % [Target fully met = 100 %]	3-year planning, target attainment on a 3-year average at least 50 %	In the 4th year
4. Long-term compensation component Bonus account	Task, performance, EVA and share appreciation	0 up to cap, penalty rule	Contractual stipulation	Once a year in the subsequent year; 50 % of which converted into LEONI shares with a 50-month holding period
5. Disability and other benefits Accrued pension rights	Pensionable fixed salary, years of service on the Board, defined-contribution plan	Fixed amount	Retirement, disability	—

Fixed compensation

The fixed component is a firm, annual amount of basic compensation that is paid in equal monthly instalments. As all the other compensation components are variable and can drop to nil, the fixed component is the minimum amount of Management Board compensation. The fixed amount is commensurate with that paid by other MDAX companies.

Variable components

As in the existing compensation system, there will, alongside the fixed compensation, be three further variable compensation components, each of which have upper limits in absolute terms and can drop to nil. The short-term compensation component refers to the respectively completed financial year, whereas the medium-term compensation component takes account of a three-year period and is geared to sustainability. The weighting between the short and medium-term components is 50/50 and will, as opposed to the existing system, be raised towards the medium-term component and thus to sustainability.

Short-term compensation component – annual bonus: An annual bonus will be assessed depending on the net income generated, whereas amounts that exceed 110 percent (cap) of the budgeted net income for the year will be disregarded. The assessed annual bonus can rise by another 10 percent provided the Group generates an EBIT margin of more than 7.5 percent. Assessment of the annual bonus will be discounted by 10 percent for EBIT margins that are less than 4.5 percent but not below 3.5 percent. Should the Group generate an EBIT margin of less than 3.5 percent, the discount on the assessed annual bonus will be 30 percent. In each year of the contract term the annual bonus will have an upper limit in absolute terms; it will be paid in cash and can drop to nil.

Medium-term compensation component – multi-year bonus: The multi-year bonus is geared, depending on the respective year's net income, to the results of a three-year period, while amounts that exceed 115 percent (cap) of the budgeted annual net income amounts will be disregarded. Payment is made after the three-year period and only if the (arithmetic) average degree of target attainment for the three-year period is at least 50 percent. Otherwise the multi-year bonus is forfeited in full. The multi-year bonus thus conforms to the sustainability requirement set out in both the VorstAG and the Code. The multi-year bonus will be paid in the fourth year, while 50 percent of the annual amount will be paid in the respective subsequent year as an instalment. In each year of the contract term the multi-year bonus will have an upper limit in absolute terms; it will be paid in cash and can drop to nil.

Long-term compensation component: The long-term compensation component will remain unchanged from the existing system and has an upper limit for each member of the Management Board in each year of their contract term.

Absolute upper limit: The total compensation, which is the sum of the fixed, short-term, medium-term and long-term components, has, as do the short-term, medium-term and long-term components themselves, an absolute upper limit for each Management Board member in each year of their contract term.

Pension, disability and other benefits: The existing, purely defined-benefit plans will expire and will be replaced for first-time plans so far as possible by a defined-contribution plan. In the case of first-time plans, there will for each Management Board member be an absolute limit to the benefit to be paid for each year of the contract term and, moreover, a general upper limit to the level of pension with respect to the fixed amount. The new retirement benefit system is set up in such a way that the standard retirement age is 67 years and at the earliest 63 years subject to accepting discounts on the pension.

Supervisory Board compensation

The Articles of Association govern compensation for members of the Supervisory Board. A system of fixed compensation has applied for members of LEONI AG's Supervisory Board since 1 January 2013. It stipulates a fixed amount of € 85 k per ordinary member of the Supervisory Board. The chairperson receives double this amount and the deputy chairpersons receive one and a half times the amount. The compensation for committee work (Personnel, Audit, Strategy and Nomination Committees) comes to € 8 k per ordinary member and to € 16 k per committee chairperson. It is paid only if the committee meets at least once in the year. Due to the increase in time spent and the greater responsibility involving Supervisory Board and committee work, attendance of Supervisory Board and Audit Committee meetings will be paid for in the amount of € 1,000 per meeting and Supervisory Board member, with a maximum of ten meetings to be taken into consideration per financial year. The maximum overall compensation possible for Supervisory Board members including committee work and attendance money comes to € 1,534 k.

Cost of compensation in 2014 *€ '000*		**Fixed compensation (net)**	**Attendance money**	**Compensation for committee work**	**Performance related compensation (net)**	**Other**	**Total**
Dr Werner Rupp [1]	**2014**	170	9	48	0	—	227
	2013	170	9	48	0	—	227
Franz Spieß [2]	**2014**	128	9	16	0	—	153
	2013	128	8	16	0	—	152
Gabriele Bauer	**2014**	85	5	16	0	—	106
	2013	85	5	16	0	—	106
Josef Häring	**2014**	85	5	0	0	—	90
	2013	85	5	0	0	—	90
Ingrid Hofmann	**2014**	85	5	0	0	—	90
	2013	85	5	0	0	—	90
Karl-Heinz Lach	**2014**	85	5	0	0	—	90
	2013	85	5	0	0	—	90
Dr Werner Lang	**2014**	85	5	8	0	—	98
	2013	85	5	8	0	—	98
Richard Paglia	**2014**	85	9	16	0	—	110
	2013	85	9	16	0	—	110
Dr Bernd Rödl	**2014**	85	9	32	0	—	126
	2013	85	9	32	0	—	126
Wilhelm Wessels	**2014**	85	5	0	0	—	90
	2013	85	5	0	0	—	90
Helmut Wirtz	**2014**	85	5	8	0	1	99
	2013	85	5	8	0	1	99
Prof. Dr-Ing. Klaus Wucherer [3]	**2014**	128	4	32	0	—	164
	2013	128	4	32	0	—	164
Total	**2014**	1,190	75	176	0	1	1,442
	2013	1,190	74	176	0	1	1,441

Addition of the individual payments in € thousands may deviate from the reported totals due to rounding.

[1] *Chairman of the Supervisory Board*
[2] *1st Deputy Chairman of the Supervisory Board*
[3] *2nd Deputy Chairman of the Supervisory Board*

Disclosures pursuant to Art. 315 (4) of the German Commercial Code

Composition of the share capital: As at 31 December 2014, the share capital in LEONI AG is divided into 32,669,000 registered no-par-value shares. With respect to LEONI AG, Article 67 (2) sentence 1 of the German Public Companies Act defines as shareholders only those persons or entities entered in the share register. All shares are subject to the same rights and obligations. Each share provides one vote at the Annual General Meeting and is key to the shareholders' share of the profit.

Constraints concerning the voting rights or the transfer of shares: LEONI AG is not aware of any constraints affecting voting rights. Legal requirements, especially under Article 135 of the German Public Companies Act (AktG), apply to the exercise of voting rights by shareholder associations as well as by financial institutions and persons otherwise granted proxy. Transfer constraints exist in so far as shares that members of the management and executives receive or have received in the context of a long-term incentive programme are subject to a holding period.

LEONI AG is not aware of **any shareholdings, either direct or indirect, that exceed 10 percent of the voting rights.**

Nor are there **any shares with special entitlements that grant control rights.**

The control of voting rights in the case of shareholding employees who do not directly exercise their control rights: So far as employees are shareholders, they are entitled to directly exercise the control rights associated with their shares in accordance with the Articles of Association and the law.

Statutory provisions and rules in the Articles of Association on the appointment and recall of members of the Management Board and on changes to the Articles of Association: The appointment and recall of management board members is governed by Articles 84 and 85 of the German Public Companies Act as well as in Article 31 of Germany's Co-determination Act. Accordingly, the Supervisory Board appoints members to the Management Board for a maximum of five years. Pursuant to Article 5 (1) of the Articles of Association, the Management Board has at least two members. Furthermore, pursuant to Article 5 (2) of the Articles of Association, the Supervisory Board appoints the Management Board members and determines their number. It is entitled to appoint deputy members of the Management Board as well as a chairman and a deputy chairman of the Management Board.

Article 179 of the German Public Companies Act stipulates that amendments to the Articles of Association require a shareholder resolution at the Annual General Meeting. Article 16 (3) of the Articles of Association stipulates that a simple majority of votes and, so far as a majority of shares is needed, a simple majority of shares is required for any amendment to said Articles of Association unless something different is bindingly required by law or by the Articles of Association.

Pursuant to Article 19 of the Articles of Association, the Supervisory Board is entitled to adopt amendments and additions to the Articles of Association that pertain only to the version. Furthermore, the Supervisory Board is authorised pursuant to Art. 4 (5) subsection 5 of the Articles of Association to amend the version of the Articles of Association in line with executing an increase in share capital by exercise of authorised capital and after expiry of the term of authorisation. Article 4 (6) subsection 2 of the Articles of Association also entitles the Board to amend the Articles of Association in line with the respective utilisation of the contingent capital. The same shall apply in the event of non-utilisation of the authorisation to issue convertible bonds and/or warrant-linked bonds following the expiry of the authorisation period and in the event of the non-utilisation of the contingent capital I following the expiry of all conversion and/or option periods.

Powers of the Management Board to issue or buy back shares:

Purchase of treasury shares At the Annual General Meeting on 6 May 2010 shareholders authorised the Management Board of LEONI AG pursuant to Article 71 (1) section 8 of the German Public Companies Act to acquire up to 2,970,000 shares in the Company until 5 May 2015. The purchase may also take place through group companies that are dependent on the Company, or by third parties on their or the latter's account. Such a purchase may be transacted via the stock market or by means of a public offer to all shareholders or a public request to all shareholders to make a sales offer. The Management Board is authorised in accordance with the aforementioned resolution to use the Company shares acquired on the basis of this or a previous authorisation for all legally permitted purposes, including in particular those stated in the authorisation. The statutory right of shareholders to subscribe to own shares shall be excluded insofar as the shares are used in accordance with the purposes specified in the authorisation.

Authorised capital The Management Board is authorised pursuant to Article 4 (5) of the Articles of Association to increase the Company's share capital by up to € 16,334,500.00 on or before 15 May 2017 with the Supervisory Board's approval by issuing up to 16,334,500 bearer shares, each with a pro-rated share of € 1.00 in the share capital, on a cash and/or non-cash basis once or repeatedly (authorised capital 2012). Shareholders must in the process and in principle be granted a right to subscribe, however the Annual General Meeting authorised the Management Board, with the Supervisory Board's approval, to rule out shareholders' subscription rights in certain cases.

Contingent capital Furthermore, the Management Board is authorised pursuant to Article 4 (6) of the Articles of Association to issue convertible bonds and/or warrant-linked bonds until 5 May 2015. This involved a contingent increase in share capital by up to € 14.85 million (Contingent Capital I). The contingent capital increase is only to be performed to the extent that conversion and/or option rights have been utilised or that the holders and/or creditors obliged to convert have met their conversion obligation and provided that no cash settlement has been granted or Company shares or new shares from the utilisation of approved capital are utilised for the exercise of rights.

Agreements of the Company that are conditional upon a change of control as a result of a takeover bid: In the event of a change of control as a result of a takeover bid, the borrower's note loans placed in 2008, 2012, 2013 and 2014 in the total amount of € 346.5 million as well as the other loan agreements may be called in immediately. Furthermore, in such an event some of the major customers, suppliers as well as other joint venture partners also have the right to terminate contractual agreements with the Company prematurely.

LEONI AG agreements for the event of a takeover bid that would provide members of the Management Board or staff with compensation: The service contracts of the Management Board members include a change-of-control clause. Each Management Board member is thereby entitled, in the event of a change of control, to extraordinary termination as well as to a settlement claim within three months. The settlement comprises the balance of annual compensation to the end of the term of the contract and is, in accordance with Section 4.2.3 (4) and (5) of the German Corporate Governance Code, limited to a maximum three years' compensation, or, if the remaining contract period is less than three years, to the sum outstanding for such remaining period. The annual compensation comprises the fixed annual salary and 80 percent of the maximum attainable bonus.

Nuremberg, 23 February 2015

The Management Board

Dr Klaus Probst | Dieter Bellé | Dr Andreas Brand | Dr Frank Hiller

Consolidated financial statements

Consolidated net income increased by about 9 percent to € 115.1 million in the past financial year. In keeping with our dividend policy, about one third of that is to be paid out to shareholders. We will therefore propose a dividend of € 1.20 at the Annual General Meeting. That equates to a 20 percent increase in the dividend and a yield of 2.4 percent based on the yearend closing price.

Consolidated income statement

€ '000 01/01/ to 31/12/	Notes	2014	2013
Sales		4,103,434	3,917,886
Cost of sales		(3,401,152)	(3,240,126)
Gross profit on sales		**702,282**	**677,760**
Selling expenses		(213,816)	(196,405)
General and administration expenses		(197,458)	(190,974)
Research and development expenses		(109,338)	(106,109)
Other operating income	[6] [7]	12,621	10,449
Other operating expenses	[6]	(11,987)	(31,315)
Result from associated companies and joint ventures		201	(261)
EBIT		**182,505**	**163,145**
Finance revenue	[8]	665	543
Finance costs	[8]	(32,595)	(32,729)
Other income from share investments		144	261
Income before taxes		**150,719**	**131,220**
Income taxes	[9]	(35,659)	(25,324)
Net income		**115,060**	**105,896**
attributable to: Equity holders of the parent		114,674	105,518
Non-controlling interests		386	378
Earnings per share (basic and diluted) in Euro	[29]	3.51	3.23
Weighted average shares outstanding (basic and diluted)	[29]	32,669,000	32,669,000

Consolidated statement of comprehensive income

€ '000 01/01/ to 31/12/	Notes	2014	2013
Net income		**115,060**	**105,896**
Other comprehensive income			
Items that cannot be reclassified to the income statement:			
Actuarial gains or losses on defined benefit plans		(39,098)	2,405
Income taxes applying to items of other comprehensive income that are not reclassified		9,899	(1,399)
Items that can be reclassified to the income statement:			
Cumulative translation adjustments			
Gains and losses arising during the period		38,963	(15,247)
Less reclassification adjustments included in the income statement		29	(542)
Total cumulative translation adjustments		38,992	(15,789)
Available-for-sale investments			
Losses arising during the period		0	(4)
Less reclassification adjustments included in the income statement		0	(133)
Total available-for-sale investments		0	(137)
Cash flow hedges			
Losses and gains arising during the period		(4,641)	2,970
Less reclassification adjustments included in the income statement		129	541
Total cash flow hedges		(4,512)	3,511
Income taxes applying to items of other comprehensive income that are reclassified	[10]	2,696	(1,215)
Other comprehensive income (after taxes)	[10]	**7,977**	**(12,624)**
Total comprehensive income		**123,037**	**93,272**
attributable to: Equity holders of the parent		122,584	92,985
non-controlling interests		453	287

Consolidated statement of cash flows

€ '000 01/01/ to 31/12/	2014	2013
Net income	**115,060**	105,896
Adjustments to reconcile cash provided by operating activities:		
Income taxes	35,659	25,324
Net interest	30,467	30,470
Dividend income	(144)	(307)
Depreciation and amortisation	123,392	120,992
Other non-cash expenses and income	(201)	307
Result of asset disposals and measurement of assets held for sale	1,282	1,283
Change in operating assets and liabilities, adjusted for the impact of changes in the scope of consolidation		
Change in receivables and other financial assets	(48,258)	(49,088)
Change in inventories	(54,481)	(21,163)
Change in other assets	(12,518)	(8,733)
Change in provisions	(7,928)	(3,864)
Change in liabilities	54,915	40,570
Income taxes paid	(32,741)	(23,881)
Interest paid	(24,169)	(31,037)
Interest received	379	366
Dividends received	144	307
Cash provided by operating activities	**180,858**	**187,442**
Capital expenditures for intangible assets and property, plant and equipment	(219,655)	(153,606)
Capital expenditures for other financial assets	(5)	(35)
Cash receipts from disposal of assets and disposal of assets held for sale (incl. liabilities)	924	2,867
Income from the disposal of a business operation / subsidiaries less cash and cash equivalents paid	0	120
thereof: Disposal proceeds: € 0 k (previous year: € 120 k)		
Cash and cash equivalents paid: € 0 k (previous year: € 0 k)		
Cash used for capital spending activities	**(218,736)**	**(150,654)**
Cash receipts from acceptance of financial debts	135,311	165,619
Cash repayments of financial debts	(37,588)	(251,701)
Dividends paid by LEONI AG	(32,669)	(49,004)
Dividends paid to the non-controlling interest shareholders	(249)	(643)
Cash provided by / used for financing activities	**64,805**	**(135,729)**
Change of cash and cash equivalents	26,927	(98,941)
Currency adjustment	7,077	(1,409)
Cash and cash equivalents at beginning of period	197,974	298,324
Cash and cash equivalents at end of period	231,978	197,974

Consolidated statement of financial position

Assets € '000	**Notes**	**31/12/2014**	**31/12/2013**
Cash and cash equivalents		231,978	197,974
Trade accounts receivable and other financial assets	[11]	562,350	522,194
Other assets	[12]	92,630	82,230
Receivables from income taxes		10,919	12,299
Inventories	[13]	564,179	509,698
Assets held for sale	[14]	9,601	7,965
Total current assets		**1,471,657**	**1,332,360**
Property, plant and equipment	[15]	810,073	709,782
Intangible assets	[16]	82,661	82,256
Goodwill	[17]	147,676	148,417
Shares in associated companies and joint ventures		658	458
Trade receivables from long-term development contracts	[11]	55,146	46,931
Other financial assets	[19]	7,535	4,860
Deferred taxes	[9]	72,004	56,999
Other assets		19,771	17,653
Total non-current assets		**1,195,524**	**1,067,356**
Total assets		**2,667,181**	**2,399,716**

Equity and liabilities € '000	**Notes**	**31/12/2014**	**31/12/2013**
Current financial debts and current proportion of long-term financial debts	[20]	99,776	41,279
Trade accounts payable and other financial liabilities	[21]	744,219	698,739
Income taxes payable		42,454	39,481
Other current liabilities	[22]	150,985	146,986
Provisions	[23]	28,329	37,100
Total current liabilities		**1,065,763**	**963,585**
Long-term financial debts	[20]	448,402	413,685
Long-term financial liabilities		7,522	6,850
Other non-current liabilities		9,072	9,333
Pension provisions	[24]	157,183	113,261
Other provisions	[23]	23,961	22,578
Deferred taxes	[9]	37,523	42,827
Total non-current liabilities		**683,663**	**608,534**
Share capital	[25]	32,669	32,669
Additional paid-in capital	[25]	290,887	290,887
Retained earnings	[25]	619,252	537,247
Accumulated other comprehensive income		(26,631)	(34,541)
Equity holders of the parent		916,177	826,262
Non-controlling interests		1,578	1,335
Total equity	[25]	**917,755**	**827,597**
Total equity and liabilities		**2,667,181**	**2,399,716**

Consolidated statement of changes in equity

				Accumulated other comprehensive income						
€ '000	Share capital	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Available-for-sale investments	Cash flow hedges	Actuarial gains and losses	Equity holders of the parent	Non-controlling interests	Total
1 January 2013	**32,669**	**290,887**	**480,733**	**45,370**	**107**	**(4,917)**	**(62,568)**	**782,281**	**1,691**	**783,972**
Net income			105,518					105,518	378	105,896
Other comprehensive income				(15,696)	(107)	2,264	1,006	(12,533)	(91)	(12,624)
Total comprehensive income								*92,985*	*287*	*93,272*
Dividend payment			(49,004)					(49,004)	(643)	(49,647)
31 December 2013	**32,669**	**290,887**	**537,247**	**29,674**	**0**	**(2,653)**	**(61,562)**	**826,262**	**1,335**	**827,597**
1 January 2014	**32,669**	**290,887**	**537,247**	**29,674**	**0**	**(2,653)**	**(61,562)**	**826,262**	**1,335**	**827,597**
Net income			114,674					114,674	386	115,060
Other comprehensive income				38,925	0	(1,816)	(29,199)	7,910	67	7,977
Total comprehensive income								*122,584*	*453*	*123,037*
Dividend payment			(32,669)					(32,669)	(249)	(32,918)
Disposal of non-controlling interests									39	39
31 December 2014	**32,669**	**290,887**	**619,252**	**68,599**	**0**	**(4,469)**	**(90,761)**	**916,177**	**1,578**	**917,755**

Notes

Principles

LEONI AG („LEONI", the „Group" or the „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 Group's principal activities are described in Note 5.

These consolidated financial statements of LEONI AG have been prepared based on Section 315a of the German Commercial Code (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 2014 have been prepared in euros. 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 2014 are in line with those of the previous year with the exception of the new IFRS requirements applied for the first time in the 2014 financial year. These are explained under Note 2.

The Management Board on 23 February 2015 authorised the presented consolidated financial statements for the year ended 31 December 2014 for submission to the Supervisory Board.

The consolidated financial statements will be published in the electronic Federal Gazette (Bundesanzeiger) under number HRB 202.

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 available-for-sale financial assets that have been 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 has the ability to 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 several 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, i.e. from the time when the Group has acquired control over the subsidiary. 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 as well as 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 be recognised in accordance with IAS 39 either in profit or loss or in other comprehensive income. 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 exceeds 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, which 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 IAS 39 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 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 (arithmetic average of the monthly average exchange rates). 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 arise from measurement of monetary, principally intra-group items are allocated to operating income (EBIT) to the extent that they involve exchange gains or losses directly related to an operating transaction.

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	31/12/2014	31/12/2013
Brazil	Real	BRL	3.24100	3.25190
China	Renminbi Yuan	CNY	7.55500	8.33140
United Kingdom	Pound	GBP	0.78180	0.83310
Korea	Won	KRW	1,337.35340	1,452.96920
Mexico	Peso	MXN	17.92340	18.02820
Poland	Zloty	PLN	4.29020	4.15080
Romania	Leu	RON	4.48450	4.47390
Russian Federation	Rubel	RUB	67.58950	45.25820
Switzerland	Franc	CHF	1.20240	1.22670
USA	Dollar	USD	1.21660	1.37670

Annual average exchange rate [1 euro in foreign currency units]

Country	Currency	ISO Code	2014	2013
Brazil	Real	BRL	3.12670	2.88204
China	Renminbi Yuan	CNY	8.17091	8.17188
United Kingdom	Pound	GBP	0.80513	0.84710
Korea	Won	KRW	1,396.14821	1.452.37442
Mexico	Peso	MXN	17.68462	17.12432
Poland	Zloty	PLN	4.19202	4.20644
Romania	Leu	RON	4.44131	4.41813
Russian Federation	Rubel	RUB	51.01988	42.40715
Switzerland	Franc	CHF	1.21351	1.22713
USA	Dollar	USD	1.32612	1.32922

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

Revenues are generated mainly from the sale of products. Pursuant to IAS 18, sales revenues are generally recognised net of value added tax (VAT) upon delivery of products to the customer or upon fulfilment of service contracts. Delivery has occurred when the risks and rewards associated with ownership have been transferred to the buyer. Provisions for customer rebates and discounts as well as for returns and other adjustments are provided for in the same period the related sales are recognised. Fulfilment of service contracts occurs when substantially all performance obligations have been met. In the case of long-term development contracts, revenues are recognised according to the stage of completion provided that the contracts meet the conditions for applying the percentage-of-completion method pursuant to IAS 11. This applies to the development contracts described below.

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.

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 IAS 11, or they meet the criteria of IAS 38 for capitalisation as an intangible asset. Pursuant to IAS 11 for customer-specific development contracts that meet the corresponding conditions the percentage-of-completion method is applied. The capitalised amount, where payment is expected after more than one year, is disclosed under trade receivables from long-term development contracts. The current proportion is contained in trade receivables. The percentage of completion is determined according to the ratio of total costs to costs incurred (cost-to-cost method). The income from development contracts is reported under sales in the income statement.

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. Grants for an asset are deducted from the cost of the asset.

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 as well as 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 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. If non-current assets or a disposal group are classified as held for sale, depreciation is ceased and the Company determines the fair value of such assets. 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 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	3 – 15 years
Factory and office equipment	2 – 10 years
Computer hardware	3 – 5 years

Leased 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.

Leases

Leases are classified as either finance or operating. Leasing transactions whereby LEONI is the lessee and bears all substantial risks and rewards typical of ownership from use of the leased asset are accounted for as finance leases. Accordingly, the lessee capitalises the leased asset and records the corresponding lease obligation on the balance sheet at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The leased asset is depreciated over its economic life. If there is no reasonable certainty at the beginning of the lease that the Group will obtain ownership, the leased asset is depreciated in full over the shorter of the two periods of the expected useful life and the term of the lease. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement. All other leasing agreements entered into by LEONI, as a lessee, are accounted for as operating leases. The lease payments are expensed on a straight-line basis over the lease term.

Whether an arrangement contains a lease is determined on the basis of the arrangement's economic substance at the time it was concluded and requires an assessment whether meeting the contractual arrangement depends on the use of a certain asset or certain assets and whether the arrangement gives the right to use the asset.

Intangible assets

Intangible assets comprise patents, software, licenses 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 licenses with an estimated useful life of three years as well as customer relationships with useful lives of six to 23 years as well as technology and production know-how with a useful life of five 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. The review is carried out as at 31 October of each year according to the same principles as in the case of goodwill. 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. LEONI recorded brands acquired in the context of business combinations as intangible assets with an indefinite 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 October. 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 Group's 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.

Later reversal based on disappearance of the reason for a goodwill impairment recorded in previous financial years or interim reporting periods is not permitted.

Impairment testing of intangible assets with a finite life 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 flows 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.

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 in particular cash and cash equivalents, trade receivables as well as other originated loans and receivables, financial instruments held to maturity as well as 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 IAS 39.19 ("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 subsequent measurement the financial instruments are allocated to one of the measurement categories listed in IAS 39 to which they are designated at the time of their initial recognition.

Financial assets

Financial assets are divided into the following categories:

- ***Financial assets remeasured to fair value through profit or loss***

  This category comprises financial assets held for trading (FAHfT) and financial assets that were, upon initial recognition, designated as financial assets at fair value through profit or loss (FVtPL). 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 with the exception of such derivatives that were designated as a hedging instrument and are effective as such. Gains or losses on financial assets of this category are recognised in the income statement.

  Neither in the 2014 financial year nor in the previous year did the Company classify any primary financial assets as held for trading, nor did it make use of the option to designate financial assets at fair value through profit or loss upon their initial recognition.

- ***Held-to-maturity investments***

  Held-to-maturity investments (HtM) are non-derivative financial assets with fixed or determinable payments and fixed maturity that an enterprise has the positive intent and ability to hold to maturity. They are measured at amortised cost using the effective interest rate method. Gains or losses are recognised in net profit or loss when the financial asset is derecognised or impaired, as well as through the amortisation process.

  The Group had financial assets of this category in neither fiscal 2014 nor the previous year.

- ***Loans and receivables***

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method less any impairment.

  Valuation allowances are made when receivables are uncollectible or probably uncollectible and a reliable estimate of the valuation allowance can be made. There is need for valuation allowance when there are objectively discernable indications such as receivables overdue for a prolonged period, initiation of foreclosure measures, looming default or overindebtedness as well as insolvency proceedings having been applied for or commenced. Trade receivables with usual payment terms, which normally do not exceed twelve months, are therefore recognised at the nominal amount, less appropriate allowances. Receivables that do not bear interest or bear below market interest rates and have an expected term of more than one year are discounted with the discount subsequently amortised to interest income over the term of the receivable. Impairment of trade receivables as well as receivables from long-term development contracts is recognised in separate impairment accounts. Impairment losses of all other financial assets are recognised directly.

  Gains or losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

- ***Available-for-sale financial assets***

  Available-for-sale financial assets (AfS) are non-derivative financial assets that are designated as available for sale and are not classified in one of the aforementioned categories. They must be measured at their fair value. The gains or losses resulting from valuation at fair value are recorded separately as accumulated other comprehensive income within equity. If there are significant loss events or, in the case of equity instruments, losses ongoing over a longer period, this will be expensed accordingly in the income statement. The Group assumes there to be a significant loss event involving impairment of more than 20 percent and prolonged decline in value of equity instruments to be probable when there has been continued loss in value over a period of twelve months. Later reversals of impairment on available-for-sale financial assets are as a matter of principle recorded as accumulated other comprehensive income. Only in the case of debt instruments are reversals recognised in the income statement up to the original amount of impairment,

with any amounts above that recorded as accumulated other comprehensive income. Provided that there is no quoted market price in an active market for investments in equity instruments and that their fair value cannot be reliably measured, they are carried at acquisition cost. A write-down to the present value of the future cash flows is made in the case of a decline in value other than temporary.

Financial liabilities

Financial liabilities that fall into the category of "financial assets at fair value through profit or loss" 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 (FLHfT) as well as liabilities that were, upon initial recognition, designated as financial liabilities at fair value through profit or loss (FVtPL). 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 with the exception of such derivatives that were designated as a hedging instrument and are effective as such.

Neither in the 2014 financial year nor in the previous did the Company classify any primary financial liabilities as held for trading, nor did it make use of the option to designate financial liabilities at fair value through profit or loss (FVtPL) upon their initial recognition.

All financial liabilities that do not fall into this category and are not derivative financial instruments are measured at amortised cost using the effective interest rate method financial liabilities at amortised cost (FLAC). 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.

Cash and cash equivalents

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.

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 derivates 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 as earnings. However, the Group records changes in fair value of foreign currency derivatives used to hedge anticipated foreign currency-denominated cash flows on firm commitments and forecast transactions in accumulated other comprehensive income until the hedged item is recognised in earnings when the requirements of the standard to apply cash flow hedge accounting are met. The reclassification from accumulated other comprehensive income into earnings occurs in the same period as the underlying transaction

takes place and has effect on net income. The ineffective portions of the fair value changes of those derivatives are recognised in earnings immediately. The fair value changes of interest rate derivatives designated to hedge non-current liabilities subject to interest rate fluctuation are also recognised in accumulated other comprehensive or directly in equity if they meet the requirements to apply cash flow hedge accounting. The amounts recorded in other comprehensive income subsequently lead to the interest expenditure from the relevant underlying transaction recorded in the income statement being balanced. Where interest-rate derivative contracts are concluded to hedge the fair value of a hedged item measured at amortised cost, the hedging instrument is measured at the fair value and any changes in fair value 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 contracts contain embedded derivatives, 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. 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 became 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.

Accruals

Accruals are also reported under liabilities. Accruals are liabilities to pay for goods or services that have been received but have not been paid or invoiced by the supplier.

Pension and other post-employment benefits

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 costs are 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. Accrued interest is recognised under interest expense.

Obligations to dispose of an asset and to re-cultivate 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.

Restructuring cost

Costs incurred in connection with restructuring measures are presented in other operating expenses because such costs do not pertain to the general operating activity of the functional areas and this provides a transparent picture of the Group's restructuring activity. A breakdown of this cost according to the functional areas shown on the income statement is contained in Note 6.

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 in force on the balance sheet date.

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. The deferred tax assets and those not recognised are reviewed in this regard on each balance sheet date.

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 due 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. 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 "other non-cash expenses and income". Interest paid and interest and dividends received are classified as cash flows from operating activities. Dividends paid are classified as a financing cash flow. 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.

Segment reporting

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. Management monitors the earnings before interest and taxes (EBIT) separately to take decisions on allocation of resources and to determine the profitability of the segments. The EBIT 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.

Key judgments, estimates and assumptions

When preparing the consolidated financial statements management makes judgments, 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. The uncertainty that these assumptions and estimates involve can, however, in future periods cause outcomes that result in major adjustment to the carrying amounts of the assets and liabilities concerned.

The most significant assumptions concerning the future as well as 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 with an indefinite useful life and of non-current assets with a finite useful life 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 and 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 business unit 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. It takes into account price agreements based on experience and anticipated efficiency enhancements as well as a sales 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 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 Notes 16, 17 and 18.

Management must, with respect to accounting for capitalised deferred taxes relating mainly to unused loss carryforwards, make estimates and judgments concerning future tax planning strategies, the expected timing and the amount of taxable profit available in the future for use of the loss carryforwards. Deferred tax assets are recognised 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 that is sufficient to use the deferred tax assets from loss carryforwards and temporary differences. For this judgment 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 three 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 9.

The pension expense pertaining to defined benefit plans post employment is determined based upon actuarial computations. These measurements are based on assumptions and judgments 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 24.

2 | New accounting requirements

New accounting requirements applied for the first time in the financial year

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

  – IFRS 10, Consolidated Financial Statements, replaces the requirements under the previous IAS 27, Consolidated and Separate Financial Statements, on consolidated financial statements and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. Application for the first time of IFRS 10 did not have any effect on consolidation of the investments held by the Group.
  – IFRS 11, Joint Arrangements, replaces IAS 31, Interests in Joint Ventures, and the Interpretation SIC-13, Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 did not have any effect on the consolidated financial statements.
  – IFRS 12, Disclosure of Interests in Other Entities, includes all the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.
  – The scope of IAS 27, Separate Financial Statements, (as revised in 2011) was, with adoption of IFRS 10 and IFRS 12, limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

– As a consequence of the new IFRS 11 and IFRS 12, the scope of IAS 28, Investments in Associates and Joint Ventures (as revised in 2011), was extended, in addition to associates, also to application of the equity method to investments in joint ventures.

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

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

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

Future, new accounting requirements

A) The following accounting requirements endorsed by the European Union (EU) were not applied because application will only become obligatory in future periods:

- In May 2013, the IASB issued IFRIC 21, Levies. The Interpretation clarifies for levies that are imposed by governments and do not fall within the scope of another IFRS how, and especially when, such liabilities according to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, are to be recognised. The requirement must be applied in the EU for the first time to financial years beginning on or after 17 June 2014, though the EU does permit early application in accordance with the IASB's date of initial application from 1 January 2014.

- In November 2013, the IASB issued amendments to IAS, Employee Benefits. The amendment governs the recognition of contributions from employers or third parties to the pension plan as a reduction in the service cost, provided this is reflected in the related service rendered during the reporting period. These changes are to be applied to financial years beginning on or after 1 July 2014. Early application is permitted; the Standard is to be applied retrospectively.

- In December 2013, the IASB issued two omnibus standards with annual improvements: "Improvements to IFRSs 2010 – 2012" and "Improvements to IFRSs 2011 – 2013" involving a total of eleven amendments to nine Standards. The IASB's Annual Improvements process provides a mechanism to make non-urgent but necessary amendments to IFRS that address unintended consequences, conflicts or oversights. Most of these changes are to be applied to financial years beginning on or after 1 July 2014.

The requirements to be applied in the future are unlikely to exert any material effect on presentation of the Group's financial position, performance or cash flows.

B) The European Union (EU) has not yet endorsed the following accounting requirements issued by either the IASB or IFRIC:

- On 24 July 2014, the IASB published the final version of IFRS 9 Financial Instruments (IFRS 9 [2014]), bringing together all phases of the IFRS 9 project and superseding both IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 Financial Instruments. The Standard contains new requirements concerning classification and measurement, impairment as well as hedge accounting. IFRS 9 is to be applied for the first time to financial years beginning on or after 1 January 2018. Early application is – provided the European Union has endorsed the Standard – permitted at any time.

- In May 2014, the IASB published the new IFRS 15, Revenue from Contracts with Customers. The Standard introduces a new five-step model for revenue recognition, which is to be applied to all revenues from contracts with customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The principles in IFRS 15 provide a structured approach to measurement and recognition of sales revenues. The scope of the Standard covers all kinds of sectors and entities and therefore supersedes all existing requirements concerning revenue recognition (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services). This Standard is to be applied for the first time to financial years beginning on or after 1 January 2017. Early application is permitted; the Standard is to be applied retrospectively.

- In September 2014, the IASB published amendments to IFRS 10 and IAS 28. The amendments address inconsistencies between the requirements in IFRS 10 and those in IAS 28 concerning the loss of control over a subsidiary that is sold or contributed to an associate or joint venture. The amendment clarifies that the investor must recognise a full gain or loss on the sale or contribution of assets to an associate or joint

venture, provided the assets constitute a business as defined in IFRS 3. So far as an entity retains an interest in a former subsidiary that does not operate a business as defined by IFRS 3 after the loss of control, the gain or loss on remeasurement of the retained interest at fair value is recognised only to the extent of unrelated investors' interests. These changes are to be applied to financial years beginning on or after 1 January 2016. Early application is permitted; the changes are to be applied prospectively.

- In May 2014, the IASB issued additions to IFRS 11, Joint Arrangements, that require the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all the principles on business combinations accounting in IFRS 3 and other Standards and to make the disclosures for business combinations required by these Standards. It furthermore makes clear that any previously held interest in a joint operation would not be remeasured if the joint operator acquires an additional interest while retaining joint control. An exception to the scope of application was also adopted, which is intended to clarify that the amendments shall not be applied when the parties (including the reporting entity) that exercise joint control are under the common control of one party. The amendment applies to both first-time acquisition of interest in a joint operation and acquisition of further interest in the same joint operation. These additions are to be applied to financial years beginning on or after 1 January 2016. Early application is permitted; the changes are to be applied prospectively.

- In September 2014, the IASB issued the omnibus standard "Improvements to IFRSs 2012-2014" as part of its annual improvement process. The requirement contains five amendments to four Standards and is to be applied for the first time to financial years beginning on or after 1 January 2016.

Application of the above requirements will be binding in the future so far as they are endorsed by the EU. The Group is analysing the impact of these amended and new requirements. The current status of analysis does not yet permit comment concerning the probable impact of the amended requirements on the Group's financial position and performance.

The IASB also issued amendments other than the aforementioned updates and additions. However, these are not relevant to LEONI and are not mentioned for this reason.

3 | Scope of consolidation

Along with LEONI AG, the consolidated financial statements account for 20 companies in Germany and 62 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		
	31/12/2014	31/12/2013
Germany	21	21
Outside	62	63
Total	**83**	**84**

Two Chinese companies as well as two Russian companies were merged into respectively one legal entity during the period under report. Newly established companies in Paraguay and Moldova were included within the scope of consolidation; a Thai subsidiary that no longer operates was liquidated.

A complete list of the fully consolidated subsidiaries as well as of the associates and joint ventures on 31 December 2014 is shown at the end of these notes.

4 | Acquisitions and disposals of subsidiaries

Fiscal 2014:
There were no business acquisitions or disposals during the current reporting period.

Fiscal 2013:
The Lyonese wares operations of the Wire & Cable Solutions Division in Italy were sold in July 2013 in the context of an asset deal for € 120 k. The transaction incurred a loss on disposal of € 882 k.

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 covers development, manufacture and sale of wires, strands, tapes and optical fibers for cable production and electrical as well as electromechanical components, of Lyonese wares for textiles as well as cables, conductors and cable systems for the automotive and electrical appliance industries, data and communications technology, the professional multimedia segment, the healthcare sector, automation and process technology, machinery and plant engineering, major industrial plants, the solar industry, infrastructure projects as well as services in the field of irradiation crosslinking. The products meet both German and international standards as well as customer specifications. The conductive material most commonly used is copper, but the division also produces fiber optic cable based on both glass and polymer fiber.

Wiring Systems
The activity of the Wiring Systems Division is focused on the development, production and sale of complete wiring systems and ready-to-install cable harnesses for passenger cars and commercial vehicles. In addition to conventional cable harnesses, the division also manufactures pre-formed cable harnesses, plastic moulded components, electronic wiring system components as well as ready-to-connect single cables with matching connectors and fixings.

Management monitors the earnings before interest and taxes (EBIT) to take decisions on allocation of resources and to determine the profitability of the units. The EBIT 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.

The ROCE (Return on Capital Employed) is a key return figure on the basis of which management monitors the profitability of the segments. It is derived from the ratio of EBIT to average Capital Employed (CE), which comprises the non-interest-bearing assets less non-interest-bearing liabilities. The calculation uses the amount of capital employed at its average of the past five quarterly reporting dates.

Intersegment sales and revenues are generally recorded at values that approximate sales to third parties.

The details by segment for the 2014 and 2013 financial years are as follows:

	Wire & Cable Solutions		Wiring Systems Division		Reconciliation		LEONI Group	
[€ '000]	2014	2013	2014	2013	2014	2013	2014	2013
Sales	1,857,684	1,760,982	2,399,845	2,321,100	(154,095)	(164,196)	4,103,434	3,917,886
Less intersegment sales	153,870	164,070	225	126	(154,095)	(164,196)	—	—
External sales	1,703,814	1,596,912	2,399,620	2,320,974	—	—	4,103,434	3,917,886
domestic	397,752	385,062	710,597	703,911	0	0	1,108,349	1,088,973
abroad	1,306,062	1,211,850	1,689,023	1,617,063	0	0	2,995,085	2,828,913
abroad in %	76.7	75.9	70.4	69.7			73.0	72.2
EBIT	78,059	47,148	104,580	116,115	(134)	(118)	182,505	163,145
as a percentage of external sales	4.6	3.0	4.4	5.0			4.4	4.2
Financial result and other investment income							(31,786)	(31,925)
Income before tax							150,719	131,220
Income taxes							(35,659)	(25,324)
Consolidated income							115,060	105,896
Earnings from measurement under the equity method	0	0	201	(261)	0	0	201	(261)
Depreciation and amortisation	42,790	40,892	75,073	74,990	5,529	5,110	123,392	120,992
EBITDA	120,849	88,040	179,653	191,105	5,395	4,992	305,897	284,137
as a percentage of external sales	7.1	5.5	7.5	8.2			7.5	7.3
Restructuring expenses	926	8,894	863	12,648	0	0	1,789	21,542
Total assets	1,090,010	999,785	1,569,592	1,442,091	7,579	(42,160)	2,667,181	2,399,716
Average capital employed [1]	627,372	569,334	701,005	653,707	4,227	(1,392)	1,332,604	1,221,649
ROCE	12.4 %	8.3 %	14.9 %	17.8 %			13.7 %	13.4 %
Investment in property, plant and equipment as well as intangible assets	67,954	57,118	139,225	100,195	8,584	11,065	215,763	168,378
Average number of employees	8,509	8,066	57,505	52,221	241	223	66,255	60,510

[1] *The average of the past five quarterly reporting dates has been applied since 2014. The previous year's figures were adjusted accordingly for comparison purposes.*

Segment information by geographical regions:

	EMEA total		thereof:							
			Germany		Eastern Europe		Rest of Europa		Rest of EMEA	
[€ '000]	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
External sales										
Wire & Cable Solutions	1,003,690	982,005	397,752	385,062	325,128	307,290	258,486	272,247	22,324	17,406
Wiring Systems Division	1,701,857	1,698,486	710,597	703,911	353,009	322,891	616,143	643,430	22,108	28,254
	2,705,547	2,680,491	1,108,349	1,088,973	678,137	630,181	874,629	915,677	44,432	45,660
Non-current assets	632,542	595,823	160,892	155,486	264,066	228,030	101,560	101,753	106,024	110,554

	Americas		Asia/Pacific		LEONI Group	
[€ '000]	2014	2013	2014	2013	2014	2013
External sales						
Wire & Cable Solutions	338,010	320,546	362,114	294,361	1,703,814	1,596,912
Wiring Systems Division	283,407	253,542	414,356	368,946	2,399,620	2,320,974
	621,417	574,088	776,470	663,307	4,103,434	3,917,886
Non-current assets	90,720	65,702	170,131	130,971	893,393	792,496

The sales growth during the period under report was attributable particularly to the Asia/Pacific (up 17.1 percent) and Americas (up 8.2 percent) regions. China accounts for the most significant proportion of consolidated external sales in the Asia/Pacific region with a 14.2 percent (previous year: 13.1 percent) share while, in the Americas, the United States account for 9.9 percent (previous year: 9.8 percent).

The non-current assets segmented by region include the intangible assets and the property, plant and equipment as well as investments in associated companies and joint ventures.

In the 2014 financial year, sales to one customer of the Wiring Systems Division totalled € 481,957 k (previous year: € 395,178 k) and thus accounted for more than ten percent of consolidated sales.

6 | Other operating income and other operating expenses

The other operating income breaks down as follows:

[€ '000]	2014	2013
Government grants	8,435	5,951
Reversal of provisions	1,561	703
Gains on disposals of property, plant and equipment as well as intangible assets	439	1,192
Leases	143	166
Others	2,043	2,437
	12,621	**10,449**

The grants related to income of € 8,435 k pertained almost exclusively to the Wiring Systems Division as in the previous year (€ 5,951 k). More detailed explanation of this is to be found in Note 7. The reversal of provisions involved also exclusively restructuring provisions, with € 1,260 k (previous year: € 445 k) pertaining to the Wiring Systems Division and € 301 k (previous year: € 9 k) to the Wire & Cable Solutions Division.

The other operating expenses in the amount of € 11,987 k (previous year: € 31,315 k) contained the following:

[€ '000]	2014	2013
Exchange losses	4,722	606
Factoring cost	2,973	2,884
Restructuring cost	1,789	21,542
Loss on disposals of property, plant and equipment as well as intangible assets	1,721	2,475
Other taxes	132	436
Others	650	3,372
	11,987	**31,315**

The restructuring expenses pertained in the amount of € 926 k (previous year: € 8,894 k) to the Wire & Cable Division and in the amount of € 863 k (previous year: € 12,648 k) to the Wiring Systems Division. This involved primarily spending on severance, which also includes the additions to restructuring provisions (cf. explanations in Note 23 in this regard). As in the previous year, in the Wire & Cable Solutions Division this involved measures almost exclusively at German facilities. In the Wiring Systems Division, this presents further measures relating to the closure of the plant in Bouznika, Morocco. The restructuring expenses related to the cost of sales in the amount of € 1,582 k (previous year: € 17,401 k), to general administrative costs in the amount of € 176 k (previous year: € 2,045 k) and to research and development costs in the amount of € 31 k (previous year: € 383 k). Selling expense of € 1,713 k were also included in the previous year.

The exchange losses amounted to € 4,722 k (previous year: € 606 k) and pertained mainly to translation of forex items of the Russian and Ukrainian companies. Combined with the exchange losses on financing activity in the amount of € 1,464 k (previous year: € 1,716 k), which were included in finance costs, there was an exchange loss totalling € 6,186 k (previous year: € 2,322 k).

7 | Government grants

The Group obtained various government grants related to income in the 2014 financial year. Of these, € 1,396 k (previous year: € 1,768 k) pertained mainly to allowances for part-time working for older employees and grants for research and development work. This income was directly offset in the income statement with the expenses incurred.

Grants related to income in the amount of € 8,435 k (previous year: € 5,951 k), which pertained mainly to the Wiring Systems Division, were presented in other operating income. Of this, € 3,319 k was attributable to government grants for building plants in Serbia and € 3,735 k to promotion of export business in Egypt.

In the 2014 financial year, the Group was also granted a further € 2,625 k (previous year: € 5,251 k) in Serbia for building a second plant to produce wiring systems. These grants were presented under current liabilities and will be recognised in profit or loss as soon as the corresponding costs for building the plant are incurred. The grants obtained in Serbia are also tied to the creation and three-year retention of jobs.

8 | Finance revenue and costs

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

The finance revenues involved entirely interest income in the amount of € 665 k (previous year: € 543 k). As in the previous year, all interest income was computed on the basis of the effective interest rate method.

Finance costs broke down as follows:

[€ '000]	2014	2013
Interest expenses	25,768	26,512
Finance cost from pension obligations	4,318	4,015
Interest expense from measurement of other provisions	1,046	486
Exchange losses	1,463	1,716
Finance cost	**32,595**	**32,729**

The interest expenses of € 23,266 k (previous year: € 22,971 k) included interest that was computed on the basis of the effective interest rate method.

9 | Income taxes

Taxes on income including deferred taxes break down as follows in the income statements for fiscal 2014 and fiscal 2013:

[€ '000]	2014	2013
Current taxes		
Germany	3,289	2,172
Outside	36,855	36,454
	40,144	**38,626**
Deferred taxes		
Germany	(3,904)	(6,418)
Outside	(581)	(6,884)
	(4,485)	**(13,302)**
Income taxes	**35,659**	**25,324**

In the 2014 financial year, the Group recorded tax expenses of € 35,659 k (previous year: € 25,324 k) in the income statement. Tax income of € 12,595 k (previous year: tax expense of € 2,614 k) was recognised in other comprehensive income.

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 2014 were calculated using a corporate tax rate of 15 percent, unchanged from the previous year, for all temporary differences. A solidarity surcharge of 5.5 percent on the corporate tax as well as an average trade tax rate of 13.8 percent was included as in the previous year. Including the impact of the solidarity surcharge and the trade tax, the tax rate applied to calculate deferred taxes for German companies in line with the previous year amounted to a combined 29.6 percent. For non-German companies the country-specific, respective tax rates were used.

In the financial year, changes to foreign tax rates were recognised in the income statement in the amount of € 84 k (previous year: € 1,572 k). In the previous year the effect on income concerned mainly Mexico and the United Kingdom. The reconciliation below takes the impact of each of these tax rate changes into account.

The table below presents reconciliation between the tax expense expected in the respective financial year and the actual tax expense reported as well as between the expected and applicable tax rates. To calculate the projected income tax expense we multiplied the pre-tax earnings by the combined income tax rate in Germany of 29.6 percent (previous year: 29.6 percent) applicable to the financial year.

	2014		2013	
	[€ '000]	[%]	[€ '000]	[%]
Expected tax expense (2014: 29.6 %; 2013: 29.6 %)	44,613	29.6	38,841	29.6
Foreign tax rate differentials	(16,278)	(10.8)	(15,893)	(12.1)
Change in valuation allowances on deferred tax assets	2,256	1.5	(1,064)	(0.8)
Non-deductible expenses	5,517	3.7	4,233	3.2
Foreign tax at source	1,456	1.0	1,946	1.5
Prior-period tax income / expense	(2,977)	(2.0)	(3,317)	(2.5)
Other	1,072	0.7	578	0.4
Effective income taxes / tax rate	**35,659**	**23.7**	**25,324**	**19.3**

The change in valuation allowances on deferred tax assets in the amount of € 2,256 k (previous year: negative € 1,064 k) in the fiscal year involved tax assets not capitalized in the amount of € 6,966 k (previous year: € 7,400 k). As in the previous year, these valuation allowances concerned primarily deferred tax assets from loss carryforwards to the extent it is considered less 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, which in preceding periods we applied primarily to loss carryforwards, were written down in the amount of € 513 k (previous year: € 1,137 k). 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 € 5,095 k (previous year: a negative amount of € 6,963 k). The item included a negative amount of € 128 k (previous year: negative € 2,638 k) for the use of loss carryforwards for which no tax assets were recognised in the previous years.

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:

	Consolidated statement of financial position		Consolidated income statement	
[€ '000]	2014	2013	2014	2013
Inventories	8,183	9,671	(1,798)	627
Accounts receivable and other assets	6,352	2,931	1,073	(997)
Property, plant and equipment	4,423	3,715	232	(136)
Intangible assets	657	1,149	(86)	(62)
Non-current financial assets	469	453	5	(32)
Tax loss carryforwards	77,535	65,273	10,092	14,633
Liabilities and provisions	15,068	15,013	36	(2,213)
Pension provisions	34,695	23,203	757	486
Total	147,382	121,408		
Valuation allowance	(38,296)	(34,074)	(5,145)	(3,805)
Deferred tax assets (before offsetting)	**109,086**	**87,334**		
Inventories	7,900	8,434	576	1,098
Accounts receivable and other assets	3,633	4,701	730	260
Property, plant and equipment	29,553	27,512	(1,597)	255
Intangible assets	22,575	20,710	(435)	2,466
Non-current financial assets	8,333	6,381	(2,772)	(135)
Liabilities and provisions	1,384	4,573	3,195	741
Pension provisions	1,227	851	(378)	116
Deferred tax liabilities (before offsetting)	**74,605**	**73,162**		
Deferred tax income / expense			**4,485**	**13,302**
Net deferred tax assets / tax liabilities	**34,481**	**14,172**		

No deferred tax assets on temporary differences and tax loss carryforwards were recognised in the amount of € 38,296 k (previous year: € 34,074 k).

The net amount of deferred tax assets and liabilities was derived as follows:

[€ '000]	2014	2013
Deferred tax assets	110,300	91,073
Valuation allowance	(38,296)	(34,074)
Net deferred tax assets	**72,004**	**56,999**
Deferred tax liabilities	**37,523**	**42,827**
Net deferred tax assets / tax liabilities	**34,481**	**14,172**

Deferred taxes on outside basis differences (differences between the 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 no material tax effects are to be expected in the foreseeable future. Outside basis differences amounted to € 334,458 k on 31 December 2014 (previous year: € 203,229 k).

On the balance sheet date the Group had mainly foreign income tax but also German corporate tax loss carryforwards totalling € 258,428 k (previous year: € 222,225 k), of which € 116,958 k (previous year: € 121,677 k) may, based on legislation applicable on the respective reporting date, be carried forward indefinitely and in unlimited amounts. However, losses carried forward in Germany from the 2004 tax-assessment year and in France from the 2011 tax-assessment year 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 (50 percent in France). The remaining tax losses eligible for limited carryforward pertained exclusively to foreign subsidiaries and will expire by 2034 at the latest if not utilised.

The table below shows the usability of the loss carryforwards:

[€ '000]		**2014**
Useable until	2015	1,369
Useable until	2016	982
Useable until	2017	990
Useable until	2018	4,847
Useable until	2019	11,559
Useable until	2020	11,209
Useable until	2021	13,575
Useable until	2022	29,524
Useable until	2023	25,643
Useable until	2024	30,054
Useable until	2025	81
Useable until	2026	212
Useable until	2027	1,267
Useable until	2031	4,458
Useable until	2032	2
Useable until	2033	153
Useable until	2034	**5,544**

The Group's German trade tax loss carryforwards amounted to € 30,927 k on the balance sheet date (previous year: € 30,013 k), all of which, based on legislation applicable on the respective balance sheet dates, may 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 € 5,288 k (previous year: € 573 k) and German corporate tax loss carryforwards amounting to € 239 k (previous year: € 573 k) were utilised. Foreign income tax loss carryforwards were used in the amount of € 12,399 k (previous year: € 12,485 k).

10 | Other comprehensive income

The overview below shows the components of other comprehensive income and the tax effects:

01/01/ – 31/12/	2014			2013		
[€ '000]	Pre-tax amount	Tax effect	Net amount	Pre-tax amount	Tax effect	Net amount
Change in actuarial gains / losses	(39,098)	9,899	(29,199)	2,405	(1,399)	1,006
Foreign currency translation adjustments	38,992	0	38,992	(15,789)	2	(15,787)
Change in fair value of securities (available-for-sale financial assets)	0	0	0	(137)	30	(107)
Change in unrealised gains / losses on cash flow hedges	(4,512)	2,696	(1,816)	3,511	(1,247)	2,264
Other comprehensive income	**(4,618)**	**12,595**	**7,977**	**(10,010)**	**(2,614)**	**(12,624)**

Changes in exchange rates and the effects of measuring pension obligations affected other comprehensive income during the period under report. Currency translation differences resulted in a positive effect of € 38,992 k (previous year: a negative effect of € 15,789 k). This was attributable mainly to translation of the Chinese renminbi, the US dollar as well as the British pound sterling into the euro reporting currency. The lower level of market interest rates reduced the discount rate on pension obligations particularly in Germany, Switzerland as well as the United Kingdom and resulted in actuarial losses in the amount of € 39,098 k (previous year: gains of € 2,405 k).

Taking deferred taxes into account, the overall result was other comprehensive income of € 7,977 k (previous year: a negative amount of € 12,624 k).

11 | Accounts receivable and other financial assets as well as long-term receivables from development contracts

[€ '000]	2014	2013
Trade receivables	544,936	502,663
Other financial assets	17,414	19,531
	562,350	**522,194**
Non-current trade receivables from development contracts	**55,146**	**46,931**

Trade receivables were non-interest bearing. On the balance sheet date, trade receivables were reduced by factoring amounting to € 126,222 k (previous year: € 122,485 k).

The trade receivables pertaining to development orders involved customer-specific development contracts accounted for in accordance with IAS 11. The sales for the financial year include revenue amounting to € 22,659 k (previous year: € 21,504 k) from such development contracts. The expenses recognised corresponded to the sales.

The allowances for trade receivables were as follows:

[€ '000]	2014	2013
Allowance as of 1 January	**5,543**	**7,155**
Currency translation adjustments	727	4
Additions (allowances recognised as expense)	3,019	1,624
Usage	(726)	(1,241)
Reversal	(1,428)	(1,999)
Allowance as of 31 December	**7,135**	**5,543**

There were no allowances for long-term receivables from development contracts in either the financial year under report or the previous one.

The table below shows non-current and current financial receivables that, on the balance sheet date, were neither impaired nor overdue as well as overdue receivables that were not impaired:

		of which: neither impaired nor passed due on the reporting date	of which: not impaired on the reporting date and passed due in the following periods					
[€ '000]	**Carrying amount**		Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
	31/12/2014							
Trade receivables	544,936	492,248	30,059	7,350	2,546	1,894	6,927	4,349
Long-term trade receivables from development contracts	55,146	55,146	0	0	0	0	0	0
Other financial receivables	17,626	15,734	826	175	355	55	153	328
	31/12/2013							
Trade receivables	502,663	451,272	27,685	9,519	1,261	3,706	3,176	6,598
Long-term trade receivables from development contracts	46,931	46,931	0	0	0	0	0	0
Other financial receivables	18,658	17,557	204	144	76	104	153	420

The maximum risk of loan default corresponded to the carrying amount of the receivables. There were not, with respect to the neither impaired receivables nor the overdue receivables, any signs on the reporting date that the debtors will fail to make payment.

Receivables were covered by credit insurance in the amount of € 142,927 k (previous year: € 152,906 k).

12 | Other assets

[€ '000]	2014	2013
Receivables for VAT	50,482	48,425
Advanced payment	14,588	10,784
Prepaid expenses	13,470	9,943
Insurance technical reserves	5,815	4,428
Receivables for other taxes	2,529	3,765
Other assets	5,746	4,885
	92,630	**82,230**

13 | Inventories

[€ '000]	2014	2013
Raw materials and manufacturing supplies	261,322	227,563
Work in progress	95,893	88,537
Finished products and merchandise	206,964	193,598
	564,179	**509,698**

The amount of impairment of inventories, recognised as expense, is € 19,164 k (previous year: € 18,931 k). As in the previous year, the fiscal 2014 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 € 2,436,320 k (previous year: € 2,354,687 k).

The carrying amount included inventories in the amount of € 23,059 k (previous year: € 26,466 k) that were measured at net realisable value.

14 | Assets held for sale

The assets held for sale in the amount of € 9,601 k (previous year: € 7,965 k) concern the Wiring Systems Division and include a building in Bouznika, Morocco (€ 8.0 million) as well as a former manufacturing building in Ostrzeszów, Poland (€ 1.6 million).

Negotiations to sell both properties are currently under way with potential buyers, with the sale of the building in Morocco having failed just before completion in the year under report.

15 | Property, plant and equipment

[€ '000]	Land, leasehold rights and buildings	Technical equipment, plant and machinery	Other equipment, factory and other equipment	Advance payments and assets under construction	Total
Net book value on 1 January 2013	**239,226**	**324,563**	**64,206**	**49,251**	**677,246**
Acquisition costs on 1 January 2013	361,343	821,316	211,814	49,302	1,443,775
Currency differences	(4,377)	(9,547)	(1,609)	(829)	(16,362)
Additions	13,374	51,539	20,651	70,620	156,184
Transfers assets held for sale	12,589	0	0	0	12,589
Disposals	1,745	19,369	13,065	188	34,367
Transfers	2,669	38,951	11,561	(53,181)	0
31 December 2013	358,675	882,890	229,352	65,724	1,536,641
Accumulated depreciation on 1 January 2013	122,117	496,753	147,608	51	766,529
Currency differences	(752)	(4,355)	(790)	(7)	(5,904)
Additions	12,504	67,815	21,032	0	101,351
Transfers assets held for sale	4,624	0	0	0	4,624
Disposals	184	18,508	11,801	0	30,493
31 December 2013	129,061	541,705	156,049	44	826,859
Net book value on 31 December 2013	**229,614**	**341,185**	**73,303**	**65,680**	**709,782**
Acquisition costs on 1 January 2014	358,675	882,890	229,352	65,724	1,536,641
Currency differences	1,800	14,584	3,762	1,840	21,986
Additions	32,649	66,969	21,221	80,639	201,478
Transfers assets held for sale	2,774	0	0	0	2,774
Disposals	1,765	28,513	11,370	625	42,273
Transfers	17,902	30,087	10,185	(58,174)	0
31 December 2014	406,487	966,017	253,150	89,404	1,715,058
Accumulated depreciation on 1 January 2014	129,061	541,705	156,049	44	826,859
Currency differences	1,252	7,695	1,826	(2)	10,771
Additions	13,025	70,222	24,340	0	107,587
Transfers assets held for sale	1,137	0	0	0	1,137
Disposals	1,351	26,854	10,890	0	39,095
31 December 2014	140,850	592,768	171,325	42	904,985
Net book value on 31 December 2014	**265,637**	**373,249**	**81,825**	**89,362**	**810,073**

As in the previous year, no interest was capitalised in this financial year, nor was there any appreciation.

16 | Intangible assets

[€ '000]	Trademarks, similar rights, software and others	Customer relationships and order backlog	Development costs	Advance payments	Total
Net book value on 1 January 2013	**24,544**	**61,553**	**1,708**	**3,287**	**91,092**
Acquisition costs on 1 January 2013	88,140	132,224	10,299	3,414	234,077
Currency differences	(426)	(1,403)	(189)	1	(2,017)
Additions	7,867	0	205	4,122	12,194
Disposals	852	0	0	32	884
Transfers	972	0	22	(994)	0
31 December 2013	95,701	130,821	10,337	6,511	243,370
Accumulated amortisation on 1 January 2013	63,596	70,671	8,591	127	142,985
Currency differences	(275)	(247)	(164)	0	(686)
Additions	7,029	12,131	481	0	19,641
Disposals	826	0	0	0	826
31 December 2013	69,524	82,555	8,908	127	161,114
Net book value on 31 December 2013	**26,177**	**48,266**	**1,429**	**6,384**	**82,256**
Acquisition costs on 1 January 2014	95,701	130,821	10,337	6,511	243,370
Currency differences	884	3,716	492	12	5,104
Additions	5,143	0	2,661	6,482	14,286
Disposals	1,541	0	0	0	1,541
Transfers	762	0	7	(769)	0
31 December 2014	100,949	134,537	13,497	12,236	261,219
Accumulated amortisation on 1 January 2014	69,524	82,555	8,908	127	161,114
Currency differences	591	1,254	473	0	2,318
Additions	7,191	8,902	469	0	16,562
Disposals	1,436	0	0	0	1,436
31 December 2014	75,870	92,711	9,850	127	178,558
Net book value on 31 December 2014	**25,079**	**41,826**	**3,647**	**12,109**	**82,661**

The item trademarks and similar rights, software and others included technology as well as non-patented production know-how acquired in the context of business combinations. The residual value of the technology and the production know-how amounted to € 6,743 k (previous year: € 7,779 k); the average residual useful life is 10.8 years. Also included, as in the previous year, were brands acquired in the context of business combinations in the amount of € 2,128 k, which were classified as intangible assets with an indefinite useful life as there was no foreseeable limit to the use of these brands. The contractual and non-contractual business relationships obtained in the context of business acquisitions under the item customer relationships and order backlog have a residual value of € 41,826 k (previous year: € 48,266 k), the average residual useful life of which was 6.1 years.

Amortisation of intangible assets with a finite useful life was included in the cost of sales in the amount of € 10,242 k (previous year: € 14,167 k), in selling expenses in the amount of € 857 k (previous year: € 677 k), in general and administrative expenses in the amount of € 4,975 k (previous year: € 4,283 k) as well as in research and development costs in the amount of € 488 k (previous year: € 514 k).

Intangible assets with an indefinite useful life were tested for impairment as at 31 October. This involved two brands in the Wire & Cable Solutions Division, specifically in one cash-generating unit in each of Business Group Communication & Infrastructure and Business Group Industry & Healthcare. The impairment tests as a matter of principle based on the recoverable amount of the respective cash-generating unit on the value in use. In the case of the Business Group Industry & Healthcare brand, the fair value less cost to sell was drawn upon and determined on the basis of the level three parameters pursuant to IFRS 13. In both cases, the underlying cash flow forecasts are based on the five-year business planning as approved by the Management Board. The cash flows after the five-year period were, in the case of the brand in Business Group Communication & Infrastructure, as in the previous year extrapolated by applying a zero growth rate. The pre-tax discount rate applied was 11.85 percent (previous year: 13.48 percent). In the case of the brand in Business Group Industry & Healthcare, a pre-tax discount rate of 10.38 percent (previous year: 12.17 percent) was applied for the five-year detailed planning period and thereafter one of 8.88 percent (previous year: 10.67 percent), which corresponds to a growth rate of 1.5 percent after the five-year planning period. Neither impairment test resulted in any need for write-down. Based on the assumptions applied, the fair value less cost to sell of the Business Group Industry & Healthcare brand exceeded the carrying amount of € 13.5 million by € 2.1 million. From a pre-tax discount rate of 11.4 percent it would, all other parameters being equal, fall below the carrying amount.

As in the previous year, no write-downs on intangible assets were recognised in the 2014 financial year.

There was no appreciation either in this financial year or in the previous year.

17 | Impairment testing of property, plant and equipment as well as intangible assets with a finite useful life

Intangible assets with finite useful life involved a carrying amount of € 80,533 k on 31 December 2014 (previous year: € 80,128 k). Property, plant and equipment came to a carrying amount of € 810,073 k on 31 December 2014 (previous year: € 709,782 k).

In all cases, the cash flows projected in the current five-year planning were extrapolated for the impairment testing.

The property, plant and equipment as well as intangible assets with a finite useful life of one cash-generating unit in the Wire & Cable Solutions Division were tested for impairment. The test was carried out based on the fair value less cost to sell and determined, pursuant to IFRS 13, based on the level three parameters. The pre-tax discount rate applied was 10.58 percent and a discount rate of 9.08 percent was applied according to the five-year detailed planning period, which corresponded to a growth rate of 1.5 percent. The test did not find any need for write-down. From an increase in the pre-tax interest rate by more than 3.08 percentage points the fair value less cost to sell would, all other parameters being equal, drop below the carrying amount.

In a second case in the Wire & Cable Solutions Division the value in use was drawn upon for the impairment test. The discount rate was 10.83 percent; a discount rate of 9.33 percent was applied according to the five-year detailed planning period, which corresponded to a growth rate of 1.5 percent. The test did no find any need for write-down. From an increase in the pre-tax interest rate by more than 2.54 percentage points the value in use would, all other parameters being equal, drop below the carrying amount.

In a cash-generating unit of the Wiring Systems Division the impairment test was also based on the value in use. The discount rate was 9.58 percent; a discount rate of 8.08 percent was applied according to the five-year detailed planning period, which corresponded to a growth rate of 1.5 percent. The test did no find any need for write-down. From an increase in the pre-tax interest rate by more than 2.23 percentage points the value in use would, all other parameters being equal, drop below the carrying amount.

18 | Goodwill

Goodwill in the financial year is summarised as follows:

[€ '000]	2014	2013
Acquisition costs on 1 January	156,586	157,522
Accumulated allowance	8,169	8,169
Carrying amount 1 January	148,417	149,353
Subsequent purchase price adjustment	(839)	0
Currency translation differences	98	(936)
Carrying amount on 31 December	147,676	148,417
Acquisition costs on 31 December	155,845	156,586
Accumulated allowance on 31 December	**8,169**	**8,169**
Carrying amount on 31 December	**147,676**	**148,417**

The goodwill shown on 31 December 2014 broke down to € 70,154 k (previous year: € 69,586 k) for the Wire & Cable Division and € 77,522 k (previous year: € 78,831 k) for the Wiring Systems Division. The goodwill existing in the Wire & Cable Solutions Division as at 31 December 2014 stems from the following key acquisitions: € 18,312 k LEONI Schweiz AG (formerly Studer AG), € 12,841 k LEONI Special Cables GmbH, € 8,992 k LEONI Silitherm S.r.l., € 7,530 k LEONI Kablesysteme GmbH and € 6,900 k LEONI elocab GmbH. In the Wiring Systems Division the largest amount of goodwill, € 66,555 k, stems from the acquisition of Valeo Connective Systems, while € 6,712 k pertains to the purchase of Daekyeung T&G Co. Ltd.

In addition to the obligatory impairment tests of all goodwill that must be carried out at lease 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 October.

For the purpose of the impairment test, all goodwill was allocated to the cash-generating units or groups of cash-generating units that benefit from the synergies of the business combination. The principal goodwill allocations were as follows:

In the Wiring Systems Division, the largest item of goodwill in the amount of € 66.6 million (previous year: € 67.4 million) was allocated at segment level. In the Wire & Cable Solutions Division, goodwill totalling € 37.1 million (previous year: € 36.9 million) was allocated to Business Group Industry & Healthcare. Goodwill totalling € 28.9 million (previous year: € 28.5 million) and of € 4.2 million as in the previous year was allocated to Business Group Communication & Infrastructure and to Business Group Automotive Cables, respectively.

In all the goodwill impairment tests, determination of the recoverable amount was based on the value in use. The underlying cash flow forecasts are in each case based on the five-year business planning as approved by the Management Board. As in the previous year, cash flows after the five-year period were on principle extrapolated by applying a zero growth rate. The pre-tax discount rates applied were as follows: for the Wiring Systems Division 11.63 percent (previous year: 13.38 percent), for Business Group Automotive Cables 13.30 percent (previous year: 14.72 percent), for Business Group Industry & Healthcare 11.00 percent (previous year: 12.60 percent) and for Business Group Communication & Infrastructure 10.55 percent (previous year: 12.08 percent).

The test for impairment of goodwill found no need for write-down.

The Group's management holds the basic view that, by prudent judgement, any fundamentally possible change to basic assumptions for determining the value in use of the cash-generating units or groups of cash-generating units to which goodwill has been allocated would not lead to the carrying amounts of the cash-generating units exceeding their recoverable amount. In the Wiring Systems Division there is one exception involving a cash-generating unit to which a relatively small amount of goodwill of € 6.7 million is allocated. The discount rate was 10.63 percent; a discount rate of 9.13 percent was applied according to the five-year detailed planning period, which corresponded to a growth rate of 1.5 percent. In the case of this cash-generating unit, the carrying amount could exceed the value in use as a result of an increase in the discount rate or if projections of earnings were to worsen. Based on the assumptions made, the value in use exceeded the carrying amount of € 104.5 million by € 15.0 million. From an increase in the discount rate by 1.59 percentage points the value in use would, all other parameters being equal, be below the carrying amount.

In the Wire & Cable Solutions Division there is another exception in Business Group Communication & Infrastructure. It includes a brand for which the impairment test is described separately in Note 16. An item of goodwill in the amount of € 28.9 million is furthermore allocated to the Business Group, which was also tested. The discount rate was 10.16 percent; a discount rate of 8.66 percent was applied according to the five-year detailed planning period, which corresponded to a growth rate of 1.5 percent. Based on the assumptions made, the value in use exceeded the carrying amount of € 235.7 million by € 74.4 million. From an increase in the discount rate by 2.44 percentage points the value in use would, all other parameters being equal, match the carrying amount.

19 | Other non-current financial assets

The other non-current financial assets amounting to € 1,065 k as in the previous year comprised investments classified as available-for-sale securities. They were valued at cost because there was no quoted price in an active market and their fair value could not be reliably measured.

The item also included primarily loans to third parties and staff in the amount of € 1,035 k (previous year: € 1,355 k) and collateral, pertaining mostly to rental deposits for office and warehouse buildings as well as staff residential units in Korea, in the amount of € 3,566 k (previous year: € 2,375 k).

20 | Financial debts

The financial liabilities comprised liabilities to banks, notes payable and other loan obligations. They totalled € 548,178 k on 31 December 2014 (previous year: € 454,964 k). Current financial liabilities and the short-term proportion of long-term loans amounted to € 99,776 k on the reporting date, whereas the item showed an amount of € 41,279 k on 31 December 2013. The change is due primarily to reclassification from non-current financial liabilities and to having taken out further short-term loans.

Non-current financial liabilities rose from € 413,685 k on 31 December 2013 to € 448,402 k in the period under report. This is attributable to the issue of new borrower's note loans as well as to having taken out foreign currency loans.

The overview below shows the existing borrower's note loans:

Nominal value [€ '000]	Carrying amount 31/12/2014 [€ '000]	Payment year	Repayment	Interest	Interest rate hedging instrument
26,500	27,548	2008	matures 2015	fixed income	none
63,000	63,326	2012	matures 2017	fixed income	none
73,000	73,233	2012	matures 2017	variable rate	none
25,000	25,146	2012	matures 2018	fixed income	none
12,000	12,039	2012	matures 2018	variable rate	none
48,500	48,821	2012	matures 2019	fixed income	none
19,500	19,571	2012	matures 2019	variable rate	none
9,000	9,075	2012	matures 2022	fixed income	none
25,000	26,919	2013	matures 2020	fixed income	fair value hedge
25,000	25,031	2014	matures 2020	variable rate	none
20,000	20,052	2014	matures 2021	variable rate	none

Detail of the financial liabilities and hedging instruments is to be found in Note 27.

21 | Trade payables and other financial liabilities

[€ '000]	2014	2013
Trade liabilities	704,881	675,099
Liabilities to associated companies and joint ventures	840	844
Other liabilities	38,498	22,796
	744,219	**698,739**

Other liabilities included liabilities amounting to € 21,262 k (previous year: € 18,025 k) from the receipt of payment on receivables that were sold within factoring agreements.

22 | Other current liabilities

[€ '000]	2014	2013
Liabilities to employees	88,365	76,160
Tax liabilities	27,998	29,667
Liabilities connected with social security	16,112	15,470
Advance payments received	8,234	15,243
Government grants received	4,557	5,251
Other accruals	5,719	5,195
	150,985	**146,986**

The government grants received involved subsidies for building a second plant in Serbia for the Wiring Systems Division. Details are to be found under Note 7.

23 | Provisions

The changes in provisions are summarised as follows:

[€ '000]	01/01/2014	Usage	Dissolution	Allocation	Allocation of interest	Currency differences	**31/12/2014**	current provisions 2014	non-current provisions 2014	current provisions 2013	non-current provisions 2013
Personnel-related-provisions	21,487	3,111	513	3,166	989	(94)	21,924	2,778	19,146	3,224	18,263
Provisions for product warranties	17,504	2,601	3,960	4,922	2	390	16,257	16,257	0	17,504	0
Other provisions for purchasing and distribution	4,290	2,175	160	2,053	0	223	4,231	3,839	392	3,909	381
Restructuring provisions	12,124	7,525	1,562	388	55	0	3,480	2,797	683	9,830	2,294
Other provisions	4,273	401	543	3,134	0	(65)	6,398	2,658	3,740	2,633	1,640
Total	**59,678**	**15,813**	**6,738**	**13,663**	**1,046**	**454**	**52,290**	**28,329**	**23,961**	**37,100**	**22,578**

The personnel-related provisions involved mainly long-term provision for partial retirement agreements in Germany in the amount of € 6,399 k (previous year: € 7,037 k) and provision for anniversary bonuses in the amount of € 10,319 k (previous year: € 9,243 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 20 years. The payments relating to provisions for partial retirement will probably be spread over the next six years.

The product warranties were determined on the basis of past experience, with goodwill concessions also taken into account. Provisions were added in the amount of € 4,922 k (previous year: € 4,809 k) for claims under warranty and/or for compensation in fiscal 2014. These provisions for claims under warranty and/or for compensation were offset by claims against the insurer in the amount of € 5,802 k (previous year: € 4,428 k).

There were also provisions for purchasing and distribution to cover onerous contracts.

The restructuring provisions in the amount of € 3,480 k (previous year: € 12,124 k) pertained to the Wire & Cable Solutions Division in the amount of € 751 k (previous year: € 6,576 k) and to the Wiring Systems Division in the amount of € 2,729 k (previous year: € 5,548 k). The non-current proportion of the restructuring provisions involved mostly severance costs in Italy in the Wiring Systems Division, payment of which stretches into the year 2016. Use of restructuring provisions involved the amounts set aside in previous years for severance costs pertaining to the Wire & Cable Solutions Division in Germany as well as to the Wiring Systems Division in Spain and Italy. The additions in the amount of € 388 k pertained mostly to the Wiring Systems Division.

The other provisions amounting to € 6,398 k (previous year: € 4,273 k) included an addition of € 2,100 k for soil rehabilitation at the Wire & Cable Solutions Division's facility in Roth.

24 | 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, Germany and Switzerland, and are set up as defined benefit plans. The obligations and the plan assets of the pension plans in these three countries accounted for 97.1 percent and 99.4 percent, respectively, of the Group total. The pension plans in the United Kingdom and Switzerland are managed by legally independent entities, namely the LEONI UK Pension Scheme and "Vorsorgestiftung LEONI Schweiz" (LEONI Switzerland Pension Trust).

Germany

In Germany, LEONI grants defined benefits to most employees for the deferral of compensation. Amounts of deferred compensation earn interest at a rate of about 6 percent per year. 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 pension plan of Leonische Drahtwerke AG, which in the past covered all employees, was closed to people joining the Company after 31 December 1981, was replaced by the pension plan of LEONI AG in 2013. Furthermore, the pension plan's assets, from which payments of pension benefits that had already started at the time of the closure were made, were transferred to LEONI AG. This transfer of the pension plan did not entail any change to benefits for either people now in retirement or for future beneficiaries. The amount of pension benefit payments is based on years of service and the salary of the last year of employment.

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. The current deficit at the end of the financial year was € 54,358 k, equating to 29.5 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. 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.

Switzerland

In Switzerland there is, alongside the state pension, a statutory obligation to provide employees with pension insurance, which pays benefits in the event of retirement, disablement and death. This involves a defined benefit plan that, at LEONI, is managed by the legally independent 'Vorsorgestiftung LEONI Schweiz' (LEONI Switzerland Pension Trust). The trust's management is incumbent upon the board of trustees, which comprises an equal number of employer and employee representatives. The risks relating to longevity, interest rates and investment are borne exclusively by the trust. The savings contributions to the trust are paid in equal amounts by the employer and employees. A variety of measures can be applied in the event of any plan deficit. Alongside the options of reducing the pension payments or increasing the savings contributions, there is a statutory obligation on companies to pay recapitalisation contributions.

The size of benefit payments is, in the event of disability or death, geared to the amount of income insured, or, in the case of retirement, depends on the credit balances in nominal savings accounts (old-age credit) at the time of retirement.

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, the change in the fair value of plan assets and the capping of plan assets to be applied to the asset ceiling, is as follows:

Change in defined benefit obligations 2014 [€ '000]	UK	Germany	Switzerland	Other	Total
Defined benefit obligations at the beginning of the fiscal year	155,395	80,170	70,203	9,431	315,199
Current service cost	1,484	2,582	1,557	936	6,559
Interest cost	7,142	2,922	1,419	333	11,816
Actuarial (gains) / losses	13,669	22,574	10,594	1,008	47,845
Past service cost	0	0	0	(103)	(103)
Contributions by plan participants	35	2,080	1,995	0	4,110
Currency differences	10,735	0	1,531	107	12,373
Transfers under Swiss Law	0	0	1,623	0	1,623
Benefits paid	(4,282)	(2,204)	(5,094)	(632)	(12,212)
Defined benefit obligations at the end of the fiscal year	**184,178**	**108,124**	**83,828**	**11,080**	**387,210**

Change in plan assets 2014 [€ '000]	UK	Germany	Switzerland	Other	Total
Fair value of plan assets at the beginning of fiscal year	109,970	28,781	62,416	1,010	202,177
Interest received	5,137	1,053	1,262	46	7,498
Return on plan assets (excl. interest income based on discount rate)	6,343	(126)	2,312	(22)	8,507
Currency differences	7,581	0	1,299	98	8,978
Contributions by the employer	5,693	365	1,936	665	8,659
Contributions by plan participants	35	2,080	1,995	0	4,110
Administrative costs, fees and taxes	(626)	0	0	0	(626)
Transfers under Swiss Law	0	0	1,622	0	1,622
Benefits paid	(4,313)	(1,030)	(5,093)	(462)	(10,898)
Plan assets at the end of the fiscal year	**129,820**	**31,123**	**67,749**	**1,335**	**230,027**
Net liability due to defined benefit plans	**54,358**	**77,001**	**16,079**	**9,745**	**157,183**

Change in defined benefit obligations 2013 [€ '000]	UK	Germany	Switzerland	Other	Total
Defined benefit obligations at the beginning of the fiscal year	143,080	77,212	70,625	10,292	301,209
Current service cost	898	2,700	1,328	979	5,905
Interest cost	6,124	2,725	1,216	310	10,375
Actuarial (gains) / losses	11,341	(2,203)	(1,958)	(557)	6,623
Past service cost	0	0	(1,164)	0	(1,164)
Contributions by plan participants	408	1,992	1,931	0	4,331
Currency differences	(2,784)	0	(1,122)	(36)	(3,942)
Disposals of parts of businesses or subsidiaries	0	0	0	(127)	(127)
Transfers under Swiss Law	0	0	3,994	0	3,994
Benefits paid	(3,624)	(2,304)	(4,647)	(1,430)	(12,005)
Defined benefit obligations at the end of the fiscal year	**155,443**	**80,122**	**70,203**	**9,431**	**315,199**

Change in plan assets 2013 [€ '000]	UK	Germany	Switzerland	Other	Total
Fair value of plan assets at the beginning of fiscal year	102,056	26,586	58,165	570	187,377
Interest income	4,382	950	1,001	27	6,360
Return on plan assets (excl. interest income based on discount rate)	6,880	6	1,023	78	7,987
Currency differences	(2,001)	0	(923)	(17)	(2,941)
Contributions by the employer	2,486	326	1,872	1,444	6,128
Contributions by plan participants	408	1,992	1,931	0	4,331
Administrative costs, fees and taxes	(617)	0	0	0	(617)
Transfers under Swiss Law	0	0	3,994	0	3,994
Benefits paid	(3,624)	(1,079)	(4,647)	(1,092)	(10,442)
Plan assets at the end of the fiscal year	**109,970**	**28,781**	**62,416**	**1,010**	**202,177**
Effect of the asset ceiling	**0**	**(239)**	**0**	**0**	**(239)**
Net liability due to defined benefit plans	**45,473**	**51,580**	**7,787**	**8,421**	**113,261**

The pension obligations are presented on the balance sheet as a net liability in the amount of € 157,183 k (previous year: € 113,261 k).

The transfers under Swiss law concern 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 € 334,725 k (previous year: € 272,350 k) in funded obligations and € 52,485 k (previous year: € 42,849 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:

2014 [€ '000]	UK	Germany	Switzerland	Other	Total
Current employees with non-vested benefits	51,510	62,179	61,074	4,042	178,805
Current employees with vested benefits	0	11	0	6,940	6,951
Former employees with non-vested benefits	65,861	14,486	0	0	80,347
Pensioners	66,807	31,448	22,754	98	121,107
Defined benefit obligations at the end of the fiscal year	**184,178**	**108,124**	**83,828**	**11,080**	**387,210**

2013 [€ '000]	UK	Germany	Switzerland	Other	Total
Current employees with non-vested benefits	42,195	43,714	51,660	3,001	140,570
Current employees with vested benefits	0	0	0	6,332	6,332
Former employees with non-vested benefits	53,960	11,517	0	0	65,477
Pensioners	59,288	24,891	18,543	98	102,820
Defined benefit obligations at the end of the fiscal year	**155,443**	**80,122**	**70,203**	**9,431**	**315,199**

The income generated from plan assets comprises the interest income of € 7,498 k (previous year: € 6,360 k) included in consolidated net income and the income from plan assets of € 8,507 k (previous year: € 7,987 k) included in other comprehensive income.

The actuarial gains or losses on revaluation were recognised in accumulated other comprehensive income. The trend in actuarial losses is presented in the overview below:

[€ '000]	2014	2013
Actuarial losses at the beginning of the financial year	78,709	81,114
Actuarial (gains) / losses		
– due to the change in demographic projections	(11)	2,980
– due to the change in financial estimates	49,931	4,388
– due to adjustments based on experience	(2,076)	(745)
Return on plan assets (excl. interest income based on discount rate)	(8,507)	(7,987)
Change in capping of plan assets at the asset ceiling	(239)	182
Currency differences	0	(1,223)
Actuarial losses at the end of the fiscal year	**117,807**	**78,709**

The assumptions for interest rates, rates of compensation increase and 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 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:

	2014				2013			
	UK	Germany	Switzerland	Total	UK	Germany	Switzerland	Total
Discount rate	3.60 %	2.00 %	1.00 %	2.54 %	4.50 %	3.70 %	2.00 %	3.70 %
Rate of wage and salary increase	2.99 %	2.50 %	1.00 %	2.39 %	3.40 %	2.50 %	1.00 %	2.56 %
Rate of compensation increase	2.89 %	2.00 %	0.00 %	1.94 %	3.30 %	2.00 %	0.00 %	2.14 %

The assumptions made for calculating net periodic pension cost are shown in the table below.

	2014				2013			
	UK	Germany	Switzerland	Total	UK	Germany	Switzerland	Total
Discount rate	4.50 %	3.70 %	2.00 %	3.70 %	4.50 %	3.60 %	1.75 %	3.58 %
Rate of wage and salary increase	3.40 %	2.50 %	1.00 %	2.56 %	3.00 %	2.50 %	1.00 %	2.39 %
Rate of compensation increase	3.30 %	2.00 %	0.00 %	2.14 %	2.90 %	2.00 %	0.00 %	1.89 %

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 was based on the S1NA mortality table. In 2013, this mortality table was adjusted with the CMI 2011 core model index. This took account of the current trend in the life expectancy projection. The previous year's effect is contained in the revaluation of net liability under the item 'change in demographic assumptions'. In Germany the mortality tables used were the 'Heubeck-Richttafeln 2005 G', while in Switzerland it was the 'BVG 2010 Generationentafel'.

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 obligations:

		2014				
	[€ '000]	UK	Germany	Switzerland	Other	Total
Defined benefit obligations at the end of the fiscal year		184,178	108,124	83,828	11,080	387,210
Discount rate + 1 percentage point	Change:	(30,176)	(14,541)	(10,479)	(1,161)	(56,357)
	Defined benefit obligations:	154,002	93,583	73,349	9,919	330,853
Discount rate – 1 percentage point	Change:	39,716	18,373	13,356	1,359	72,804
	Defined benefit obligations:	223,894	126,497	97,184	12,439	460,014

		2013				
	[€ '000]	UK	Germany	Switzerland	Other	Total
Defined benefit obligations at the end of the fiscal year		155,443	80,122	70,203	9,431	315,199
Discount rate + 1 percentage point	Change:	(24,967)	(9,656)	(5,932)	(938)	(41,493)
	Defined benefit obligations:	130,476	70,466	64,271	8,493	273,706
Discount rate – 1 percentage point	Change:	32,649	11,994	7,329	1,100	53,072
	Defined benefit obligations:	188,092	92,116	77,532	10,531	368,271

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 obligations set out below. It should be noted that a drop in the pension level is ruled out by law in Switzerland.

		2014			2013		
[€ '000]		UK	Germany	Switzerland	UK	Germany	Switzerland
Defined benefit obligations at the end of the fiscal year		184,178	108,124	83,828	155,443	80,122	70,203
Salary trend + 0.5 percentage point	Change (absolute):	2,558	45	251	2,401	115	211
	Change (relative):	1.39 %	0.04 %	0.30 %	1.54 %	0.14 %	0.30 %
Salary trend – 0.5 percentage point	Change (absolute):	(2,558)	(42)	(251)	(2,401)	(112)	(211)
	Change (relative):	(1.39) %	(0.04) %	(0.30) %	(1.54) %	(0.14) %	(0.30) %
Rate of compensation increase + 0.5 percentage point	Change (absolute):	8,954	4,031	3,521	7,202	2,766	2,738
	Change (relative):	4.86 %	3.73 %	4.20 %	4.63 %	3.45 %	3.90 %
Rate of compensation increase – 0.5 percentage point	Change (absolute):	(8,954)	(3,652)	n/a	(7,202)	(2,527)	n/a
	Change (relative):	(4.86) %	(3.38) %	n/a	(4.63) %	(3.15) %	n/a
Life expectancy + 1 year	Change (absolute):	5,116	2,768	1,593	3,601	2,035	842
	Change (relative):	2.78 %	2.56 %	1.90 %	2.32 %	2.54 %	1.20 %

The mortality trend is taken into account in the three major pension plans through the use of generation tables. Calculation of the defined benefit obligations with a one-year rise in life expectancy raises the defined benefit obligations of the plans as follows: in the United Kingdom by 2.78 percent (previous year: 2.32 percent), in Germany by 2.56 percent (previous year: 2.54 percent) and in Switzerland by 1.90 percent (previous year: 1.20 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 comprised the amounts contained in consolidated net income and in other comprehensive income:

[€ '000]	2014	2013
Current service cost	6,559	5,905
Net interest cost	4,318	4,015
Past service cost	(103)	(1,164)
Administrative costs and taxes related to plan management	626	617
Defined benefit plan expense recognised in consolidated net income	**11,400**	**9,373**
Actuarial (gains) / losses	47,844	6,623
Return on plan assets (excl. interest income based on discount rate)	(8,507)	(7,987)
Change in capping of plan assets at the asset ceiling	(239)	182
Currency differences (Group)	0	(1,223)
Income / expense relating to defined benefit plans recognised in other comprehensive income	**39,098**	**(2,405)**
Defined benefit plan expense recognised in comprehensive income	**50,498**	**6,968**

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.

In the previous year, the past service cost resulted from a plan change involving pension commitments in Switzerland. Here the conversion rate, which is used as the basis for the later amount of pensions to be paid out, was slightly reduced.

The expense recognised in consolidated net income was contained in the following items of the income statement:

[€ '000]	2014	2013
Cost of sales	2,994	1,824
General and administration expenses	1,721	1,997
Selling expenses	960	437
Research and development expenses	1,407	1,100
Finance costs	4,318	4,015
Defined benefit plan expense recognised in consolidated net income	**11,400**	**9,373**

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 plans in the United Kingdom and Switzerland, the boards of the independent trusts ensure adherence to the investment strategies. These strategies are aimed at minimising potential investment risk, having sufficient funds available at short notice to serve the benefit payments due and at 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:

	2014 [€ '000]	[%]	2013 [€ '000]	[%]
Equity instruments	72,928	31.7	68,461	33.9
Debt instruments	71,265	31.0	53,608	26.5
Property	27,728	12.1	20,544	10.2
of which: prices not quoted on an active market	*19,598*	*8.5*	*12,430*	*6.2*
Securities funds	12,982	5.6	15,392	7.6
Qualifying insurance policies	31,154	13.5	28,811	14.1
Other plan assets	8,049	3.5	8,156	4.0
of which: prices not quoted on an active market	*6,491*	*2.8*	*6,596*	*3.3*
Cash and cash equivalents	5,921	2.6	7,205	3.6
Total plan assets	**230,027**	**100.0**	**202,177**	**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 plans in the United Kingdom and Switzerland, and broke down as follows:

2014	UK [€ '000]	[%]	Switzerland [€ '000]	[%]
Equity instruments	59,417	45.8	13,511	19.9
Debt instruments	31,457	24.2	39,808	58.8
Property	17,875	13.8	9,853	14.5
of which: prices not quoted on an active market	*17,875*	*13.8*	*1,723*	*2.5*
Securities funds	12,982	10.0	0	0.0
Other plan assets	6,491	5.0	1,558	2.3
of which: prices not quoted on an active market	*6,491*	*5.0*	*0*	*0.0*
Cash and cash equivalents	1,598	1.2	3,019	4.5
Total plan assets	**129,820**	**100.0**	**67,749**	**100.0**

2013	UK [€ '000]	[%]	Switzerland [€ '000]	[%]
Equity instruments	51,402	46.7	17,059	27.3
Debt instruments	23,387	21.3	30,221	48.4
Property	10,694	9.7	9,850	15.8
of which: prices not quoted on an active market	*10,694*	*9.7*	*1,736*	*2.8*
Securities funds	15,392	14.0	0	0.0
Other plan assets	6,596	6.0	1,560	2.5
of which: prices not quoted on an active market	*6,596*	*6.0*	*0*	*0.0*
Cash and cash equivalents	2,499	2.3	3,726	6.0
Total plan assets	**109,970**	**100.0**	**62,416**	**100.00**

The equity instruments in the United Kingdom and Switzerland comprised investments in equity funds and direct investments. In each case the funds included equities both based in the country and foreign ones. The debt instruments held in the United Kingdom and Switzerland involved both national and foreign corporate and government bonds. Investment in property in the United Kingdom and Switzerland was transacted exclusively by way of open-ended property funds. The securities funds in the United Kingdom involved diversified growth funds. The other plan assets in the United Kingdom included investments in funds in which the portfolios comprised foreign utility and transport infrastructure organisations.

The breakdown of plan assets by the stated investment classes corresponds to the targeted investment classes set out in the statutes of the pension plans. For the plan in the United Kingdom, the weighting is currently being shifted from debt instruments towards property and security investments.

LEONI did not make any own use of plan assets.

The contributions to plan assets amounted to € 8,659 k and were projected at € 8,399 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]
2013	12,005
2014	**12,362**
Expected pension payments	
2015	12,054
2016	12,809
2017	13,034
2018	13,311
2019	14,436
2020 to 2024	80,951
Expected pension payments until 2024	**146,595**

The average, weighted Macaulay duration of benefit obligations was 18 years in the United Kingdom, 15 years in Germany and 14 years in Switzerland.

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 € 64,524 k in the financial year (previous year: € 61,237 k).

25 | 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.

Additional paid-in capital

As in the previous year, the additional paid-in capital amounted to € 290,887 k.

Statutory reserve

As in the previous year, the retained earnings included the statutory reserve of LEONI AG in the amount of € 1,092 k, which is not available for distribution.

Authorised capital

The Management Board is authorised, pursuant to the Articles of Association following the Annual General Meeting's resolution of 16 May 2012, to increase the share capital in the period up to 15 May 2017 and with the approval of the Supervisory Board once or in partial amounts by up to € 16,334.5 k by issuing new shares on a cash or non-cash basis. Shareholders must be granted a right to subscribe. However, 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.

Contingent capital

Shareholders at the Annual General Meeting on 6 May 2010 authorised the Management Board to issue convertible bonds and/or warrant-linked bonds until 5 May 2015. This involved a contingent increase in share capital by up to € 14,850 k. The contingent capital increase is only to be performed to the extent that conversion and/or option rights have been utilised or that the holders and/or creditors obliged to convert have met their conversion obligation and provided that no cash settlement has been granted or Company shares or new shares from the utilisation of approved capital are utilised for the exercise of rights.

Dividend payment

A dividend for the 2013 financial year of € 32,669 k was paid out in fiscal 2014. This corresponded to a dividend of € 1.00 per share entitled to dividend.

Dividend proposal

The Management Board will propose to shareholders at the Annual General Meeting to pay out from the fiscal 2014 distributable profit of LEONI AG, amounting to € 40,421 k as determined under the German Commercial Code (HGB) and the German Public Companies Act (AktG), a dividend of € 39,203 k and to carry the remainder of € 1,218 k forward. This corresponds to a dividend of € 1.20 per share entitled to dividend.

26 | Contingencies and other obligations

Lease obligations

The Group leases property, plant and equipment that did not qualify as finance leases under IFRS, and are therefore classified as operating leases. Leasing expenses amounted to € 25,650 k in the financial year (previous year: € 26,124 k). The future (undiscounted) minimum rental payments on non-cancellable operating leases are:

Fiscal years	[€ '000]
2015	21,186
2016	15,943
2017	11,804
2018	10,134
2019	7,936
as of 2020	22,267
Total	**89,270**

Purchase order commitments

Purchase order commitments for property, plant and equipment as well as intangible assets amounted € 2,243 k on the balance sheet date (previous year: € 2,943 k).

Litigation and claims

As reported, several civil proceedings in the form of class action lawsuits have been initiated against LEONI and other wiring systems manufacturers that operate internationally in the United States and Canada since October 2011. LEONI continues to defend itself and still believes that it will be able to refute the allegations and to bring the proceedings to a successful conclusion. The same applies to alleged breaches of the law in connection with having taken over employees in France.

Other than the above, there have not been any and there are currently no pending lawsuits or court proceedings that might have a major impact on LEONI's business.

In addition to the legal disputes described above, there are, in the context of LEONI's business activity, pending claims for damages under warranty and product liability for compensation in amounts normal for the sector, some of which are covered by insurance. Appropriate amounts with respect to claims for damages and, where applicable, claims against the insurers were recognised. Possible future liability for damages under warranty and/or for compensation may arise in an amount usual for the field of business the Company is dealing in.

27 | Risk management and financial derivatives

Credit risk

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 but is controlled by head office, which sets conditions by means of the existing guideline for Group-wide accounts receivable management.

There were no indications on the reporting date that trade receivables, which are neither impaired nor overdue, would not be settled.

The table below shows the breakdown by region of receivables from customers:

[in percentage points]	2014	2013
Europe	**43**	**51**
thereof: Germany	8	11
Italy	4	4
Hungary	6	6
Great Britain	6	5
France	2	6
Others	17	19
Asia	**37**	**29**
thereof: China	24	20
South Korea	6	5
Others	7	4
North America	**16**	**14**
Others	**4**	**6**

The following table shows the size categories of receivables from customers on the balance sheet date:

	2014 [%]	2014 [total share in %]	2013 [%]	2013 [total share in %]
Largest customer	10	10	10	10
Second largest customer	9	9	10	10
Third to fifth largest customer	3 – 6	13	4 – 6	14
Other customers	< 4	68	< 4	66

Information on the due dates of trade receivables is presented in Note 11.

28 percent (previous year: 34 percent) of all receivables 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. 50 percent (previous year: approx. 51 percent) of the non-insured receivables 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 22 percent (previous year: 15 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:

[%]	2014	2013
Receivables	28	34
Receivables not covered by insurance		
exempt from compulsory cover	50	51
no covers	22	15

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 on 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.

Factoring, or true sale factoring for selected customers, serves as a further tool to reduce the risk of default. Customers with good credit ratings are also included.

Liquidity risk

The Group monitors its current liquidity situation on a daily basis. Monthly, currency-specific, rolling liquidity planning for respective periods of at least twelve months is used to control future liquidity requirement. The planning takes into consideration the terms of investments and financial assets (e.g. receivables, other financial assets) as well as the expected cash flows from business activity. In addition, we analyse our existing finance based on our medium-term planning, which we revise annually. We initiate suitable measures in good time so far as there is any change in borrowing requirement.

The Group's objective is to ensure funding in the respectively required currency. Flexibility is maintained by using overdrafts, loans, leases, factoring and capital market instruments. A wide variety of financial instruments is available to LEONI on the capital market, from banks and among suppliers without the need for an external rating, financial covenants or other collateralisation.

To ensure liquidity and to cover required guarantees, there were on the balance sheet date credit lines from first-rate banks amounting to € 545,778 k (previous: € 478,735 k) with terms up to 42 months. These credit lines were drawn via current accounts and fixed deposits in the amount of € 41,346 k (previous year: € 13,814 k). Together with the short-term proportion of long-term loans, current liabilities to banks amounted to € 69,725 k (previous year: € 36,442 k).

The table below 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:

2014 [€ '000]	Carrying amount 31/12/2014	Cash flow 2015	Cash flow 2016	Cash flow 2017 – 2019	Cash flow starting 2020
Non-derivative financial liabilities					
Trade payables	(704,881)	(704,881)			
Liabilities to banks	(197,150)	(74,277)	(8,807)	(128,748)	(503)
Liabilities on bills of exchange and other financial debts	(267)	(267)			
Borrower's note loans	(350,761)	(36,440)	(8,607)	(259,496)	(82,301)
Other financial liabilities	(28,007)	(25,878)	(2,129)		
Derivative financial liabilities					
Currency derivatives without a hedging relationship	(10,162)	182,056	32,220		
		(187,980)	(36,988)		
Currency derivatives in connection with cash flow hedges	(7,996)	187,925	29,472	1,589	
		(194,164)	(29,650)	(1,644)	
Interest rate derivatives without a hedging relationship	(529)	(618)			
Commodity future transactions	(166)	(166)			

2013 [€ '000]	Carrying amount 31/12/2013	Cash flow 2014	Cash flow 2015	Cash flow 2016 – 2018	Cash flow starting 2019
Non-derivative financial liabilities					
Trade payables	(675,099)	(675,099)			
Liabilities to banks	(150,709)	(40,765)	(8,319)	(115,771)	(581)
Liabilities on bills of exchange and other financial debts	(577)	(577)			
Borrower's note loans	(303,678)	(9,135)	(35,635)	(192,372)	(107,633)
Other financial liabilities	(26,305)	(23,296)	(880)	(2,129)	
Derivative financial liabilities					
Currency derivatives without a hedging relationship	(349)	37,910			
		(38,263)			
Currency derivatives in connection with cash flow hedges	(979)	53,708	12,294		
		(54,018)	(12,046)		
Interest rate derivatives without a hedging relationship	(2,857)	(2,373)	(585)		

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 on the basis of the interest rates fixed most recently prior to the respective balance sheet date. Financial liabilities repayable at any time are always allocated to the earliest time period. In the case of the currency derivates, 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.

Interest rate risks

We use interest rate derivatives, among other means, to avoid the risk of changes in interest rate rates. Such contracts are signed exclusively by LEONI AG. On 31 December 2014, there was one interest rate derivative maturing in three months. The agreed reference interest rate was the EURIBOR for three months. Due to the early refinancing measures in fiscal 2012, this interest rate derivative no longer fulfilled the conditions for hedge accounting. The changes in market value that occurred up to the date on which the hedge relationship was ended were recognised within accumulated other comprehensive income. They remain in other comprehensive income and will be reclassified pro-rata over the remaining term of the derivative to finance costs in the income statement. The residual value recognised in other comprehensive income as at 31 December 2014 amounted to negative € 556 k. The reclassification to finance costs amounted to € 2,223 k. Changes in market value occurring after the hedge relationship has ended are recorded in the income statement.

An interest rate swap was entered into for the borrower's note loan in the amount of € 25,000 k newly taken out in November 2013; in the same amount and with the same term to hedge the risk of changes in values. LEONI AG receives fixed interest on the nominal amount for the interest rate swap and pays a variable interest rate including a margin. The interest rate swap hedges the fair value of the borrower's note loan. The residual term is five years and ten months, and the EURIBOR was agreed as the reference interest rate for one year. The increase in the interest rate swap's fair value excluding accrued interest (clean fair value) by € 1,826 k (previous year: a reduction by € 8 k) was netted as income in the financial result with the corresponding negative amount from measurement of the borrower's note loan. There was no ineffectiveness.

The changes in market value of the interest rate derivatives totalled € 4,155 k in the financial year (previous year: € 2,420 k), which, as in the previous year, were recognised in full in the income statement.

We regard the counterparty risk as being very small because all derivative contracts were signed with national and international commercial banks that have first-class ratings. Counterparty risk is subject to regular monitoring.

Interest rate sensitivity

Consolidated earnings depend on the level of market interest rates. Any change in this level would impact on 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. At the end of the 2014 financial year, the interest rate derivatives either no longer met the conditions for hedge accounting or the effects were recorded directly in the income statement, meaning that the risk of changes in interest rates did not affect other comprehensive income in equity.

When calculating the sensitivity of the interest rates we assume a parallel shift in the yield curve. The upward shift comes to 50 basis points; the downward shift comes to just 25 basis points because of the currently low level of interest rates. A rate of zero interest is applied as the floor. With respect to the currencies that are key to us in this respect, the impact of the shift is as follows:

2014		[€ '000]
Changes in interest, earnings	+ 0.50 %	(0.25) %
CNY	458	(229)
EUR	(755)	378

2013		[€ '000]
Changes in interest, earnings	+ 0.50 %	(0.25) %
CNY	275	(137)
EUR	(40)	131

As at 31 December 2014, there were no primary financial assets held in the category at fair value through profit or loss that would have to be included in the presentation. The primary financial assets in the available-for-sale category as at 31 December 2014 comprise exclusively non-interest-bearing equity instruments. They are consequently not at risk of changes in interest rates are not included in the assessment. Nor are fixed-interest financial instruments at risk of changes in interest rates and are thus disregarded in our assessment. Neither in the current year nor in the past year were cash flow hedges entered into to hedge interest rates. There was consequently no effect in other comprehensive income.

Currency risks

Although we conduct business mainly in euros or in the local currency of the respective country, we are increasingly faced with currency risks due to the globalisation of the markets.

In the Group's holding company, LEONI AG, the Corporate Finance department centrally 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 pounds sterling, Chinese yuan, Mexican pesos, Polish zloty, Romanian leu and US dollars. 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 € 628,922 k (previous year: € 462,404 k), maturing within 27 months. The total market value of forward exchange transactions existing as of the balance sheet date was negative € 13,769 k (previous year: € 3,030 k). Forward exchange transactions amounting to € 277,149 k (previous year: € 179,123 k) met the conditions for hedge accounting (cash flow hedge). The ones that met the conditions for hedge accounting were all completed in the 2013 and 2014 financial years. Their total fair value of negative € 6,224 k (previous year: positive € 503 k) was recognised in other comprehensive income. The cash flow from the underlying transactions is expected in the 2015 to 2017 financial years. The changes in fair value recognised in other comprehensive income are derecognised via the income statement at the time the underlying transaction takes effect.

The amounts recognised in other comprehensive income in the context of hedge accounting came to negative € 4,641 k in the financial year (previous year: positive € 2,970 k). An amount of € 2,092 k (previous year: € 2,677 k) was derecognised via the income statement as shown in the table below.

[€ '000]	2014	2013
Sales	169	4
Cost of sales	1,744	2,633
Other operating income / expenses (Inefficiency)	179	40
Total	**2,092**	**2,677**

The currency hedging transactions, as well as our interest-rate-hedging transactions, were signed with first rate commercial banks, meaning that there was no significant counterparty risk either. This area is also subject to regular monitoring.

There were no risks related to financial instruments on the balance sheet date that resulted in any noteworthy risk concentration.

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 table below 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.

2014		[€ '000]
Changes in exchange rates, equity	+ 10 %	(10) %
EGP	1,877	(1,536)
USD	(2,952)	4,509
MXN	4,005	(3,277)
CNY	5,556	1,746
RON	12,233	(10,009)

2013		[€ '000]
Changes in exchange rates, equity	+ 10 %	(10) %
CNY	184	(433)
USD	(428)	758
PLN	1,303	(1,066)
MXN	3,866	(3,163)
RON	11,073	(9,059)

Changes in exchange rates, equity	+ 10 %	– 10 %
EGP	(180)	147
USD	94	1,084
MXN	(653)	534
CNY	1,791	254
RON	(216)	177

Changes in exchange rates, equity	+ 10 %	(10) %
CNY	697	(911)
USD	324	(480)
PLN	(714)	584
MXN	(457)	374
RON	(983)	804

Risks related to raw material prices

Business within the Wire & Cable Solutions division is sensitive to changes in raw materials 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 IAS 39, 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.

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. To maintain and adjust its capital structure, the Group can make adjustments to dividend payouts to shareholders, repay capital to shareholders or issue new shares. 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. No changes to the fundamental guidelines or processes were made in either the 2014 or 2013 financial years. LEONI controls its capital with gearing. Gearing is defined as the ratio of net financial debts to equity.

LEONI expects a sustained equity ratio of at least 35 percent. Due to fluctuation in elements of other comprehensive income that cannot be influenced, which may for example be caused by actuarial measurement of pension obligations or differences due to currency translation, the equity ratio could temporarily also drop below this figure. With respect to gearing, a figure below 50 percent is the target to be met on a lasting basis. During periods of acquisition this ratio may be temporarily exceeded. In principle, the aim is that capital spending on organic growth that exceeds the market average can be generated from operating cash flow and that reducing financial liabilities is possible.

[€ '000]	2014	2013
Debt	548,178	454,964
less cash and cash equivalents	(231,978)	(197,974)
Net financial debts	316,200	256,990
Equity	917,755	827,597
[in %]		
Gearing	**34 %**	**31 %**

At the end of fiscal 2014, gearing stood at 34 percent (previous year: 31 percent), which is attributable primarily to the increase in net financial liabilities by about 23 percent accompanied by an increase of just 11 percent in equity.

Overview of financial instruments

The tables below show financial instruments held in the Group on 31 December 2014 and in the previous year:

		Amounts recognised in balance sheet according to IAS 39					
[€ '000]	Category in accordance with IAS 39	**Carrying amount 31/12/2014**	Amortised cost	Cost	Fair Value recognised in equity	Fair Value recognised in profit or loss	**Fair Value 31/12/2013**
Assets							
Cash and cash equivalents	LaR	**231,978**	231,978				**231,978**
Trade receivables	LaR	**544,936**	544,936				**544,936**
Long-term trade receivables from development contracts	LaR	**55,146**	55,146				**55,146**
Other financial receivables	LaR	**17,626**	17,626				**17,626**
Other non-derivative financial assets							
Available-for-Sale financial assets	AfS	**1,065**		1,065			**1,065**
Derivative financial assets							
Derivatives without a hedging relationship	FAHfT	**2,615**				2,615	**2,615**
Derivatives with a hedging relationship	n/a	**3,643**			1,774	1,869	**3,643**
Total equity and liabilities							
Trade payables	FLAC	**704,881**	704,881				**704,881**
Liabilities to banks	FLAC	**197,150**	197,150				**199,646**
Liabilities on bills of exchange and other financial liabilities	FLAC	**267**	267				**267**
Borrower's note loans	FLAC	**350,761**	350,761				**361,010**
Other financial liabilities	FLAC	**28,007**	28,007				**28,007**
Derivative financial liabilities							
Derivatives without a hedging relationship	FLHfT	**10,857**				10,857	**10,857**
Derivatives with a hedging relationship	n/a	**7,996**			7,996		**7,996**
Of which aggregated by categories in accordance with IAS 39:							
Loans and Receivables (LaR)	LaR	**849,686**	849,686				**849,686**
Available-for-Sale financial assets (AfS)	AfS	**1,065**		1,065			**1,065**
Financial Assets Held for Trading (FAHfT)	FAHfT	**2,615**				2,615	**2,615**
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	**1,281,066**	1,281,066				**1,293,811**
Financial Liabilities Held for Trading (FLHfT)	FLHfT	**10,857**				10,857	**10,857**

[€ '000]	Category in accordance with IAS 39	Amounts recognised in balance sheet according to IAS 39					
		Carrying amount 31/12/2013	Amortised cost	Cost	Fair Value recognised in equity	Fair Value recognised in profit or loss	**Fair Value 31/12/2013**
Assets							
Cash and cash equivalents	LaR	**197,974**	197,974				**197,974**
Trade receivables	LaR	**502,663**	502,663				**502,663**
Long-term trade receivables from development contracts	LaR	**46,931**	46,931				**46,931**
Other financial receivables	LaR	**18,658**	18,658				**18,658**
Other non-derivative financial assets							
Available-for-Sale financial assets	AfS	**1,065**		1,065			**1,065**
Derivative financial assets							
Derivatives without a hedging relationship	FAHfT	**3,149**				3,149	**3,149**
Derivatives with a hedging relationship	n/a	**1,519**			1,482	37	**1,519**
Total equity and liabilities							
Trade payables	FLAC	**675,099**	675,099				**675,099**
Liabilities to banks	FLAC	**150,709**	150,709				**149,156**
Liabilities on bills of exchange and other financial liabilities	FLAC	**577**	577				**577**
Borrower's note loans	FLAC	**303,678**	303,678				**306,625**
Other financial liabilities	FLAC	**26,305**	26,305				**26,305**
Derivative financial liabilities							
Derivatives without a hedging relationship	FLHfT	**3,206**				3,206	**3,206**
Derivatives with a hedging relationship	n/a	**979**			979		**979**
Of which aggregated by categories in accordance with IAS 39:							
Loans and Receivables (LaR)	LaR	**766,226**	766,226				**766,226**
Available-for-Sale financial assets (AfS)	AfS	**1,065**		1,065			**1,065**
Financial Assets Held for Trading (FAHfT)	FAHfT	**3,149**				3,149	**3,149**
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	**1,156,368**	1,156,368				**1,157,762**
Financial Liabilities Held for Trading (FLHfT)	FLHfT	**3,206**				3,206	**3,206**

Due to the short terms of the cash and cash equivalents, trade receivables and other current receivables, the fair values largely correspond to the carrying amounts.

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.

Trade liabilities and other liabilities usually mature in the short term; the amounts on the balance sheet represent approximations of the 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 are to be allocated to hierarchy level 3.

Derivative financial instruments

The detailed breakdown of the fair values of the derivative financial instruments and their nominal values was as follows on the balance sheet date:

[€ '000]	31/12/2014 Nominal value	31/12/2014 Fair value	31/12/2013 Nominal value	31/12/2013 Fair value
Assets				
Currency contracts	181,005	4,389	358,300	4,358
Forward exchange transactions				
CHF	0	0	29,298	112
CNY	1,861	147	0	0
GBP	87,862	828	62,417	639
MXN	23,210	1,117	40,254	568
PLN	0	0	45,314	597
RON	25,331	396	65,357	504
USD	13,398	110	87,251	1,594
Others	29,343	1,791	28,409	344
(thereof hedge accounting)	*54,861*	*1,774*	*113,219*	*1,482*
Derivative interest rate contracts	25,000	1,869	25,000	37
Interest swaps	25,000	1,869	25,000	37
(thereof hedge accounting)	*25,000*	*1,869*	*25,000*	*37*
Commodity future transactions	0	0	14,906	272
Total equity and liabilities				
Currency contracts	447,917	18,158	104,104	1,328
Forward exchange transactions				
CHF	0	0	5,617	15
CNY	42,587	2,260	0	0
GBP	12,714	67	3,481	87
MXN	39,224	3,711	11,543	377
PLN	30,332	236	20,430	253
RON	101,431	1,053	43,251	289
USD	181,916	10,020	14,295	147
Others	39,713	811	5,487	160
(thereof hedge accounting)	*222,288*	*7,996*	*65,904*	*979*
Derivative interest rate contracts	63,500	529	63,500	2,857
Interest swaps	63,500	529	63,500	2,857
(thereof hedge accounting)	*0*	*0*	*0*	*0*
Commodity future transactions	14,113	166	0	0

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 fair values of the interest rate hedging instruments (interest swaps and interest collars) were based on discounted future cash flows. The applicable market interest rates and volatilities were used for the maturities of the financial instruments.

Net results of the financial instruments

The net results of the financial instruments by measurement category were as follows:

	Net result		thereof impairment losses	
[€ '000]	**2014**	**2013**	**2014**	**2013**
Loans and receivables (LaR)	5,216	(8,318)	(2,714)	(1,624)
Derivatives (HfT)	(9,706)	4,246	0	0
Financial Liabilities measured at Amortised Cost (FLAC)	2,782	2,966	0	0
Total	**(1,708)**	**(1,106)**	**(2,714)**	**(1,624)**

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:

31/12/2014 [€ '000]	Gross figures	Netting	**Net figures**	Offsetting agreements	**Net figures**
Other financial assets					
Derivatives	5,965	0	**5,965**	(4,444)	**1,521**
Other financial liabilities					
Derivatives	(18,666)	0	**(18,666)**	4,444	**(14,222)**

31/12/2013 [€ '000]	Gross figures	Netting	**Net figures**	Offsetting agreements	**Net figures**
Other financial assets					
Derivatives	4,307	0	**4,307**	(1,351)	**2,956**
Other financial liabilities					
Derivatives	(4,056)	0	**(4,056)**	1,351	**(2,705)**

28 | Measurement of fair value

The measurement of the fair values of assets and liabilities by hierarchy levels was as follows:

31/12/2014 [€ '000]	Prices quoted on active markets (step 1)	Valuation methods where all principal parameters are based on observable market data (step 2)	Valuation methods where all principal parameters are not based on observable market data (step 3)	Total
Assets measured at fair value				
Derivative financial assets				
Derivatives without a hedging relationship	0	2,615	0	**2,615**
Derivatives with a hedging relationship	0	3,643	0	**3,643**
Liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship	166	10,691	0	**10,857**
Derivatives with a hedging relationship	0	7,996	0	**7,996**

31/12/2013 [€ '000]	Prices quoted on active markets (step 1)	Valuation methods where all principal parameters are based on observable market data (step 2)	Valuation methods where all principal parameters are not based on observable market data (step 3)	Total
Assets measured at fair value				
Derivative financial assets				
Derivatives without a hedging relationship	272	2,877	0	**3,149**
Derivatives with a hedging relationship	0	1,519	0	**1,519**
Liabilities measured at fair value				
Derivative financial liabilities				
Derivatives without a hedging relationship	0	3,206	0	**3,206**
Derivatives with a hedging relationship	0	979	0	**979**

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

29 | Earnings per Share

Basic earnings per share are calculated as follows:

		2014		2013	
		Total amount	Earnings per share Group interests	Total amount	Earnings per share Group interests
		[€ '000]	[€]	[€ '000]	[€]
Numerator:	Income before taxes Attributable to equity holders of the parent	150,299	4.60	130,768	4.00
	Consolidated net income Attributable to equity holders of the parent	114,674	3.51	105,518	3.23
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 2014, 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.

30 | Auditor's professional fees

The following expenses were recognised in the financial year for work performed by the auditors appointed to audit the financial statements and consolidated financial statements as at 31 December 2014: € 773 k (previous year: € 754 k) for the audit, as in the previous year € 200 k for the auditor's review of the six-month financial statements and € 25 k (previous year: € 41 k) for other assurance services, € 344 (previous year: € 364 k) for tax consulting services and € 8 k (previous year: € 56 k) for other services.

31 | Personnel expenses and employees

[€ '000]	2014	2013
Wages and salaries	659,555	625,342
Social-security contributions, expenses for pensions and retirement and fringe benefits	157,196	140,696
	816,751	**766,038**

The latter item includes the following retirement benefit expenses:

[€ '000]	2014	2013
Net periodic pension cost	11,400	9,373
Costs of defined contribution plans	64,524	61,237
	75,924	**70,610**

Annual average number of employees::

	2014	2013
Salaried staff	11,970	10,825
Wage earners	54,285	49,685
	66,255	**60,510**

The Group employed 67,988 people on the balance sheet date (previous year: 61,591), of which 63,680 worked outside Germany (previous year: 57,369).

Other information

32 | Transactions with related parties

The compensation for management in key positions within the Group comprises the compensation for active members of the Management Board and the Supervisory Board.

[€ '000]	2014	2013
Benefits due in the short term	4,422	3,767
Benefits due in the long term	2,049	1,643
Post-employment benefits	385	394
	6,856	**5,804**

The short-term benefits included, along with the fixed compensation, a variable component of € 2,356 k (previous year: € 1,991 k). The other benefits due in the long term comprise the medium-term and long-term compensation components. The long-term compensation component is computed based on the Company's economic value added (EVA) and the market performance of its share, and is shown in a bonus account. An amount is paid out annually from this bonus account up to a cap, 50 percent of which members of the Management Board must invest in LEONI shares and which must be retained for a period of 50 months. Poor business performance will reduce the bonus account (penalty rule), which can drop to nil. The expense for the long-term compensation component in fiscal 2014 was € 922 k (previous year: € 711 k). The basic principles of the compensation system and the receipts of individual Management Board members are presented in the management report.

The receipts of the Management Board members pursuant to Article 314 Section 1(6a) of the German Commercial Code (HGB) totalled € 7,280 k (previous year: € 4,435 k). Unlike presentation in the previous year, medium-term compensation components with conditions precedent are included in the total receipts not pro rata temporis but fully at the time of fulfilment.

The compensation for members of the Supervisory Board in the year under report totalled € 1,442 k (previous year: € 1,441 k). The basic principles of the compensation system and the receipts of individual Supervisory Board members are presented in the management report.

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 € 378 k (previous year: € 421 k). On 31 December 2014 there were liabilities in the amount of € 30 k (previous year: 25 k) pertaining to service contracts with employee-representative members of the Supervisory Board.

Compensation for former Management Board members

The receipts in the financial year of former members of the Management Board and their surviving dependants amounted to € 522 k (previous year: € 502 k). There is provision for the pension obligations vis-à-vis former members of the Management Board and their surviving dependants in the amount of € 9,719 k (previous year: € 8,206 k).

Joint ventures and associates

The Group had business relationships with joint ventures. Transactions with these related parties result from normal trade in goods and services and were concluded on standard market terms. The extent of these business relationships is presented in the following table.

[€ '000]

Purchases / sales from / to related parties	Fiscal year	Income from sales and services to related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
Joint Ventures	**2014**	45	1,771	12	842
	2013	32	2,736	0	843

Other relationships with related parties

Dr Bernd Rödl has been a member of the Supervisory Board since 14 May 2009. Dr Rödl is a shareholder in all the entities of the Rödl & Partner Group in and outside Germany. Various entities of the Rödl & Partner company performed services for the Group. These amounted to € 104 k in the 2014 financial year (previous year: € 74 k). On 31 December 2014, there were liabilities to these companies in the amount of € 4 k (previous year: € 10 k). All consulting and other services sourced were invoiced on standard market terms.

Ms Ingrid Hofmann has been a member of the Supervisory Board since 12 May 2011. Ms Hofmann is managing partner of I.K. Hofmann GmbH, a temporary employment business with subsidiaries in Austria, the Czech Republic, the United Kingdom and the United States from which LEONI sourced services. These services were invoiced on standard market terms. In fiscal 2014, services were sourced from this temporary employment company amounting to € 738 k (previous year: € 475 k) and there was a liability to the company on 31 December 2014 of € 31 k (previous year: € 56 k).

Dr Werner Lang has been a member of the Supervisory Board since 16 May 2012. Dr Lang is managing director of Lang Verwaltungsgesellschaft mbH and thereby of MEKRA Lang GmbH & Co. KG, Ing. H. Lang GmbH & Co. KG, Lang Technics GmbH & Co. KG as well as MEKRA Global Mirrors GmbH. In the 2014 financial year LEONI sold product to MEKRA Lang GmbH & Co. KG. in the amount of € 1,344 k (previous year: € 939 k). On the balance sheet date there were liabilities to this company in the amount of € 104 k (previous year: € 91 k). The goods were supplied on standard market terms.

There were no other reportable transactions with related parties.

33 | Declaration pertaining to the German Corporate Governance Code pursuant to Article 161 of the German Public Companies Act (AktG)

In December 2014, the Management Board and the Supervisory Board issued the updated Declaration of Conformity pursuant to Article 161 of the German Public Companies Act 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 2014 Annual Report.

34 | Events occurring after the balance sheet date

There have been no particular events that might have had a material effect on the Group's financial position or performance since the balance sheet date.

Nuremberg, 23 February 2015

LEONI AG
The Management Board

Dr Klaus Probst | Dieter Bellé | Dr Andreas Brand | Dr Frank Hiller

Notes

Scope of consolidation

		Ownership in %
I. Consolidated companies		
LEONI AG, Nuremberg, Germany		
1. Wire & Cable Solutions Division		
Federal Republic of Germany		
LEONI Kabel Holding GmbH, Nuremberg	1)	100
LEONI Kabel Verwaltungs-GmbH, Nuremberg	1)	100
Haarländer GmbH, Roth	1)	100
KB Kabel Beteiligungs-GmbH, Nuremberg		100
LEONI Kabelsysteme GmbH, Neu-Ulm	1)	100
LEONI Cable Assemblies GmbH, Roth	1)	100
LEONI Draht GmbH, Nuremberg	1)	100
LEONI elocab GmbH, Georgensgmünd	1)	100
LEONI Fiber Optics GmbH, Neuhaus-Schierschnitz	1)	100
LEONI HighTemp Solutions GmbH, Halver	1)	100
LEONI Kabel GmbH, Nuremberg	1)	100
LEONI Kerpen GmbH, Stolberg	1)	100
LEONI protec cable systems GmbH, Schmalkalden	1)	100
LEONI Special Cables GmbH, Friesoythe	1)	100
LEONI Studer Hard GmbH, Bautzen		100
j-fiber GmbH, Jena	1)	100
j-plasma GmbH, Jena		100
FiberCore Machinery Jena GmbH, Jena	1)	100
Other European countries		
LEONI Cable Belgium N.V., Hasselt, Belgium		100
LEONI CIA Cable Systems S.A.S., Gellainville, France		100
LEONI Furas S.L., Barcelona, Spain		100
LEONI Italy S.r.l., Felizzano (Alessandria), Italy	3)	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	4)	100
LEONI Special Cables Iberica S.A., Sant Boi de Llobregat (Barcelona), Spain		100
LEONI Schweiz AG, Däniken, Switzerland		100
LEONI Studer AG, Däniken, Switzerland		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 WCS Southeast Europe d.o.o., Prokuplje, Serbia		100
Outside Europe		
LEONI Fiber Optics, Inc., Williamsburg, Virginia, USA		100
LEONI (M) Sdn. Bhd. [i.L.], Subang Jaya, Malaysia		75
LEONI (S.E.A.) Pte. Ltd., Singapore		75
LEONI Cable Maroc SARL, Mohammedia, Morocco		100
LEONI Cable (China) Co., Ltd., Changzhou, China		100
LEONI Cable (Xiamen) Co., Ltd., Xiamen, China		100
LEONI Cable, Inc., Rochester, Michigan, USA	2)	100
LEONI Cable S.A. de C.V., Cuauhtémoc, Chihuahua, Mexico	2)	100
LEONI Wiring Systems de Hermosillo S.A. de C.V., Cuauhtemoc, Chihuahua, Mexico	2)	100
LEONI Elocab Ltd., Kitchener, Ontario, Canada		100
LEONI Engineering Products & Services, Inc., Troy, Michigan, USA		100
LEONI Wire (Changzhou) Co., Ltd., Changzhou, China		100
LEONI Cable Solutions (India) Pvt. Ltd., Pune, India		100
LEONI Wire, Inc., Chicopee, Massachusetts, USA	2)	100
LEONI Wire & Cable Solutions Japan K.K., Nagakuteshi, Japan		99
LEONI Middle East FZE, Dubai, United Arab. Emirates		100

		Ownership in %
2. Wiring Systems Division		
Federal Republic of Germany		
LEONI Bordnetz-Systeme GmbH, Kitzingen	1)	100
LEONI Con-Tech GmbH, Kitzingen	1)	100
Other European countries		
LEONI Autokabel Polska sp. z o.o. [i.L.] , Ostrzeszów, Poland		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., Sat Bascov, Romania		100
LEONI Wiring Systems RO S.R.L., Bistrita-Nasaud, Romania		100
LEONI Wiring Systems Spain S.L., Santa Perpetua/Barcelona, Spain		100
LEONI Wiring Systems U.K. Ltd., Newcastle-under-Lyme, Staffordshire, United Kingdom		100
TOV LEONI Wiring Systems UA GmbH, Striy, Ukraine *(formerly: LEONI Wiring Systems UA (GmbH), Strij, Ukraine)*		100
LEONI Wiring Systems Viana Lda., Viana do Castelo, Portugal		100
Leonische Portugal Lda., Lugar de Sao Martinho, Guimaraes, Portugal		100
OOO LEONI RUS, Zavolzhye, Russia *(formerly: OOO LEONI Wiring Systems Zavolzhie, Zavolzhie, Russia)*		100
LEONI Wiring Systems Southeast d.o.o., Prokuplje, Serbia		100
LEONI Wiring Systems S.R.L., Chisinau, Moldova		100
Outside Europe		
LEONI Automotive do Brasil Ltda., Itú, Saõ Paulo, Brazil		100
LEONI Electrical Systems (Shanghai) Co., Ltd., Shanghai, China		100
Langfang LEONI Wiring Systems Co., Ltd., Sanhe downtown, China		100
LEONI Wiring Systems (Tieling) Co., Ltd., Tieling City, China		100
LEONI Wiring Systems Tunisia SARL, M'Saken-Sousse, Tunesia		100
LEONI Wiring Systems (Changchun) Co., Ltd., Changchun, China		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 Bouznika S.A., Bouznika, Morocco		100
LEONI Wiring Systems de Durango S.A. de C.V., Chihuahua, Mexico		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 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		
Wiring Systems Division		
Intedis GmbH & Co. KG, Würzburg, Germany		50
Intedis Verwaltungs-GmbH, Würzburg, Germany		50
Intedis E/E-Engineering and Technology (Shanghai) Co., Ltd. [i.L.], Shanghai, China		50
LEONI Furukawa Wiring Systems S.A.S., Montigny le Bretonneux, France		50

1) Companies that make use of the exemption under Article 264, Section 3 of the German Commercial Code.

2) These companies are legally part of the Wiring Systems Division.

3) This company operates for both divisions.

4) This company's wiring systems business was economically allocated to the Wiring Systems Division, which holds 26.93 % of the company's capital.

Independent Auditor's Report

Translation of the German language audit opinion concerning the audit of the financial statements prepared in German:

We have audited the accompanying consolidated financial statements of LEONI AG, Nuremberg, and its subsidiaries, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of financial position, and the consolidated statement of changes in equity, notes to the consolidated financial statements for the business year from January 1 to December 31, 2014.

Management's Responsibility for the Consolidated Financial Statements

The management of LEONI AG is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and the supplementary requirements of German law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code], to give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The company's management is also responsible for the internal controls that management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

Pursuant to Sec. 322 (3) Sentence 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the supplementary requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2014 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report of LEONI AG for the business year from January 1 to December 31, 2014. The management of LEONI AG is responsible for the preparation of the group management report in compliance with the applicable requirements of German commercial law pursuant to Sec. 315a (1) HGB. We are required to conduct our audit in accordance with Sec. 317 (2) HGB and German generally accepted standards for the audit of the group management report promulgated by the IDW. Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we state that our audit of the group management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Nuremberg, 23 February 2015
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Schuberth	Schütz
Wirtschaftsprüfer	Wirtschaftsprüfer
[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 Group 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, 23 February 2015

The Management Board

Dr Klaus Probst | Dieter Bellé | Dr Andreas Brand | Dr Frank Hiller

Additional information

LEONI will maintain its course of earnings-oriented growth in the future, too. For the 2015 financial year we have budgeted for a moderate sales rise to about € 4.3 billion and a significant earnings increase to more than € 200 million. There is also to be another significant increase in capital investment to about € 240 million because of numerous new projects for our customers and to further globalise the business.

Extract from the financial statement of LEONI AG

Income statement

[€ '000] 01/01/ – 31/12/ under HGB	2014	2013
1. Other operating income	87,248	86,780
2. Personnel expenditure:		
a) salaries	24,130	21,475
b) social security contributions and expenditure for retirement benefits and support payments	3,107	3,233
	(27,237)	(24,708)
3. Amortisation of intangible investment assets and depreciation of property, plant and equipment	(5,122)	(4,407)
4. Other operating expenses	(56,619)	(52,194)
5. Income from investments	0	5,000
6. Income from profit transfer agreement	49,529	41,322
7. Income from financial loans	21,547	16,590
8. Other interest and similar income	6,156	4,976
9. Writedowns on investments	(10,766)	(4,570)
10. Interest and similar expenses	(18,291)	(19,732)
11. **Income before taxes**	**46,445**	**49,057**
12. Income taxes	(1,882)	(522)
13. Other taxes	(31)	(28)
14. **Net income**	**44,532**	**48,507**
15. Earnings brought forward from the previous year	890	1,051
16. Transfer to other retained earnings	(5,000)	(16,000)
17. **Retained income**	**40,422**	**33,558**

Balance sheet

[€ '000]	under HGB	2014	2013
Assets	Intangible assets	7,308	8,165
	Property, plant and equipment	4,262	5,509
	Shares in affiliated companies	488,824	488,824
	Loans to affiliated companies	483,175	525,254
	Other loans	0	0
	Investments	971,999	1,014,078
	Fixed assets	**983,569**	**1,027,752**
	Accounts receivable and other assets	453,370	280,992
	Cash and cash equivalents	112,576	117,778
	Current assets	**565,946**	**398,770**
	Deferred charges	**2,623**	**2,264**
	Total assets	**1,552,138**	**1,428,786**
Equity and liabilities	**Equity** (contingent capital € 14,850 k)	**557,045**	**545,182**
	Pension plans and similar obligations	15,317	13,579
	Tax provisions	388	280
	Other provisions and accruals	22,379	18,111
	Provisions and accruals	**38,084**	**31,970**
	Debt	**488,307**	**427,939**
	Other liabilities	**468,702**	**423,695**
	Total equity and liabilities	**1,552,138**	**1,428,786**

Appropriation of profits

Retained earnings for fiscal 2014 determined under the German Commercial Code (HGB) amount to	**€ 40,421,483.65**
We propose to pay a dividend from this distributable profit of € 1.20 per share, equal to a payout of	**€ 39,202,800.00**
The remainder of has to be carried forward.	**€ 1,218,683.65**

Nuremberg, 23 February 2015

LEONI AG
The Management Board

Ten-year overview

under IFRS		2014	2013	2012
Sales	Group [€ '000]	**4,103,434**	3,917,886	3,809,007
	Germany [%]	**27.0**	27.8	27.0
	Europe (without Germany)[1] [%]	**37.8**	39.5	40.1
	Rest of world [1] [%]	**35.2**	32.7	32.9
	Wire & Cable Solutions [%]	**41.5**	40.8	42.1
	Wiring Systems [%]	**58.5**	59.2	57.9
Expenses	Cost of materials [€ '000]	**2,436,320**	2,354,687	2,294,370
	Cost of materials [% of sales]	**59.4**	60.1	60.2
	Personnel expenses [€ '000]	**816,751**	766,038	730,873
	Personnel expenses [% of sales]	**19.9**	19.6	19.2
	Depreciation and amortisation [€ '000]	**123,392**	120,992	116,202
	Depreciation and amortisation [% of sales]	**3.0**	3.1	3.1
Earnings	EBITDA [€ '000]	**305,897**	284,137	354,094
	EBIT [€ '000]	**182,505**	163,145	237,892
	EBIT margin [% of sales]	**4.4**	4.2	6.2
	Income / loss before taxes (from continuing operations) [€ '000]	**150,719**	131,220	199,326
	Net income / loss [€ '000]	**115,060**	105,896	157,049
Cash flow	Cash provided by operating activities [€ '000]	**180,858**	187,442	211,710
	Cash used for capital spending activities [€ '000]	**218,736**	150,654	125,499
	Free cash flow before acquisitions and divestments [€ '000]	**(37,878)**	36,668	63,483
Balance sheet	Property, plant and equipment, intangible assets, goodwill [€ '000]	**1,040,410**	940,455	917,691
	Reinvestment rate [%]	**174.9**	139.2	132.7
	Net debt [€ '000]	**316,200**	256,990	249,169
	Equity [€ '000]	**917,755**	827,597	783,972
	Equity [% of balance sheet total]	**34.4**	34.5	32.9
	Return on equity (ROE) [%]	**12.5**	12.8	20.0
	Return on capital employed (ROCE) [%]	**13.7**	13.4	20.9
Employees	Employees [as per 31 December]	**67,988**	61,591	59,393
	employed abroad [%]	**93.7**	93.1	93.0
Share	Market capitalisation 31 December [€ million]	**1,613.7**	1,774.9	932.7
	Consolidated net income / loss per share [€]	**3.51**	3.23	4.80
	Dividend per share [€]	**1.20**[2]	1.00	1.50
	Dividend yield [%]	**2.4**[2]	1.8	5.3

[1] The country allocation was changed in 2014; the figure for fiscal 2013 was adjusted to provide a better basis for comparison.
[2] Subject to approval by shareholders at the Annual General Meeting

2011	2010	2009	2008	2007	2006	2005
3,701,487	2,955,671	2,160,117	2,911,964	2,366,779	2,108,244	1,547,973
28.8	31.8	34.4	31.4	38.1	41.2	45.3
39.4	39.5	42.0	44.6	34.1	32.2	32.7
31.8	28.7	23.6	24.0	27.8	26.6	22.0
45.3	44.7	43.3	48.1	58.3	54.7	43.2
54.7	55.3	56.7	51.9	41.7	45.3	56.8
2,238,455	1,738,408	1,253,333	1,767,181	1,434,792	1,248,514	848,710
60.5	58.8	58.0	60.7	60.6	59.2	54.8
669,119	607,687	530,663	596,194	449,276	399,412	330,406
18.1	20.6	24.6	20.5	19.0	18.9	21.3
107,045	110,282	111,457	110,229	72,669	64,255	56,737
2.9	3.7	5.2	3.8	3.1	3.0	3.7
344,186	241,006	(4,862)	165,913	210,771	193,629	159,144
237,141	130,724	(116,319)	55,684	138,102	130,574	102,829
6.4	4.4	(5.4)	1.9	5.8	6.2	6.6
196,250	89,599	(157,309)	15,760	116,531	116,599	88,830
155,959	67,246	(138,081)	5,197	86,219	79,325	56,093
246,105	142,297	88,783	132,726	190,837	136,099	111,071
126,901	95,512	87,000	137,256	401,464	181,376	81,923
121,194	50,697	2,122	(13,924)	101,372	60,649	46,797
837,693	809,617	796,567	839,423	537,482	489,198	396,495
128.4	93.5	73.4	143.7	128.9	130.2	114.6
233,922	444,558	495,367	533,225	473,211	236,912	167,489
737,481	481,160	369,126	447,688	525,642	481,701	427,152
31.8	23.8	21.0	24.2	32.9	35.1	40.6
21.1	14.0	(37.4)	1.2	16.4	16.5	13.1
24.0	13.9	(12.0)	5.4	15.4	18.9	17.3
60,745	55,156	49,822	50,821	36,855	35,129	32,638
93.4	93.2	92.4	91.7	89.0	89.0	88.7
841.2	978.6	485.6	385.8	997.9	917.7	799.8
4.99	2.26	(5.04)	0.17	2.87	2.64	1.89
1.50	0.70	0.00	0.20	0.90	0.80	0.57
5.8	2.1	0	1.5	2.7	2.6	2.1

UN Global Compact Index

As a member of the UN Global Compact, LEONI commits itself to fulfilling the ten principles described therein, which cover human rights and labour law, environmental protection as well as combating corruption. LEONI already applies many of these principles. The index below refers to corresponding information. More detail can be found in our annual UN Global Compact Communication on Progress (COP).

UN Global Compact Principles	LEONI AG implementation	Annual Report / Website
Human rights Companies shall …		
Principle 1 support and observe the protection of international human rights within their sphere of influence and …	LEONI Social Charta Art. 1 Fundamental objectives 1.1 Human rights COP [1], pages 6-7	www.leoni.com / Company / Sustainability / Employees
Principle 2 sensure that they are not complicit in human rights abuses.	LEONI Social Charta Art. 2 Implementation, 2.3 COP [1], pages 6-7	www.leoni.com / Company / Sustainability / Employees
Labour standards Companies shall …		
Principle 3 safeguard the freedom of association and effective recognition of the right to collective negotiations as well as strive towards …	LEONI Social Charta Art. 1 Fundamental objectives 1.2 Freedom of association COP [1], pages 8-9	www.leoni.com / Company / Sustainability / Employees
Principle 4 the eradication of forced labour in all forms, …	LEONI Social Charta Art. 1 Fundamental objectives 1.4 Free choice of employment COP [1], pages 8-9	www.leoni.com / Company / Sustainability / Employees
Principle 5 the abolition of child labour and …	LEONI Social Charta Art. 1 Fundamental objectives 1.5 No child labour COP [1], pages 8-9	www.leoni.com / Company / Sustainability / Employees

UN Global Compact Principles	LEONI AG implementation	Annual Report / Website
Principle 6 the eradication of discrimination in recruitment and employment.	LEONI Social Charta Art. 1 Fundamental objectives 1.3 No discrimination LEONI Code of Ethics 3. h) COP [1], pages 8-9	www.leoni.com / Company / Sustainability / Employees www.leoni.com / Company / Sustainability / Employees

Environmental protection

Companies shall …

Principle 7 support a pre-emptive approach in dealing with environmental problems, …	ISO 14001 – Environmental certification Environmental protection measures COP [1], pages 10-12	page 95 pages 95-96
Principle 8 launch initiatives to instil greater awareness of responsibility for the environment, and …	Environmental protection measures COP [1], pages 10-12	pages 95-96
Principle 9 promote the development and spread of environmentally friendly technologies.	Green Technology COP [1], pages 10-12	pages 97-98

Anti-corruption

Companies shall …

Principle 10 commit themselves to combat all forms of corruption, including blackmail and bribery.	LEONI Code of Ethics 3. a), d), e), g), i), j) COP [1], pages 13-14 Risk and opportunity report	www.leoni.com / Company / Sustainability / Employees page 98

[1] *COP: Communication on Progress, UN Global Compact COP Report*

Glossary

A	**Alternative drive technologies**	Power engine with hybrid, electric or fuel-cell technology
	Asset deal	Purchase of all the economic goods of a company
C	**Capital Employed**	Non-interest bearing assets less non-interest bearing liabilities
	Capital goods industry	Branches of industry that make products to manufacture others; for example the mechanical engineering and electro-technical industries
	Cash flow	Balance of cash inflow and outflow; key figure for assessing financing resources
	Compliance	Adherence to legal requirements and corporate guidelines
	Corporate Governance	Responsible business management
	Coverage	Regular monitoring of a company by financial analysts
D	**D & O insurance**	Covers the cost of compensation claims made against a business's directors and key managers (officers)
	DEL quote	Copper price quote (Deutsche Elektrolyt-Kupfer-Notierung = German electrolyte copper quote)
	Demographic change	Change in the age structure of a society
	Derivatives	Financial instruments whose price or value depends on the prices of other merchandise
E	**EBIT**	Earnings before interest and taxes
	EBIT margin	EBIT / sales
	Economic Value Added (EVA)	Increase in enterprise value taking the cost of capital into consideration
	EMAS	Eco-Management and Audit Scheme; an EU system for auditing the environmental management of companies
	EMEA	Europe, Middle East and Africa
	ERP System	Enterprise Ressource Planning System
F	**Factoring**	Sale of receivables
	Financial covenants	Provisions included in a loan agreement
	Forward exchange transactions	Hedging transactions to reduce the risk of exchange-rate fluctuation
	Free cash flow	Performance of operating cash flow taking capital expenditures into consideration
G	**Gearing**	Ratio of net debt to equity
	Globale trends	Future social developments
	Green Technology	Environmentally compatible and sustainable technologies for generating renewable energy as well as for reducing energy and resource consumption
H	**Hedge accounting**	Reporting of various financial instruments that are in a hedging relationship
	Hybrid cable	Cable that combines differing individual cables (e.g. power and data cables)

I	**iEVC**	illuminated Electrical Vehicle charging Cable (illumination indicates charge status for electric and hybrid vehicles)
	Impairment of non-current assets	Write-downs such as amortisation of the godwill of a subsidiary whose business prospects have worsened
	Impairment tests	Review of the value of asset items
	Interest rate swaps, collars	Interest rate hedging instruments
	Internal Control System (ICS)	Principles and procedures to ensure the efficiency of corporate governance, the reliability of accounting and adherence to pertinent legal requirements
J	**Just-in-sequence delivery**	Delivery in the required sequence
	Just-in-time delivery	Delivery in the required time
M	**Monte-Carlo simulation**	Simulation method based on multiple trial runs using random variables
N	**Net financial liabilities (Net financial debts)**	Financial liabilities less cash and cash equivalents
O	**OHSAS**	Occupational Health- and Safety Assessment Series
R	**R & D**	Research & Development
	Restructuring expenses	Spending on the reorganisation or closure of a facility; especially on severance payments
	Return on Sales	EBIT/Sales
	ROCE	Return on capital employed
S	**Scope of consolidation**	Totality of the companies that belong to a group and are included in the consolidated financial statements
	Segment	Division
	SHE	Safety, Health, Environment
	Single source supply	Sourcing from a single supplier
	Solar heat	Conversion of solar power into useable thermal energy
	Strand	Combination of a number of single wires
	SWOT	Strengths, Weaknesses, Opportunities, Threats
U	**UN Global Compact**	The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption
	Urbanisation	Increasing urban development
W	**WACC**	Weighted Average Cost of Capital
	Wiring Systems	A vehicle's network of electrical/electronic cables including components
	Working Capital	Net current assets (inventories plus trade receivables less trade liabilities)

Index of key words

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.

LEONI AG

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

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